



MONTHLY ECONOMIC UPDATE

FEBRUARY 2019

Ministry of Finance and Economic Development

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HIGHLIGHTS

- Total Revenue of \$606.8 million
 - Tax Revenue \$597.2 million
 - Non-Tax Revenue \$9.6 million
- Total Expenditure and Net Lending \$521.3 million
- **A budget surplus of \$85.5 million was realised in February 2019.**
- Inflationary pressures receded in February, with month-on-month inflation of 1.7% down from 10.8% recorded in January and annual inflation standing at 59.4% compared to 56.9%, recorded in January.
- Most parts of the country only received below average rainfall.
- Livestock remain under threat from diseases that have affected some provinces resulting in significant cattle herd losses.
- Grain stocks at the GMB declined to 0.96 million tons from 1.1 million tons in January.

INTRODUCTION

1. Revenue collection in February 2019 substantially exceeded its target, resulting in a budget surplus of \$85.5 million.
2. As a result of disciplined fiscal and monetary policy, inflationary pressures have eased, as month-on-month inflation dropped from 10.8% in January 2019 to 1.7% in February 2019.
3. For agriculture, rains remained below average during the month of February 2019, lowering expectations for the current agricultural season's output.

PUBLIC FINANCES

4. Total revenue amounted to \$606.8 million while total expenditure was \$ 521.3 million, resulting in a budget surplus of \$ 85.5 million. A summary of Government finances is presented in the table below.

February 2019 Government Finances: \$ million

Total Revenues	606.8
o/w Tax Revenues	597.2
Non-Tax Revenues	9.6
Total Expenditures & Net Lending	521.3
o/w Employment Costs	356.8
Operations & Maintenance	71.3
Interest	16.7
Capital Expenditures & Net Lending	76.5
Budget Balance	85.5

Financing	(67.7)
Domestic (net)	(157.0)
Mobilisation	(81.9)
Changes in Government Deposits	52.0
Changes in Bank Overdraft	(136.4)
Loans	2.4
Treasury Bills	0.0
Repayments	(75.1)
Treasury Bills	(75.1)
Other Financing (net)	89.3
Outstanding payments	89.3
Errors & Omissions	17.8

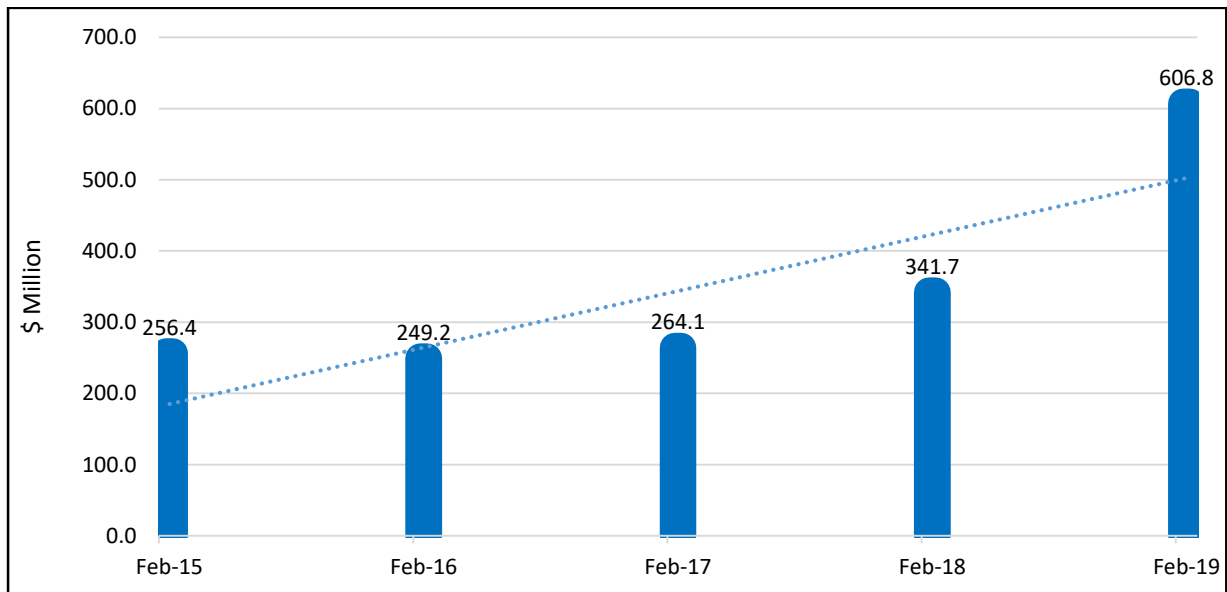
Source: MOFED

Revenue

5. Total revenue collections for the month of February 2019 amounted to \$ 606.8 million against a monthly target of \$ 462.7 million, which is a 31.1% positive variance. Tax revenue amounted to \$ 597.2 million against a \$ 452.2 million target, whilst non-tax revenue was \$ 9.6 million.
6. The notable positive revenue collections in February 2019 was due to higher than anticipated collections under the excise duty, more specifically from fuels, airtime and beer subsectors and Intermediate Money Transfer Tax (IMTT).
7. The tremendous increase in Excise Duty collections is attributed to increased excise duty rates for fuel despite a fall in imported volumes of fuel. On the other hand, the good performance of IMTT is due to

the increase in transactions being done on Mobile Money Transfer platforms and bank transfers owing to liquidity challenges prevalent on the market.

