



MONTHLY ECONOMIC UPDATE

May 2019

Ministry of Finance and Economic Development

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HIGHLIGHTS

- Government recorded a budget surplus of Z\$74.3 million in May 2019.
- Tobacco deliveries to the auction floors stood at 142 million kg, which is only 8% slightly less than deliveries during the previous year. However, prices remained low.
- Gold deliveries for the month of May marginally improved by about 1.9%, to 2,323kg.
- Electricity generation was low at 754 GW/h on account of low amounts sent out at Kariba Hydro Power station due to low water levels.
- The Zimbabwe Stock Exchange recorded substantial gains during the month of May with market capitalisation increasing by 42.4%.
- Month-on-month inflation increased from 5.5% in April to 12.5% in May. Annual inflation increased from 75.9% in April to 97.9% in May.

INTRODUCTION

1. Government continues to implement fiscal consolidation measures evidenced by sustained budget surpluses, with Z\$74.3 million having been recorded during the month of May 2019.
2. However, inflationary pressures associated with unrelenting depreciation of local currency on the parallel exchange rate market continue to threaten Government efforts of restoring economic stability as envisaged in the Transitional Stabilisation Programme.

PUBLIC FINANCES

3. During the month of May 2019, revenue collected amounted to Z\$932.2 million, against total expenditures of Z\$857.9 million, resulting in a budget surplus of Z\$74.3 million.

Public Finances for the Month of May

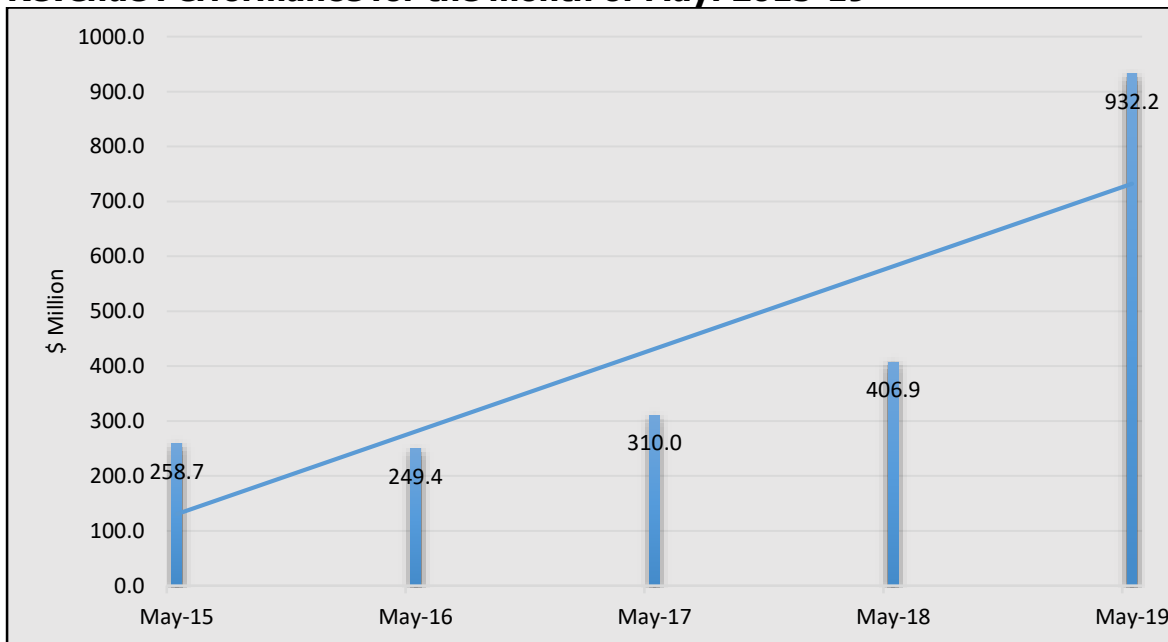
	Z\$M
Total Revenues	932.2
Tax Revenues	912.8
Non-Tax Revenues	19.4
Total Expenditures & Net Lending	857.9
Employment Costs	393.8
Operations & Maintenance	142.2
Interest	36.4
Transfers to Provincial Councils & Local Authorities	39.7
Capital Expenditures & Net Lending	245.9
Budget Balance	74.3

Source: MOFED

Revenue

- Total revenue collections for the month of May 2019 amounted to Z\$932.2 million against a target of Z\$736.4 million, resulting in 26.6% positive variance.
- Tax revenue amounted to Z\$912.8 million against a Z\$725.7 million target, whilst non-tax revenue was Z\$19.4 million above target of Z\$10.6 million. The positive performance was driven by all other revenue heads save for excise duty which under perform.

