



MONTHLY ECONOMIC UPDATE

JANUARY 2019

Ministry of Finance and Economic Development

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HIGHLIGHTS

- Total Revenues for January 2019 of US\$487.6 million and Total Expenditures of US\$385.2 million.
- A budget surplus of US\$102.4 million was realised in January 2019.
- Inflationary pressures continued to persist in January, with annual inflation standing at 56.90, and month-on-month inflation at 10.8%.
- The annual growth in money supply is estimated to have remained flat at around 26.5%.
- Banking institutions reported a 61.06% increase in aggregate profits in 2018.
- The ZSE performed relatively well, with the all share index gaining 11.3 points (7.7%).
- Rainfall improved significantly in the month of January 2019.
- Grain stocks at the GMB remain relatively high at above 1 million tons for maize.
- Gold output for January 2019, decreased by about 30% relative the January 2018 output.
- Compared to December 2018, both merchandise exports (\$292.6m) and imports (\$336.8m) were lower, to give a trade deficit of \$44.2m.

INTRODUCTION

1. The month of January has over some years been characterised by low industrial activity, as most industries take a break, except for the agriculture and other services sectors.
2. However, public finances were bullish, performing above targets, to give an overall budget surplus for the month.
3. For agriculture, rains improved considerably during the month of January 2019, after a long dry spell in the preceding month, giving a glimmer of hope to farmers, who had lost hope of salvaging anything in this year's farming season.
4. The pass through effect from the parallel foreign exchange market, however kept feeding into inflation, which recorded 56.9% in January.

PUBLIC FINANCES

5. Total revenue amounted to US\$487.6 million while total expenditure was US\$385.2 million, resulting in a budget surplus of US\$102.4 million. A summary of Government finances is presented on the table below.

January 2019 Government Finances: US\$ million

| | Jan 2019 |
|---|--------------|
| Total Revenues | 487.6 |
| Tax Revenues | 468.2 |
| Non-Tax Revenues | 19.4 |
| Total Expenditures & Net Lending | 385.2 |
| Employment Costs | 327.4 |
| Operations & Maintenance | 27.8 |

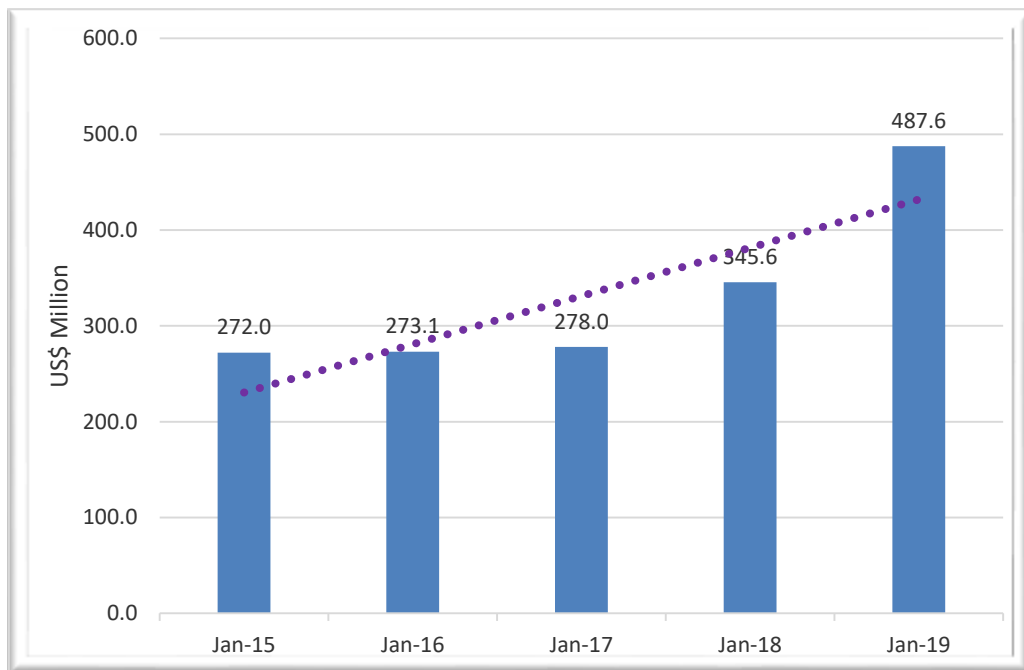
| | |
|--|--------------|
| Interest | 29.8 |
| Transfers to Provincial Councils & Local Authorities | 0.0 |
| Capital Expenditures & Net Lending | 0.1 |
| Budget Balance | 102.4 |

Source: MOFED

Revenue

6. Total revenue collections for the month of January 2019 amounted to US\$487.6 million against a monthly target of US\$467.0 million, which is a 4.4% positive variance. Tax revenue amounted to US\$468.2 million against a US\$455.6 million target, whilst non-tax revenue was US\$19.4 million.
7. The notable positive revenue collections in January 2019 was due to the higher than anticipated collections under the excise duty, more specifically from tobacco, airtime, alcohol and fuels subsectors, Intermediated Money Transfer Tax (IMTT) and non-tax revenue.
8. Remarkable performance of excise duty was backed by reviews of specific duties on cigarettes and fuels.

