



Weekly Economic Highlights

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Week Ending
25th August 2023

1. OVERVIEW

This report provides an analysis of the developments in the money and capital markets for the week ending 25th August 2023. The report also covers developments in mineral commodity prices, and stock markets during the week. The last section of the report presents a review of domestic currency deposit interest rates and how they can be used to influence domestic savings.

The Zimbabwe Stock Exchange (ZSE) traded in a positive trajectory for the second consecutive week. However, the Victoria Falls Stock Exchange (VEFX) traded in a negative trajectory, during the same week. The value of transactions processed through the National Payment Systems (NPS) were higher during the week under review compared to the previous week, largely reflecting increases in RTGS, POS and ATM transactions.

The deposit rates for domestic currency deposits remained largely unchanged during the week under analysis, as the policy-based minimum deposit rates also remained unchanged.

The volume and value of tobacco sales as at the end of the week under review were higher, compared to the corresponding period in 2022. The golden leaf was sold at an average price of US\$3.03 per kg, down from US\$3.06 per kg realized in the same period in 2022.

2. INTEREST RATES

Local Currency (ZWL) Deposit Rates

During the week ending 25th August 2023, minimum and maximum deposit rates for all classes of deposits were unchanged on the back of continued tight liquidity conditions in the economy.

Table 1: Average Deposit Rates (per annum)

Date	Savings deposits (%)		1- Month deposit rates (%)		3- Month deposit rates (%)		6- Month deposit rates (%)		12- Month deposit rates (%)	
	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)
04-Aug-23	34.29	36.00	59.00	69.33	57.67	69.44	59.17	68.64	59.53	68.79
11-Aug-23	34.29	35.60	59.00	69.33	57.67	69.44	59.17	68.64	59.33	68.79
18-Aug-23	34.29	35.60	59.00	70.11	57.67	70.35	59.17	68.64	59.33	68.79
25-Aug-23	34.29	35.60	59.00	70.11	57.67	70.35	59.17	68.64	59.33	68.79

Source: Reserve Bank of Zimbabwe, 2023

Local Currency Lending Rates

Minimum and maximum ZWL lending rates for individual and corporate clients registered declines during the week under analysis, which was a positive development for domestic currency borrowers. The ZWL lending rates are shown in Table 2.

Table 2: Lending Rates (per annum)

Date	Individual Clients		Corporate Clients	
	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)
28-July-23	77.82	103.56	94.80	166.24
04-Aug-23	77.59	102.81	94.41	166.02
11-Aug-23	77.70	102.85	94.39	166.34
18-Aug-23	77.83	102.86	93.46	165.81
25-Aug-23	77.63	102.79	93.18	166.18

Source: Reserve Bank of Zimbabwe, 2023

Foreign Currency (USD) Deposit Rates

During the week under review, minimum and maximum FCA deposit rates for all classes of deposits remained largely unchanged. Banks are actively taking measures to attract long term foreign currency deposits, amid firm demand for foreign currency loans by individual and corporate bank clients. The average foreign currency deposits rates for the reporting week are shown in Table 3.

Table 3: Average Foreign Currency Deposit Rates (per annum)

Date	Savings deposits (%)		1- Month deposit rates (%)		3- Month deposit rates (%)		6-Month deposit rates (%)		12- Month deposit rates (%)	
	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)
04-Aug-23	1.27	1.81	3.15	4.50	3.33	5.00	3.35	5.27	3.86	5.04
11-Aug-23	1.27	1.81	3.15	4.50	3.33	5.00	3.35	5.27	3.86	5.04
18-Aug-23	1.27	1.81	3.15	4.62	3.33	5.00	3.35	5.27	3.43	5.50
25-Aug-23	1.27	1.81	3.15	4.62	3.33	5.00	3.35	5.27	3.43	5.50

Source: Reserve Bank of Zimbabwe, 2023

Foreign Currency (USD) Lending Rates

Minimum foreign currency lending rates (FCA) for individuals fell by 0.01 percentage points, while minimum foreign currency lending rates for corporate clients remained unchanged, during the week under review. Maximum lending rates for individuals increased, while those for corporate clients were lower during the same week.

