FIRST MUTUAL
WEALTH
Go Beyond

ECONOMIC AND MARKET REVIEW

Highlights

- **Global growth for 2024 forecasted to improve by 0.3% from the October 2023 forecast.**
- **Geo-political fragmentation causing commodity price spikes as uncertainty is heightened.**
- **Zimbabwe declares 2023/4 Agricultural season a national disaster requiring USD2bn funding support.**
- **ZWL YTD inflation topped 553% before Monetary Policy Statement announcement.**
- **ZSE in significant rally whilst VFEX etched out a 1.1% return for the quarter.**
- **Significant real growth opportunities remain despite macro-headwinds.**

Global Economic Developments

Global growth although still below pre-pandemic growth averages is expected to recover to 3.2% from the previously forecasted 2.9% according to the International Monetary Fund's April 2024 World Economic Outlook report. Pre-pandemic, Global growth averaged 3.8% but now has a three -year forecast of 3.2% (**Fig 1.**). Despite the presence of the COVID-19 pandemic being insignificant on a health scale, the economic and social impacts are still being felt. Reasons for the slight GDP recovery are attributed to:

- Government and private sector spending growth.
- Real disposable income growth within Emerging and Developed countries.
- Drawdowns on post pandemic savings in support of consumption.
- Easing labour markets, especially in the USA.
- Lower than anticipated inflation outturns.

Downside risks to this growth remain though, and can materialise from:

- A stubbornly restrictive Euro-area labour market.
- Weak consumer sentiment.
- Rising geopolitical tensions (Israel-Iran-Palestine Conflict and its impact on the Red Sea; the Russia - Ukraine War's persistence and resulted energy price spikes.
- Simmering Geo-political tensions in Asia such as the China-Taiwan identity proxy spilling into another crisis.
- Higher taxes, interest rates and fiscal prudence could stunt growth recovery in the war against inflation.

Sub-Saharan Africa's Trek

Growth in the Sub-Saharan region is expected to remain above the global average in part supported by the spike in energy related minerals, gold exports and better macro-economic conditions as supported by the Mining and Tourism sectors' respective growth

GDP Growth Forecasts

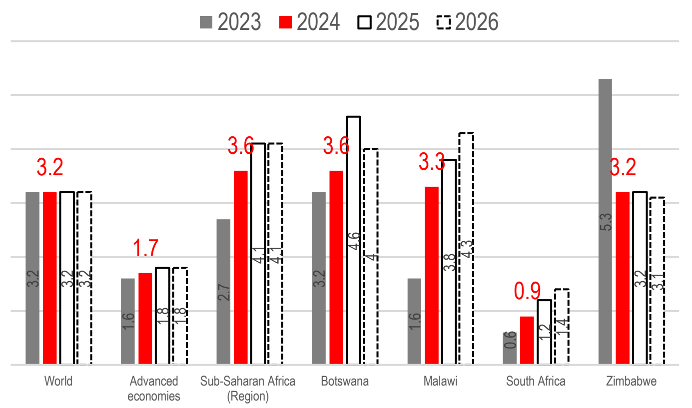


Fig 1. Source: IMF Data Mapper 2024, WEO Update April 2024

Inflation

	2023	2024	2025	2026
Global Inflation	**6.2%**	**5.3%**	**4.0%**	**3.6%**

Table 1. Source: IMF Data mapper April 2024

trajectories notwithstanding the high debt concerns for the region.

The recovery in private consumption and investment is forecasted to be slower than previously envisioned, but export growth is expected to accelerate gradually and underpin the average GDP growth in the region of 3.9% **(Fig 1.)**. The slow-down in inflation (**Table 1.**) is expected to support consumer expenditure and improve business prospects in the outlook.

Local Economy

In Zimbabwe, real GDP growth is projected to grow by 3.2% in 2024, anchored largely by the Mining, Retail and Service sectors. Post quarter events that are likely to have a material impact is the introduction of a new currency, Zimbabwe Gold (ZiG), whose success could significantly reduce downside risks.

Failure of the local currency could result in an outright dollarisation of the economy which would put considerable strain on Government resources to finance recurrent expenditure and significant capex budgets planned for the 2024 period.