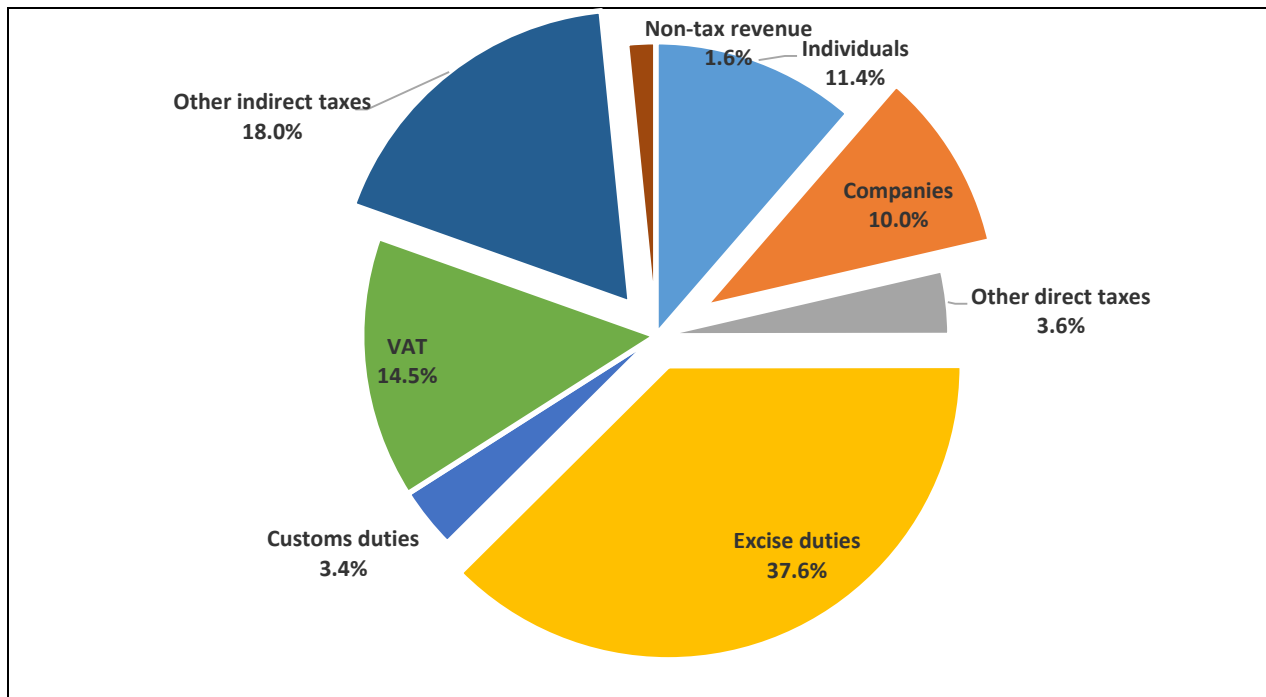
February Total Revenue Performance: 2015 - 2019



Source: MOFED

- February revenue collections have been following an upward trend since 2015 as indicated in the graph above. This is a result of revenue policy adjustments in each budget statement, improved tax administration efforts by ZIMRA and reduced shutdown time by most companies.
- The contribution of the various tax heads during the month of February 2019 is as shown below:

2019 February Share of Revenue Heads



Source: MOFED

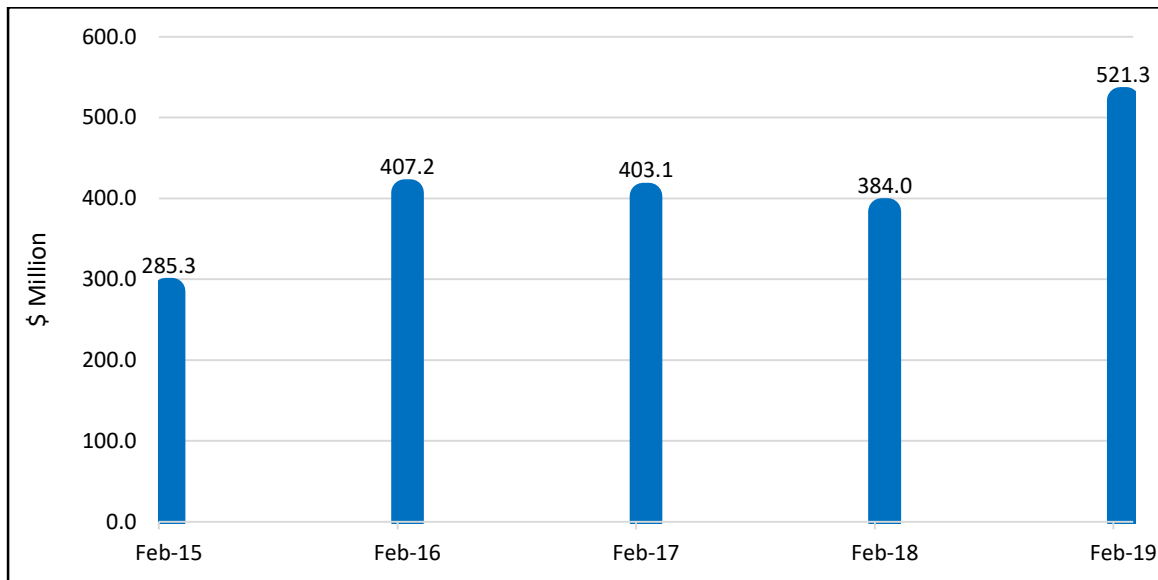
- Excise duty was the highest contributor to total revenue at 37.6% replacing VAT that is normally the highest contributor except in December 2018, when non-tax revenue was the highest contributor. The second contributor was other indirect taxes at 18.0% as a result of the IMTT, followed VAT (14.5%) and Individuals tax (11.4%).

Expenditure

- Total Government spending for the month of February 2019 was \$ 521.3 million against a monthly target of \$ 505.7 million, which is a 3.1% expenditure overrun. Of the total expenditure, current spending amounted to \$ 444.8 million while \$ 76.5 million went towards capital expenditure and net lending.

12. The expenditure overrun is a result of over expenditure on capital transfers, foreign transfers and medical supplies and services. The graph below shows the February expenditures from 2015 to 2019.