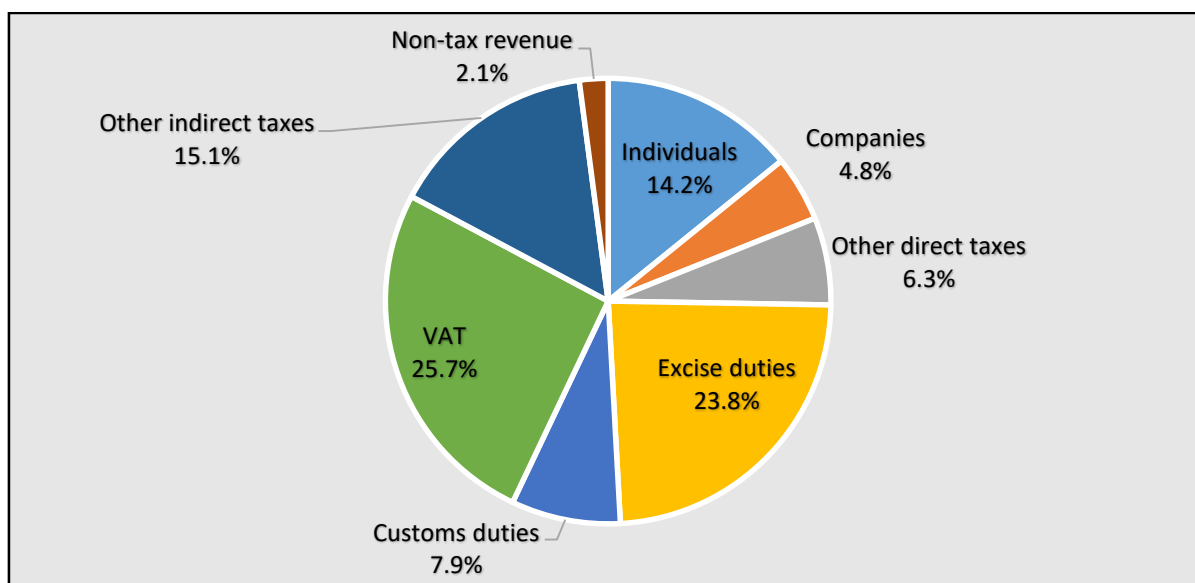
Revenue Performance for the month of May: 2015-19



Source: MOFED

- Among other factors, significant increase in May 2019 revenue collections compared to previous years is the Intermediation Money Transaction and enhanced tax administration efforts by ZIMRA.
- The contribution of the various tax heads during the month of May 2019 is shown below:

Share of Revenue Heads: May 2019



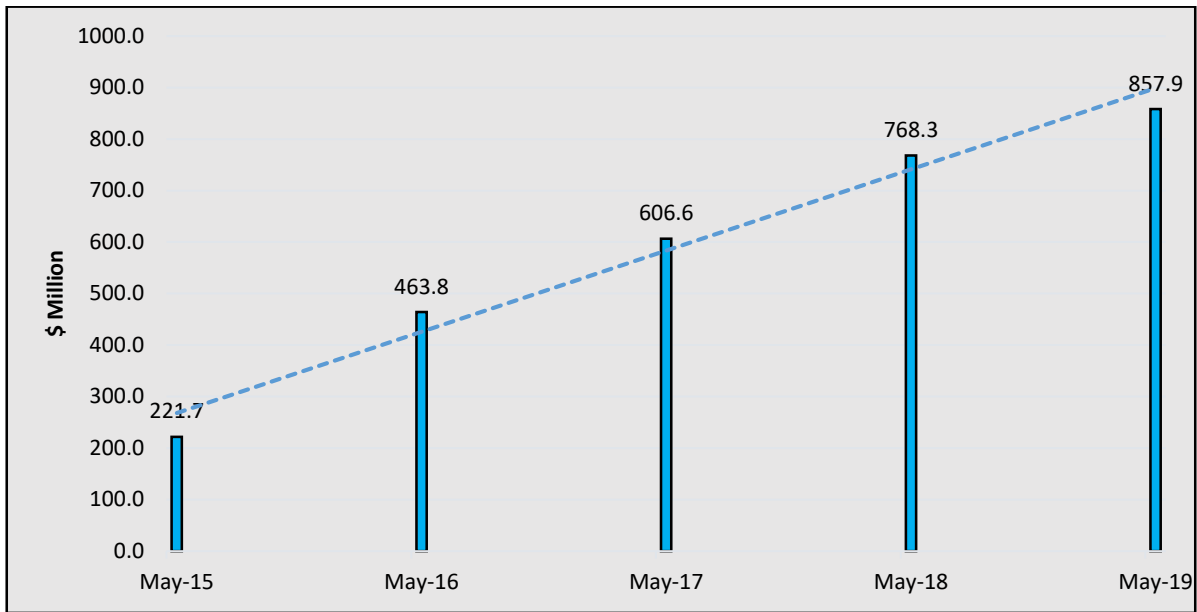
Source: MOFED

- VAT was the highest contributor to total revenue at 25.7%, surpassing excise duty collections at 23.8% that used to be the first contributor in previous months.

Expenditure

- Total Government spending for the month of May 2019 was Z\$857.9 million against a monthly target of Z\$588.8 million, which is a Z\$269.2 million over-expenditure. Of this, current spending amounted to Z\$572.3 million, while Z\$245.9 million went towards capital expenditure.
- Over-expenditure was recorded on both current and capital expenditure mainly attributed to increasing costs.

