



Weekly Economic Highlights

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Week Ending
1st September 2023

1. OVERVIEW

This report provides an analysis of the developments in the money and capital markets for the week ending 1st September 2023. The report also covers developments in the tobacco sales, mineral commodities, and stock markets during the week. The last section of the report presents a review of the structure of foreign and domestic deposit interest rates.

The Zimbabwe Stock Exchange (ZSE) registered gains during the week under analysis, while the Victoria Falls Stock Exchange (VEFX) exhibited bearish sentiments during the same week. The value of transactions processed through the National Payment System (NPS) were higher during the week under review compared to the previous week, largely reflecting an increase in ATM transactions.

The deposit rates for both the domestic currency deposits and foreign currency deposits remained largely unchanged during the week under review.

The volume and value of tobacco sales increased during the week under review. The golden leaf was sold at a lower price during the same week of analysis.

2. INTEREST RATES

Local Currency (ZWL) Deposit Rates

During the week ending 1st September 2023, minimum and maximum deposit rates for all classes of deposits were unchanged, while maximum savings deposit rates registered an increase on the back of tight local currency 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 (%)
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	34.29	59.00	70.11	57.67	70.35	59.17	68.64	59.33	68.79
01-Sep-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

The minimum and maximum ZWL lending rates for individual clients registered a decrease during the week under analysis. Minimum lending rates for corporates were lower while maximum lending rates for corporates registered a marginal increase during the same week. The ZWL lending rates are shown in Table 2.

Table 2: Lending Rates (per annum)

Date	Minimum (%)		Maximum (%)	
	Individual Clients		Corporate Clients	
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
01-Sep-23	76.78	100.11	92.40	166.33

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 continue to actively take measures to attract long term foreign currency deposits amid firm demand for foreign currency loans by individual and corporate clients. Average foreign currency deposits rates 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 (%)
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
01-Sep-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 both individuals and corporates fell by 0.06 and 0.91 percentage points, respectively. Maximum lending rates for both individual and corporate clients were higher during the week under review. The increase in FCA lending rates may increase borrowing costs for the productive sectors.

Table 4: Lending Rates (per annum)

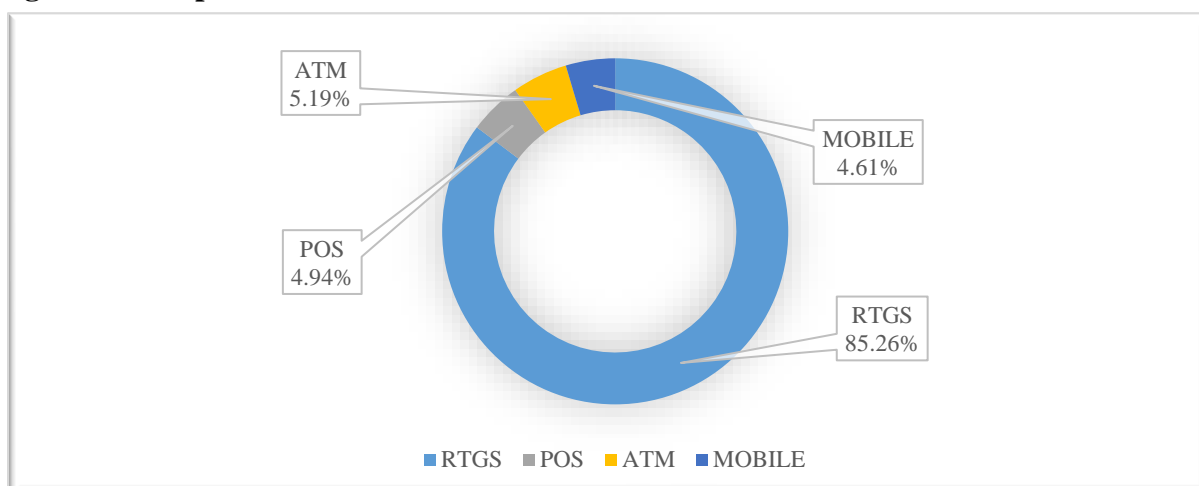
Date	Individual Clients		Corporate Clients	
	Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)
11-Aug-23	11.30	13.14	8.02	14.33
18-Aug-23	11.29	13.15	8.03	14.38
25-Aug-23	11.28	13.19	8.03	14.36
01-Sep-23	11.22	13.23	7.12	14.92

Source: Reserve Bank of Zimbabwe, 2023

3. CLEARING AND SETTLEMENT ACTIVITY

During the week under analysis, aggregate transactions processed in value terms through the National Payment System platforms was ZW\$5.2 trillion, representing an increase of 12.37% from ZW\$4.7 trillion in the previous week. The Real Time Gross Settlement (RTGS) system constituted 85.26% of the total value of transactions processed through the NPS. In value terms, NPS transactions were distributed as shown in Figure 1.