Table 4: Lending Rates (per annum)

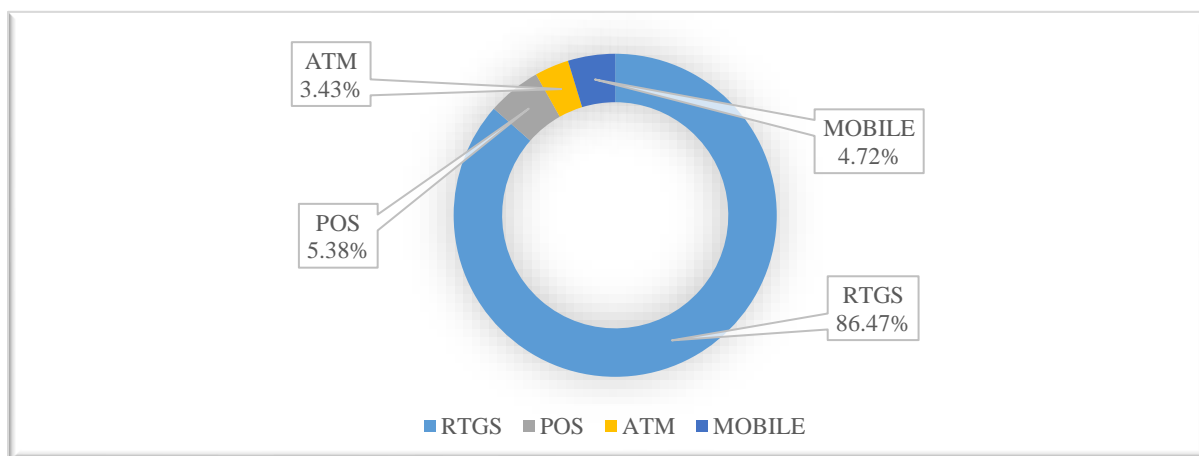
Date	Individual Clients		Corporate Clients	
	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)
21-July-23	11.33	13.06	7.97	14.35
28-Jul-23	11.32	13.09	7.97	14.19
04-Aug-23	11.32	13.09	7.98	14.61
11-Aug-23	11.30	13.14	8.02	14.33
18-Aug-23	11.29	13.15	8.03	14.38
25-Aug-23	11.28	13.19	8.03	14.36

Source: Reserve Bank of Zimbabwe, 2023

3. CLEARING AND SETTLEMENT ACTIVITY

The aggregate value of transactions processed through the National Payment Systems amounted to ZW\$4.67 trillion during the week under review, representing an increase of 26.07% from ZW\$3.70 trillion recorded in the previous week. This was underpinned by increases in transaction processed through the Real Time Gross Settlement (RTGS) system, Point of Sale, and ATMs. The NPS transaction values were distributed as shown in Figure 1.

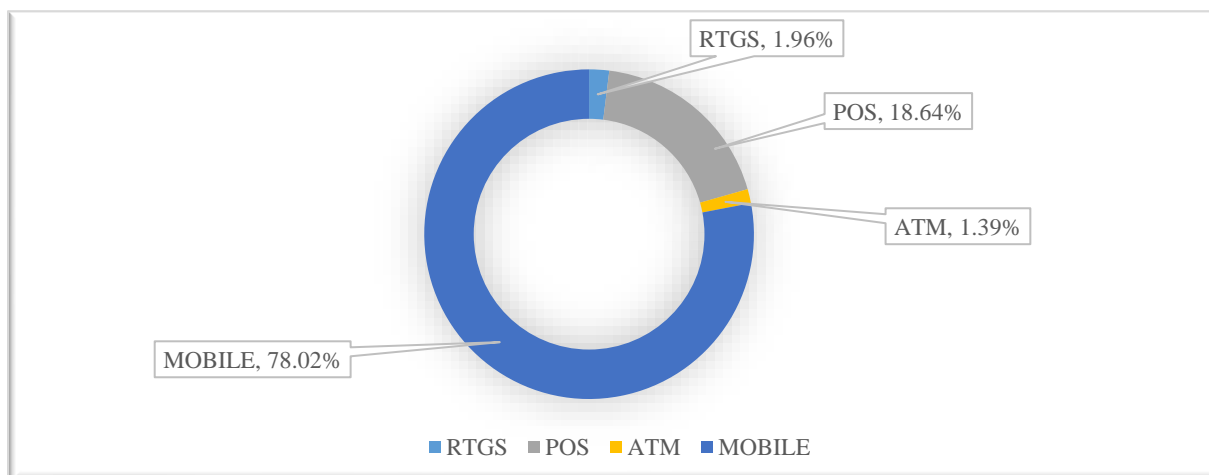
Figure 1: Composition of NPS Transactions in Value Terms



Source: Reserve Bank of Zimbabwe, 2023

The volume of transactions processed through the NPS increased by 3.53% to close at 10.12 million, during the reporting week. This was largely driven by increases in RTGS transactions volumes. The NPS transaction volumes were distributed as follows: Mobile, 78.02%; POS, 18.64%; RTGS, 1.96%; and ATM, 1.39%, as shown in Figure 2.