Zimbabwe has officially labelled the 2023-2024 agricultural season a national disaster and has called on multilateral donor organisations and sympathisers to assist in alleviating the drought with a funding request of USD2 billion. The exact breakdown of this amount has not yet been disclosed but includes climate proofing infrastructure to aid against future droughts in the face of climate change.

A fluid policy environment remains the biggest downside risks as the authorities have continued to rely on the promulgation of Statutory Instruments to attend to significant economic shocks. Whilst this solves short term market shocks, it continues to undermine long term investment and business opportunities.

Inflation Developments

The introduction of a Gold Backed currency, the ZiG, through the 05 April 2024 Monetary Policy Statement sees with it the death of the ZWL and or RTGS currency. Before the ZWL's discontinuation, the Total Consumption Poverty Line had recorded annual inflation of 2,976% by the end of March 2024 after registering a Month-on-Month Inflation rate of 65.8% and YTD gain of 553%. The reason for discontinuing the ZWL arose from significant depreciation of the local currency, increased dollarisation and massive informalisation of the economy. In the first three months of the year, the official ZWL:USD exchange had advanced by 262% to 1USD being an equivalent value of ZWL21,700 from ZWL5,985 when the year begun. Officially the ZWL had lost 72% of its value. We expect a new inflation base to be announced by the Zimbabwe Statistical Office (ZIMSTAT) for the April 2024 inflation number, however we are unclear if ZIMSTAT will continue to utilise the blended inflation rate going forward given its limited use on the one hand and significant assumption changes that need to be adjusted for given the introduction of the ZiG.

FMW believes that the expenditure habits wherein over 80% of expenditure is accounted for by the USD and the balance by local currency is unlikely to shift significantly in the near term. Expectations are that this ratio will advance in the favour of the local currency if there is sufficient demand created by the Government as well as if stability of the new currency is maintained in the medium to long term.

Inflation is a monetary phenomenon, RBZ statistics on monetary aggregates are quite lagged but show that Money supply growth has been underpinning the unstable local currency as well as high inflation rate developments. Adjusting for the exchange rate impact, broad money supply grew by 37% in January 2024 after registering a growth of 975% for the whole of 2023. These two numbers closely mirror the USD:ZWL exchange rate movement and inflation growth rates for January 2024 and the whole of 2023.

Macro Developments

Zimbabwe is facing an El-Nino induced drought for the 2023-4 Agricultural season and will require, according to the President, USD2 billion in drought aid and climate related infrastructure expenditures to manage this national disaster. This puts significant downside output expectations for the agricultural season for 2024. The Maize harvest is expected to reduce by anything from 50% to 85% of initially expected output. The need for maize imports will work against a trade balance that was already in deficit as we expect a cereal import requirement of at least 800,000 tonnes. Similarly, the capital account surplus may dwindle owing to this massive import need.

The impact of the drought will similarly disrupt power generation as lower water inflows will mean less power generation from the

Zimbabwe Total Consumption Poverty Line

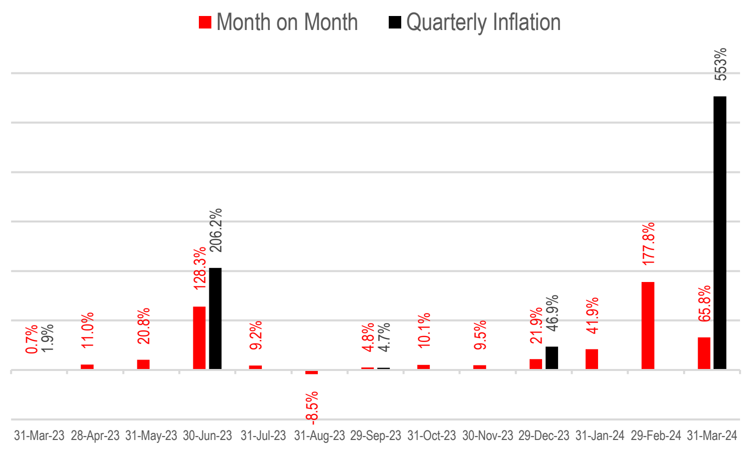


Fig. 2. Source: ZIMSTATS December 2023

Kariba Hydro power station which caters for nearly 60% of the country's current power generation capacity. On the upside though, power generation at Hwange Power station has improved by 600MW in the last 12 months and whilst not enough for the country's total deficit gap of 1,100MW, will to some degree mitigate against the drought related deficit from the Kariba Hydro Power Station. Zimbabwe currently has a power demand requirement of 2,200MW but is only able to produce, at peak, some estimated 1,120MW of power.