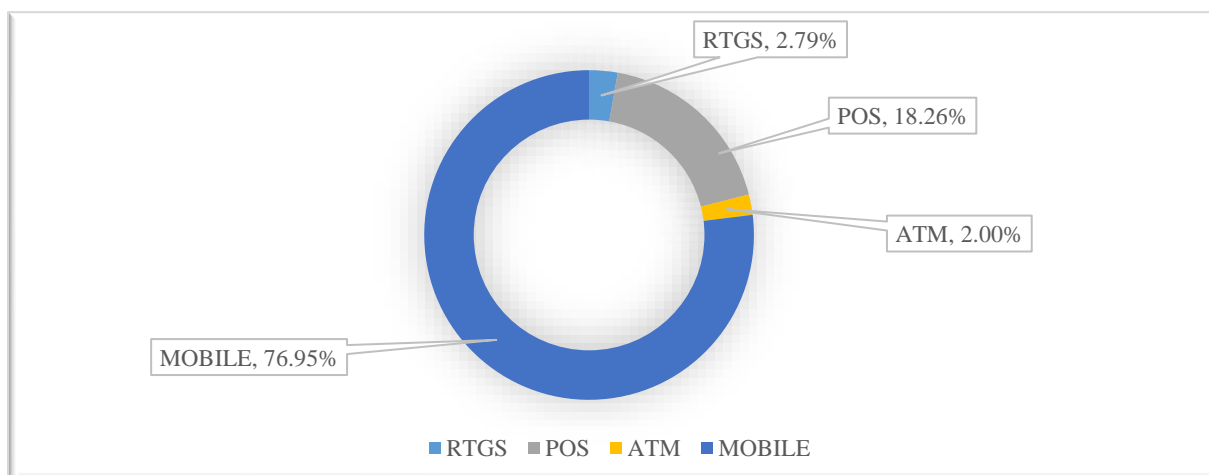
Figure 1: Composition of NPS Transactions in Value Terms



Source: Reserve Bank of Zimbabwe, 2023

The volume of transactions processed through the NPS increased by 2.07% to close at 10.33 million driven by increases in Mobile, RTGS and ATM transactions volumes. NPS transaction volumes were distributed as follows: Mobile, 76.95%; POS, 18.26%; ATM, 2.00%; and RTGS, 2.79%, 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 25 August 2023	WEEK ENDING 01 September 2023	% CHANGE FROM LAST WEEK	PROPORTION %
Values in ZW\$ Millions				
RTGS	4,036,643.64	4,472,722.99	10.80%	85.26%
POS	251,337.94	259,039.38	3.06%	4.94%
ATM	160,201.43	272,089.61	69.84%	5.19%
MOBILE	220,301.23	241,936.14	9.82%	4.61%
TOTAL	4,668,484.23	5,245,788.12	12.37%	100%
Volumes				
RTGS	198,060	287,828	45.32%	2.79%
POS	1,886,843	1,886,812	-0.00%	18.26%
ATM	140,815	206,872	46.91%	2.00%
MOBILE	7,898,409	7,952,448	0.68%	76.95%
TOTAL	10,898,193	10,333,960	2.07%	100%

Source: Reserve Bank of Zimbabwe, 2023

4. TOBACCO SALES

As at the 117th day of the tobacco selling season, a cumulative total of 296.06 million kilograms of tobacco had been sold, compared to a cumulative total of 207.62 million kilograms sold during the same period in 2022. The turnover realized from the sales amounted to US\$896.70 million, a 41.17% increase, compared to US\$635.19 million realized during the same period in 2022.

Table 6: Weekly Cumulative Tobacco Sales: Day 117th (1st September 2023)

	2022	2023	Variance (%)
Cumulative Quantity Sold (million kgs)	207,624,669	296,057,664	42.59
Average Price (US\$/kg)	3.06	3.03	-1.00
Cumulative value (US\$ million)	635,192,647	896,698,361	41.17

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

The golden leaf continued to be sold at a lower 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 ending 1st September 2023, international commodity prices for gold, platinum, copper, nickel, and crude oil rose, whilst palladium price retreated. Table 7 shows developments in prices for selected commodities, during the week under review.