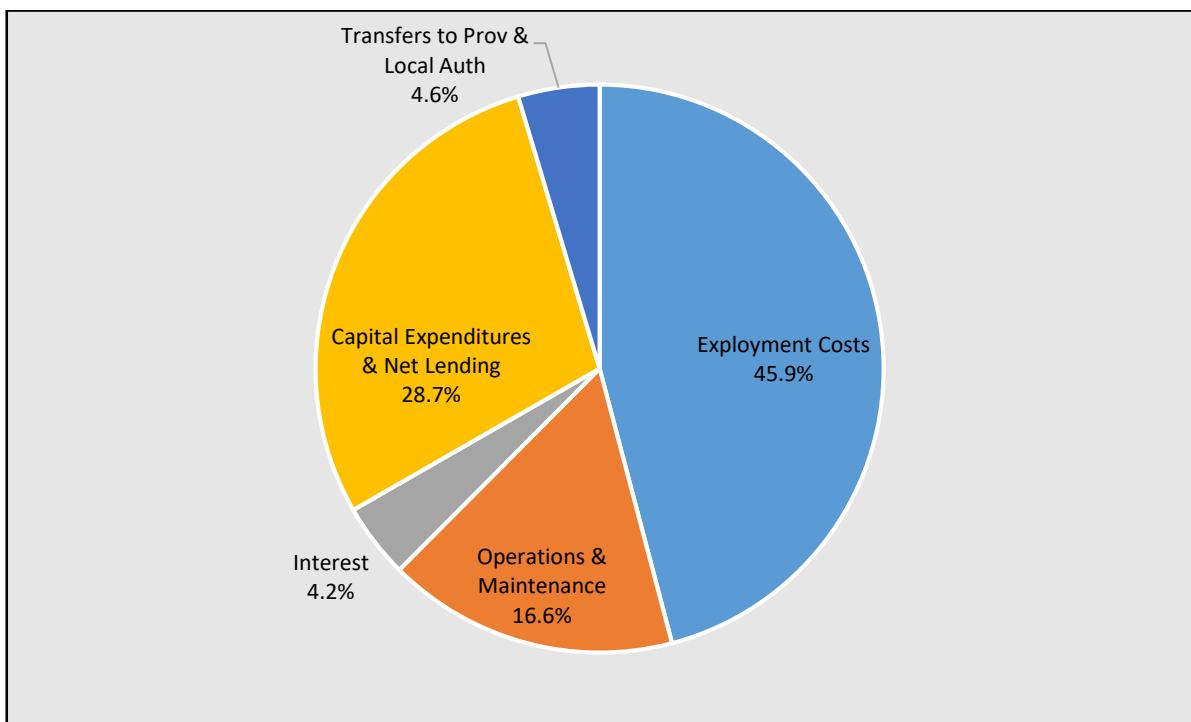
Expenditure Pattern for the Month of May: 2015-19



Source: MOFED

11. The major expenditure component was employment costs at 45.9%, followed by capital expenditure and net lending at 28.7% and operations and maintenance at 16.6%.

Share of Expenditure Heads



Source: MOFED

12. Interest payments amounted to Z\$36.4 million in May 2019 against a target of \$29.0 million, all towards servicing domestic debt.

Budget Balance & Financing

13. Consequently, a budget surplus amounting to \$74.3 million was realised in May 2019. The surplus went towards repayment of maturing Government TBs amounting to Z\$118.3 million.

SECTOR HIGHLIGHTS

Agriculture

14. The 2018/19 agriculture season came to an end with indications from the Second Round Crop and Livestock Assessment Report pointing to a huge decline in output for almost all crops despite significant increase in area planted during the 2018/19 season.

Second Round Crop and Livestock Assessment Report

Crop	2018/2019	2017/18	Δ (%)
Maize	776 635	1 700 702	-54
Sorghum	40 215	77 514	-48
Pearl Millet	28 047	48 844	-43
Finger Millet	6 947	9 085	-24
Groundnut	70 902	127 202	-44
Round Nut	29 396	47 594	-38
Sweet Potato	88 248	321 662	-73
Sugar Beans	9 528	21 320	-55
Cowpeas	12 655	16 380	-23

Source: 2019 Second Round Crop and Livestock Report

15. Maize output declined by 54% to 77 635 tons, from 1.7 million tons recorded last year. Maize output declined in all major maize producing areas across the country.
16. Output for other small grains such as sorghum, finger millet and pearl millet also declined significantly, partly due to reduced hectarage as well drought despite being drought resistant.

Grain Stocks

17. As at 6 June, grain stocks at GMB had decreased by 18% to 542 953 tons from 663 375 tons recorded as at end of April 2019.

Grain Stocks as at 6 June 2019

	Apr	May
Maize	594 922.1	459 765
Small Grains	68 453.23	83 188
Total	663 375.3	542 953

Source: GMB

18. The stocks were comprised of 459 765 tons of maize and 81 188 tons of other small grains. Cumulative deliveries for this season for maize were 10 300 tons and 12 tons for small grains.
19. Due to depressed in output of grains, intake for the season is expected to be subdued.
20. GMB had also wheat stocks of 15 383 tons lower than 31 886 tons in stock as at the end of the previous month.

