



Weekly Economic Highlights

TABLE OF CONTENTS

1. OVERVIEW.....	1
2. INTEREST RATES.....	1
3. CLEARING AND SETTLEMENT ACTIVITY.....	3
4. TOBACCO SALES.....	5
5. INTERNATIONAL COMMODITY PRICE DEVELOPMENTS.....	5
6. EQUITY MARKETS.....	7
7. GREEDFLATION AND IMPLICATIONS ON DOMESTIC INFLATION.....	11

Week Ending
21st July 2023

1. OVERVIEW

This report provides an analysis of the developments in the money and capital markets for the week ending 21st July 2023. The report also covers developments in the tobacco, mineral commodities, and stock markets during the week. The last section of the report presents a review of Greedflation and its implications on domestic inflation.

The Zimbabwe Stock Exchange (ZSE) and the Victoria Falls Stock Exchange (VEFX) exhibited negative sentiments during the week under review. The value of transactions processed through the National Payment System (NPS) was higher during the week under analysis, largely reflecting increases in RTGS transactions.

The deposit rates for the domestic currency deposits remained unchanged, while the performance of ZWL lending rates for loans to individuals and corporates was mixed during the week under analysis. 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. Prices of the golden leaf were, however, lower during the same period.

2. INTEREST RATES

Local Currency (ZWL) Deposit Rates

Minimum and maximum ZWL deposit rates for savings deposits and deposits rates for 1-month, 6-month and 12-month tenor remained largely unchanged, during the week under review. Minimum deposits rates for deposits of 3-month tenor were, however, marginally lower during the same period. Commercial banks continued to offer high deposit rates for long-term deposits as banks seek to encourage long-term deposits amid higher demand for local currency credit.

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 (%)
30-Jun-23	34.67	33.86	59.00	69.17	59.00	68.00	59.17	68.64	61.64	66.00
7-Jul-23	35.00	33.86	59.00	68.06	59.00	68.00	59.17	68.64	61.64	66.00
14-Jul-23	34.29	33.14	59.00	69.33	59.53	67.89	59.17	68.64	61.64	66.00
21-Jul-23	34.29	33.14	59.00	69.33	59.22	67.89	59.17	68.64	61.64	66.00

Source: Reserve Bank of Zimbabwe, 2023

Local Currency Lending Rates

The minimum ZWL lending rates for both corporate and individual clients increased during the period of analysis. Maximum ZWL lending rates for both individual and corporate clients registered a marginal decrease. The downward adjustments in maximum lending rates for corporates are likely to continue, boosting borrowing by firms, amid prevailing tight liquidity conditions in the market. The ZWL lending rates are shown in Table 2.

Table 2: Lending Rates (per annum)

Date	Individual Clients		Corporate Clients	
	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)
23-Jun-23	76.22	103.85	92.19	167.80
30-Jun-23	76.33	103.82	92.64	168.45
7-July-23	75.87	104.03	93.19	167.52
14-July-23	76.65	104.13	93.30	167.36
21-Jul-23	77.80	104.12	94.60	167.29

Source: Reserve Bank of Zimbabwe, 2023

Foreign Currency (USD) Deposit Rates

The minimum and maximum savings and deposits rates on foreign currency deposits for all tenors remained largely unchanged, during the week under review. The average foreign currency deposits rates for all tenors 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 (%)
30-June-23	1.27	1.81	3.19	4.50	3.36	5.00	3.35	5.27	3.43	5.50
7-July-23	1.27	1.81	3.15	4.50	3.36	5.00	3.35	5.27	3.43	5.50
14-July-23	1.27	1.81	3.15	4.50	3.36	5.00	3.35	5.27	3.43	5.50
21-Jul-23	1.27	1.81	3.15	4.50	3.36	5.00	3.35	5.27	3.43	5.50

Source: Reserve Bank of Zimbabwe, 2023

Foreign Currency (USD) Lending Rates

Minimum and Maximum foreign currency (FCA) lending rates for both individual and corporate clients declined marginally, during the week ending 21st July 2023. The reduction in FCA lending rates for individual and corporate clients is a positive development for corporate and individual clients as it encourages borrowing to boost production in the economy.

