1. INTERNATIONAL COMMODITY PRICE DEVELOPMENTS

1.1 Precious Metals

The prices of precious metals were suppressed in 2013 compared to their levels in 2012. On a year-on-year basis, the gold price plunged by 24.69 percent to USD 1,315 in October 2013. The platinum price also fell by 13.82 percent over the same period. The continuous decline in commodity prices is a setback for countries which are highly dependent on precious metals exports. On a month-on-month basis, the average price of gold at USD 1,315 in October had dropped from USD 1,349 in September, while the price of platinum fell from USD 1,459 per ounce to USD 1,414 over the same period (Figure 1).

Figure 1. Monthly Average Gold and Platinum Prices

Source: Bloomberg and Reuters

The softening of gold and platinum prices in October was driven by the depreciation of several currencies such as the Canadian and the Australian dollar against the United States dollar, as well as the recovery of US equity markets that serve as an alternative investment for gold and platinum. As far as gold was concerned, the depreciation of the Indian rupee might have dragged down the gold price as India is among the leading importers of gold.

1.2 Brent Crude Oil

Brent crude oil prices generally traded lower in 2013 compared to 2012. In October 2013, the monthly average price of Brent crude oil was USD 109, compared to a monthly average price of USD 112 in
October 2012 (Figure 2). The Organisation of the Petroleum Exporting Countries reference basket (ORB) declined by USD 2.04 to USD 106.69 in October 2013. The bearish mode in the crude oil market was underpinned by an abundant supply of crude oil, as a result of exports from North Sea and the return of Libyan exports. Furthermore, the lower refinery demand due to seasonal changes, high inventories also weighed in on the Brent crude oil price. Oil-importing countries are benefiting from the continued decline in Brent crude oil prices.

**Figure 2. Brent Crude Oil**

![Brent Crude Oil Chart]

*Source: Bloomberg and Reuters*

### 1.3 Maize and Wheat

The price of maize remained subdued in October 2013 compared to October 2012. Prices in 2012 benefited from tight supplies owing to the drought experienced in the US. October witnessed reduced foreign demand for US wheat and also competitive export prices in India\(^1\), as well as improved Black Sea planting conditions. Reduced imports from China and the European Union outweighed the increased demand in Algeria and the US. Consequently, the wheat price softened from trading at USD 334 beginning of October to USD 327 on the 17\(^{th}\), before rising to USD 338 and declining to close the month at USD 329 (Figure 3).

**Figure 3. Daily Maize US 3YC and Wheat US HRW Prices**

![Maize and Wheat Prices Chart]

*Source: International Grain Council*

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\(^1\) An initiative of the Indian Government to lower the export price to a more competitive level
2. MACROECONOMIC DEVELOPMENTS

2.1 Agricultural sector developments

2.1.1 Tobacco

As at 18 October 2013, as many as 77,290 farmers were registered to grow tobacco in the 2013/14 cropping season, which had just begun. This is a 40 percent increase from the farmers who had registered by the same time last year. Of these farmers, 47 percent of them are communal farmers while 34 percent are A1 farmers (Figure 4). Tobacco production has been quite viable over the recent years as compared to other crops and this has led farmers to allocate more and more land to tobacco production. The government needs to put in place policies to ensure that other crops, particularly food crops, are also viable if Zimbabwe is to be food secure.

Figure 4. Registration for Tobacco Growing in the 2013/14 Season by Category of Farmers

Source: Tobacco Industry and Marketing Board

The Asian market remains the country’s main tobacco export destination with at least 51 percent of total exports, although this represents a 19 percent fall in export share from last year’s figure (Figure 5).

Figure 5. Zimbabwe’s Tobacco Exports in 2012 and 2013 by Regions

Source: Tobacco Marketing Board
The second largest tobacco market is Europe, whose market share increased from 20.76 percent in 2012 to 31.21 percent in 2013. The African market is considerably gaining share at 15 percent in 2013 from 8.2 percent in 2012.

2.1.2 Wheat

The country produced 39,242 tonnes of wheat on 10,606 ha of land in 2013, compared to 33,655 tonnes produced on 9,727 hectares in 2012. The average yield this year was slightly higher and stood at 3.7 tonne/ha compared to 3.46 tonnes/ha realized in 2012. Wheat farmers continue to face serious challenges such as financial constraints, erratic power supply and high input costs, which compromise their yield. While the local wheat price of USD 466/tonne is higher compared to international prices that range between USD 280 and USD 300/tonne, profit margins for the farmers are quite low as the costs of production are very high. As part of the solution to deal with the farmers’ financial challenges, the Agriculture Marketing Authority (AMA) released a statutory instrument, SI 140 of 2013. The instrument is meant to govern the production, processing and marketing of grain, oil seed and oilseed products. The wheat millers who are ready to fund contract farmers have, however, cited loopholes in the instrument as they feel that it is not tight enough to prevent side marketing. The government therefore needs to review it to close such gaps if wheat production is to receive adequate funding from the private players.