Tobacco

21. As at 31 May 2019, tobacco deliveries to the auction floors stood 142 million kgs, valued at US\$261 million, at an average price of US\$1.83 per kgs.
22. Tobacco deliveries increased to 195 million kg by 24 June 2019, fetching US\$261 million. This level of delivery is only 8% lower than 212 million kg delivered during the same period last year.

Tobacco Deliveries as at 24 June 2019

SEASONAL	DELIVERED FROM		TOTAL 2019	TOTAL 2018	% CHANGE
	Non-Contracted	Contracted			
Mass sold(kg)	26,294,625	168,715,040	195,009,665	212,177,889	(8)
Value(US\$)	44,985,247	325,985,716	370,970,963	618,239,126	(40)
Avg. price US\$/kg	1.71	1.93	1.90	2.91	(35)

Source: TIMB

23. However, average prices have remain depressed at US\$1.9 per kg, 35% lower than US\$2.91 per kg fetched last year.
24. Prices are expected to remain relatively low for the whole season, owing to higher output levels of the last season against unchanged demand on the world market.

Cotton

25. Cotton marketing season opened during the month of May with deliveries of seed cotton standing at 6 million kgs, as at 6 June 2019, lower than 14.3 million kgs sold during the same time last year.

Seed Cotton Intake as at 6 June 2019

Company	Seed cotton intake as at 6 June 2019 (kg)	Seed cotton intake as at 6 June 2018 (kg)	Price (RTGS\$/kg)
Alliance Ginneries	74 715.00	0	1.95
Cottco	5 755 554.40	13 260 410.60	1.95
China Africa	75 123.00	0	1.95
Southern Cotton	36 528.00	1 039 822	2.30
ShawashiAgri	45 355.00	-	1.95
Zimbabwe Cotton Consortium	40 834.00	-	1.95
Agri Value Chain (AVC) ¹	-	0	-
Total (kg)	6 032 102.40	14 300 232.60	

Source: Adapted from AMA Bulletin

26. Cottco received the bulk of deliveries at 5.8 million kgs with the remaining 5 companies sharing the balance. Almost all companies were offering average price of Z\$1.95 per kg except Southern Cotton which was offering Z\$2.30 per kg.

Update on Winter Wheat

27. Winter wheat planting was gaining momentum as the planting deadline of 31 May approached.
28. As at 11 June 2019, planted area had reached 20 000 hectares compared to 24 000 planted during the same period last year. Planted wheat condition was ranging from emergence to tillering (vegetative) stages and in a fair to good condition.
29. Considering the challenges of electricity outages, low water levels in most dams and shortage of diesel, planted area for the season is expected to fall below the target of at least 50 000 hectares.

Mining

30. Output for most minerals such as gold, nickel, diamonds, platinum, palladium and other PGMs increased compared to the previous month except for few minerals like chrome and coal which underperformed.
31. However, only platinum, palladium and nickel surpassed out recorded the same month in 2018.

Mineral Production: Jan-May 2019

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	May-18	Cum Total	Change Apr/May	Proj.Total	Cont. to Proj.
Gold (kgs)	1 927	2 274	2 764	2 280	2 323	3 511	11 568	1.9	33 000	35
Platinum (kgs)	1 218	1 053	1 146	1 182	1 289	920	5 887	9	15 000	39
Palladium (kgs)	1 008	871	946	977	1 074	756	4 876	10	12 000	41
Rhodium (kgs)	110	94	102	106	114	85	526	8	1 500	35
Iridium (kgs)	76	63	71	73	80	34	363	9	625	58
Ruthenium (kgs)	67	59	63	66	73	76	329	10	1 200	27
Diamonds (cts)	177 084	135 778	148 486	156 622	216 474	335 027	834 444	38	2 000 000	42
Chrome (MT)	108 847	138 401	172 238	112 299	99 548	162 903	631 334	-11	2 000 000	32
Nickel (MT)	1 495	1 427	1 499	927	1 582	1 182	6 930	71	17 500	40
Copper (MT)	738	659	729	773	823	610	3 722	7	9 700	38
Cobalt (MT)	34	30	31	33	35	28	162	5	520	31
Coal (MT)	126 793	130 182	117 778	237 716	233 314	260 869	845 783	-2	2 000 000	42
Granite (MT)	8 255	14 577	14 940	12 319	13 652	18 985	63 743	11	184 000	34

Source: Ministry of Mines and Mining Development

Gold

32. Gold deliveries for the month of May marginally improved by about 1.9% to 2.3 tons from 2.28 tons recorded in April 2019. Small scale miners remained the highest contributor at about 61% while large scale producers contributed around 39%.

2019 Monthly Gold Deliveries

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Cum Total
Primary producers/kg	745	640	926	1 007	879	4 196
Small Scale producers/kg	1 026	1 496	1 691	1 120	1 279	6 611
TOTAL/KG	1 771	2 136	2 616	2 126	2 158	10 807

Source: FPR

33. Cumulative gold deliveries to May 2019 constitutes about 35% of the 2019 production target of 33 tons.
34. Gold production has remained depressed mainly owing to foreign currency challenges and intermittent power supply.

Diamonds

35. Diamond output for the month May 2019 improved by about 38% at 216 474 carats up from 156 622 carats produced in April 2019. Cumulative output to May 2019 stood at 834 444 carats contributing about 42% to the overall projected target for 2019.