Table 7: Metal and Crude Oil Prices for the week ending 1st September 2023

	Gold	Platinum	Palladium	Copper	Nickel	Crude Oil
2023	US\$/ounce	US\$/ounce	US\$/ounce	US\$/tonne	US\$/tonne	US\$/barrel
Weekly Average (21 - 25 Aug)	1,906.92	927.60	1,256.50	8,369.60	20,640.00	83.87
29-Aug	1,926.75	973.50	1,235.00	8,448.50	20,683.00	85.20
30-Aug	1,942.95	983.50	1,237.50	8,458.30	20,545.00	85.18
31-Aug	1,943.25	979.00	1,230.00	8,492.00	20,545.00	87.07
1-Sep	1,942.43	979.50	1,226.00	8,510.50	21,010.00	88.59
Weekly Average (29 Aug-1 Sep)	1,938.84	978.88	1,232.13	8,477.33	20,695.75	86.51
<i>Weekly Change (%)</i>	<i>1.67</i>	<i>5.53</i>	<i>-1.94</i>	<i>1.29</i>	<i>0.27</i>	<i>3.15</i>

Source: BBC, KITCO and Bloomberg 2023

Gold

Gold prices continued on a positive trajectory, rising by 1.67%, from US\$1,906.92 per ounce reported in the previous week to US\$1,938.84 per ounce during the week under review. This was on the back of weak U.S. economic data released during the week ending 1st September 2023, which reinforced expectations that the Federal Reserve is considering easing the interest rate hikes.

Platinum

Platinum prices rose by 5.53% from a weekly average of US\$927.60 per ounce in the prior week to US\$978.88 per ounce during the week under review. This increase was largely due to prospects of improved investment demand and picking industrial demand in China.

Palladium

The week ending 1st September 2023 saw palladium prices slipping by 1.94% to US\$1,256.50 per ounce, from US\$1,245.20 per ounce reported in the previous week. The decline in activity in the automotive industry hampered the demand for the precious metal.

Copper

Copper prices increased by 1.29% to US\$8,477.33 per tonne during the reporting week, from US\$8,369.60 per tonne recorded in the previous week. Prices rose amid positive market sentiments spurred by measures to stimulate China's economic growth.

Nickel

Nickel prices increased by 0.27% to close at US\$20,695.75 per tonne during the week under analysis, from US\$20,640.00 per tonne reported in the previous week. Prices increased as demand improved in China, the world's largest metal consumer.

Brent Crude Oil

During the week ending 1st September 2023, crude oil prices increased by 3.15% to US\$86.51 per barrel, from US\$83.87 per barrel reported in the previous week. The supply-tightening behaviour of OPEC+ countries largely drove the increase in oil prices.

Exchange Rate Developments

Interbank Market

The Zimbabwe dollar (ZW\$) depreciated by 0.5% on the interbank market, from an average of ZW\$4,568.93 per US\$1 in the prior week to ZW\$4,593.69 per US\$1 during the reporting week, as shown in Table 8.

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

2023	USD	ZAR	GBP	BWP	EURO
Weekly Average (21- 25 August)	4,568.9327	243.1859	5,802.6535	337.6372	4,962.7119
28-Aug	4,570.3347	246.9136	5,762.3272	338.4702	4,941.9522
29-Aug	4,575.5456	250.0000	5,774.8449	339.1213	4,952.1618
30-Aug	4,604.6233	253.1646	5,812.9324	342.6680	5,002.7349
31-Aug	4,608.1066	246.9136	5,860.1854	343.3882	5,031.6197
1-Sept	4,609.8591	246.9136	5,839.6088	340.0190	5,000.3700
Weekly Average (28 Aug – 1 Sep)	4,593.6939	248.7811	5,809.9797	340.7333	4,985.7677
<i>Appr (-)/Depr (+) (%) of the ZWL</i>	<i>0.5</i>	<i>2.3</i>	<i>0.1</i>	<i>0.9</i>	<i>0.5</i>