Zimbabwe continues to rely heavily on mineral and tobacco exports for its foreign currency generation. FMW believes that with the relatively significant investments in Lithium over the last year, Gold and Tobacco's share of export revenue will start to reduce as overall mineral export revenue continues to grow. According to the RBZ January 2024 monthly economic brief, exports grew by 26.3% to USD540 million when compared to last year. Tobacco and Gold export revenue accounted for 50% of this revenue, however whilst Tobacco exports grew by 25.9% gold exports declined by 17.9% to USD131 million when compared to last year. Lithium exports grew from 70 million in 2022 to USD670 million in 2023 and we expect this number to continue growing, underpinned by the sustained demand in electric vehicle and other green related products/projects that need battery power storage. Despite the growth in exports, Zimbabwe's import bill of USD693 million, up 9.7%, has seen Zimbabwe continue to record an adverse trade balance of USD153 million in January 2024.

Outlook

The Zimbabwean economy continues to have significant potential owing to its significant resource base and human capital resource. The country requires a sustainably long term stable macro-environment to benefit more aggressively from its resource endowments. This can be buttressed by business-friendly investment policies and less policy fluidity. The currency issue has remained a thorny issue for an extended period. A permanent remedy to a dysfunctional currency environment and stable macro-economic environment can go a long way in entrenching better growth prospects for the country.

Investment Markets

Listed Equity Markets

The Zimbabwe Stock Exchange's (ZSE) performance in the first quarter of 2024 was positive as the ZSE All Share Index gained 314%. The strengthening of the market was most pronounced in the month of January (+157%) and March (+67%) with a negative return in February (-3.7%). Post quarter end, Edgars migrated from the ZSE to the VFEX representing another scavenging of ZSE assets by the VFEX. We remain doubtful of any further aggressive ZSE to VFEX migrations under the current policy regime as limited reward incentives remain for these local bourse migrations. We note the expansion of Broad Money in the month of January 2024 by just under 40% which may have prompted the market's movement. Concerns about the value of the local currency prompted continued investor hedging on the one side by local investors as well as the upside potential on the ZSE following a bearish market performance for 2023 overall. From a fundamental standpoint, we remain adamant that a stable currency will allow for a more rapid recovery in the performance of listed companies in the medium term. The developments post quarter end wherein a new currency was introduced is an attempt by Government to stabilise the local currency in the outlook. The table below summarises the performance of the market during the first quarter of the year (**Table 3.**) as well as the sector market capitalisation weightings of the ZSE (**Fig 5.**).

	Index Value			QTD Return	YTD Return
Index	Q4 2023	Q4 2023	Q1 2024		
ZSE All Share	210,833.92	210,833.92	873,263.38	+314%	+314%
ZSE Top 10	90,085.91	90,085.91	398,030.12	+342%	+342%
Medium Cap	920,516.25	920,516.25	3,176,588.02	+245%	+245%
Small Cap	5,483,703.77	5,483,703.77	12,735,217.66	+132%	+132%
ZSE Top 15	121,916.39	121,916.39	524,826.30	+330%	+330%
Value Traded (ZWLbn)	197.90	197.90	339.04	+71%	