Figure 2: Composition of NPS Transactions in Volume Terms



Source: Reserve Bank of Zimbabwe, 2023

Table 5: National Payment Systems Activity

PAYMENT STREAM	WEEK ENDING 18 August 2023	WEEK ENDING 25 August 2023	% CHANGE FROM LAST WEEK	PROPORTION %
	Values in ZW\$ Millions			
RTGS	3,123,293.74	4,036,643,877.18	29.24%	86.47%
POS	188,993.59	251,337.94	32.99%	5.38%
ATM	135,924.88	160,201.42	17.86%	3.43%
MOBILE	254,918.61	220,301.23	-13.58%	4.72%
TOTAL	3,703,130.82	4,668,484.23	26.07%	100%
	Volumes			
RTGS	122,361	198,060	61.87%	1.96%
POS	1,636,795	1,886,843	15.28%	18.64%
ATM	112,791	140,815	24.85%	1.39%
MOBILE	7,907,018	7,898,409	-0.11%	78.02%
TOTAL	9,778,965	10,124,127	3.53%	100%

Source: Reserve Bank of Zimbabwe, 2023

4. TOBACCO SALES

During the week under review, or the 113th day of the tobacco selling season, a cumulative total of 295.78 million kilograms of tobacco had been sold, compared to a cumulative total of 206.81 million kilograms sold during the same period in 2022. The turnover realized from the sales amounted to US\$895.94 million, a 41.51% increase, compared to US\$633.13 million realized during the same period in 2022.

Table 6: Weekly Cumulative Tobacco Sales: Day 113th (25th August 2023)

	2022	2023	Variance (%)
Cumulative Quantity Sold (million kgs)	206,808,700	295,784,328	43,02
Average Price (US\$/kg)	3.06	3.03	-1.06
Cumulative value (US\$ million)	633,130,802	895,937,257	41,51

Source: Tobacco Industry and Marketing Board (TIMB), 2023

The golden leaf was sold at an average price of US\$3.03/kg, during the week under review, down from US\$3.06/kg realized during the same period in 2022.

5. INTERNATIONAL COMMODITY PRICE DEVELOPMENTS

During the week under analysis, international commodity prices for gold, platinum, palladium, copper, and nickel increased, while crude oil prices declined, as shown in Table 7.

Table 7: Metals and Crude Oil Prices: Week ending 25th August 2023

	Gold	Platinum	Palladium	Copper	Nickel	Crude Oil
2023	US\$/ounce	US\$/ounce	US\$/ounce	US\$/tonne	US\$/tonne	US\$/barrel
Weekly Average (16 - 18 Aug)	1,901.20	899.30	1,245.20	8,224.74	20,074.60	84.61
21-Aug	1,889.98	910.00	1,242.00	8,330.00	20,545.00	84.46
22-Aug	1,897.30	924.00	1,272.00	8,342.00	20,215.00	83.51
23-Aug	1,910.60	927.50	1,276.50	8,431.00	20,770.00	82.92
24-Aug	1,918.88	932.00	1,256.50	8,386.00	20,900.00	83.74
25-Aug	1,917.85	944.50	1,235.50	8,359.00	20,770.00	84.71
Weekly Average (21 - 25 Aug)	1,906.92	927.60	1,256.50	8,369.60	20,640.00	83.87
<i>Weekly Change (%)</i>	<i>0.30</i>	<i>3.15</i>	<i>0.91</i>	<i>1.76</i>	<i>2.82</i>	<i>-0.87</i>

Source: BBC, KITCO and Bloomberg 2023

Gold

Gold prices increased by 0.30% to US\$1,906.92 per ounce from US\$1,901.20 per ounce reported in the previous week. The price increase was mainly driven by supply constraints and strong demand for the yellow metal as a safe haven asset.