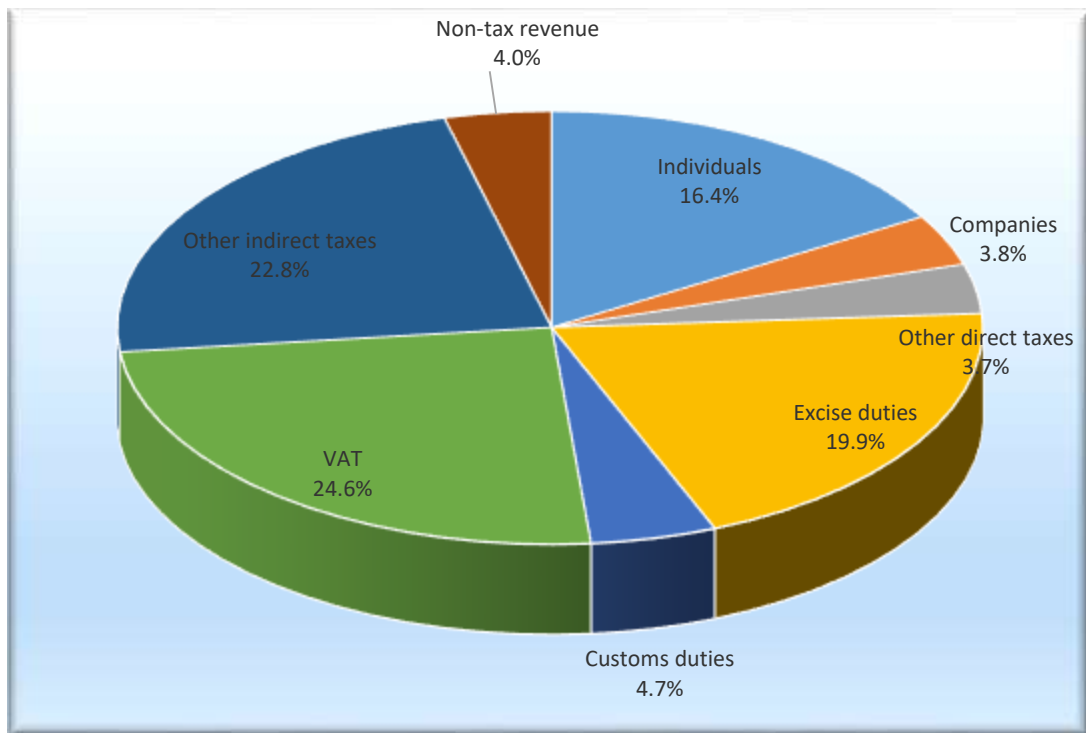
January Total Revenue: 2015 - 2019



Source: MOFED

9. January revenue collections have been following an upward trend since 2015 as indicated on 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.
10. The contribution of the various tax heads during the month of January 2019 is as shown below:

2019 January Share of Revenue Heads



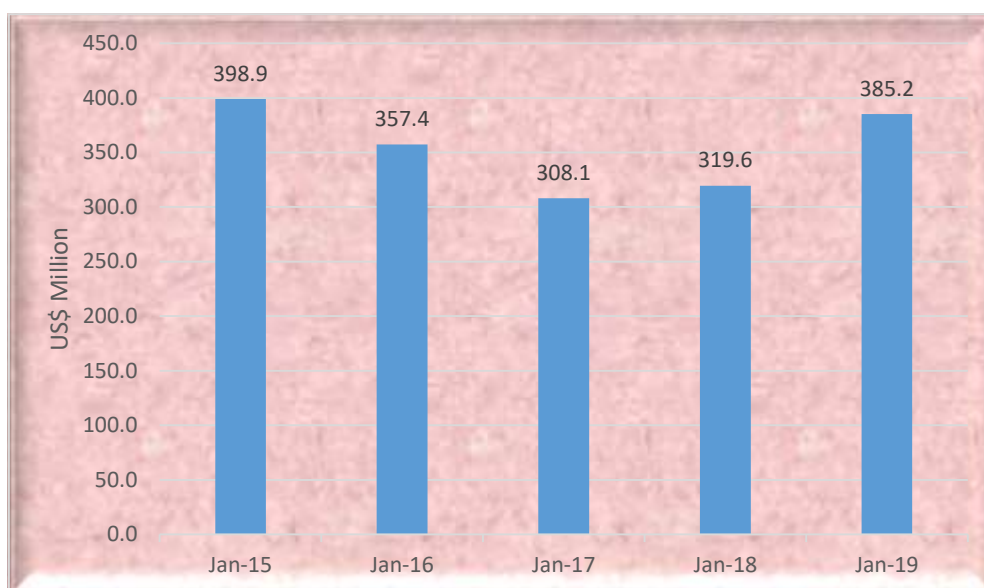
Source: MOFED

11. VAT was the highest contributor to total revenue at 24.6% after having been replaced by non-tax revenue in December 2018. The second contributor was other indirect taxes at 22.8% as a result of the IMTT, followed by excise duty (19.9%) and individuals' income tax (16.4%).

Expenditure

12. Total Government spending for the month of January 2019 was US\$385.2 million against a monthly target of US\$483.4 million, which is a 20.4% positive variance. Of the total expenditure, current spending amounted to US\$385.0 million while US\$0.1 million went towards capital expenditure and net lending.
13. The positive variance is a result of under expenditure on both current and capital expenditure and net lending.

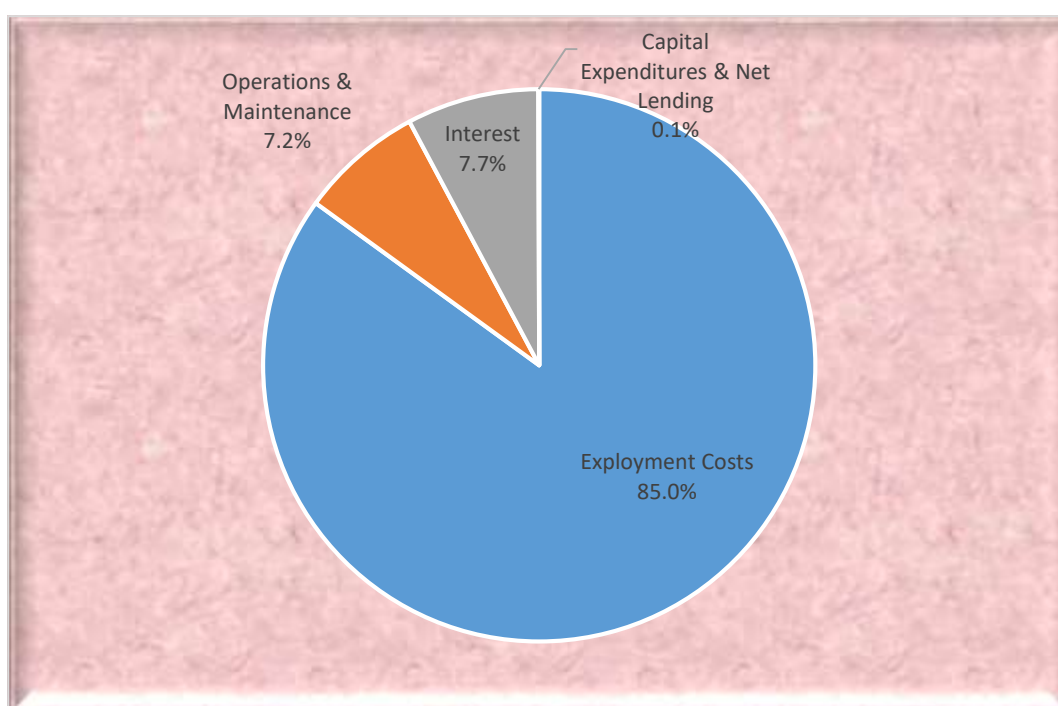
January Total Expenditure: 2015 - 2019



Source: MOFED

14. The highest expenditure was on employment costs at 48.7%, followed by employment costs at 85.0%, which was inclusive of transfers to grant aided institutions and Government's contribution to medical aid and NSSA.