Table 3. Source: FMW (First Mutual Wealth) Research Database

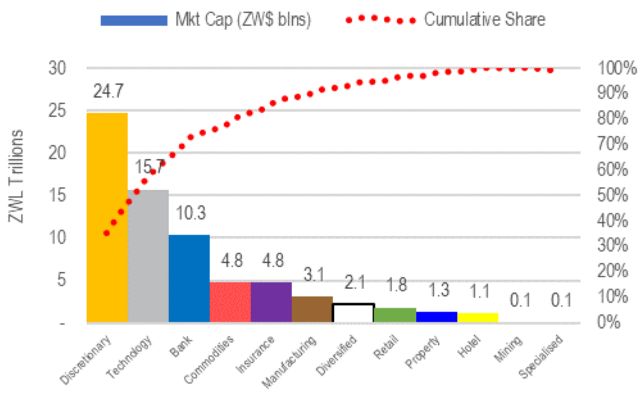


Fig 5. FMW Research Database

On a return attribution basis, the ZSE Top Ten Index contributed the most towards the ZSE All Share index return as it added 342% during Q1 2024. It was followed by the ZSE Top 15 Index with a return of 330%. The Small and Medium Cap indices rounded of the returns as the ZSE All Share Index was 152% ahead of the alternative market exchange rate movement in Q1 2024. Post quarter end, the introduction of ZiG has seen the market start to try to find its feet again and the ZSE All Share Index has been re-based to account for the new currency. If Macro-stability and exchange rate stability is achieved, we will likely see a more sustainable and less volatile ZSE equities market performance in the outlook.

ZSE Top 5 and Bottom 5 Performers

Share	Q1 2024 Value Traded (ZW$)	Share Price (ZW$)	Market Weight Change	Market Cap (ZW$bn)	QTD	YTD
Top Five Performers						
ZBFH	1,755,980,965	5525.00 ▲	+0.48%	967.9 ▲	+543.97% ▲	+543.97%
GB	20,615,140	137.00 ▲	+0.03%	78.9 ▲	+470.83% ▲	+470.83%
MEIKLES	6,529,552,650	7000.00 ▲	+0.66%	1,827.5 ▲	+461.36% ▲	+461.36%
OKZIM	10,111,571,240	1181.82 ▲	+0.58%	1,550.4 ▲	+452.65% ▲	+452.65%
ECONET	75,924,449,495	4670.19 ▲	+4.51%	13,051.2 ▲	+452.06% ▲	+452.06%
Bottom Five Performers						
BRIDGEFORT B	16,200	33.0000 ▼	-2.04%	0.0 ▼	-1.93% ▼	-1.93%
CFI	23,815,785	2990.00 ▼	-0.93%	319.4 ▲	+36.84% ▲	+36.84%
ARISTON	126,472,000	65.98 ▼	-6.79%	107.4 ▲	+40.37% ▲	+40.37%
ZIMPLOW	16,324,669	651.75 ▼	-0.55%	- ▲	+45.22% ▲	+45.22%
RIOZIM	275,784,125	1200.0000 ▼	-1.47%	146.4354 ▲	+50.00% ▲	+50.00%

Table 4. Source: ZSE, FMW Research Data Base

Victoria Falls Stock Exchange All Share Index (USD Exchange)