Platinum

Platinum prices increased by 3.15%, from a weekly average of US\$899.30 per ounce in the previous week to US\$927.60 per ounce, during the reporting week. The prices exhibited a bullish trading pattern on account of robust demand from China, the world's largest metal consumer.

Palladium

Palladium prices rose by 0.91%, from a weekly average of US\$1,245.20 per ounce in the previous week to US\$1,256.50 per ounce, during the week under review. The increase was mainly attributable to strong demand from the electronics and automotive industries.

Copper

Copper prices increased by 1.76% to an average of US\$8,369.60 per tonne, during the week under analysis, from an average of US\$8,224.74 per tonne recorded in the previous week. This was premised on Chinese policy support and hopes of improving demand for the metal in the coming months.

Nickel

During the week ending 25th August 2023, nickel prices rebounded by 2.82% to close at US\$20,640.00 per tonne, from US\$20,074.60 per tonne reported in the prior week. Prices increased on account of improved demand for the metal.

Brent Crude Oil

Brent crude oil prices weakened by 0.87%, from US\$84.61 per barrel in the prior week to US\$83.87 per barrel during the reporting week. The decline was mainly due to weakening demand, driven by moderating manufacturing activity in the United States and Europe.

Exchange Rate Developments

Interbank Market

During the week under review, the Zimbabwe dollar (ZW\$) appreciated by 0.01% on the interbank market, from an average of ZW\$4,569.46 per US\$1 in the previous week to ZW\$4,568.93 per US\$1, as shown in Table 2. The appreciation, which was in line with the exchange rate correction towards equilibrium, followed the current tight monetary policy stance pursued by the Central Bank.

Table 8: Selected Exchange Rates (ZW\$ per unit of foreign currency)

2023	USD	ZAR	GBP	BWP	EURO
Weekly Average (16- 18 August)	4,569.4627	240.9639	5,813.2296	335.4749	4,974.6189
21-Aug	4,571.2998	240.9639	5,822.0613	336.9856	4,974.0852
22-Aug	4,568.3853	240.9639	5,833.8816	336.5018	4,983.6783
24-Aug	4,569.2530	246.9136	5,814.4279	340.6779	4,968.6592
25-Aug	4,566.7928	243.9024	5,740.2433	336.3836	4,924.4251
Weekly Average (21- 25 August)	4,568.9327	243.1859	5,802.6535	337.6372	4,962.7119
<i>Appr (-)/Depr (+) (%) of the ZWL</i>	<i>-0.01</i>	<i>0.9</i>	<i>-0.2</i>	<i>0.6</i>	<i>-0.2</i>

Source: Reserve Bank of Zimbabwe, 2023

6. EQUITY MARKETS

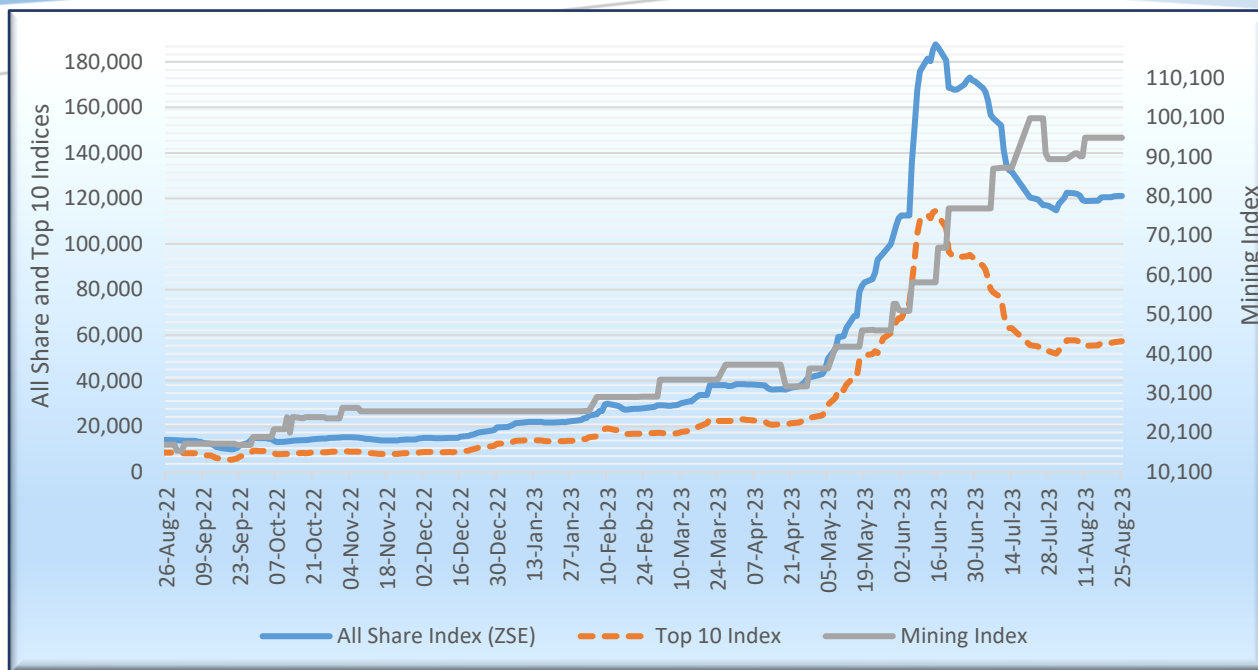
During the week ending 25th August 2023, the Zimbabwe Stock Exchange (ZSE) traded positively for the second consecutive week, while bearish sentiments characterized the Victoria Falls Stock Exchange (VFEX). As a result, the ZSE All Share index gained by 0.52% to close at 121 130.97 points. The VFEX All Share index lost 0.63% to close the week under review at 70.81 points.