Table 4: Lending Rates (per annum)

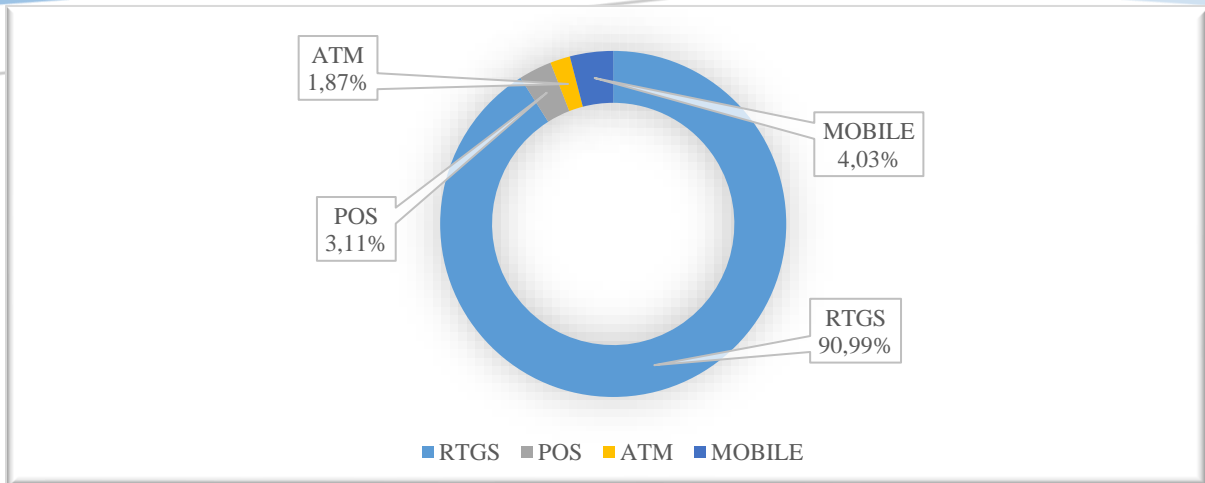
Date	Individual Clients		Corporate Clients	
	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)
16-Jun-23	11.51	13.06	8.03	14.19
23-Jun-23	11.35	13.06	8.02	14.31
30-Jun-23	11.33	13.09	8.05	14.39
7-July-23	11.38	13.06	8.01	14.35
14-July-23	11.35	13.07	7.99	14.36
21-Jul-23	11.33	13.06	7.97	14.35

Source: Reserve Bank of Zimbabwe, 2023

3. CLEARING AND SETTLEMENT ACTIVITY

The value of transactions processed through the National Payment System (NPS) increased from ZW\$5.01 trillion in the previous week to ZW\$5.64 trillion, during the week under analysis. The Real Time Gross Settlement RTGS transaction values were 18% higher to close at ZW\$5.14 trillion, during the week under analysis. The value of NPS transactions during the week were distributed as shown in Figure 1.

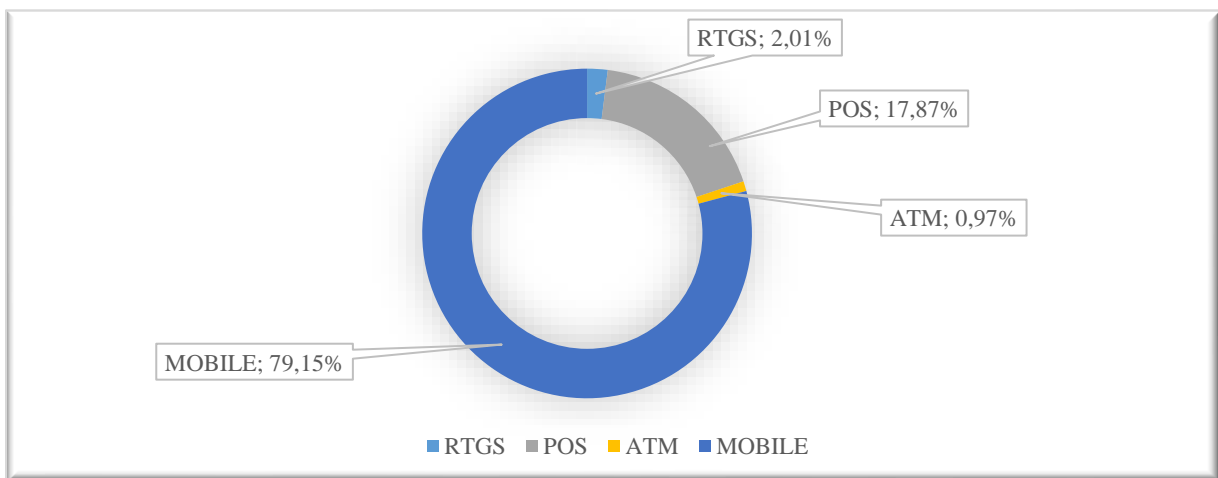
Figure 1: Composition of NPS Transactions in Value Terms