February Total Expenditure: 2015 - 2019



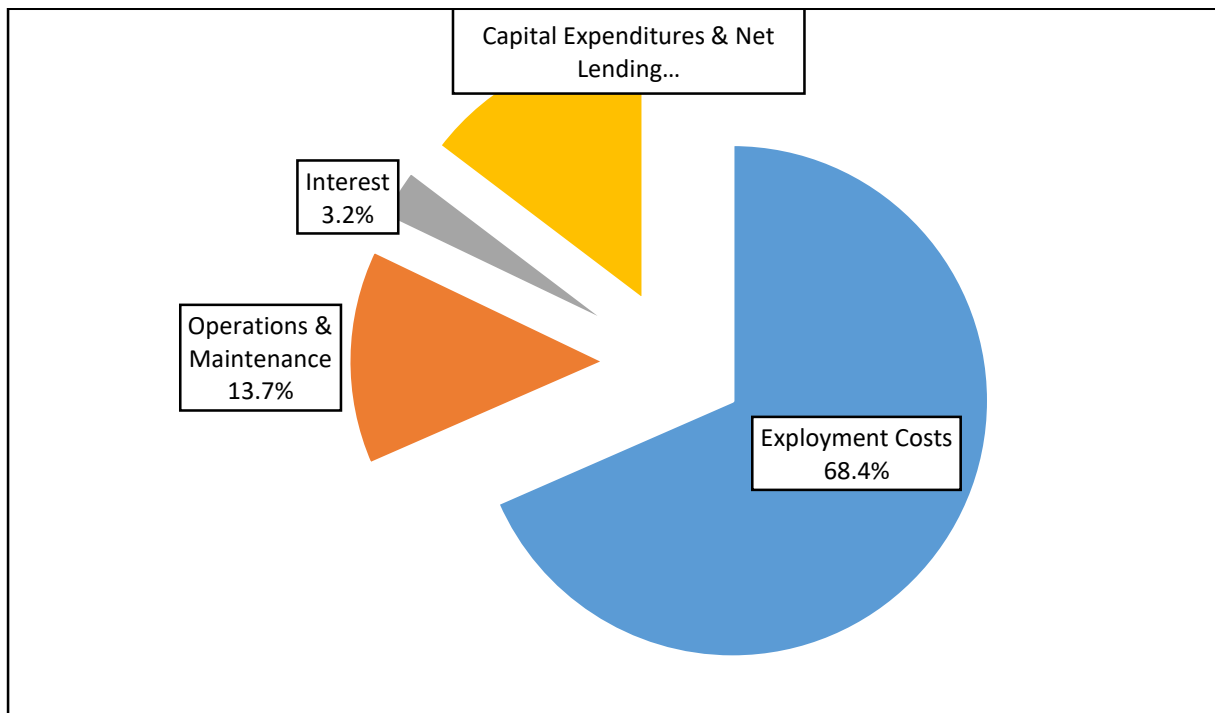
Source: MOFED

13. The highest expenditure was on employment costs at 68.4%, followed by capital expenditure and net lending at 14.7% and operations and maintenance at 13.7%.

14. Employment costs constituted the bulk of the Government budget during the month due to the unbudgeted cushioning allowance as well as the implied pension and NSSA reviews that are done once Government employees are awarded a salary review.

15. Interest payments amounted to \$ 16.7 million in February 2019 against a target of \$ 17.6 million constituting 3.2% of the total expenditure.

2019 February Share of Expenditure Heads



Source: MOFED

Budget Balance

16. A budget surplus amounting to \$ 85.5 million was realised in February 2019 against a projected deficit of \$ 43.0 million.

Domestic Debt

17. In February 2019, domestic debt stock stood at \$ 9.8 billion down from \$ 10 billion in January 2019. This represents a \$ 209 million decrease in domestic debt.

18. The decrease is a result of repayment of TBs amounting to \$ 75.1 million and reduction in Central Bank overdraft. The reduction on the stock of Government domestic debt demonstrates Government's commitment to repaying maturing TBs, a stance strongly spelt out in the TSP and the 2019 National Budget.

SECTOR HIGHLIGHTS

Agriculture

Rainfall Update

19. Rainfall received during the month of February 2019 was below average for the most parts of the country.
20. Rainfall activity was recorded mostly over the northern areas (Matabeleland North, Harare Metropolitan, and all Mashonaland Provinces into the northern parts of Manicaland). Some of the Southern parts of the country like Chiredzi and Bikita, among others also received some meaningful rainfall.
21. As a result, crops situation across the country remained in the range of poor to good while some were showing signs of moisture distress depending on rainfall received.

Tobacco

22. As at 28 February 2019, tobacco registered farmers increased by 45% to 171 269 up from 118 451 recorded during the same period last season.

Tobacco Registered Farmers

Province	Communal	A1	A2	Small Scale Com	2018/19	2017/18	Variance
Mash Central	38.496	20.567	2.620	2.769	61.683	42.292	46%
Mash West	38.660	14.351	3.122	2.321	56.133	42.337	33%
Manicaland	11.611	10.571	1.209	1.695	23.391	18.433	27%
Mash East	7.580	10.371	2.786	1.806	20.737	14.918	39%
Midlands	449	58	12	30	519	355	46%
Masvingo	83	63	21	15	167	114	46%
Matabeleland	-	2	1	-	3	2	50%
TOTAL	96.879	55.983	9.771	8.636	171.269	118.451	45%