Coal

36. Zambezi Gas and Makomo Resources increased their coal output while output from Hwange Colliery declined by over 80% in May compared to April 2019 production levels.
37. As a result, output for the month of May declined by about 2% to 233 314 tons from 237 716 tons produced in April.

38. Coal output is being affected by foreign currency shortages to procure critical spare parts.
39. This poor performance provides a risk to meet the 2019 output target of 2 000 000 tons.

Chrome

40. Chrome output for the month of May 2019 declined by about 11% to 99 548 tons, compared to 112 299 tonnes produced in April 2019. The decline in output is attributable to the inconsistent power supply resulting in production stoppages.
41. The first five months to May 2019 have contributed about 32% to the overall 2019 target.

Platinum

42. Platinum output for the month of May 2019 increased by about 9% to 1 289 kg from 1 182 kg produced in April 2019, resulting in cumulative platinum production for the year of 5 887 kg, about 39% of the projected annual output.

Nickel

43. Cumulative nickel output to May 2019 stood at 6 930 tons after monthly output rebounded to 1 587 tons from 927 894 tons recorded in April 2019.

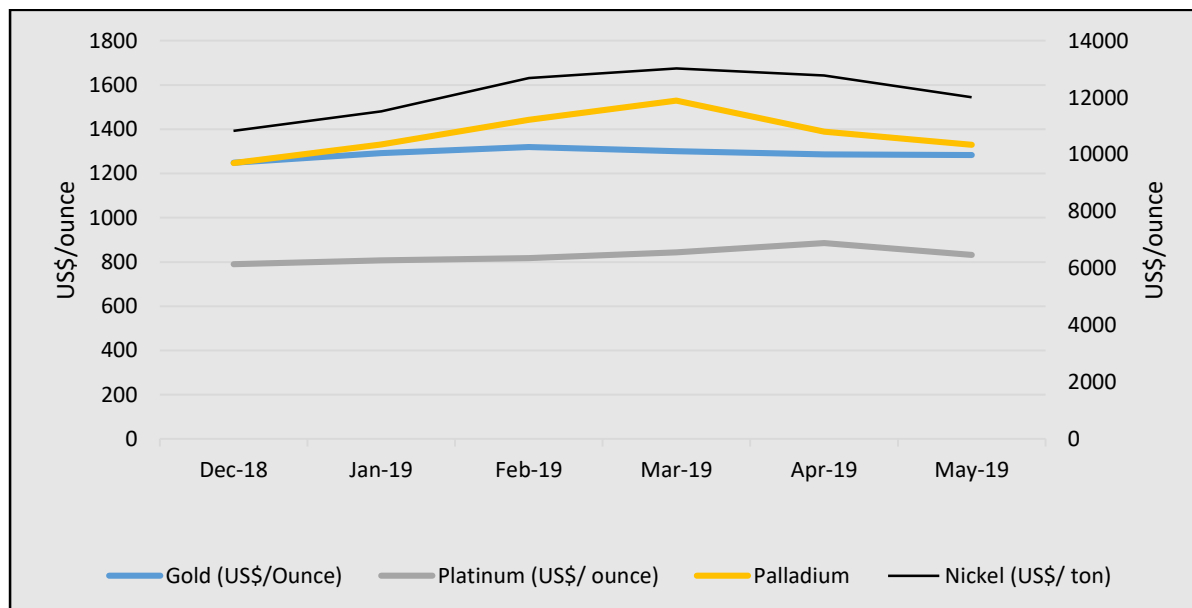
44. As a result, output now stands at about 32% of projected annual output of 17 500 tons.

International Mineral Prices

45. International prices for most major minerals of gold, nickel, platinum and palladium declined further in May 2019 compared to March and April 2019.

46. Gold prices declined by 0.2 % to US\$1 284/ounce from US\$1 286/ounce recorded in April 2019.

International Mineral Prices



Source: World Bank

47. Palladium prices declined by 4.2% to US\$1 330/ounce from US\$1 389/ounce which prevailed in April 2019.

48. Nickel prices also declined by 5.9% to US\$12 016/ton from US\$12 773/ton compared to US\$13 026 recorded in April 2019.

49. Platinum prices which was positive in April also took a downturn and recorded a negative variance of 6% to US\$832/ounce from US\$886/ounce realised in April 2019.