Source: Reserve Bank of Zimbabwe, 2023

During the week under review, the volume of transactions processed through the NPS declined by 16.19% to close at 8.52 million. This largely reflected increases in RTGS transaction volumes. The NPS transaction volumes were distributed as follows: Mobile, 79.15%; POS, 17.87%; RTGS, 2.01%; and ATM, 0.97%, 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 14 July 2023	WEEK ENDING 21 July 2023	% CHANGE FROM LAST WEEK	PROPORTION %
	Values in ZW\$ Millions			
RTGS	4,343,237.90	5,135,854.23	18.25%	90.99%
POS	221,747.77	175,482.76	-20.86%	3.11%
ATM	135,540.67	105,455.17	-22.20%	1.87%
MOBILE	308,482.03	227,744.32	-26.17%	4.03%
TOTAL	5,009,008.38	5,644,536.48	12.69%	100%
	Volumes			
RTGS	163,962	171,607	4.66%	2.01%
POS	1,606,023	1,523,452	-5.14%	17.87%
ATM	105,122	82,260	-21.75%	0.97%
MOBILE	8,294,486	6,745,706	-18.67%	79.15%
TOTAL	10,169,593	8,523,025	-16.19%	100%

Source: Reserve Bank of Zimbabwe, 2023

4. TOBACCO SALES

As at the 21st of July 2023, or the 93rd day of the tobacco selling season, a cumulative total of 291.81 million kilograms of tobacco had been sold, compared to a cumulative total of 199.86 million kilograms sold during the same period in 2022. The turnover realized from the sales amounted to US\$884.42 million, a 44.9% increase, compared to US\$610.50 million realized during the same period in 2022.

Table 6: Weekly Cumulative Tobacco Sales: Day 93 (21st July 2023)

	2022	2023	Variance (%)
Cumulative Quantity Sold (million kgs)	199,863,657	291,809,894	46.00
Average Price (US\$/kg)	3.05	3.03	-0.78
Cumulative value (US\$ million)	610,497,401	884,424,807	44.87

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

The golden leaf was sold at a lower average price of US\$3.03/kg, during the week under review, down from US\$3.05/kg realized during the same period in 2022.

5. INTERNATIONAL COMMODITY PRICE DEVELOPMENTS

Average international prices for gold, platinum, palladium and crude oil rose, while copper and nickel prices retreated, during the week under review. Table 7 shows developments in prices for selected commodities, during the week under review.

Table 7: Metals and Crude Oil Prices: Week ending 21st July 2023

	Gold	Platinum	Palladium	Copper	Nickel	Crude Oil
2023	US\$/ounce	US\$/ounce	US\$/ounce	US\$/tonne	US\$/tonne	US\$/barrel
Weekly Average (10- 14 July)	1,943.49	944.20	1,258.70	8,529.80	21,238.00	79.69
17-July	1,952.33	971.00	1,268.00	8,494.50	21,135.00	78.70
18-July	1,968.48	985.00	1,311.00	8,436.00	20,950.00	79.68
19-July	1,976.75	986.50	1,316.50	8,485.00	21,550.00	79.42
20-July	1,978.80	972.50	1,301.50	8,480.00	21,305.00	80.29
21-July	1,962.20	960.50	1,290.50	8,434.00	21,095.00	80.90
Weekly Average (17- 21 July)	1,967.71	975.10	1,297.50	8,465.90	21,207.00	79.80
Weekly Change (%)	<i>1.25</i>	<i>3.27</i>	<i>3.08</i>	<i>-0.75</i>	<i>-0.15</i>	<i>0.13</i>

Source: BBC, KITCO and Bloomberg 2023

Gold

Gold prices continued on a positive momentum, rising by 1.25%, to US\$1,967.71 per ounce during the week ending 21st July 2023. The persistent uncertainty surrounding central bank monetary policies and the persistent concern over inflation, contributed to a steady but cautious investor sentiment, prompting some to turn to gold as a safe haven asset.