Source: Reserve Bank of Zimbabwe, 2023

6. EQUITY MARKETS

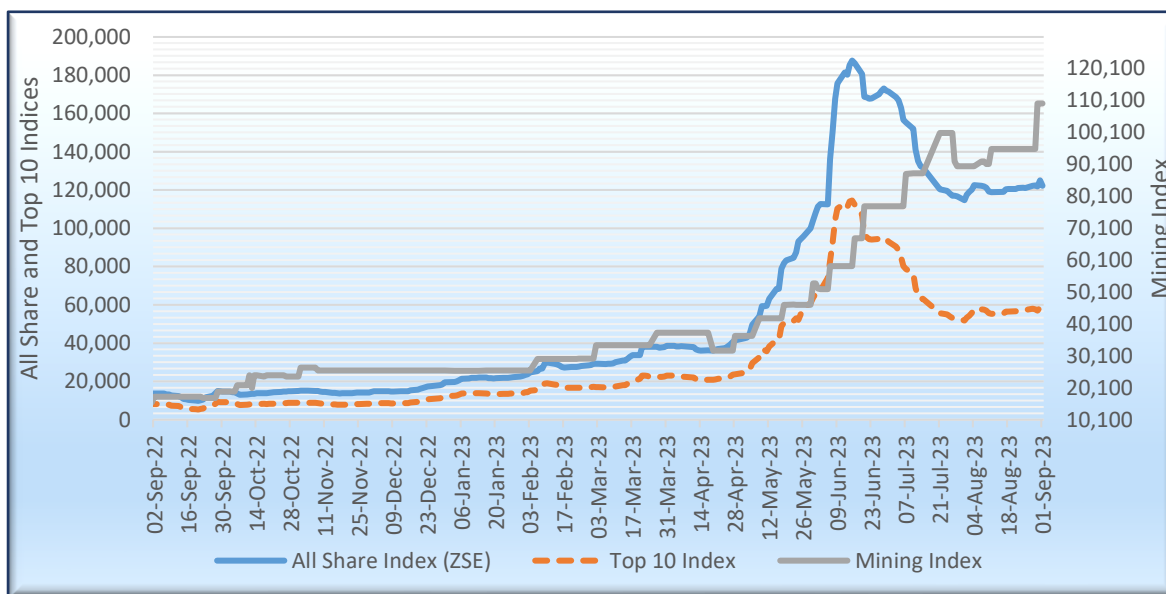
During the week ending 1st September 2023, the Zimbabwe Stock Exchange (ZSE) traded positively for the third consecutive week, while bearish sentiments persisted on the Victoria Falls Stock Exchange (VFEX). As a result, the ZSE All Share index gained 1.04% while the VFEX All Share index declined by 0.40% to close at 122 199.15 points and 70.53 points, respectively.

Zimbabwe Stock Exchange (ZSE) Developments

The Medium and Small cap indices added 5.69% and 1.16% to close at 450 491.88 points and 2 320 368.91 points, compared to previous week's positions of 426 248.25 points and 2 293 785.91 points, respectively. Concomitantly, the resource index gained 14.97% to 109 159.36 points compared to 94 942.74 points, recorded in the previous week.

Figure 3 shows developments on the ZSE's All Share, Top 10 and Mining indices from 2nd September 2022 to 1st September 2023.

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



Source: Zimbabwe Stock Exchange, 2023

The rise in the mainstream index emanated from share price gains in First Mutual Holdings Limited (30.96%), British American Tobacco (BAT) Limited (27.82%), Dairibord Holdings Limited (18.87%), Zimre Holdings Limited (15.08%) and Nampack Zimbabwe Limited (12.24%).

Partially offsetting the aforementioned gains were declines in the share prices of Willdale Limited (81.16%), CBZ Holdings Limited (21.39%), Getbucks Microfinance Bank Limited (11.63%), OK Zimbabwe Limited (7.16%) and Tanganda Tea Company Limited (5.58%).