2019 January Share of Expenditure Heads



Source: MOFED

15. Interest payments amounting to US\$29.8 million in January 2019 against a target of US\$19.3 million was 7.7% of the total expenditure.

Budget Balance & Financing

16. A budget surplus amounting to US\$102.4 million was realised in January 2019. Government was also able to repay the TBs amounting to US\$95.9 million which were maturing in the month. This subsequently shows the commitment of Government to honour its domestic debt on time.

DOMESTIC DEBT

17. In January 2019, domestic debt stock stood at US\$10 billion up from US\$9.65 billion in December 2018. This represents a US\$454.3 million increase in domestic debt.
18. TBs issued to pay for previous fiscal years' Government debt continue to consist the highest share of domestic debt at US\$3.6 billion (36.2%) followed by Central bank overdraft facility at US\$3.1 billion (31.0%). The balance consists of budget financing (US\$616.3 million), TBs raised to pay RBZ debt that was assumed by Government (US\$228.3 million), capitalisation of RBZ and other state owned enterprises (US\$1.6 billion), arrears to service providers (US\$184.5 million) and loans (US\$700.0 million).
19. Government is committed to repaying maturing TBs and to demonstrate that, a total of US\$95.9 million was repaid in full in January.

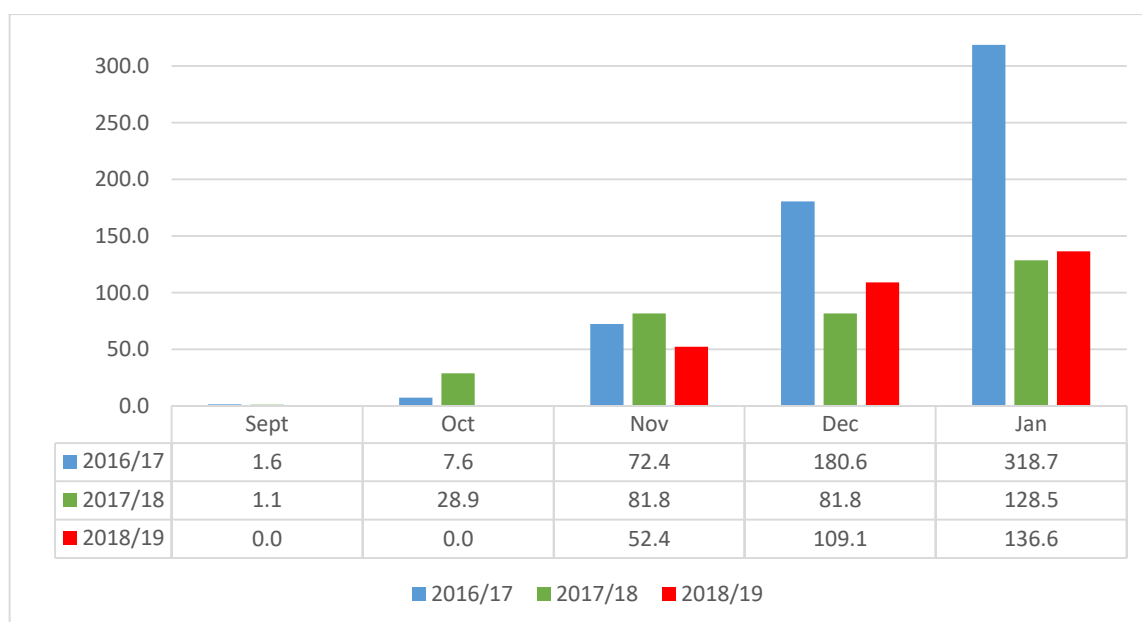
SECTOR HIGHLIGHTS

Agriculture

Rainfall Update

20. The country received an average of 136.6 mm of rainfall in January 2019, slightly above the 128.5 mm received for the same month in 2018. However, this level is far below the 318.7 mm received in 2016.

Average Monthly Rainfall Received for the Country (mm)



21. Mashonaland Central and West Provinces received higher average rainfall of 174 mm and 173 mm respectively, for the month of January. On the other hand, Masvingo Province received the least rain with 87 mm.
22. Overall, rainfall received remains generally below long term average. This was compounded by mid-season dry spells causing crops condition to range from

poor to good during the month of January 2019 while some parts of the country crops were showing signs of moisture stress.

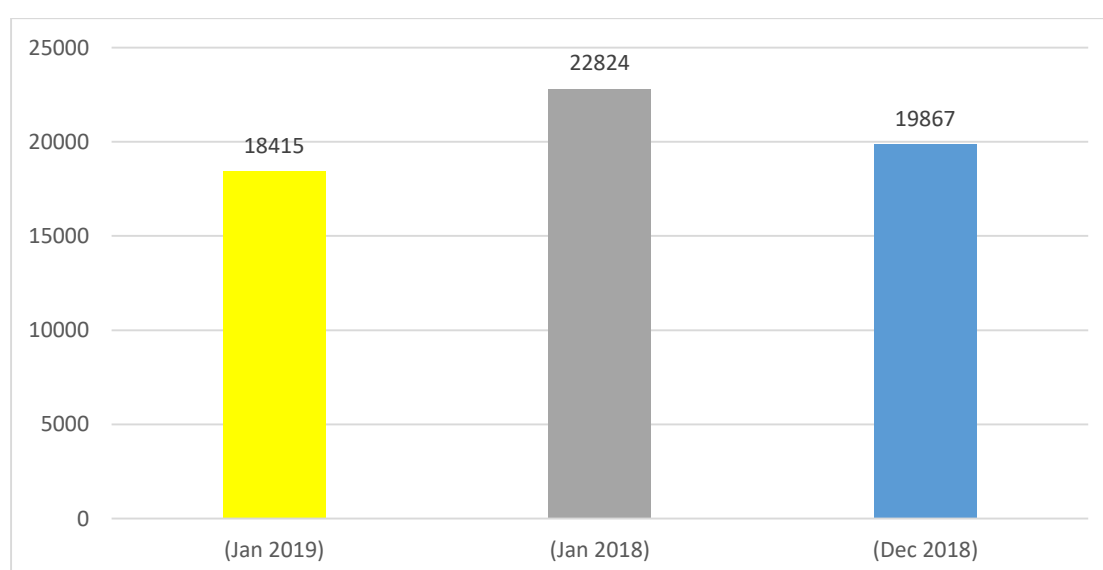
Tobacco

23. As at 8 February 2019, tobacco registered farmers increased by 44% to 169 875 compared to 118 048 registered the same period last season.
24. Tobacco exports stood at US\$141 million, from 28 million kgs sold at US\$5 per kg, against US\$64 million from 14 million kgs at US\$4.65 realised during the same period in 2018.