Platinum

Platinum prices surged by 3.27%, from a weekly average of US\$944.20 per ounce in the prior week to US\$975.10 per ounce, during the reporting week. Prices increased in response to a weaker U.S. dollar and expectations that the Federal Reserve would end its interest rate hiking cycle.

Palladium

Palladium prices rose by 3.08%, from a weekly average of US\$1,258.70 per ounce in the previous week to US\$1,297.50 per ounce, during the week under analysis. Prices were boosted chiefly by a weaker U.S. dollar.

Copper

Copper prices eased by 0.75%, from an average of US\$8,529.80 per tonne in the previous week to US\$8,465.90 per tonne, during the week ending 21st July 2023. The prices were weighed down by the gradual slowing down in the pace of economic recovery in China, the top consumer of metals.

Nickel

Nickel prices declined by 0.15%, from a weekly average of US\$21,238.00 per tonne in the prior week to US\$21,207.00 per tonne, during the reporting week. Prices were pulled back by the bearish overall macro sentiment in China, which limited support for industrial metals.

Brent Crude Oil

During the week ending 21st July 2023, average prices for crude oil increased by 0.13% to US\$79.80 per barrel, from US\$79.69 per barrel recorded in the previous week. Prices continued rising, buoyed by the growing evidence of supply shortages in the coming months and rising tensions between Russia and Ukraine.

Exchange Rate Developments

Interbank Market

The Zimbabwe dollar (ZW\$) appreciated by 6.8% on the interbank market, from an average of ZW\$5,111.28 per US\$1 in the previous week to ZW\$4,764.23 per US\$1, during the week under review. Table 8 shows selected foreign currency exchange rates.

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

2023	USD	ZAR	GBP	BWP	EURO
Weekly Average (10- 14 July)	5,111.2780	280.1690	6,620.3339	383.5115	6,857.9754
17-July	4,883.8208	270.2703	6,393.4241	372.1901	5,483.5826
18-July	4,876.2022	273.9726	6,386.3941	371.3468	5,489.8963
19-July	4,771.3854	270.2703	6,213.3422	365.5543	5,356.8785
20-July	4,752.2714	266.6667	6,144.4590	362.1819	5,329.7116
21-July	4,537.4909	256.4103	5,841.8253	345.8222	5,053.9010
Weekly Average (17 -21 July)	4,764.2341	267.5180	6,195.8889	363.4191	5,342.7940
<i>Appr (-)/Depr (+) (%) of the ZWL</i>	-6.8	-4.5	-6.4	-5.2	-5.6

Source: Reserve Bank of Zimbabwe, 2023

6. EQUITY MARKETS

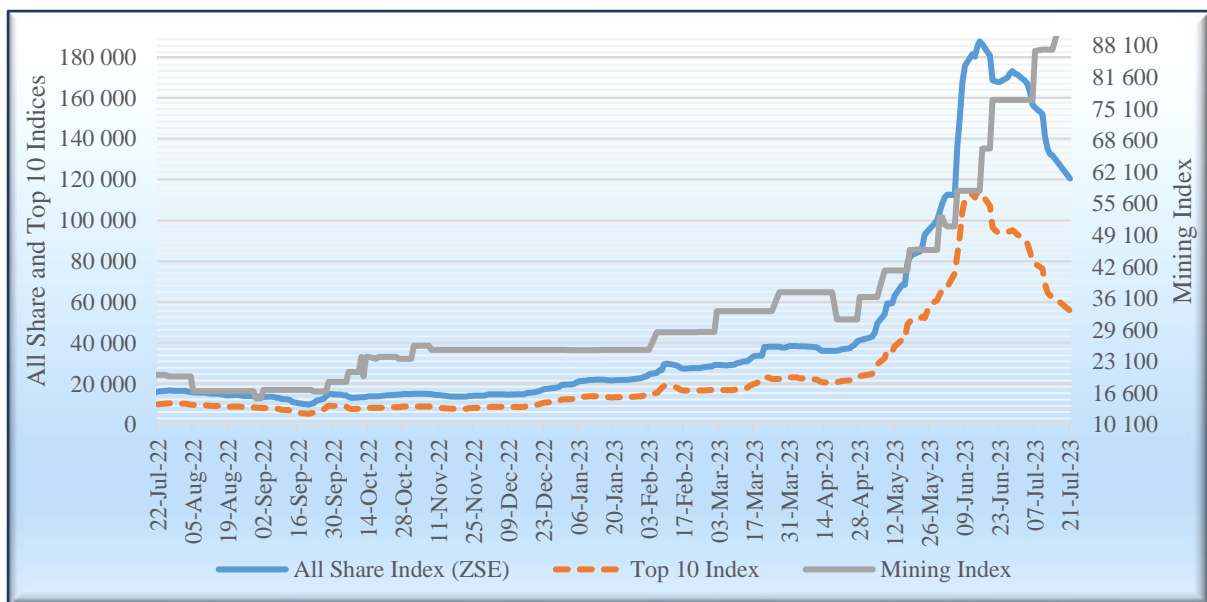
During the week ending 21st July 2023, both the Zimbabwe Stock Exchange (ZSE) and the Victoria Stock Exchange (VFEX) traded in a negative trajectory. This was, in part, on account of tight liquidity conditions in the market. As such, the ZSE and VFEX All Share indices lost 8.63% and 3.22% to close the week at 120 454.28 points and 71.05 points, respectively.