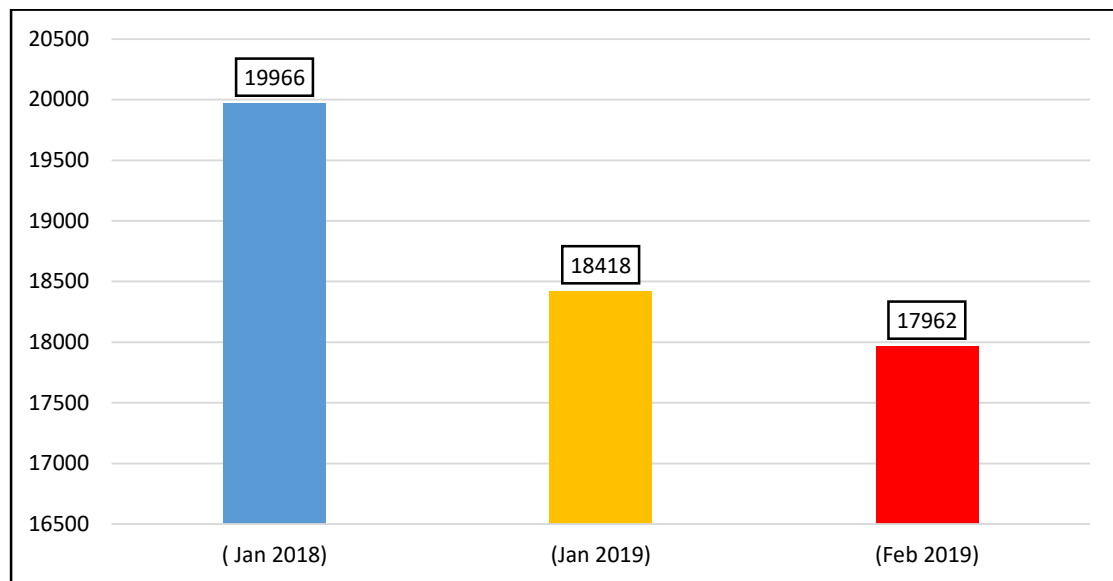
Adopted from TIMB Weekly Report

23. Similarly, 35.1 million kgs of tobacco valued at US\$162 million was exported at an average price of US\$4.64 per kg compared to 19.8 million kgs valued at US\$92.2 million exported during the same period in the previous year.

Livestock

24. Livestock remain under threat from diseases in particular January disease which has affected some provinces resulting in significant cattle herd losses.

Formal Cattle Slaughters



Source: Ministry of Agriculture, Lands, Water and Climate and Rural Resettlement

25. As a result, monthly cattle slaughters declined by 2.5% with February figure standing at 17962 from 18418 recorded in January 2019. The figure is significantly lower than 19966 recorded during the same period last year.
26. A similar situation was observed on pigs with slaughters having slumped by 300 to 14000 in February from January 2019 levels.
27. The situation was compounded by high costs of feeds and vaccines raising cost of production on the back of low aggregate demand.
28. Similarly, milk production declined by 8% from 6.7 million in January to 6.2 million litres in February 2019.

Grain Stocks at GMB

29. By the end of the month of February, grain stocks at the GMB declined to 963 978 from 1.1 million tons in January 2019.

Grain Stocks (tons)

2018/19 Season	January 2019	February 2019
Maize	1,035,474	861,854
Small Grains	105,881	101,978
Total Grains	1,141,354	963,832
Wheat	115,987	87,950

Source: GMB

30. Maize stocks declined to 861 854 tons from over 1 million tons recorded during the end of January 2019. Similarly, wheat stocks declined to 87 950 tons from 115 987 recorded January 2019.
31. Deliveries were lower than withdrawals through disposal and distribution under the social welfare programme.

Mining

32. The mining sector is still recovering from the shock of the last quarter of 2018 as evidenced by subdued performance for major minerals such as platinum, palladium, nickel, coal and diamonds except gold. However, foreign currency availability also remains a major challenge for the sector.
33. Mineral output during the month of February 2019 is as shown in the table below.

Monthly Mineral Performance and Variances

	Jan-19	Feb-19	Jan/Feb Var	Feb-18/Feb-19 Var	Cum Jan-Feb 19	Cum Jan-Feb 18	Cum Var
Gold (kgs)	1 927	2 274	18	6	4 201	4 857	(14)
Platinum (kgs)	1 218	1 053	(14)	(10)	2 271	2 456	(8)
Palladium (kgs)	1 008	871	(14)	(9)	1 879	2 027	(7)
Rhodium (kgs)	110	94	(15)	(9)	205	222	(8)
Iridium (kgs)	76	63	(17)	41	139	94	48
Ruthenium (kgs)	67	59	(12)	(37)	126	198	(36)
Diamonds (cts)	177 084	135 778	(23)	14	312 862	312 972	-
Nickel (MT)	1 495	1 427	(5)	5	2 922	3 093	(6)
Copper (MT)	738	659	(11)	(8)	1 397	1 493	(6)
Cobalt (MT)	34	30	(11)	(11)	63	71	(10)
Coal (MT)	25 623	22 563	(12)	(80)	48 186	401 897	(88)
Granite (MT)	8 255	14 577	77	5	22 832	27 687	(18)

34. Despite the lower than expected output, international prices for nickel, platinum, palladium including gold improved for the month of February 2019 compared to that of January 2019 as shown in the table below.

International Mineral Prices for selected major products

	Dec-18	Jan-19	Feb-19
Gold (US\$/Ounce)	1248	1292	1320
Nickel (US\$/metric ton)	10835	11523	12685
Platinum (US\$/ ounce)	790	807	818
Palladium	1247	1331	1443

Gold

35. Gold output for February increased by 18% to 2 274kgs from 1 927kgs recorded in January 2019. This follows the intervention by the Reserve Bank of Zimbabwe to address foreign currency

challenges and the increase in the foreign currency retention threshold to 55%.

36. This figure is 6% higher than the 2 149kgs produced during the comparable period in 2018.
37. However, cumulative gold output to February 2019 was lower by 14%, recording 4 201kgs compared to 4 857kgs produced in a similar period of 2018.

Diamonds

38. Diamond output for February 2019 declined by 23%, recording 135 778 carats compared to 177 084 recorded in January 2019.
39. However, this was higher by 14% compared to the 119 256 carats produced in February 2018.

Coal

40. Coal production for the month of February 2019 was mainly affected by the lower price offered by ZPC, with indications by producers that it is not viable to break even. Producers such as Makomo actually stopped production.

41. Production at Hwange was also lower due to the failure by the contractor, Mota Engil to produce in the face of cash flow challenges.
42. As a result, output for February 2019 was lower by 12% recording 22 563 tonnes compared to 25 623 tonnes produced in January 2019.
43. The February performance was lower by 80% compared to February 2018 and even 88% lower in cumulative terms compared to the same period in 2018.

Platinum and Palladium

44. The month of February 2019 also recorded lower performance for platinum and palladium by about 14%. Platinum declined to 1 053kgs from 1 283kgs produced in January 2019, while palladium also declined to 871 kgs from 1 008kgs.
45. Performance of platinum and palladium was also lower by 10% and 9% respectively, compared to February 2018. At the same time, cumulative output was lower by 8% and 7% respectively compared to a comparable period of 2018.
46. This poor performance was mainly due to cash flow challenges experienced by the major platinum producer-Zimplats.