Livestock

25. The country lost significant herd of cattle (over 50,000) owing to January disease following the shortage of dipping chemicals.
26. Compounded by low demand and high costs of animal feeds and chemical, cattle slaughters continue to decline from 19,867 recorded in December 2018 to 18,415 in January 2019.

Formal Cattle Slaughters



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

27. High cost of stock feeds, is however compromising the quality of beef and hence potential incomes to livestock farmers.

Stocks to GMB

28. Grain stocks at the GMB remain relatively high at above 1 million for maize as at 04 Feb 2019.

| 2018/19 Season | Cumulative Intake (MT) | Command Agriculture Deliveries (MT) | Cumulative Payments(USD) | Available stocks (MT) |
|-----------------------|-------------------------------|--|---------------------------------|------------------------------|
| Maize | 1 148 425 | 331 493 | 408 239 743.86 | 1 048 859 |
| Wheat | 148 436 | 45 588 | 53 867 667.42 | 115 987 |
| Soyabean | 40 558 | 24 266 | 27 444 641.42 | 2 123 |

MINING

Gold

29. Gold output for January 2019 slumped by about 30%, from 2,708kg to 1,771kg recorded during the same month in 2018. However, there was a 10% improvement in the January output from 1604kg compared to that produced in December 2018.
30. This follows the intervention by the Reserve Bank to address foreign currency crisis following temporary company shut downs in the last quarter of 2018. This problem had seriously threatened the viability of mining houses as suppliers of critical materials, who were owed large sums of money, started demanding payment in United States dollars as opposed to RTGS.
31. Mining exports for the month of January 2019 declined by 1% to about US\$190 353 million from US\$202 705 million recorded in December 2018, contributing around 65% to total exports. This decline is reflective of the foreign currency crisis that was being faced by miners during the period under review.

Electricity Consumption

32. There was a marginal increase of about 0.1% in mining electricity consumption for the month of December 2018. Consumption increased from 135kw/h in November to 146kw/h in December 2018. This is in line with increased activity for the mining sector in December as evidenced by the improved deliveries.

Mineral Exports

33. Major contributors to the mineral exports were mainly gold (34%), nickel mattes (29%) and nickel ores & concentrates (19%), ferro-chromium (8%).

Mineral Exports: January 2019

| | December 2018 | January 2019 |
|---|----------------------|---------------------|
| Total Exports | 364,849,153 | 292,569,672 |
| Mineral Exports | 202,705,226 | 190,353,057 |
| Semi-manufactured gold (incl. gold plated with platinum), non-monetary | 64,409,346 | 64,456,691 |
| Nickel mattes | 49,382,443 | 56,032,695 |
| Nickel ores and concentrates | 35,908,749 | 35,569,447 |
| Ferro-chromium, containing by weight >4% carbon | 18,853,976 | 14,944,511 |
| Chromium ores and concentrates | 7,222,490 | 4,654,530 |
| Platinum unwrought or in powder form | 4,535,614 | 4,116,340 |
| Other articles & parts of precious metal(EXCL. SILVER) | | 4,086,707 |
| Industrial diamonds unworked or simply sawn, cleaved or bruted | 18,947,087 | 3,676,681 |
| Coke and semi-coke of coal, of lignite or of peat; retort carbon | 1,234,837 | 1,202,232 |
| Bituminous coal, not agglomerated | 360,260 | 644,857 |
| Lead-acid of a kind used for starting piston engines | 63,950 | 348,643 |
| Niobium, tantalum and vanadium ores and concentrates | 382,912 | 339,567 |
| Other mineral substances, nes | 1,403,562 | 280,155 |

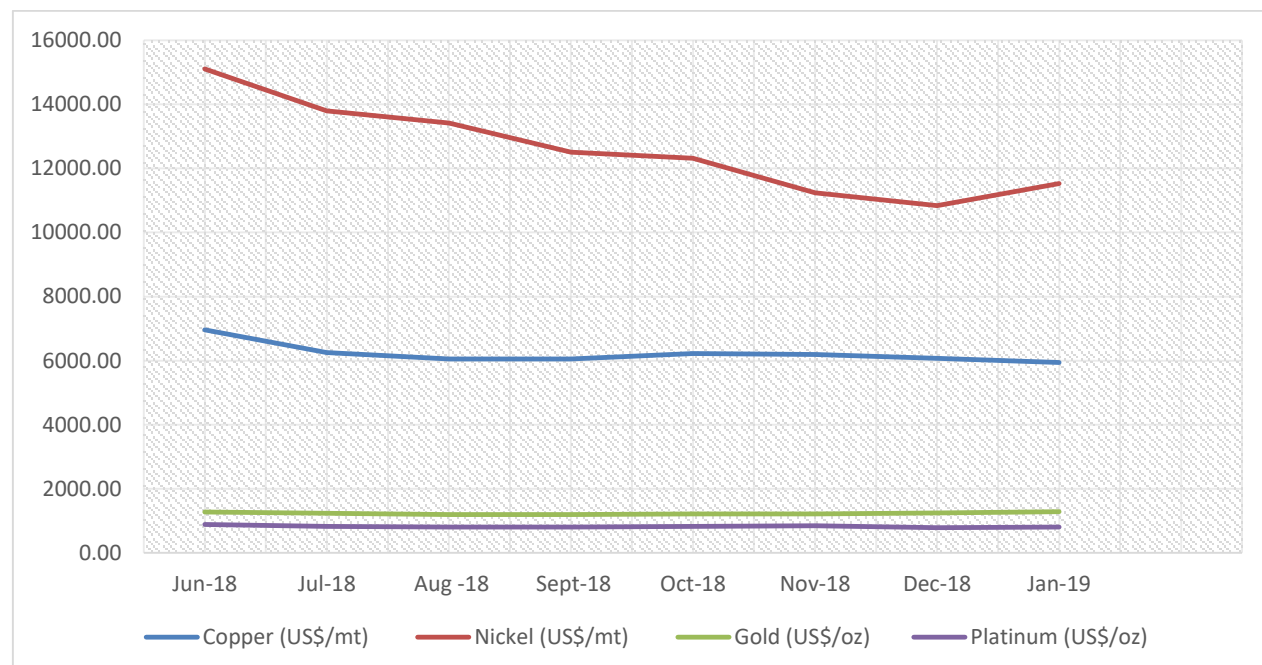
Source: Zimstat

International Mineral Prices

34. International prices for gold and platinum remained relatively flat during the second half of 2018, with a slight recovery in January 2019. On the other hand, nickel prices which had been on a downward trend during the greater part of

2018 gained momentum in January 2019. Copper prices, however, continued to slow down since October 2018, and this trend persisted in January 2019.