Zimbabwe Stock Exchange (ZSE) Developments

The Top 10, Top 15, Medium and Small Cap indices declined by 11.82%, 9.88%, 2.46% and 2.24% to 55 695.42 points, 77 666.80 points, 443 209.79 points and 2 111 765.23 points, respectively. The resource index, however, gained 14.39% to close the week at 99 881.72 points, compared to 87 315.32 points recorded in the previous week.

Figure 3 shows developments on the ZSE's All Share, Top 10 and Mining indices from 22nd July 2022 to 21st July 2023.

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



Source: Zimbabwe Stock Exchange, 2023

The decline in the mainstream index emanated from losses in share prices of OK Zimbabwe Limited (22.02%), First Mutual Holdings Limited (20.00%), Zimre Holdings Limited (17.65%), Ecocash Holdings Zimbabwe Limited (16.49%) and Delta Corporation Limited (16.38%).

Partially offsetting the abovementioned losses were share price increases for Rainbow Tourism Group Limited (15.62%), First Mutual Properties Limited (13.07%), TSL Limited (12.96%), Mashonaland Holdings Limited (9.52%) and Fidelity Life Assurance Limited (5.05%). The

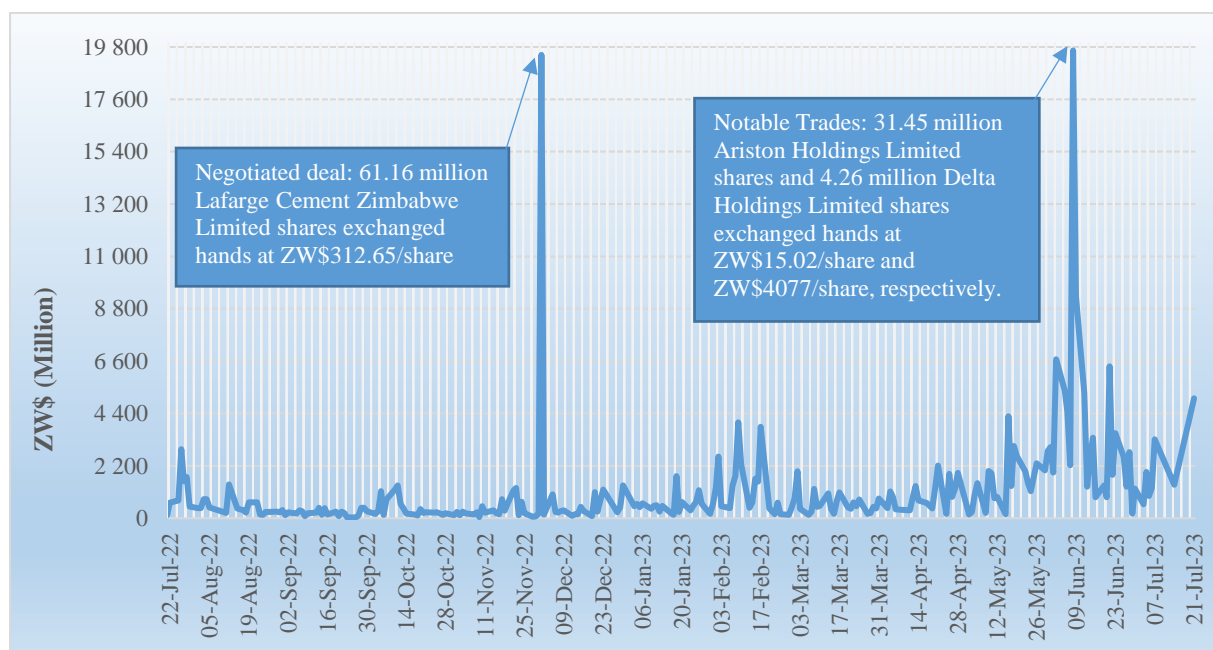
increase in the resource index emanated from a 14.39% gain in the RioZim Limited counter, during the week under analysis.