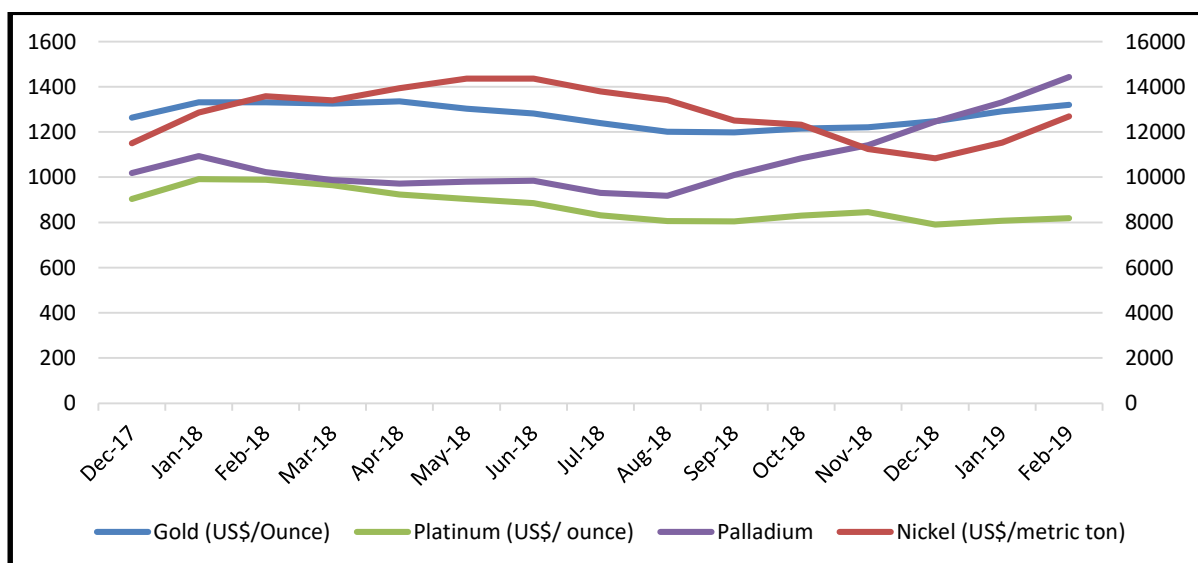
Nickel

47. Nickel output for February 2019 declined by 5% to 1 427 tonnes compared to 1 495 tonnes produced in January 2019. However, this was higher by 5% compared to February 2018, although cumulative output to February 2019 was 6% lower than comparable period of 2018.
48. This was attributable to poor performance from PGMs as well as cash flow challenges faced by the primary nickel producers.

International Mineral Prices

49. International prices for most major minerals of gold, platinum, nickel and palladium were higher in February 2019 compared to January 2019 as shown in the graph below.

International Prices for Selected Minerals



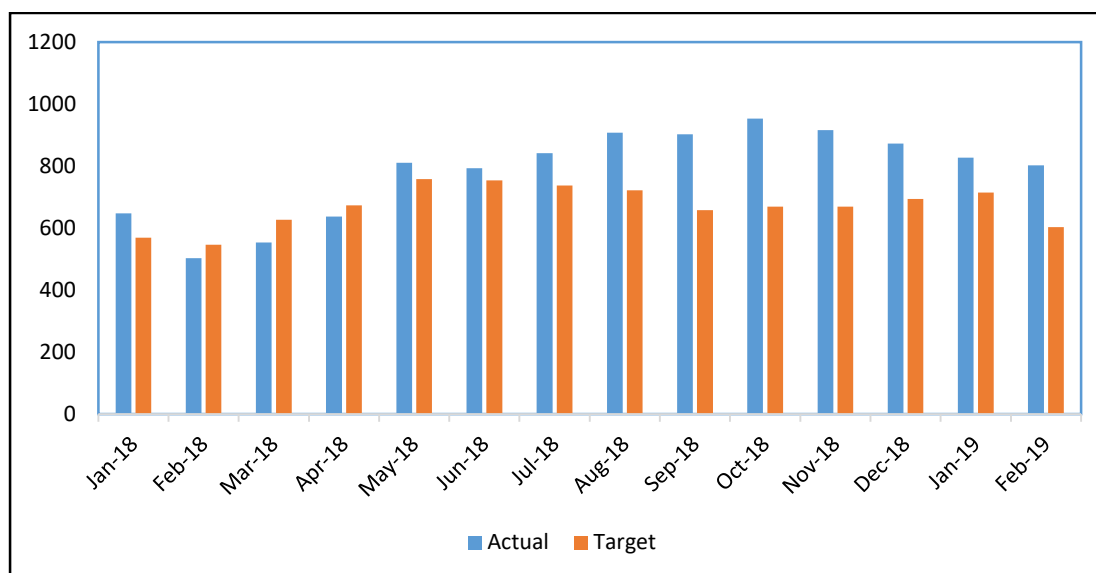
Source: World Bank

Energy

Electricity

50. Monthly electricity generation continues to be strong. Total monthly generation for the month of February was 802 GW/h against a target of 603 GW/h and 503 GW/h of the same period last year.