Zimbabwe Stock Exchange (ZSE) Developments

The Top 10 and Top 15 indices gained 1.45% and 1.80% to close at 57 327.76 points and 78 455.59 points, compared to previous week positions of 56 507.49 points and 77 070.41 points, respectively. The resource index remained unchanged at 94 942.74 points, during the week under analysis.

Figure 3 shows developments on the ZSE's All Share, Top 10 and mining indices for the period from 26th August 2022 to 25th August 2023.

Figure 3: ZSE All Share, Top 10 and Mining Indices



Source: Zimbabwe Stock Exchange, 2023

The increase in the mainstream index was attributed to share price gains in Afdis Limited (12.50%), Amalgamated Regional Trading (ART) Holdings Limited (10.87%), Rainbow Tourism Group Limited (5.61%), Nampak Zimbabwe Limited (5.00%) and CBZ Holdings Limited (3.88%).

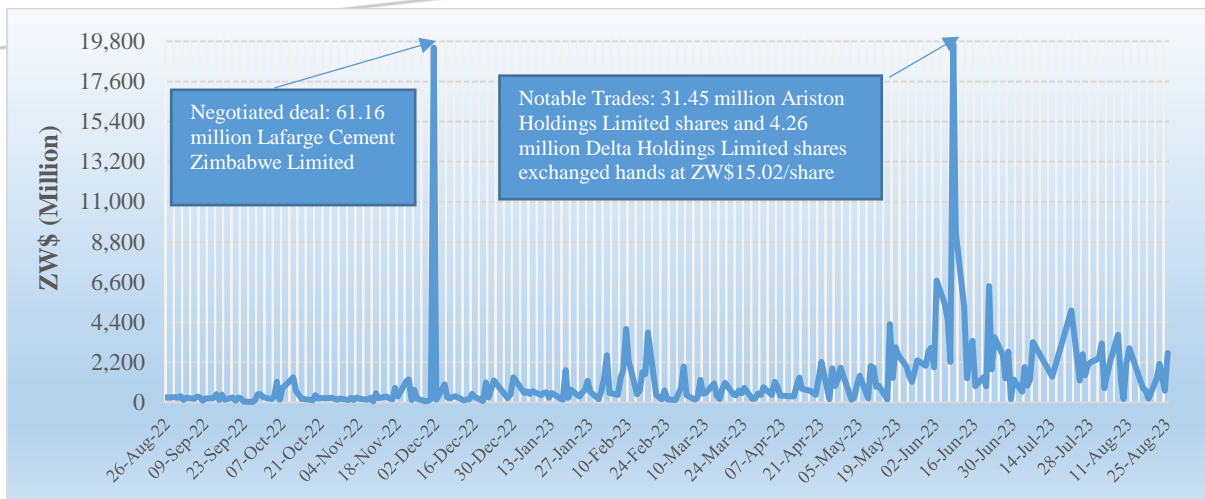
Partially offsetting the aforementioned gains were losses in the share prices of Masimba Holdings Limited (42.39%), First Mutual Holdings Limited (14.29%), SeedCo Limited (3.41%), Ecocash Holdings Zimbabwe Limited (3.02%) and Star Africa Corporation Limited (2.55%).