Market Turnover

The cumulative value of shares traded on the ZSE increased by 34.64% to ZW\$11 910.48 million, compared to ZW\$8 846.24 billion recorded in the prior week. In the same vein, cumulative volumes of shares traded amounted to 28.49 million shares, representing an increase of 18.04% compared to 24.14 million shares recorded in the previous week.

Figure 4 shows the trend in daily market turnover for the period from 22nd July 2023 to 21st July 2023.

Figure 4: Market Turnover



Source: Zimbabwe Stock Exchange, 2023

Market Capitalisation

Reflecting the bearish sentiments on the ZSE during the week under review, the market lost 9.85%, or ZW\$1 047.48 billion worth of capitalization to close at ZW\$9 591.31 billion, compared to ZW\$10 638.80 billion registered in the previous week. Figure 5 shows the evolution of market capitalization for the period from 22nd July 2022 to 21st July 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 declines for African Sun Limited (13.55%), Simbisa Brands Limited (10.37%), Padenga Holdings Limited (6.24%), Inncor African Limited (3.00%) and SeedCo International VX (1.70%). Partially offsetting the abovementioned losses was an increase in the share price of Bindura Nickel Corporation (BNC) (40.78%) and Axia Corporation Limited (1.39%) counters.

VFEX Market Turnover

The cumulative volume and value of shares traded on the VFEX declined by 70.61% and 64.96% to 1.16 million shares and ZW\$0.34 million, respectively

VFEX Market Capitalization

Reflecting the negative trading on the VFEX during the week under analysis, the market lost 1.97% worth of capitalization to close at US\$1.21 billion, compared to US\$1.24 billion registered in the prior week.

Figure 6 shows the trend in the VFEX All Share Index for the period from 22nd July 2022 to 21st July 2023.

Figure 6: VFEX All Share Index



Source: Victoria Falls Stock Exchange (VFEX), 2023

7. GREEDFLATION AND IMPLICATIONS ON DOMESTIC INFLATION

Zimbabwe witnessed increased inflationary pressures in May and June 2023 driven primarily by behavioural factors as opposed to the common aggregate demand and supply side factors. Some Firms took advantage of the transitory exchange rate volatility witnessed during the same period to unjustifiably increase prices under the guise of cushioning themselves against potential exchange losses. Of particular concern was the fact that the price adjustments were not in sync with the observed degree of exchange rate depreciation on both the parallel and official markets but the quest to maximize profits.

This phenomenon of increasing prices in pursuit of maximizing corporate profits has become a recent concern in inflation dynamics in most economies and is termed greedflation. Precisely, greedflation is a situation where the increase in inflation is driven by corporate greed. It is characterised by a profit-price spiral where companies exploit inflation developments by concomitantly raising prices to drive up their profit margins. This suggests that the rising costs of goods and services observed in consumer prices are not only due to increases in the cost of

inputs such as labour and raw materials but are also explained in part by the pricing behaviour of companies.

Greedflation is more common where companies enjoy near-monopoly power or dominant market positions in their industries. These structures give companies considerable control over pricing and consumers have little choice but to bear the higher costs of goods and services given the limited availability of substitutes. This lack of competition can exacerbate inflationary pressures caused by corporate greed, leading to even higher consumer prices where demand remains elevated regardless of increases in prices. Aggregate demand has remained elevated in most countries reflecting pent up demand from Covid-19 and this has allowed companies to sustain higher profits.

Greedflation tendencies have been observed globally in recent times as Advanced economies including the United States of America, the European bloc and the United Kingdom experienced their highest levels of inflation since the 1980s. Recent developments on the inflation front in both advanced and emerging market economies have shown that the rise in general prices was more persistent than originally thought. One factor that could explain this, is the behaviour of corporates. Particularly the market structures of their industries, resultant pricing behaviour and pursuit of super-normal profits.