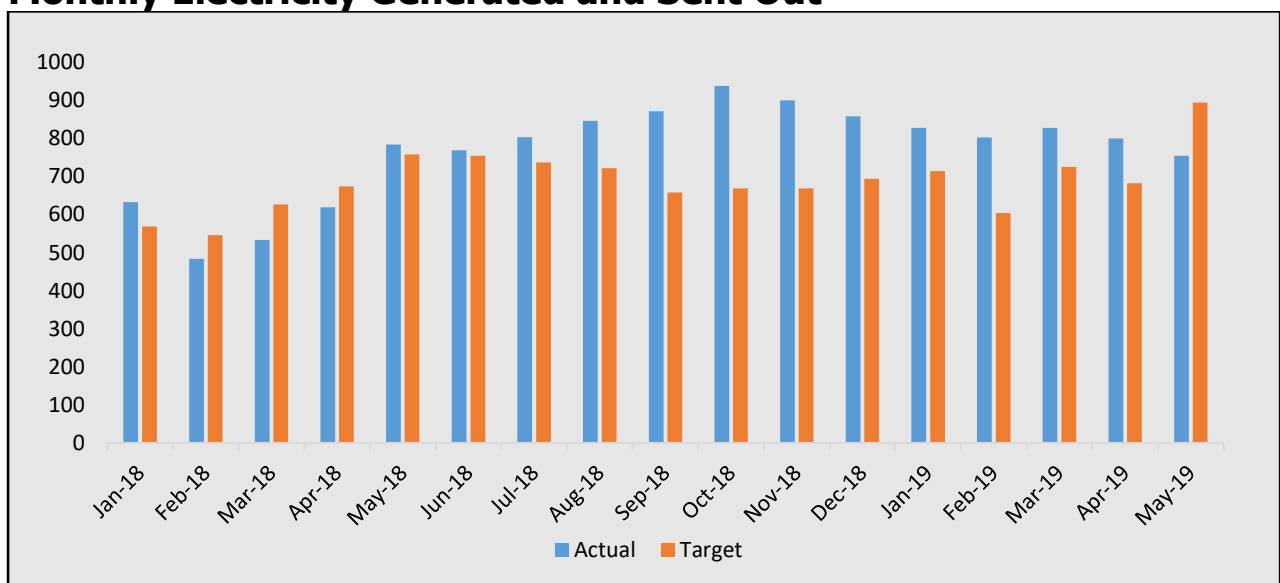
Manufacturing

50. The expected launch of the Zimbabwe National Industrial Development Policy and the Local Content Strategy is expected to add impetus to the development of the local industry.
51. The two policies seek to transform the sector into a diversified and competitive industry through the key pillars of strengthening value chains, agro-processing, mineral beneficiation, export-led growth, creating back ward and forward linkages among others.
52. Between 21-23 May, Government embarked upon the Buy Zimbabwe campaign in partnership with Buy Zimbabwe. The objective of the campaign is to promote the production and consumption of local goods and services on the local and international market through informing the public on the benefits of buying locally produced goods.
53. In line with the Government's vision of promoting value addition and beneficiation of mineral products in the Transitional Stabilisation Programme, the President commissioned a US\$62 million smelting plant at Unki Mine in Shurugwi. This development is expected to boost the country's export revenues.

Energy

54. Electricity generation in May 2019 was below target and relatively low compared to the same period last year. Total electricity generated and distributed amounted to 754 GW/h against 783 GW/h of the same month in 2018 and the 2019 monthly target of 983 GW/h.

Monthly Electricity Generated and Sent Out



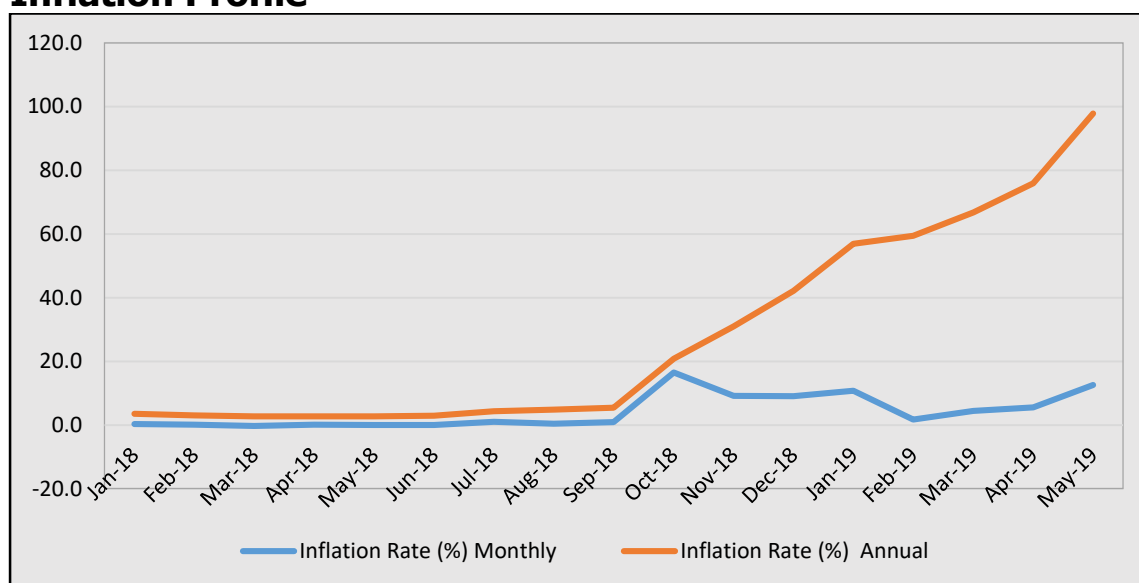
Source: ZPC

55. Electricity generation was reduced on account of low water allocation to Kariba Hydro Power station following drastic fall in water levels in Kariba dam. Similarly, electricity generation at small thermals remained low and volatile due to plant instability and inconsistent coal supply.
56. As a result, electricity supply is expected to remain depressed in the medium term.