Market Turnover

The cumulative volume and value of shares traded on the ZSE increased by 1 149.49% and 311.82% to 35.86 million shares and ZW\$6 798.06 million, compared to 2.87 million shares and ZW\$1 650.75 million recorded in the prior week, respectively. The surge in market turnover was largely informed by a negotiated deal in which 22.10 million Turnall Holding Limited shares exchanged hands at ZW\$14.00 per share during the week.

Figure 4 shows the trend in daily market turnover for the period 26th August 2022 to 25th August 2023.

Figure 4: ZSE Market Turnover



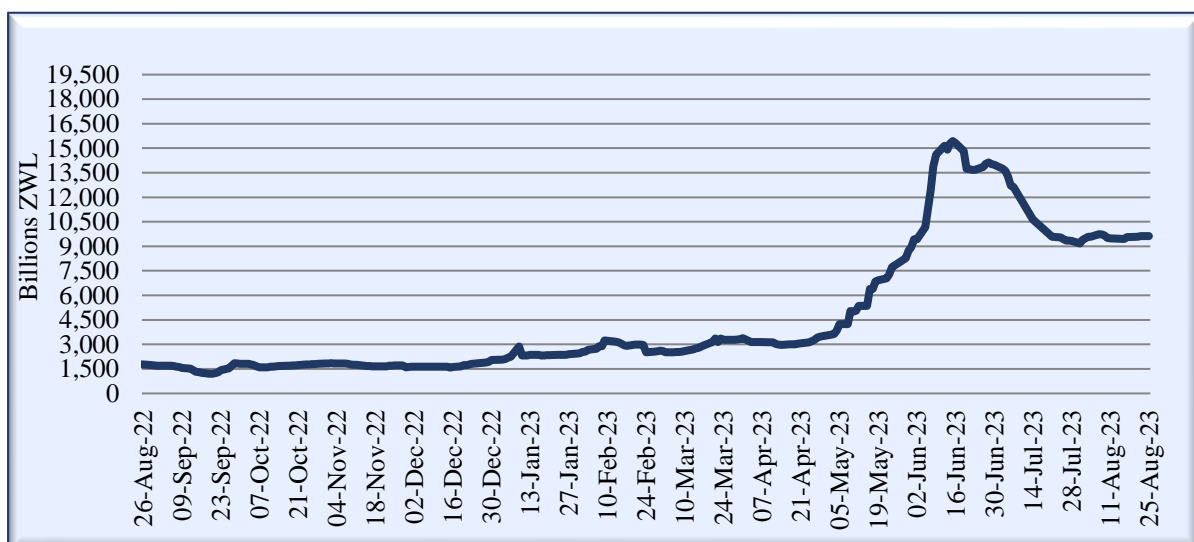
Source: Zimbabwe Stock Exchange, 2023

Market Capitalization

Owing to improved trading activity on the ZSE during the week under review, the market gained 0.52%, or ZW\$50.15 billion worth of capitalization to close at ZW\$9 618.77 billion, compared to ZW\$9 568.62 billion recorded in the previous week.

Figure 5 shows the evolution of market capitalization for the period from 26th August 2022 to 25th August 2023.

Figure 5: Market Capitalization



Source: Zimbabwe Stock Exchange, 2023

Victoria Falls Stock Exchange (VFEX) Developments

The decline in the VFEX mainstream index was a result of share price decreases in Africa Sun Limited (17.89%), Zimplot Holdings Limited (2.26%), First Capital Bank Limited (1.42%) and Padenga Holdings Limited (0.56%). Partially offsetting the abovementioned declines were increases in the share prices of Inncor Africa Limited (1.00%) and Simbisa Brands Limited (0.73%).

VFEX Market Turnover

The cumulative volume and value of shares traded on the VFEX increased by 16.70% and 45.25% to 0.75 million shares and US\$0.17 million, respectively. This compares to 0.64 million shares and US\$0.12 million, recorded in the previous week, respectively.

VFEX Market Capitalization

Reflecting the negative momentum on the VFEX during the week under analysis, the market lost 0.62% worth of capitalization to close at US\$1.21 billion, compared to US\$1.22 billion recorded in the previous week.