International Prices for Selected Minerals



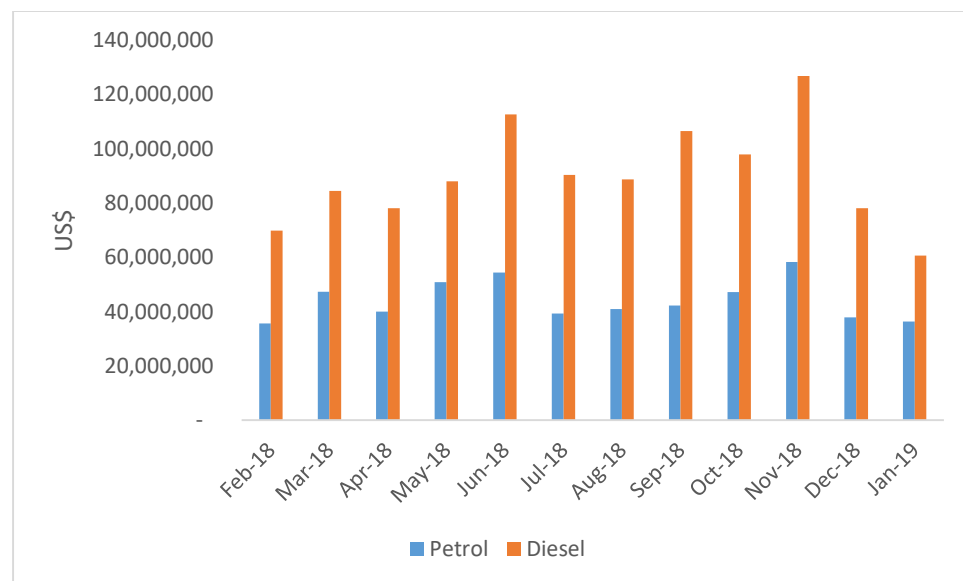
Source: World Bank

ENERGY

Fuel

35. Fuel supply during the month was constrained due to limited availability of foreign currency. Petrol and diesel worth US\$36.4 million and US\$60.6 million was imported and consumed during the month.

Fuel Imports



36. Relative to other regional countries the price of fuel in the country was low and this induced high demand. Given the constrained supply, Government on 14 January 2019 took a decision to increase the price of petrol from \$1.33 to \$3.33 per liter and diesel was pegged at \$3.15 from \$1.27.

Electricity

37. Electricity generated and sent across all the stations was relatively stronger compared to the same period last year and also against the set target. Total electricity generated and sent out amounted to 827.5 GW/h against 623.2GW/h and 714 GW/h of last year and the set target respectively.

Electricity Generated and Sent Out



INFRASTRUCTURE PROJECTS

38. The Transitional Stabilisation Plan prioritises infrastructure development in the key sectors of energy, transport, water & sanitation, health and education, as well as construction of Government institutional buildings as part of the strategy of achieving Vision 2030.
39. Consistent with the Plan, the 2019 Infrastructure Investment Plan identified priority projects to be implemented during 2019, with funding of \$2.6 billion being mobilised from the Budget US\$1.1 billion as well as off budget financing of \$1.5 billion.
40. Notable progress has since been registered in the implementation of projects across most of the sectors.
41. In the energy sector, the Hwange 7 & 8 Expansion project commenced on 1 August 2018 and to date, ZPC has completed Design Reviews and specifications for the Power Plant and Transmission and Distribution lines. In addition, civil works commenced on 1 December 2018 and are ongoing.

Transport Sector Projects

42. For the road sub-sector, the Road Development Programme has already delivered 119 km of surfaced roads since October 2018 with at least four projects being implemented each province. Examples of some of the notable roads include the following:-

| Road Project Name | Achievements to Date |
|--|---|
| Manicaland Province | |
| <i>Ngundu - Tanganda</i> | <i>22km rehabilitated and open to traffic</i> |
| <i>Murambinda – Birchenough Bridge</i> | <i>3.5km constructed and surfaced</i> |
| Mashonaland Central Province | |
| <i>Mt Darwin - Mukumbura</i> | <i>6km constructed, surfaced and opened to traffic</i> |
| <i>St Albert - Dotito</i> | <i>2km constructed, surfaced and opened to traffic</i> |
| Mashonaland East Province | |
| <i>Harare - Mutare</i> | <i>8km of dualisation road constructed and primed</i> |
| <i>Mushandirapamwe - Wedza</i> | <i>4.4km road constructed and surfaced</i> |
| <i>Wedza – Sadza - Murambinda</i> | <i>4km road constructed, 1km surfaced and 3km primed and ready for surfacing</i> |
| Mashonaland West Province | |
| <i>Harare – Gweru - Bulawayo</i> | <i>9km of dualisation road constructed, surfaced and opened to traffic. Works have started at Norton Road-over-Rail Bridge</i> |
| <i>Harare - Chirundu</i> | <i>6.5km resealed (asphalt overlay) and opened to traffic</i> |
| Masvingo Province | |
| <i>Kapota - Zimuto</i> | <i>5.3km constructed, surfaced and opened to traffic</i> |
| <i>Rutenga - Zvishavane</i> | <i>2.7km constructed, surfaced and opened to traffic</i> |
| Matabeleland North Province | |
| <i>Bulawayo - Nkayi</i> | <i>1.3km of Ingwingwisi Bridge approaches constructed, primed and ready for surfacing. Construction from Bulawayo side just started</i> |
| <i>Bulawayo - Solusi</i> | <i>18km narrow mat road widened, surfaced and opened to traffic</i> |
| <i>Nkayi – Lupane</i> | <i>Tohwe shelverts completed</i> |
| Matabeleland South Province | |
| <i>Bulawayo - Beitbridge</i> | <i>5.1km resealed and opened to traffic, 2.5km constructed, primed and ready for surfacing on dualisation section in Beitbridge</i> |
| <i>Gwanda – Tuli</i> | <i>3.5km constructed, surfaced and opened to traffic</i> |
| Midlands Province | |
| <i>Mberengwa – West Nicholson</i> | <i>3km constructed and surfaced</i> |
| <i>Ngungubane – Mataga</i> | <i>3.3km constructed and surfaced</i> |

43. With regards to our airports, expansion works at the R. G. Mugabe International Airport Project have also commenced, and ongoing activities include excavations for foundations and site establishment by the contractor.
44. Work to modernise of Beitbridge Border Post has also commenced with the concessionaire having completed excavations for the foundations of the New

Administration Block whilst preparatory works for the other buildings are on-going.