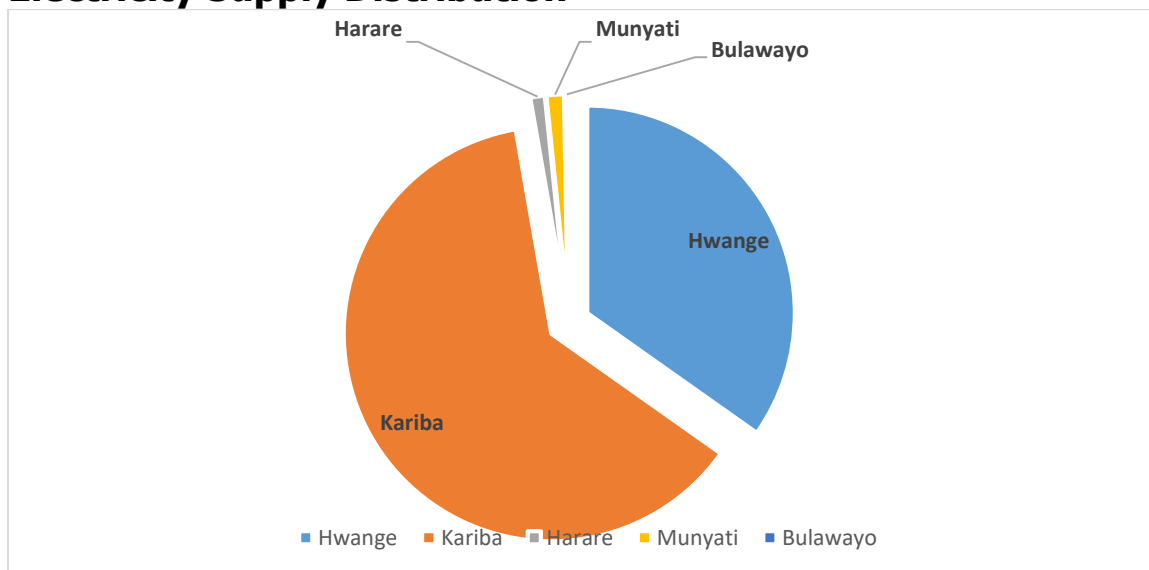
Monthly Electricity Generation and Sent Out



Source: ZPC

51. The strong performance was attributed to improved generation capacity at Kariba and Hwange. Kariba power station continues to dominate supply followed by Hwange.

Electricity Supply Distribution

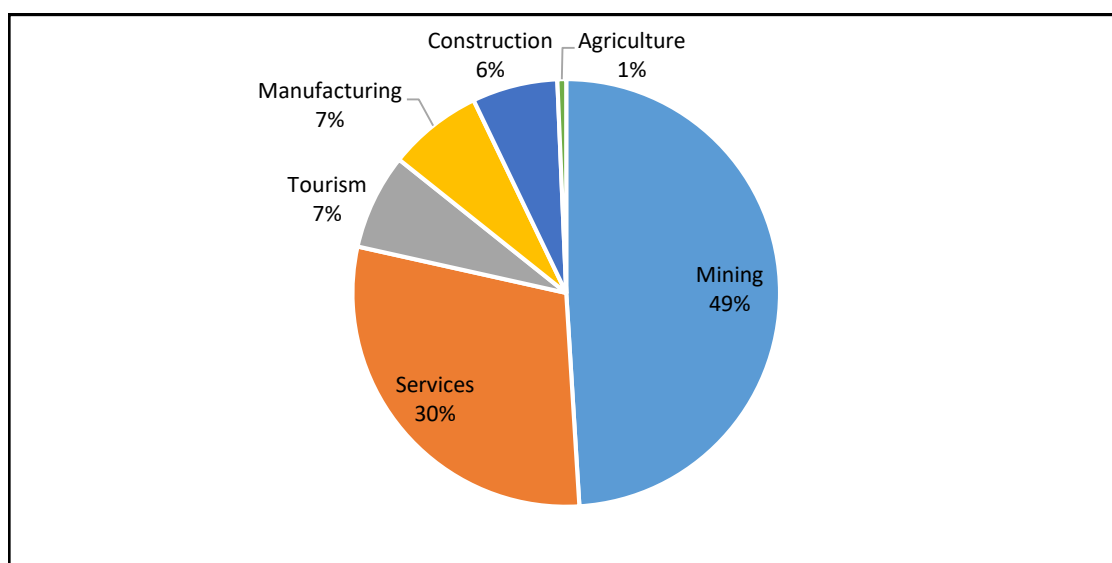


Source: ZPC

INVESTMENT

52. In February 2019, a total number of 22 investment projects were approved by the Zimbabwe Investment Authority (ZIA). Of these projects, 12 were carried out by foreign investors, and 9 were joint venture projects between foreign and local investors.
53. Total investment in February 2019 stood at US\$78.0 million, where foreign investment accounted for US\$48.8 million, and joint investment accounted for US\$21.2 million.
54. Investment goods worth US\$27.8 million were shipped into the country in February 2019, where US\$18.0 million were imported by foreign investors, and US\$9.9 million jointly by foreign and local investors.

Investment by Sector



Source: Zimbabwe Investment Authority

55. The largest share of investments accrued to the Mining sector (49% or US\$36.8 million), followed by Services (30% or US\$22.1 million), Tourism (7% or US\$5.4 million), and Manufacturing (7% or US\$5.4 million).