For example, the IMF highlighted that more than half of Europe's inflation over the past two years has been a result of companies profiteering. According to the IMF calculations corporate profits accounted for 45% of price increases since the beginning of 2022. In addition, Cristine Lagarde, the President of the European Central Bank (ECB), highlighted that 'firms have been able to increase their profit margins on the back of mismatches between supply and demand, and the uncertainty created by high and volatile inflation'. ECB data has shown that inflation was being driven by an increase in firm profits, indicating that the increase in energy costs from the Russia-Ukraine conflict could have provided cover to prop up profit margins.

Zimbabwe may be experiencing a similar trend as advanced economies albeit in different economic circumstances. Average profit margins for the select companies in the retail, beverages and manufacturing sector in the country were stable below 30% from 2011 to 2016. However, average profit margins rose above 30% in 2018 and reached 57% by 2022 for some companies, a period where inflation reached its highest levels in a decade and currency reforms drove volatility in the exchange rate.

Consistent with the characteristics of greedflation these dynamics reflect the tendency to engage in forward pricing as companies in Zimbabwe are raising prices higher than the underlying costs they are facing, particularly during periods of increased exchange rate volatility. This profit-price spiral has an overall negative impact on the general price level in the economy, and points to the role of corporate greed in stoking inflationary pressures in the domestic economy.

The bold policy measures announced by the Bank and Government for tackling the transitory price and exchange rate volatility in May and June 2023 have gone a long way in fostering exchange rate stability in the economy. This has brought normalcy in the price and exchange rate dynamics in the economy. Precisely, the wholesale auction system is exerting a dual effect of mopping up excess liquidity and re-establishing the optimal mix of the dual currencies, thus sustaining the current exchange rate and price stability.

These measures have seen substantial correction in the exchange rate which had overshoot its equilibrium, and a concomitant decline in local currency prices. Positively, the month-on-month inflation which stood at 74.5% in June 2023, significantly reversed in July 2023 to minus 15.3%. Similarly, the annual inflation which had risen from 86.5% in May 2023, to 175.8% in June 2023, fell significantly to 101.3% in July 2023. The exchange rate is expected to continue to stabilise in the short to medium and result in inflation reverting to its pre-May 2023 monthly trajectory.

While controlling inflation is purely the mandate of the Bank, greedflation raises questions regarding ethical business practices and unfair competition which may require intervention and consumer safety nets, provided by statutory bodies such as Competition and Tariff Commission and the Financial Intelligence Unit (FIU). As such, in addition to the bold monetary policy measures by the Bank, the current strong and effective monitoring and surveillance by the FIU is critical in eliminating incidences of greedflation through exchange rate manipulation and abnormal pricing and profiteering practices.

RESERVE BANK OF ZIMBABWE

APPENDIX 1: FOREIGN EXCHANGE AUCTION RESULTS FOR MAINFX¹ AND WHOLESALEFX ²

	WHOLESALEFX			
	11-July-23	14-July-23	18-July-23	20-July-23
Total Bids (US\$ dollars)	5,830,000.00	5,295,000.00	11,597,990.00	6,383,500.00
Amount Allotted (US\$ dollars)	5,640,000.00	4,845,000.00	11,597,990.00	5,702,700.00
Highest Rate	5,353.72	5,037.37	4,900.15	4,711.74
Lowest Bid Rate	4,900.00	4,700.00	4,500.00	4,450.00
Lowest Bid Rate Allotted	4,900.00	4,700.00	4,500.00	4,450.00
Weighted Average Rate	4,998.84	4,883.32	4,771.39	4,537.49
Number of Bids Received	10	10	15	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			
	27-June-23	04-July-23	11-July-23	18-July-23
Raw Materials	263,556.10	205,209.91	180,699.78	88,053.07
Machinery and Equipment	126,774.66	64,869.77	60,672.58	222,278.65
Consumables (Incl. Spares, Tyres, Packaging)	5,000.00	-	21,558.24	33,459.80
Pharmaceuticals and Chemicals	-	-	3,000.00	-
Services (Loans, Dividends and Disinvestments)	205,064.31	183,004.64	150,000.00	198,688.63
Retail and Distribution	177,411.76	127,837.25	44,200.00	-
Fuel, Electricity and Gas	-	-	-	-
Paper and Packaging	19,516.90	-	-	-
TOTAL	797,323.53	580,921.57	460,130.60	542,480.15

Source: Reserve Bank of Zimbabwe, 2023