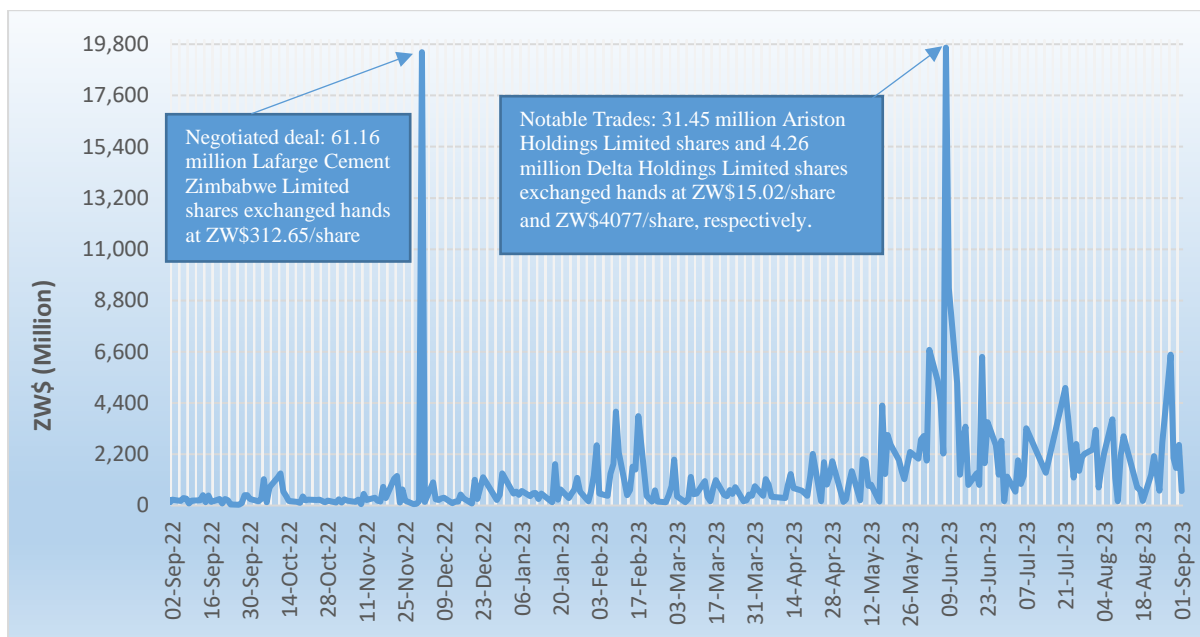
The growth in the resource index was a result of a 14.98% increase in share price of RioZim Limited during the week under review.

Market Turnover

During the week under analysis, trading activity was concentrated on some selected blue-chip counters, albeit on low volumes. As such, the cumulative value of shares traded increased by 96.53% to ZW\$13 359.98 million despite a decline of 37.59% in volume of shares traded, amounting to 22.38 million shares.

Figure 4 shows the trend in daily market turnover for the period 2nd September 2022 to 1st September 2023.

Figure 4: Market Turnover



Source: Zimbabwe Stock Exchange, 2023

Market Capitalization

As a consequence of improved trading activity on the ZSE during the week under review, the market added 1.04%, or ZW\$99.63 billion worth of capitalization to close at ZW\$9 718.39 billion, compared to ZW\$9 618.77 billion registered in the previous week. Figure 5 shows the evolution of market capitalization for the period 2nd September 2022 to 1st September 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 decrease in Africa Sun Limited (15.38%), SeedCo International Limited (10.62%), First Capital Bank Limited (4.31%), Zimplow Holdings Limited (1.03%) and Padenga Holdings Limited (0.56%).

Partially offsetting the abovementioned declines were increases in the share prices of Axia Corporation Limited (33.21%) and Innscor Africa Limited (1.11%).