PRICES

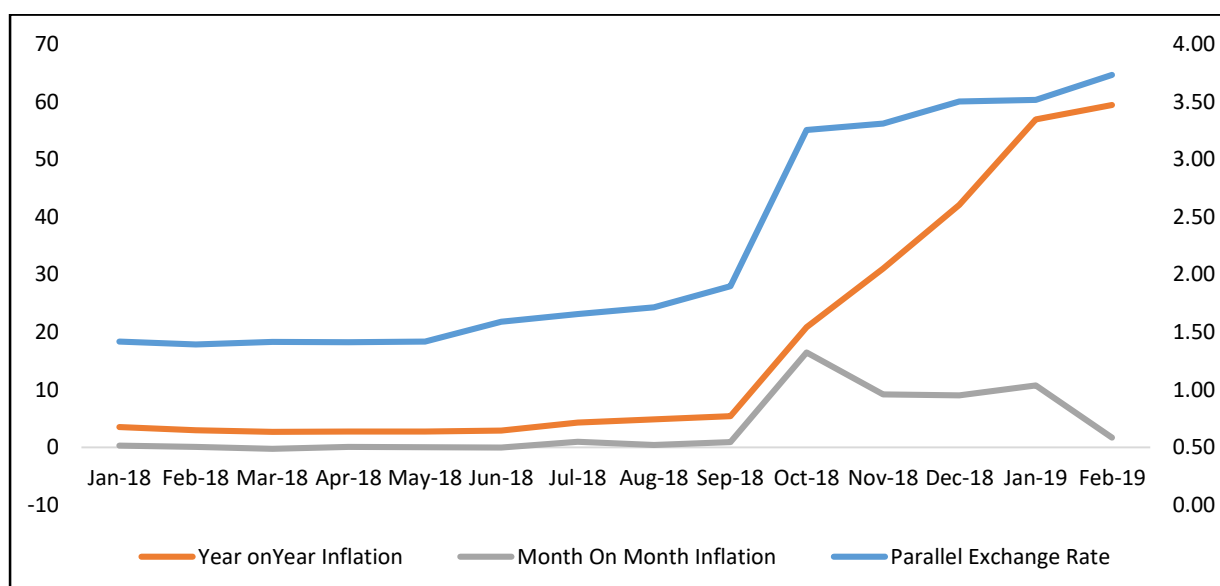
Inflation

56. Inflationary pressures slowed down during the month of February, with month on month inflation receding to 1.7% from 10.8% recorded in January. Consequently, annual inflation slightly gained to 59.4% from 56.9% recorded in January.
57. Despite sharp depreciation of the RTGS dollar against the US\$ on the parallel market during the month, the pass through to inflation was relatively weak. This marked a departure from previous

episodes where the parallel exchange premium pass through used to strong and immediate.

58. The weakening parallel exchange rate pass through associated with inflation slowdown reflects rebalancing of aggregate demand in line with fiscal consolidation policies. Furthermore, the liberalization of the exchange rate and the tight monetary conditions were responsible for ensuring stability in the general price level.

Inflation Developments



Source: ZIMSTAT

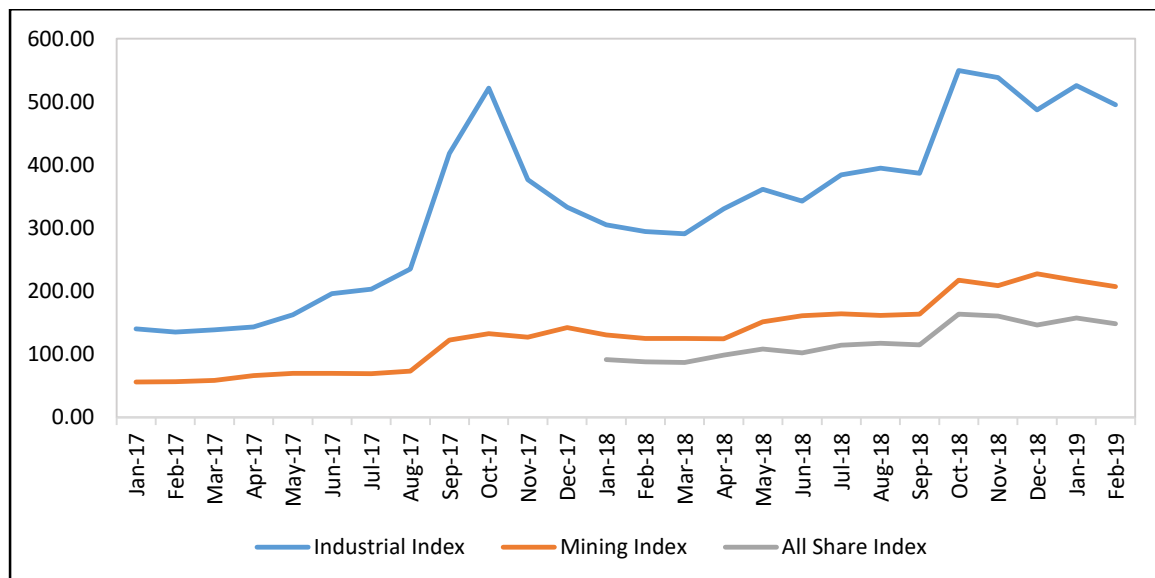
Zimbabwe Stock Exchange

59. Bearish sentiments continued to dominate the local bourse during the month of February as many investors maintained a wait and see attitude trading cautiously in the pre and post Monetary Policy announcement period.

60. The industrial index decreased by 31.59 points (6.0%) from 525.9 points at the beginning of the month and closed the month of February softer at 494.31 points. Year to date the industrial index grew by 1.5%.

61. Similarly, the mining index decreased 6.10 points (2.9%) to close the month of February weaker at 207.03 points.

ZSE Indices



Source: ZSE

62. The Top Ten Index declined by 12.98 points (8.2%) during the period under review, closing February 2019 at 145.47 points. The ZSE Top Ten index measures the performance of the listed top ten heavyweight counters and represents 65%-80% of the full market value.

63. The All share index, which tracks the changing average value of share prices of all companies on the market and is a good measure of how the economy is performing, declined by 6.0 points (9.43%). Year to date the All Share Index gained 1.3% since the beginning of the year.
64. The Total volume and Turnover value for the month of February are as outlined in the Table Below:

	Turnover Value \$	Turnover Volume
Nov-18	118,012,641.97	153,874,660
Dec-18	92,935,083.48	144,405,989
Jan-19	110,277,500.89	122,780,138
Feb-19	295,843,392.61	233,070,149

Source: ZSE

65. Accordingly, Total Market capitalisation of the ZSE declined by 5.3% to close the month of February 2019 at \$16.08 billion.

External Sector

66. During the month of February 2019, the country's merchandise exports stood at US\$348.4 million, a 19% increase from the US\$292.6 million realised in January 2019.