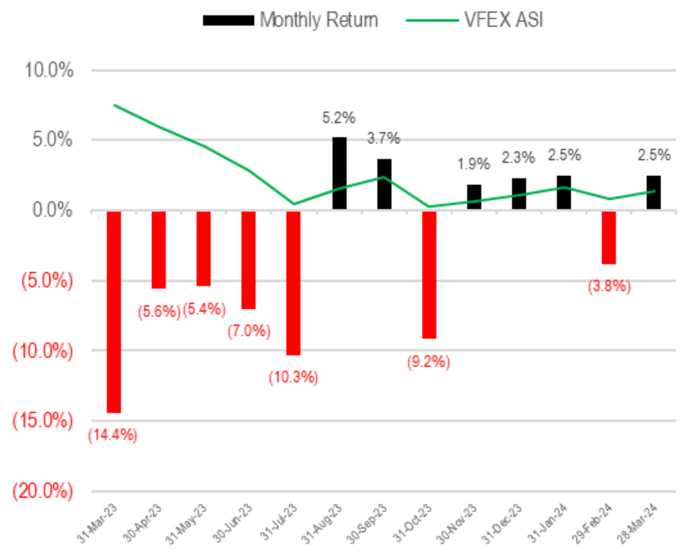


Fig 6 Source: VFEX April 2024

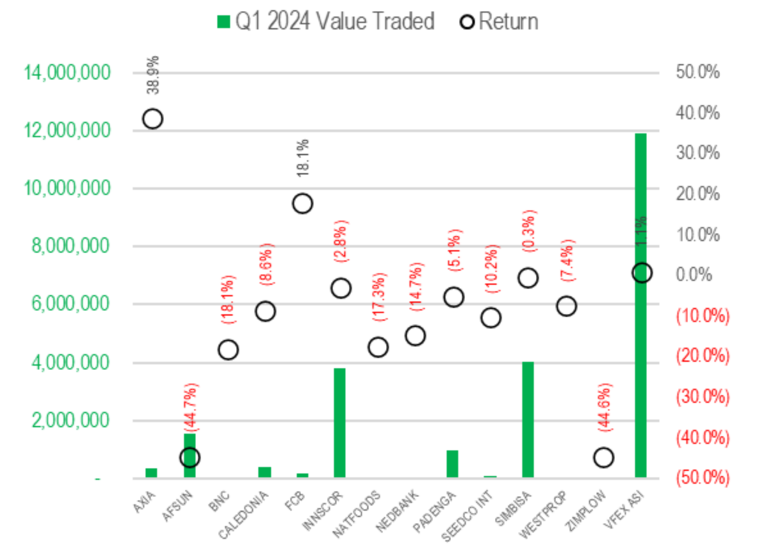


Fig 7 Source: VFEX April 2024

The Victoria Falls Stock Exchange (VFEX) closed the quarter with 13 listed equity securities as depicted in **Fig. 7** above with the USD 3-year KARO Fixed Income Bond being the only fixed income security listed on the VFEX to date. There were no new listings on the VFEX during Q1 2024, however EDGARS did migrate onto the VFEX post quarter end. The VFEX All Share index returned 1.1% during Q1 2024 in USD terms (**Fig. 6**) after trading USD12.1 million during the quarter. The value of trades for the VFEX have been steadily increasing with the value of trades for Q1 2024 being 10.5% higher than the previous quarter and 450% firmer when compared to Q1 2023. INNSCOR and SIMBISA continued to dominate trades in Q1 2024 as they accounted for 66% of the value of all trades followed by AFSUN. We anticipate continued improved liquidity conditions in the outlook as USD dividend payments filter through and pension contributions in USD continue to grow.

Property Market

According to listed property company results, the ratio of United States Dollars rentals to local currency improved to around 70% to 90% from 60% during H2 2023. Property sales as well as city council approvals, permits and other associated building contract permits are now being charged almost exclusively in United States Dollars. This has in general improved the real returns from this asset class. Specialised property holdings such as consumer sector-based warehouses, speciality hospitals, retail skewed properties, tourist sites and manufacturing properties have registered the highest rental yields in the last 12 months. According to Knight Frank and Global Property Guide, generally the gross rental Yield in Zimbabwe is circa 7.5% currently but depending on the sector, rental yields can be higher or lower. Retail Properties in the CBD have estimated average yields ranging from 6% to 7%. Office rentals in the CBD vary from USD 6.50 to USD 9 per square metre and in suburban areas, they ranged from USD 12 to USD 18 per square metre with offices in the CBD achieving an estimated average yield of 8%. Industrial properties have rental rates ranging from USD 5 to USD 7.50 however the lower cost of construction has seen rental yields in this sector stretching to as high as 12% per square metre.

FMW notes the growth in property values particularly in the capital city where the cost to acquire land and finished properties has grown significantly in the last 5 years. A duplex flat in Harare used to cost about USD50,000 to USD80,000 in 2020 but this price has since ballooned to between USD95,000 to USD200,000 currently. This growth, circa CAGR of 25%, has significantly overshot the general growth in salaries and incomes and may be more a reflection of limited land and property supply stocks compared to the increased population and resultant demand. Another factor could be the growth in building costs over the years with the country dollarizing, the competitiveness of the local market has started to fall as well. The risk in the current scenario may result in a significant slump in property values when the ability of patrons to respond to these high property values falls. Zimbabwe's property sector seems to have niches where significant value can be drawn whilst low-cost property developments remain quite limited.

Demand arising from big corporates, pension funds, high net worth individuals and diplomatic and non-governmental organisations may be pushing the growth in property prices ahead of the growth of ordinary individual incomes. The risk of such growth thus needs dedicated property demographics studies for the outlook before committing to significant property investments.