VFEX Market Turnover

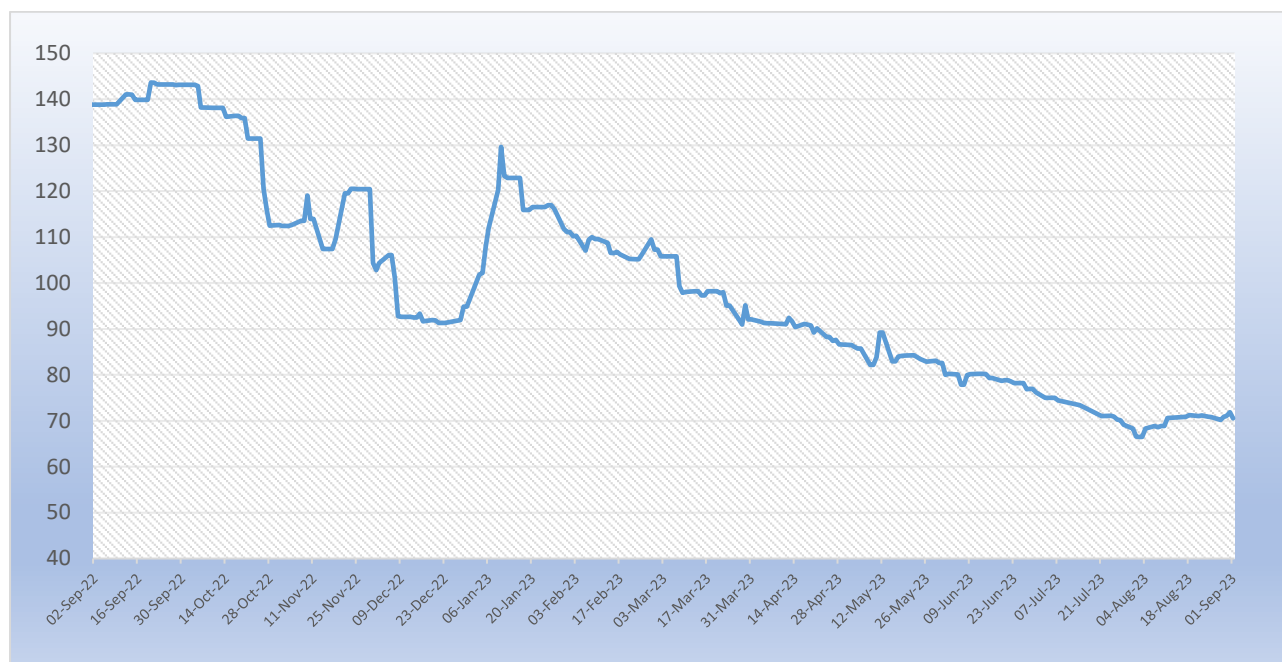
The VFEX cumulative volume and value of shares traded increased by 496.25% and 304.33% to 4.47 million shares and US\$0.70 million, compared to 0.75 million shares and US\$0.17 million, recorded in the previous week, respectively.

VFEX Market Capitalization

Reflecting subdued trading activity on the VFEX during the week under analysis, the market lost 0.39% worth of capitalization to close at US\$1.21 billion.

Figure 6 shows the trend in the VFEX All Share Index (ASI) for the period 2nd September 2022 to 1st September 2023.

Figure 6: VFEX All Share Index



Source: Victoria Falls Stock Exchange (VFEX), 2023

7. STRUCTURE OF FOREIGN AND DOMESTIC DEPOSIT INTEREST RATES

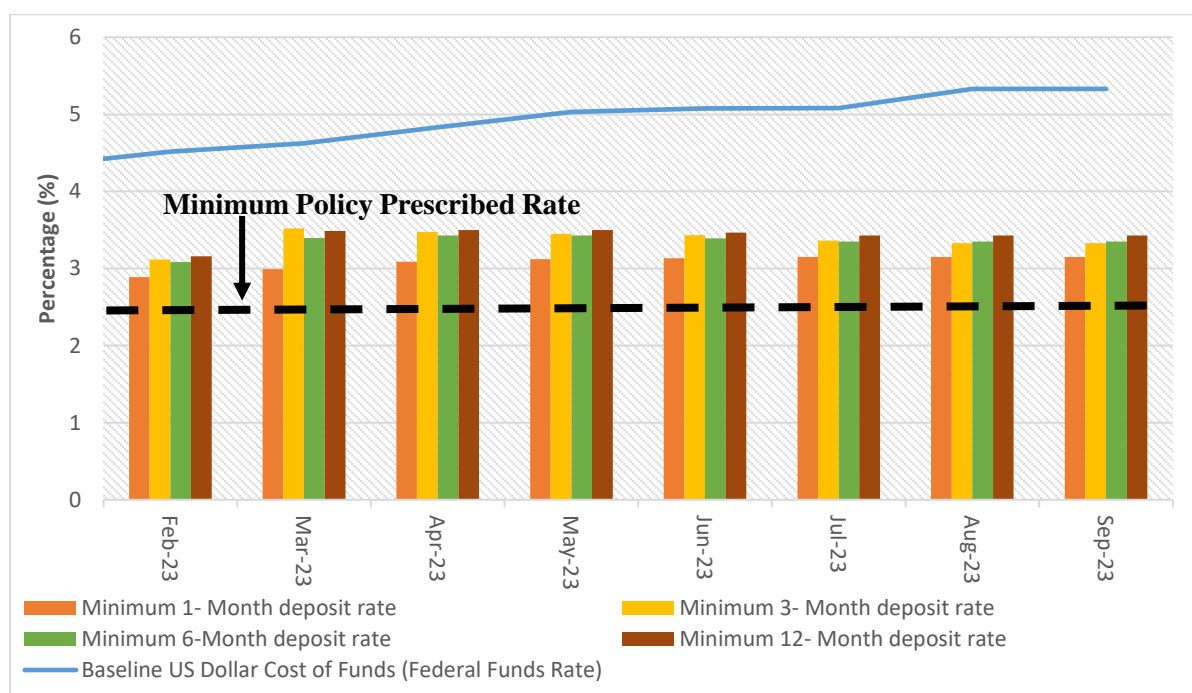
The structure of deposit interest rates on domestic and foreign currency accounts in relation to the tenor of the account influences whether savings are short term or long term, and hence the capacity of the banks to finance business investment and working capital requirement necessary for generating sustainable growth for the economy. Over the years and from time to time, the Reserve Bank of Zimbabwe (the Bank) has attempted to influence both the level and structure of the deposit interest rates above those prescribed by policy through moral suasion by engaging the banks. The minimum policy prescribed deposit interest rates have taken into consideration inflation developments to protect the real value of deposits. Moral suasion between the Bank and banking institutions has seen banks offering higher interest rates on deposits than the minimum deposit rates.