45. At least nine dam projects have been prioritised for implementation with Marovanyati, Chivhu, Causeway and Gwayi Shangani dams having been targeted for completion during the Plan period. Already, impoundment of water for Marovanyati dam was achieved during December 2018 and is expected to be complete by June this year whilst impoundment for Causeway is expected during the 2019/2020 season.
46. Government is also upgrading water supply for 21 small towns and growth points countrywide, with works at Lupane, Guruve and Zimunya expected to be complete by April 2019.
47. Construction of 12 primary and 5 Secondary schools in five targeted provinces and with support from OFID is ongoing. Most of the superstructures have been completed and roofed. All the 17 schools are expected to be complete by June 2019.
48. With regards to innovation hubs at the University of Zimbabwe, Chinhoyi, MSU, HIT and NUST is ongoing with the superstructures at most sites having been completed and roofed. Current works are concentrated on internal finishes whilst procurement towards the equipping of the hubs is underway. This will enable our innovators to actualise their ideas and concepts into productive use for the benefit of the overall economy.
49. We expect construction works to intensify across all sectors as the rain season is coming to an end.

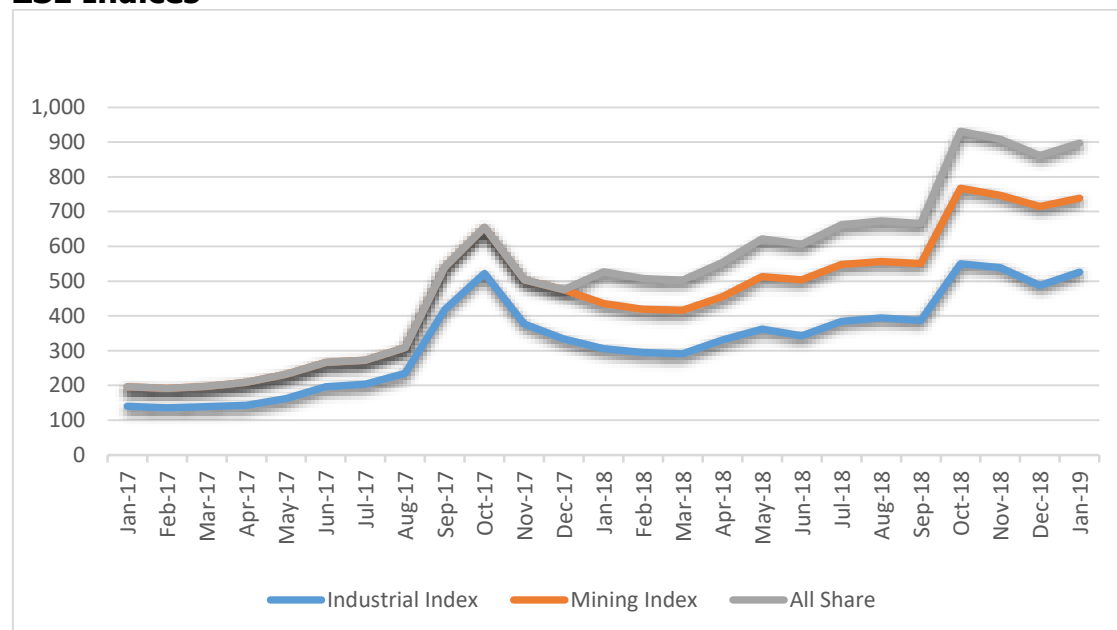
50. The table below shows the names and location of the schools:-

| Name of School | Province | District |
|----------------------|---------------------|----------------------|
| Lawrencedale Primary | Manicaland | Makoni District |
| Sterksroom Secondary | Manicaland | Chipinge District |
| Tengenenge Primary | Mashonaland Central | Guruve District |
| Craigside Primary | Mashonaland Central | Bindura District |
| Belgownie Secondary | Mashonaland Central | Bindura District |
| Makumivavi Primary | Mashonaland East | Chikomba District |
| Just Right Primary | Mashonaland West | Mhondoro Ngezi |
| Sadoma Primary | Mashonaland West | Makonde District |
| Chehamba Primary | Mashonaland West | Hurungwe District |
| Tavoy Secondary | Mashonaland West | Hurungwe District |
| Nyuni Primary | Masvingo | Mwenezi District |
| Nyuni Secondary | Masvingo | Mwenezi District |
| Tame Primary | Matabeleland North | Bubi District |
| Kokoloza Primary | Matabeleland North | Binga District |
| Mogkampo Secondary | Matabeleland South | Mangwe District |
| Neta Secondary | Midlands | Mberengwa District |
| Budiriro Primary | Midlands | Gokwe North District |

ZIMBABWE STOCK EXCHANGE

51. The month of January was characterised by slow activity and mixed trading as the market was beset with increased volatility.
52. The industrial index opened the year 2019 at 487.13 points and gained 38.77 points (8.0%) to close the month of January 2019 firmer at 527.77 points.
53. On the contrary, the mining index suffered losses in January 2019, opening at 216.77 points and shedding 15.58 points (-6.4%), closing softer at 213.13 points.
54. The Top Ten Index declined by 13.26 points (9.1%) during the period under review, closing January 2019 at 158.28 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.