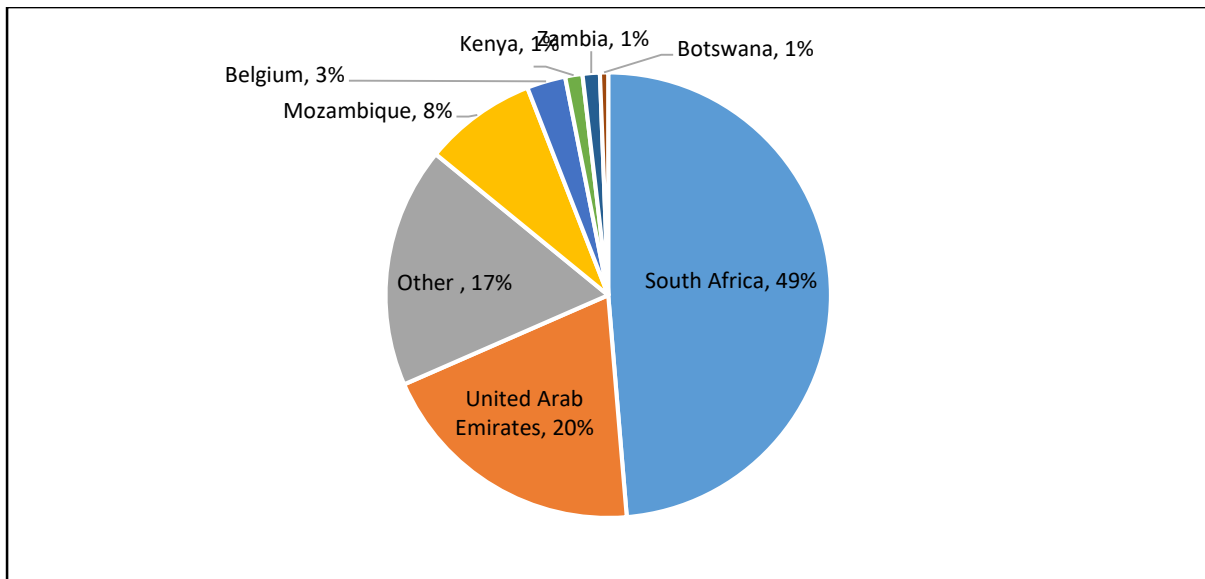
67. Exports were mainly from flue-cured tobacco (24%), gold (24%), nickel mattes (15%) and nickel ores & concentrates (10%), ferro-chromium (4%), and diamonds (3%).

Product	Value (US\$)	Share
Flue-cured tobacco of the virginia type, partly or wholly stemmed/stripped	83,848,901	24%
Semi-manufactured gold (incl. gold plated with platinum), non-monetary	82,823,367	24%
Nickel mattes	52,156,228	15%
Nickel ores and concentrates	34,020,074	10%
Ferro-chromium, containing by weight >4% carbon	14,935,775	4%
Industrial diamonds unworked or simply sawn, cleaved or bruted	11,530,046	3%
Other cane sugar not containing added flavouring or colouring matter	11,300,203	3%
Other articles & parts of precious metal(EXCL. SILVER)	8,164,466	2%
Other ginned cotton in staple lengths >25.5mm	5,311,351	2%
Chromium ores and concentrates	3,606,990	1%
Platinum unwrought or in powder form	3,496,667	1%
Other mineral substances, nes	2,838,835	1%
Other products	34,361,978	10%
Grand Total	348,394,880	100%

Source: ZIMSTAT

68. The top export destinations were South Africa, United Arab Emirates, Mozambique, constituting 49%, 20%, and 8% respectively.

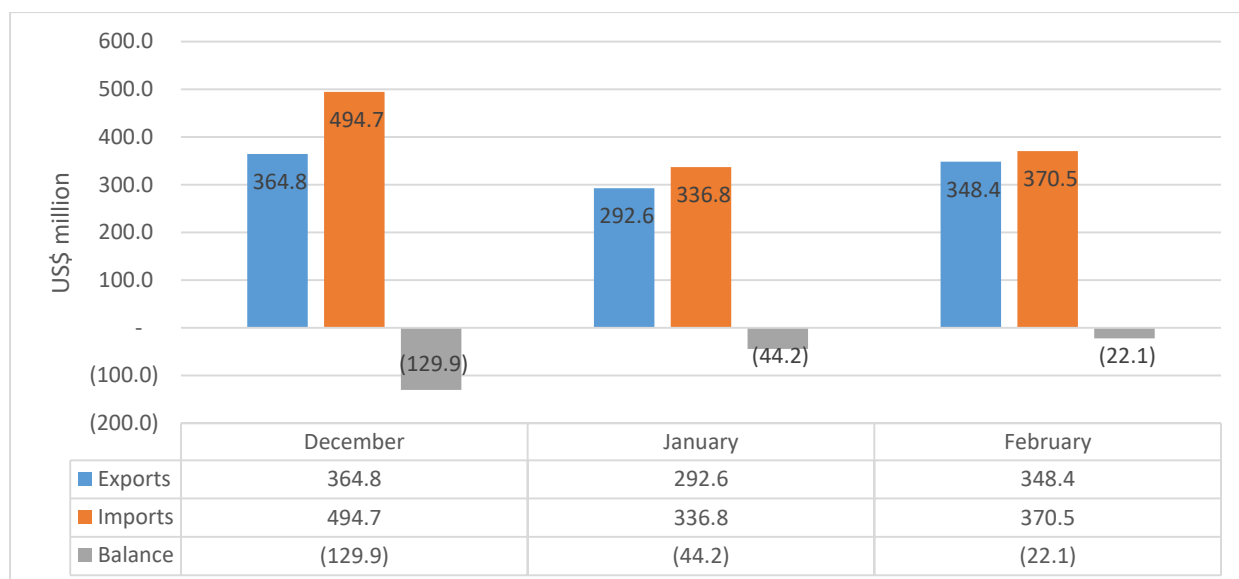
Export Destinations



Source: ZIMSTAT

69. Total merchandise imports for the month of February 2019 stood at US\$370.5 million, a 10% increase from US\$336.8 million accumulated during January 2019.
70. The country's major imports for the month of February 2019 were diesel (16%), petrol (8%), road tractors for semi-trailers (2%), crude soya bean oil (2%), small motor vehicles (1%) and medicaments used for chronic disease as approved by the Secretary for Health (1%).
71. The imports were mainly sourced from South Africa (37%), Singapore (24%), China (9%), India (3%), Mauritius (2%), and the United Kingdom (2%).
72. Resultantly, the trade deficit for the month of February 2019 stood at US\$22.1 million, compared to US\$44.2 million in January 2019. The trade deficit therefore narrowed by 50%.

Balance of Trade



Source: ZIMSTAT & MOFED Calculations

CONCLUSION

73. The monthly economic developments will be updated through the March Report.

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT
April 2019