While domestic currency deposits are critical for purposes of financing credit requirements for domestic expenditure on investment and consumption, the foreign currency deposit mobilisation by the banks is important in bridging the country's foreign resource gap and import requirements in respect of raw materials, capital goods, chemicals and pharmaceuticals and finished products for direct consumptions, which are largely unavailable locally. The mobilization of foreign

savings through the formal channels, therefore, adds to the supply of foreign currency in the domestic forex market and assist in stabilizing the exchange rate and prices. The banks currently hold about 75% of their deposits as FCAs while 25% is accounted for by local currency deposits. Total banking sector deposits, including FCAs amounted to ZW\$10.3 trillion as of 31 July 2023.

The minimum deposit rates on FCA accounts are 1% and 2.5% for savings and fixed tenor deposits, respectively. On average, the maximum deposit rates offered by banks on long term deposits is currently at 5% which is significantly higher than the minimum bank deposit policy rate of 2.5%. The minimum policy prescribed FCA deposit rates compare with 30% and 50% on the domestic currency savings and time deposits, respectively. Figures 7 shows that commercial banks in the country are able to mobilise foreign currency time deposits at rates that are lower and more competitive than the cost of funds rates for banks in advanced economies, which basing on the federal fund rate average between 4.5% and 5.5%. This gives significant potential for the country to optimise the benefits of foreign resource mobilisation from the domestic markets for on lending to the productive sectors.