ZSE Indices



Source: ZSE

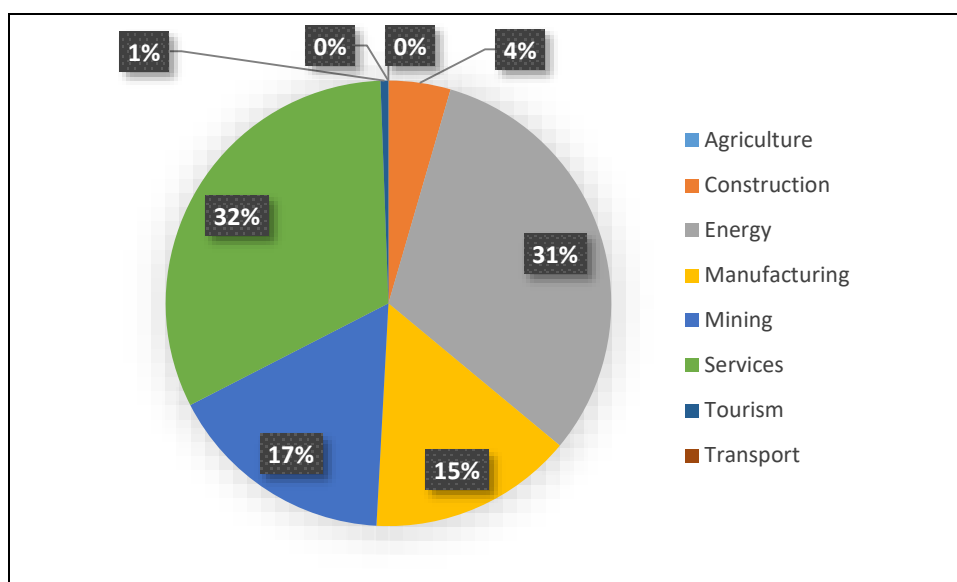
55. The All share index, which tracks the changing average value of share prices of all companies on the market and is a good measure of how the economy is performing, gained 11.3 points (7.7%).
56. Overall, the market capitalisation of the ZSE increased by 6.2% from US\$19.3 billion at the beginning of the year to US\$20.80 billion at the end of January 2018.

INVESTMENT

57. In January 2019, a total number of 25 investment projects were approved by the Zimbabwe Investment Authority (ZIA). Of these projects, 16 were carried out by foreign investors, and 9 were joint projects between foreign and local investors.
58. Total investment in January 2019 stood at US\$174.5 million, where foreign investment accounted for US\$84.5 million, and joint venture investment accounted for US\$90.0 million.

59. Investment goods worth US\$73.7 million were shipped into the country in January 2019, where US\$18.6 million were imported by foreign investors, and US\$55.1 million jointly by foreign and local investors.

Investment by Sector



Source: Zimbabwe Investment Authority

60. The largest share of investments accrued to the Services sector (32% or US\$55.8 million), followed by Energy (31% or US\$55 million), Mining (17% or US\$28.6 million), and Manufacturing (15% or US\$25.9 million).

EMPLOYMENT SITUATION

61. In January 2019, 5 061 new employees were registered by NSSA from 134 employers.
62. However, a total of 76 employees were retrenched by 20 employers, broken down as follows:
63. In addition, 8 companies were declared insolvent, with seven being under liquidation while one is under judicial management during the same month.

| Sector | No. of Firms Which Retrenched | No. of retrenched employees |
|---|-------------------------------|-----------------------------|
| Agriculture | 1 | 2 |
| Mining and quarrying | 1 | 1 |
| Manufacturing | 7 | 25 |
| Wholesale and retail trade | 4 | 5 |
| Transport and storage | 1 | 29 |
| Information communication technology (ICT) | 1 | 4 |
| Finance and insurance | 2 | 3 |
| Education | 1 | 4 |
| Human health & social work | 2 | 3 |
| Total | 20 | 76 |

Source: Ministry of Public Service, Labour & Social Welfare

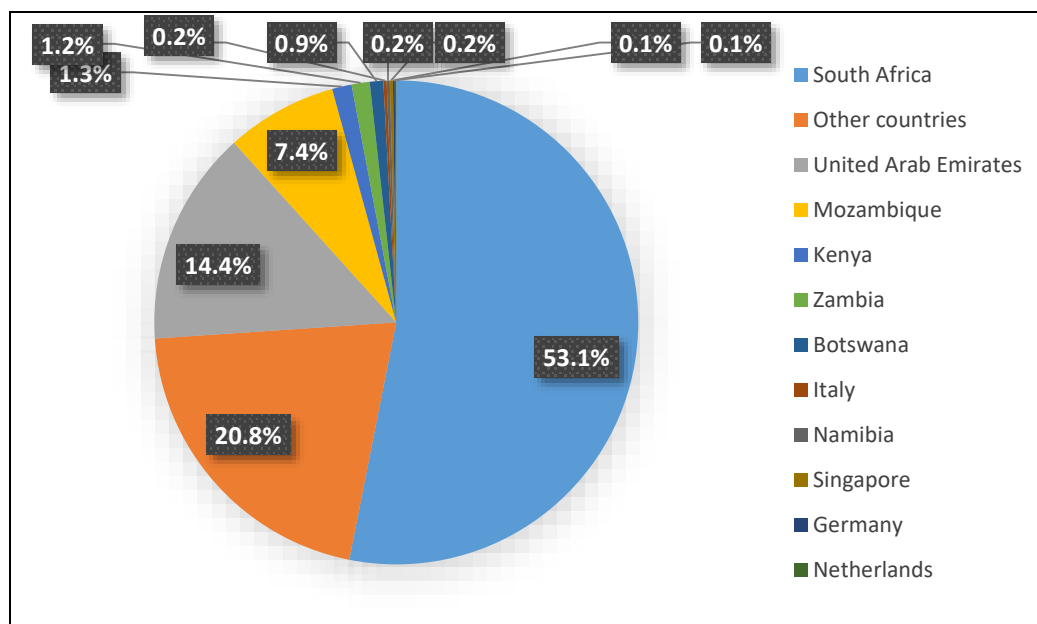
EXTERNAL SECTOR

64. During the month of January 2019, the country's merchandise exports stood at US\$292.6 million, a 20% decline from the US\$364.8 million realised in December 2018.
65. Exports were mainly from gold (22%), flue-cured tobacco (22%), nickel mattes (19%) and nickel ores & concentrates (12%), ferro-chromium (5%), and tobacco (3%).