Money Market

The Monetary Policy Committee bank policy rate was maintained at 130% throughout the quarter and remained unchanged from Q4 2023. This was despite significant inflationary pressures wherein the Q1 2024 inflation rate was 553% and the local currency exchange rate resulted in a 72% loss in value of the local currency. Investors holding strictly ZWL money market assets where rates of return ranged from 50% to 80% throughout the quarter thus lost value in real terms. Average ZWL money market interest rates for Q1 2024 were between 50% to 80% however we believe that the crowding out of ZWL borrowings was heightened as 94% of loans, in terms of value, were in USD according to the RBZ. With persistent dollarisation of the local economy the USD money market was increasingly active as it was seen as a more viable borrowing currency. Increased demand for USD saw interest rates firming during the quarter. The table below (**Table5.**) shows the interest rate trends in the last four quarters.

Maximum Money Market Quotes

ZWL Interest rates: -	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Tier 1 Banks (90 days)	50%	70%	50%	50%
Tier 2 Banks (90 days)	75%	75%	70%	80%
Treasury Bills (1 Year)	72%	72%	78%	82%
USD Interest Rates				
Tier 1 (90 Days)	3.5%	4.5%	3.5%	3.0%
Tier 2 (90 Days)	10.0%	10.0%	8.0%	10.0%

Table 5. Source: FMW Research Database.
*Interest rate quotes are on the highest interest rate quotes within each segment. *Tiers for banks based on credit worthiness rankings where Tier 1 banks are the most credit worthy*

Anchoring inflation expectations through inflation linked debt instruments from the Treasury would go a long way in signalling strong low inflation management intent on the part of the Government. The introduction of the new currency post quarter end presents an opportunity for starting to introduce such instruments as they do a good job in anchoring confidence building. The significant discounting of Government of Zimbabwe Treasury Bills in the secondary market is a proxy that shows the lack of confidence in the Government of Zimbabwe's ability to settle such instruments in the future. Consistent settlement of such instruments and an inflation linked treasury instrument on the local currency are necessary to anchor a long-term savings and investment culture.

Commodities

Global Commodity prices traded mixed in the first quarter of the year as Geopolitical tensions and its impact on trade routes; changes to trade pacts and subsequent trade fragmentation have seen significant volatility for both hard and soft commodity prices. The same developments have similarly accelerated green energy investments and the emergence of new trade associations such as AFCFTA and BRICS. Significant buying pressure from Emerging Market and Asian Central Banks have seen the Gold price adding 7% for the first quarter whilst supply uncertainty due to the Russa Ukraine Conflict and Palestine unrest have contributed to higher energy prices wherein Oil prices have firmed by 15%. Maize prices declined by 6.7% in Q1 2024 following bumper harvest reports for Brazil and USA despite the impacts of climate change and the El-Nino dry spell's impact on Sub Saharan Africa.

Table 6 below summarizes the price movements for commodities in Q1 2024.

Soft Commodities	29-Dec-23	28-Mar-24	Q1 2024 Change	YTD Change
Maize (t)	185.52	173.02	(6.7)%	(6.7)%
Wheat (t)	245.85	223.97	(8.9)%	(8.9)%
Sugar (kg)	0.21	0.23	9.4%	9.4%
Coffee (kg)	1.88	1.89	0.3%	0.3%
Cotton (kg)	0.81	0.91	12.8%	12.8%
Hard Commodities	**29-Dec-23**	**28-Mar-24**	**Q1 2024 Change**	**YTD Change**
Gold (ounce)	2,071.80	2,217.40	7.0%	7.0%
Nickel (t)	16,525.00	16,525.00	0.0%	(0.5)%
Copper (t)	8,475.00	8,867.00	4.6%	4.6%
Silver (ounce)	24.09	24.92	3.4%	3.4%
Platinum (ounce)	972	921.10	(5.2)%	(5.2)%
Crude (drum)	72.3	83.17	15.0%	15.0%
Coal (t)	117.60	114.05	(3.0)%	(3.0)%

Table 6. Source: Bloomberg & LME (London Metal Exchange)