INFLATION DEVELOPMENTS

57. Inflationary pressures continue to rise in view of the sharp increase in the parallel exchange rate. Resultantly, month-on-month inflation increased from 5.5% in April to 12.5% in May. Similarly, annual inflation increased to 97.9% from 75.9% over the same period.

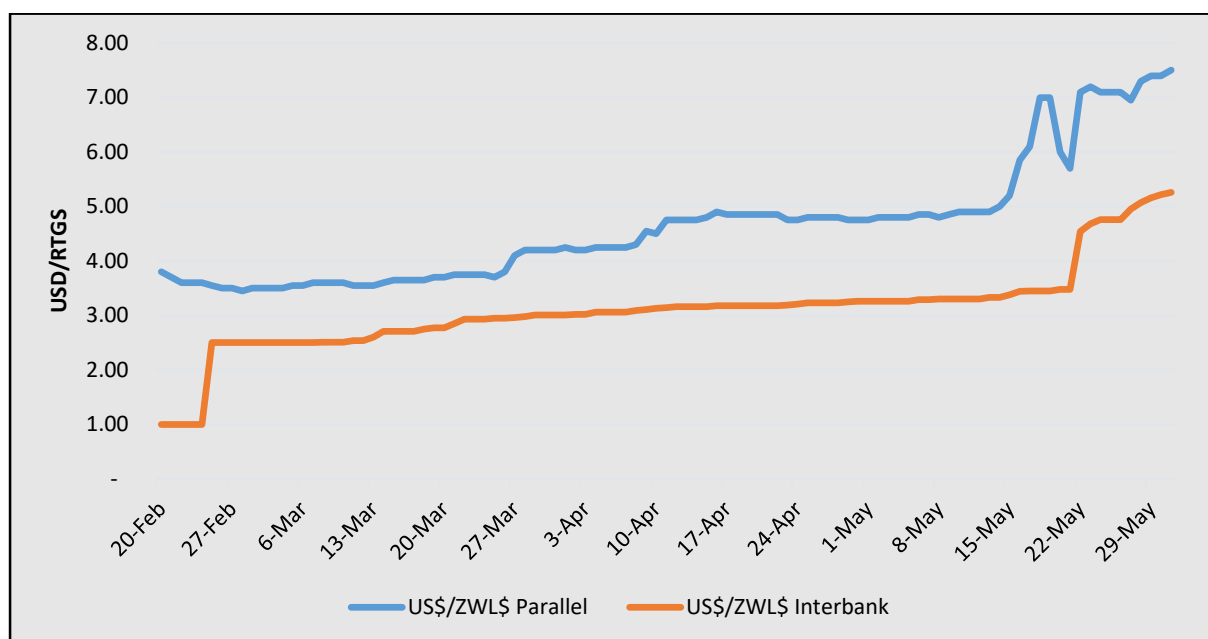
Inflation Profile



Source: ZIMSTAT

58. During the month of May, parallel exchange rate depreciated by 57%, causing major price movements recorded in items falling under the food and non-alcoholic beverages, furniture and clothing which are indexed to parallel exchange rate.

Parallel and Interbank Exchange Rate



Source: Ministry of Finance

59. In the outlook, although inflationary pressure is expected to remain high, it is anticipated to subside gradually following the declaration of the local currency as the sole legal tender for local transactions through the Statutory Instrument 142 and the introduction of free floating exchange rate.

INVESTMENT

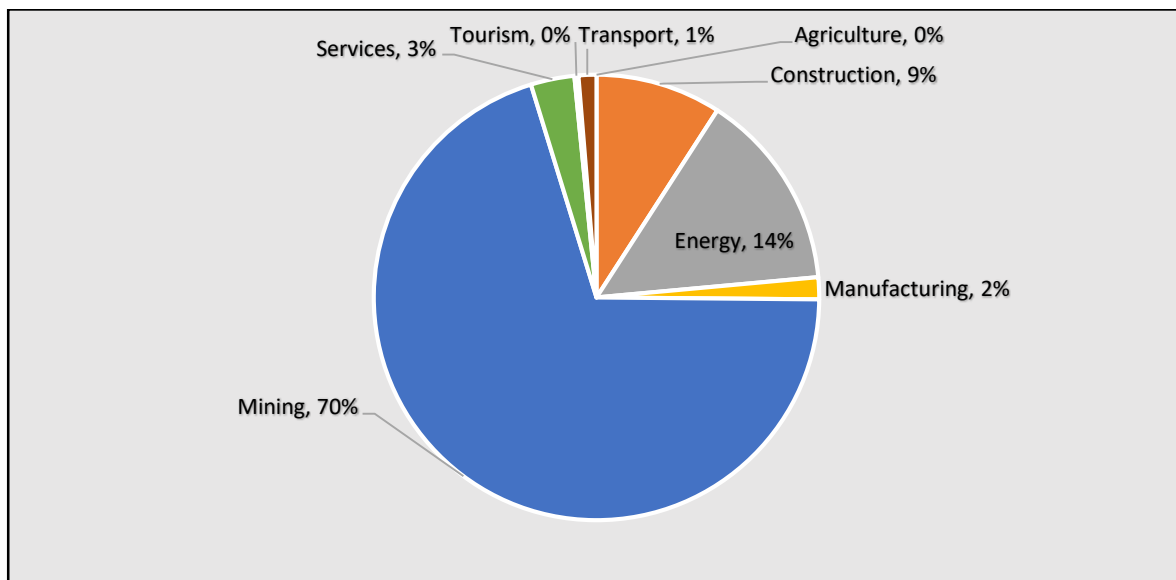
60. In May 2019, a total of 31 investment projects were approved by the Zimbabwe Investment Authority (ZIA). Of these projects, 24 were registered by foreign investors and 7 were joint venture projects between foreign and local investors.