Figure 6 shows the trend in the VFEX All Share Index (ASI) for the period from 26th August 2022 to 25th August 2023

Figure 6: VFEX All Share Index



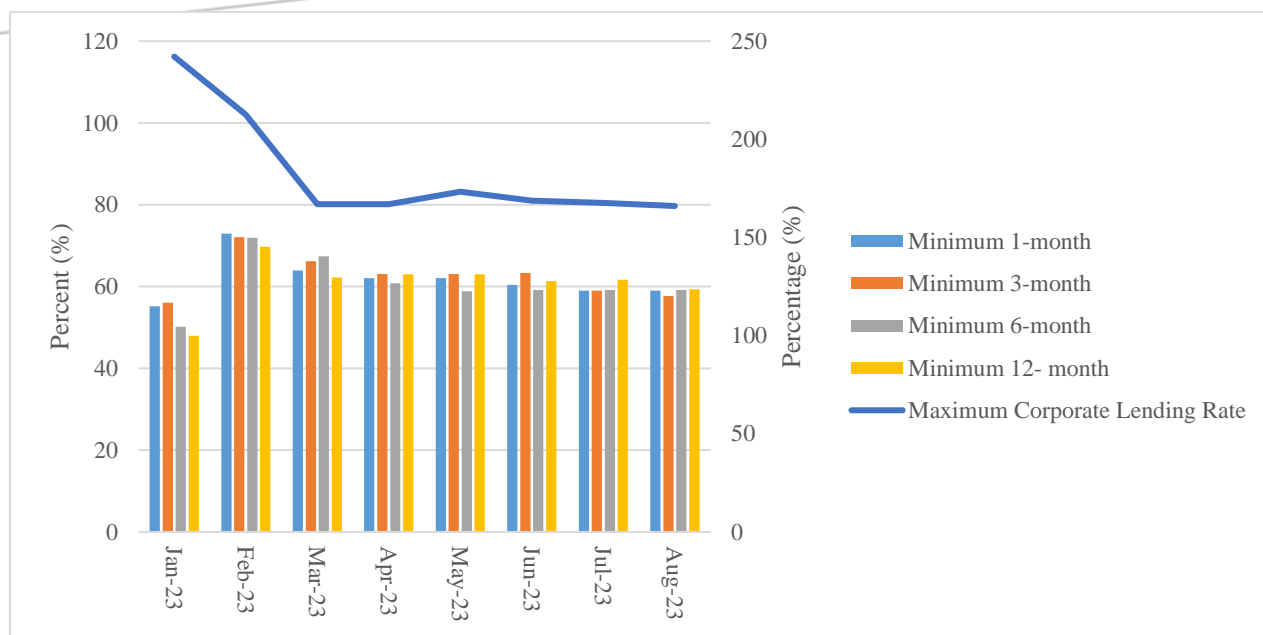
Source: Victoria Falls Stock Exchange (VFEX), 2023

7. BANK DEPOSIT INTEREST RATES AND SAVINGS

The net interest margin, defined as the margin between the lending and deposit rates of a bank is a key indicator of financial sector competition and scope of financial intermediation by the banks, with a high margin usually associated with limited sector competition, while a low margin indicates higher competition among the banks. A competitive banking sector is key for smooth financial intermediation and growth of the economy. Thus, low deposit rates relative to other account-based bank charges and inflation, widens the bank interest rate margins between deposit and lending rates and discourages savings mobilization, especially long terms savings. This negates the country's current and future growth potential. Similarly, a high interest rate margin resulting from excessively high bank lending rates in relation to the deposit rates and the average investment return in the economy discourages borrowing and bank credit.

In the presence of market failures due to lack of bank competition or low bank appetite for the domestic currency, the Reserve Bank of Zimbabwe has, from time to time, been pronouncing minimum deposit rates on both short and long-term deposits to encourage savings mobilization and deeper financial intermediation. The policy pronouncements on the deposit rates have been a positive policy tool for influencing returns on deposits. Thus, the Reserve Bank concomitantly raised the deposit rates on ZWL savings and time deposits to 40% and 80% alongside the review of the policy interest rate to 200% in July 2022. The increases were in line with prevailing inflation developments and cushioned depositors against loss of real value on deposits through inflation. The minimum savings and time deposit rates were subsequently reviewed downwards to 30% and 50%, starting from the 1st of February 2023, also in line with prevailing and expected inflation developments.