Investment Market Outlook

Equities: Medium to Long Term Strong Buy

- An inflationary 2024 budget coupled with hardening costs and thinning margins arising from dollarisation is expected to largely dampen the performance of local listed companies. These impacts will largely depress companies that do not have access to the dollarized informal cash market and are not cost competitive.
- Despite the ZSE rally in Q1 2024 we believe there is still headway for further growth given the intrinsic undervaluation of listed firms combined with hedging activities by investors as the local currency weakens. In that regard the volatility and extent of the recovery will more likely be influenced by money supply dynamics and prevailing liquidity conditions.
- The rate of ZSE to VFEX migrations is expected to remain low, however new listings on the VFEX are likely to arise in the form of new investment products.
- We expect a stable recovery on the VFEX when compared to the ZSE to sustain as companies on the VFEX are similarly trading at discounts to their intrinsic values. Increased dollarisation of the economy is expected to result in an increase in USD investment funds looking for USD investment vehicles. This is expected to ultimately sustain the recovery and price discovery of VFEX listed companies.

Alternative Investments: Long Term Buy

- This asset class has been able to avoid value distortions arising from short term policy changes and offer sustained real asset value preservation and growth. The asset class however remains illiquid and long term in nature. Caution therefore is necessary when investing in this asset class as illiquid conditions in the long term make it unsuitable for risk averse and short-term investors.
- We expect the depth of assets in the alternative investment asset class to continue which should attract long term capital and improve the liquidity and benefits of this asset class in the outlook.

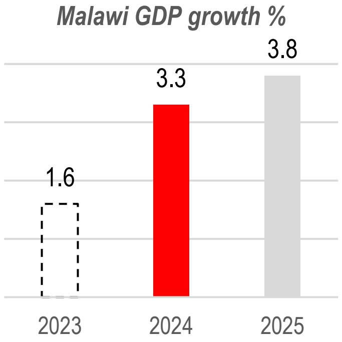
Money Market: ZWL S/T Sell USD S/T Buy

- The high risk of exchange rate losses and inflation eroding the local currency's value makes the local currency money market investments unattractive. Abrupt policy rate adjustments make the incidence of NPLs more likely as well. We suspect that demand for local currency borrowing for working capital commitments will decline in the outlook. Under the current macro environment, we expect decreased appetite for this asset class unless the interest rate gap between inflation and the bank policy rate is narrowed.
- It will take time for the new local currency to gain enough confidence for medium to long term (1 year to 3 years) activity to pick up.
- We thus expect USD money market activity at the short end to sustain whilst stakeholders assess the viability of the new currency.

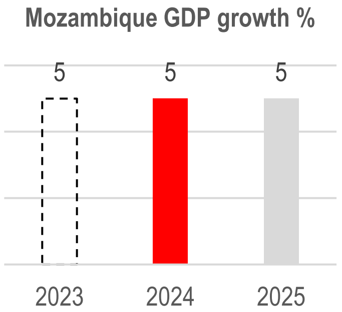
Property: Buy

- We expect an increased preference for hard currency rentals to persist whilst all local currency leases will be maintained short.
- Formal property companies are likely to see an increase of local currency rental payments especially if the informal and official exchange rate gap widens.
- Property developments are likely to be skewed in favour of storage, warehouse, retail, port or transport hubs, Tourism and Residential developments whilst CBD (Central Business District) office space is likely to have lower relative activity in the immediate term.
- We similarly expect innovations in the form of Real Estate Investment Trusts listing on local public bourses to enhance the pricing and liquidity of property developments.

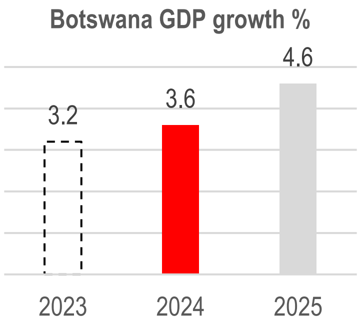
Regional Market Brief



Source: IMF WEO (World Economic Outlook) April 2024



Source: IMF WEO April 2024



Source: IMF WEO April 2024

Malawi Highlights

- GDP growth for Malawi was 1.6% with growth expectations for 2024 and 2025 remaining positive at 3.3% and 3.8% respectively.
- Foreign currency reserves improved however Government expenditures remain ahead of revenue and this could threaten the stability of the Malawi Kwacha and inflation in the outlook.
- Mining, Tourism, FDI and Agriculture expected to underpin growth in the outlook underpinned by both private and public sector investment.
- Uncertainty may be heightened and significantly change these forecasts post the election cycle in 2025.