Figure 7: Minimum FCA deposit rates

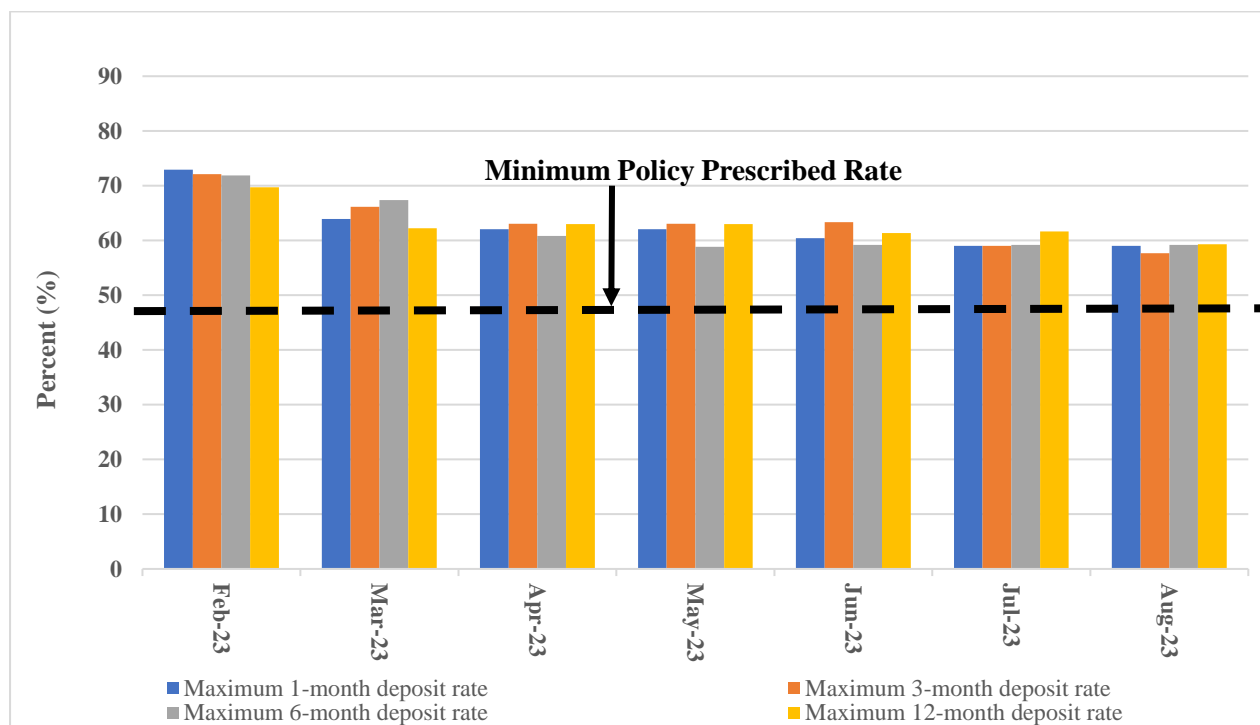


An important feature on the deposit interest rate structure on foreign currency deposits shown in figure 7 relates to the term structure of the deposit rates with higher rates being offered on longer term deposits than on short term deposits. The average 12-month deposit rates were, for example

0.5 percentage points higher than the 1-month deposit rates in September 2023. This should allow banks to mobilize longer term FCA deposits critical for financing long term credit provision. The structure is consistent with high demand for long term credit in foreign currency.

On the contrary, the structure of deposit interest rates on the local currency deposits is reversed, with banks paying higher deposit rates on shorter term deposits than on long term deposits, which is reflective of short termism among the banks and economic agents. The situation, which shows lack of appetite for long term domestic currency deposits is both a reflection of adverse inflation expectations that signal the presence of speculative arbitraging between the domestic and foreign currencies, a source of potential forex market turbulences and accelerated currency switch.

Figure 8: Minimum ZWL deposit rates



Coupled with the downward trend in the average deposit rates across all deposit tenors on the domestic currency deposits, the structure of the deposit interest rates portrayed in figure 8 points to high risks of long-term domestic currency credit constraints, which may starve the productive sectors of critical domestic financing requirements. The reversal of the current structure on the deposit currency interest rates requires banks and economic agents to align expectations about future inflation with the current negative trends on monthly inflation.

RESERVE BANK OF ZIMBABWE

APPENDIX 1: FOREIGN EXCHANGE AUCTION RESULTS FOR MAINFX¹ AND WHOLESALFX²

	WHOLESALFX			
	03-August-23	08- Aug-23	16-Aug-23	29-Aug-23
Total Bids (US\$ dollars)	13,823,820.00	17,518,500.00	18,854,776.00	19,610,040.40
Amount Allotted (US\$ dollars)	12,498,820.00	17,518,500.00	18,854,776.00	19,610,040.40
Highest Rate	4,573.00	4,584.45	4,600.00	4,650.00
Lowest Bid Rate	4,535.00	4,550.00	4,559.00	4,570.00
Lowest Bid Rate Allotted	4,535.00	4,550.00	4,559.00	4,570.00
Weighted Average Rate	4,556.16	4,559.74	4,577.50	4,604.62
Number of Bids Received	13	16	13	18
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			
	01-August-23	08-Aug-23	16-Aug-23	29-Aug-23
Raw Materials	128,132.37	308,170.98	113,729.24	144,400.98
Machinery and Equipment	232,872.55	287,094.68	345,440.82	123,873.61
Consumables (Incl. Spares, Tyres, Packaging)	-	2,120.64	-	47,224.00
Pharmaceuticals and Chemicals	-	-	-	-
Services (Loans, Dividends and Disinvestments)	69,961.27	232,795.36	58,000.00	220,379.23
Retail and Distribution	49,618.06	54,648.06	30,000.00	10,000.00
Fuel, Electricity and Gas	-	-	-	-
Paper and Packaging	17,308.81	-	22,269.22	-
TOTAL	497,893.08	884,829.72	569,439.28	545,877.82

Source: Reserve Bank of Zimbabwe, 2023