Figure 6: Average Lending Rates (RHS) and 90 Day Deposit Rates (LHS)



However, despite the direct interventions by the central bank to influence deposit rates in the evidently prevailing market failures, banks do not seem to utilize this important interest rate tool to influence both the level and term structure of domestic currency deposits. Figure 7 cross plots the monthly average deposit interest rates on savings and deposits of maturity ranges from one-month to 12-month deposits and the maximum corporate lending interest rates.

The figure shows at least three distinctive aspects of the market. The reviews on the deposit rates represent pronouncements on the minimum deposit rates by the central bank, the presence of appetite by banks to mobilize savings for on-lending, which should compel them to put a further margin on the policy-based deposit rates. Thus, while the current minimum deposit rate required by policy on time deposits is 50% per annum, banks offer up to 60% per annum for the 12-month deposits compared to a maximum of close to 75% in February 2023. However, the average margin between the deposit rates and maximum lending rates have remained wide despite the fall between January and March 2023. The wide interest rate margin reflects the current global trends wherein banks are increasingly relying more on non-interest income and less on intermediated income through savings mobilization and on-lending; a development, which is regressive and counter intuitive, regarding the promotion of sustainable growth. The wide margin suggests the presence of significant capacity and scope for the banks to further attract and mobilize savings and promote industry activity.

Figure 7 also shows lack of a distinct or pronounced relationship between the maturity profiles of bank deposits and the deposit interest rates on the respective maturities. Long term sustainable investment and growth requires long term financing and savings. In this respect, banks should offer higher deposit interest rates on longer term deposits consistent with the Reserve Bank's policy requirements of deposits rates of 30% and 50% per annum for savings and time deposits, respectively. In this regard, banks are encouraged to promote a culture of long-term savings needed to sustain long term investment and growth by offering deposit rates that are aligned to both the current inflation developments and the maturity profile of the deposits.

RESERVE BANK OF ZIMBABWE

APPENDIX 1: FOREIGN EXCHANGE AUCTION RESULTS FOR MAINFX¹ AND WHOLESALFX²

	WHOLESALFX			
	01-August-23	03- Aug-23	08-Aug-23	16-Aug-23
Total Bids (US\$ dollars)	17,076,095.00	13,823,820.00	17,518,500.00	18,854,776.00
Amount Allotted (US\$ dollars)	15,969,095.56	12,498,820.00	17,518,500.00	18,854,776.00
Highest Rate	4,570.00	4,573.00	4,584.45	4,600.00
Lowest Bid Rate	4,515.00	4,535.00	4,550.00	4,559.00
Lowest Bid Rate Allotted	4,515.00	4,535.00	4,550.00	4,559.00
Weighted Average Rate	4,542.37	4,556.16	4,559.74	4,577.50
Number of Bids Received	15	13	16	13
Number of Bids Rejected	0	0	0	0

Source: Reserve Bank of Zimbabwe, 2023

¹ Main Foreign Currency Auction. The Auction is normally conducted every Tuesday every week.

² Wholesale Foreign Currency Auction (Wholesale FX). The RBZ MPC resolutions dated 6 June 2023 resolved that with effect from 7 June 2023, the Bank shall sell foreign currency at the market-determined exchange rate through banks to support and strengthen the foreign exchange interbank market, and banks shall in turn sell the foreign currency to their customers.

APPENDIX 2: SUMMARY OF FOREIGN CURRENCY AUCTION ALLOTMENTS BY PURPOSE

Purpose	MAINFX			
	18-July-23	25-July-23	01-Aug-23	08-Aug-23
Raw Materials	88,053.07	179,672.32	128,132.37	308,170.98
Machinery and Equipment	222,278.65	96,841.77	232,872.55	287,094.68
Consumables (Incl. Spares, Tyres, Packaging)	33,459.80	18,497.02	-	2,120.64
Pharmaceuticals and Chemicals	-	46,093.30	-	-
Services (Loans, Dividends and Disinvestments)	198,688.63	210,545.60	69,961.27	232,795.36
Retail and Distribution	-	50,000.00	49,618.06	54,648.06
Fuel, Electricity and Gas	-	-	-	-
Paper and Packaging	-	-	17,308.81	-
TOTAL	542,480.15	601,650.01	497,893.08	884,829.72

Source: Reserve Bank of Zimbabwe, 2023