Mozambique Highlights

- The GDP growth for 2023 was 5% and forecasted at 5% again for 2024. This is despite lingering insurgency risk concerns in the country.
- FMW believes that Election spending is expected to boost economic activity for 2024 and the 5% World Economic Outlook forecast may be a bit soft.
- In the outlook, sustained improvements in the security conditions are expected to sustain strong growth via the commencement of larger Gas projects.

Botswana Highlights

- Growth is anticipated at 3.6% for 2024.
- Low inflation versus real disposable income growth expected to increase aggregate demand and underpin GDP growth in the near term.
- Diamond prices expected to rebound post the initial decline arising from India's temporary diamond import ban which has since been lifted.
- Growth above the long-term average target of 4% expected to be sustained by a growing private sector as the Economy diversifies.

Regional Stock Market Performance Summary

	29-Dec-23	28-Mar-24	Q1 2024 Change	YTD Change
Botswana (DCI)	8,930	9,118	2.1%	2.1%
South Africa (JSE ALL Share)	76,893	74,536	(3.1)%	(3.1)%
Malawi (MASI)	110,951	113,184	2.0%	2.0%
Mauritius (SEM ASI)	1,873	1,954.46	4.4%	4.4%

Source: Botswana. Malawi, Mauritius & Johannesburg Stock Exchange Websites, April 2024

There was a strong rally for the Stock Exchange of Mauritius in the first quarter of 2024 following negative returns in Q4 2023. The JSE ASI was down 3.1% as political uncertainty and power woes dampen corporate prospects. The election cycle in Malawi brings with it corporate earnings growth as the Malawi Stock Exchange added 2.0% in the first quarter of the year. Botswana's low inflation expectations and diversifying economy under stable macro-economic conditions is believed to be sustaining the consistent growth in the Botswana DCI.

Outlook

Post quarter end Zimbabwe introduced a new "Gold Backed" currency to stabilise the local currency and eliminate inflation and exchange rate instability in the outlook. The theoretical aspects of the currency framework are commendable however it remains to be seen if the Reserve Bank of Zimbabwe can abstain from printing money as inflationary roots are grounded in excessive money supply. The Reserve Bank of Zimbabwe's credibility has been tarnished given several bouts of hyperinflation and five previous currency iterations that have all failed. The country is banking on the good Governance Track record of the new Governor to achieve this feat. Time will tell if the currency achieves its desired intension however as they say, trust and confidence is not an overnight event and consistency on this path will determine the currency's relevance and survival in the outlook. For business, the new currency significantly underpins their desired operational environment and stakeholders in this sector will need to assist the RBZ and Governmental bodies in achieving the currency's goals of inflation and exchange rate stability.

Given the dollarized nature of the environment, we expect margins to thin and threats of a growing informal sector to increasingly become louder. Corporates that fail to adapt to the needs of the informal sector might find that their USD revenue will shrink as customers may be lured away by a cheaper and nimbler informal sector. Growth of the informal sector will not benefit Government and we expect continued policy fluidity as the Government will try to earn more tax revenue from this sector. The El Nino induced drought will undoubtedly slow certain capex initiatives but will also serve as the first litmus test for the RBZ to not succumb to the pressure to create money.

Notwithstanding these issues, Zimbabwe is still expected to register GDP growth of 3.2% in 2024 on the back of improved performances in the Tourism, Utilities, Construction, Mining and ICT sectors. Furthermore, investments in steel processing and lithium exports as well as firmer precious metal prices will work as strong tailwinds supporting this growth. Diaspora inflows have continued to expand, helping keep the capital account remain in surplus thus ensuring that the liquidity drain from the negative trade balance is not immediately translated into a liquidity strain. Headwinds and or potential risks to growth are likely to arise from an overvalued ZiG:USD exchange rate should it arise; a firmer USD increasing un-competitiveness; increased debt service burdens; power shortages; and a dip in agricultural output due to the El Nino impact. All these factors have the possibility of lowering local aggregate demand and resulting in sub-optimal GDP growth.

Author	Simbarashe Mangwendeza
Position	Fund Manager
E-mail	smangwendeza@firstmutual.co.zw