| Product | Value (US\$) |
|--|--------------------|
| Semi-manufactured gold (incl. gold plated with platinum), non-monetary | 64,456,691 |
| Flue-cured tobacco of the virginia type, partly or wholly stemmed/stripped | 63,145,273 |
| Nickel mattes | 56,032,695 |
| Nickel ores and concentrates | 35,569,447 |
| Ferro-chromium, containing by weight >4% carbon | 14,944,511 |
| Tobacco refuse in immediate packings of a content =>2kgs | 8,085,727 |
| Chromium ores and concentrates | 4,654,530 |
| Other cane sugar not containing added flavouring or colouring matter | 4,259,023 |
| Platinum unwrought or in powder form | 4,116,340 |
| Other articles & parts of precious metal (EXCL. SILVER) | 4,086,707 |
| Industrial diamonds unworked or simply sawn, cleaved or bruted | 3,676,681 |
| Black tea fermented/ partly fermented, flavoured or not, in packings of >3KG | 2,582,802 |
| Other Products | 26,959,244 |
| Grand Total | 292,569,672 |

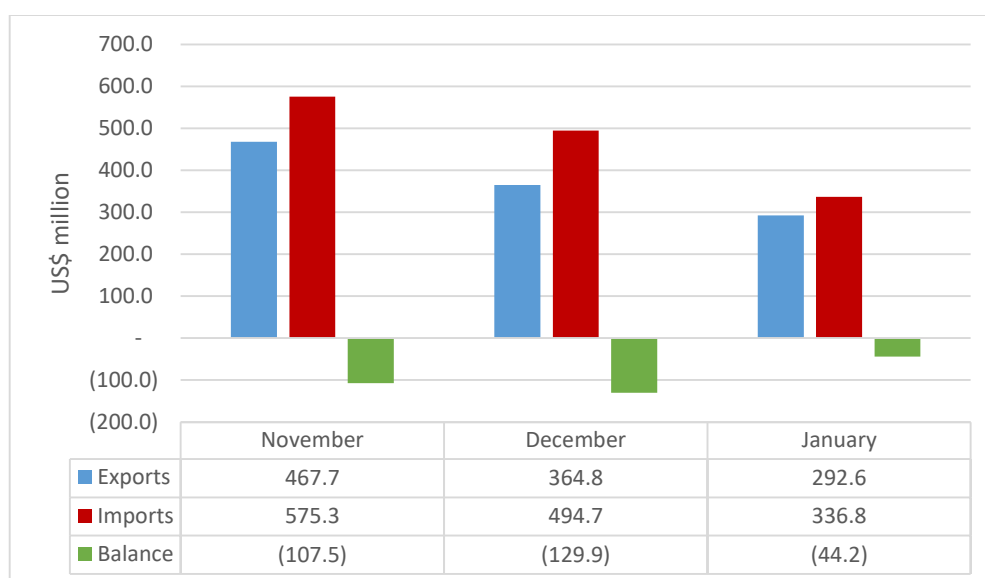
66. The top export destinations were South Africa, United Arab Emirates, Mozambique, constituting 53%, 14%, and 7% respectively.

Export Destinations



67. Total merchandise imports for the month of January 2019 stood at US\$336.8 million, a 32% decline from US\$494.7 million accumulated during December 2018.
68. The country's major imports for the month of January 2019 were diesel (18%), petrol (11%), Aviation Spirit (3%), Other durum wheat (2%), Motor vehicles of goods of payload 800-1400kg (2%).
69. The imports were mainly sourced from Singapore (31%), South Africa (28%), China (11%), United Kingdom (4%), Mauritius (3%), and Japan (3%).
70. Resultantly, the trade deficit for the month of January 2019 stood at US\$44.2 million, compared to US\$129.9 million recorded in December 2018. The trade deficit therefore narrowed by 66%.

Balance of Trade



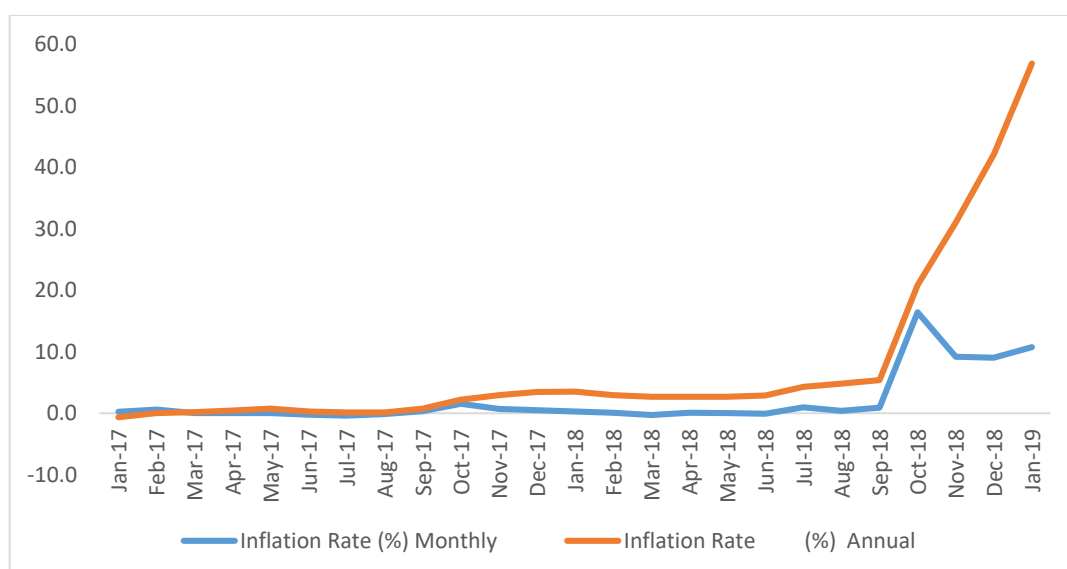
Source: ZIMSTAT & MOFED Calculations

PRICES AND THE FINANCIAL MARKET

Inflation Developments

71. Inflationary pressures continue to persist during the month of January with annual inflation recording 56.9% against the 2018 December rate of 42.1 percent. Despite Month on month inflation slowing down to 9% in December 2019 it gained slightly to 10.8% in January 2019.
72. Major items that experienced significant price hikes were mostly non-food items, which rose by 8.5%. Notable increases were mainly on passenger transport (59%), pharmaceuticals (18.3%), household appliances (32.4%) and alcoholic beverages (19.4%).
73. The fuel price hikes experienced during the month together with the slight widening of the parallel exchange market premiums were the major drivers of inflation during the month.

Inflation Developments



Source: ZIMSTAT

CONCLUSION

74. The monthly economic developments will be updated through the February Report.

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

March 2019