61. The total value of the approved investment in May 2019 were US\$346.9 million, where foreign investment accounted for

US\$126.1 million, and joint investment accounted for US\$220.8 million.

62. The largest share of investment accrued to the Mining sector (70% or US\$243.2 million), followed by Energy (14% or US\$50.0 million), Construction (9% or US\$31.7 million), and Services (3% or US\$11.0 million).

Investment by Sector



Source: Zimbabwe Investment Authority

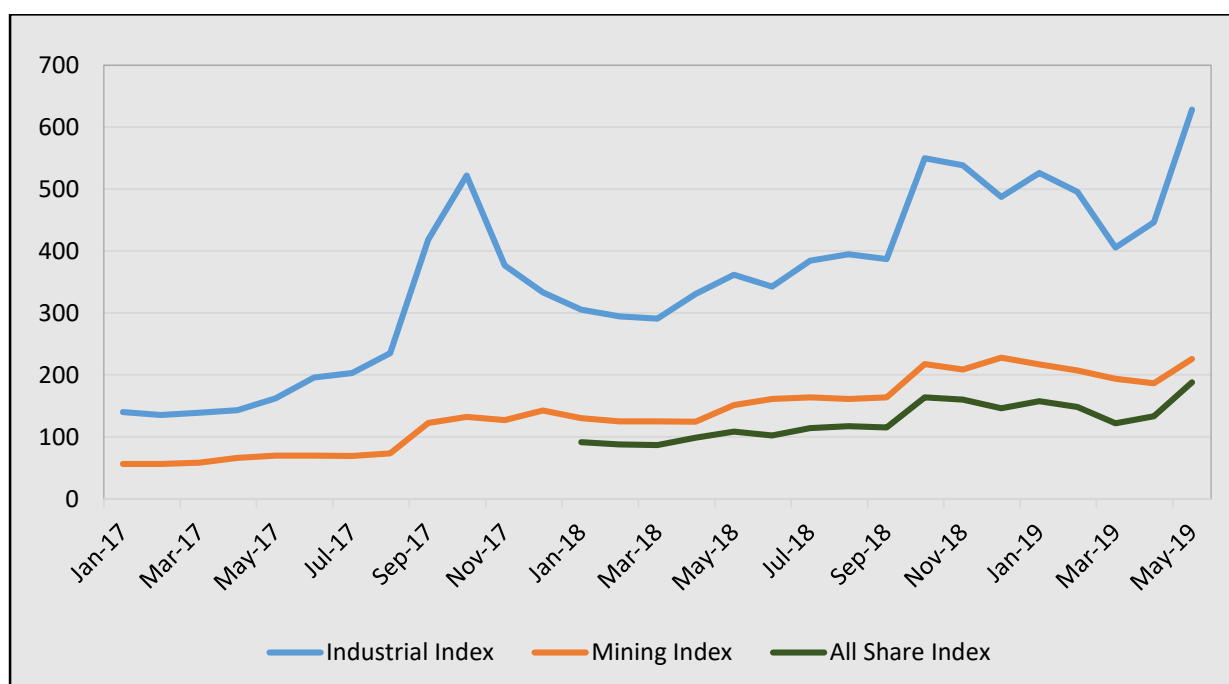
63. The largest share of investment came from Oman (60% or US\$207.3 million, all in the Mining sector), followed by China (27% or US\$95.1 million) and Lebanon (5.8% or US\$20.0 million).

64. This level of investment has the potential to create about 1 800 jobs and generate US\$24.5 million in exports earnings. Of the total approved investments, about US\$152 million will come in the form of capital equipment.

ZIMBABWE STOCK EXCHANGE

65. The Zimbabwe Stock Exchange was characterised by strong bullish sentiments which continued during the month of May 2019.

ZSE Indices



Source: Zimbabwe Stock Exchange

66. The industrial index gained 181.9 points (40.7%) to close the month of May 2019 at 628.41 points. Year to date, the Industrials gained 29%.

67. Likewise, the Mining Index and the All Share Index all gained 39.4 points (21.1%) and 55.0 points (41.3%), respectively. Year to date, the Mining Index marginally decreased by 1% whilst the All Share Index increased by 29%.

68. Accordingly, the month on month increase in the total market capitalisation was 42.4% from Z\$17.41 billion on 30 April 2019 to Z\$25.78 billion on 31 May 2019.

CONCLUSION

69. Treasury will continue to monitor and update stakeholders on economic developments on a monthly basis.

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

July 2019