2.1.3 Zim-Asset’s policy direction on agriculture

The new government’s blueprint, the Zimbabwe Agenda for Socio-Economic Transformation (Zim Asset), prioritizes four clusters, of which food security and nutrition is one. The cluster’s main thrust is to create a self-sufficient and food surplus economy given that the country has been a food importer for over a decade now. Its programs are informed by both local and regional policies on agriculture. The cluster’s key result areas include crop production and marketing, livestock production and development, infrastructure development, environmental management, as well as policy and legislation on nutrition. The program is quite promising on reviving the agricultural sector but only if the government prioritizes the sector in the national budget and ensures that the legislation governing contract farming is tight enough to avoid side marketing, as this would ensure sustainable funding to agriculture by the private sector.

Apparently, the banking sector has earmarked USD 620 million towards the agricultural sector in the 2013/14 cropping season. Allocation of this fund is, however, skewed towards tobacco production, having been apportioned 50 percent of the funds, and leaving only 4.87 percent for maize production, 4.88 percent for seed houses, 3.52 percent for horticulture, and 6.94 percent for sugarcane, among other activities. If Zimbabwe is to be food self-sufficient, then a greater priority should be placed on food crop production otherwise the country will remain a net food importer.

2.2 Mining Sector Developments

Zimplats reported that its revenue for the third quarter ending 30 September 2013 increased by 16 percent to USD 145,532 from the USD 125,891 recorded in the previous quarter as a result of price adjustment on pipeline sales made at year end to June 2013. Operating profit increased by 77 percent to USD 39.84 million from USD 22.48 million made in the previous quarter. However, metal sales volumes remained largely unchanged for the comparable periods with platinum sales lingering at 118,908 ounces for the quarter ending 30 September 2013.

Meanwhile, Mwana Africa also reported that gold production at its Freda Rebecca Mine increased by 19 percent to 17,536 ounces for the quarter ending 30 September 2013 from 14,736 ounces for the previous quarter. This has been a result of increased mill throughput and improved recoveries of 84 percent, which were the highest in 2013. Furthermore, another subsidiary of Mwana Africa, Bindura Nickel Corporation, also announced that nickel concentrate sales increased by 119 percent from 1,264.71 tonnes to 1505 tonnes for the quarter to 30 September 2013 compared to the previous quarter.

In the gold sector, month-on-month total gold deliveries increased by 12.26 percent from 1,012.41 kg in September 2013 to 1,136.55 kg in October 2013 (Figure 6). Deliveries by primary producers grew by 15.49 percent to 911.49 kg in October 2013 from 789.21 kg in September 2013 while deliveries by small-scale producers grew by 0.83 percent to 225.06 kg in October 2013 from 223.20 kg in September 2013.
On a year-on-year basis total gold deliveries declined by 5.18 percent to 1,136.55 kg in October 2013 from 1,198.66 kg in October 2012. Deliveries by primary producers decreased by 5.59 percent from 965.43 kg in October 2012 to 911.49 kg in October 2013 while deliveries by small-scale producers decreased by 3.50 percent from 233.23 kg in October 2012 to 225.06 kg in October 2013.

2.3 Developments Regarding Inflation

Year-on-year inflation continued its downward trend with annual inflation in October 2013 at 0.59 percent, shedding 0.28 percentage points from the September 2013 rate of 0.86 percent. Food and non-alcoholic beverages inflation stood at -0.74 percent while non-food inflation stood at 1.25 percent.

The decline in annual inflation was influenced by the decline in the prices of communication (-13.76 percent), food and non-alcoholic beverages (-0.74 percent), recreation and culture (-0.73 percent) and furniture and equipment (-0.70 percent). This decline was driven by the weakening of the South African rand against the US dollar and depressed demand due to the liquidity squeeze facing consumers. The following exerted upward pressure on annual inflation: alcoholic beverages and tobacco (5.23 percent); housing, water, electricity, gas and other fuels (2.96 percent); health (2.21 percent) and transport (1.40 percent). The increase in the price of alcoholic beverages and tobacco was due to the increase in the price of beer by more than 10 cents per unit by the largest beverages manufacturer, Delta Beverages.
Month-on-month inflation for October 2013 stood at -0.01 percent, shedding 0.07 percentage points from the September 2013 figure of 0.05 percent. Food and non-alcoholic beverages inflation stood at 0.04 percent while non-food items inflation stood at -0.04 percent. The decline in month-on-month inflation was underpinned by the decline in furniture and equipment (0.36 percent), transport (-0.32 percent), miscellaneous goods and services (0.20 percent) and recreation and culture (0.15 percent). On the other hand, in October 2013, there were increases in the prices of alcoholic beverages and tobacco (1.21 percent), furnishings, home equipment and routine maintenance (0.39 percent) and health (0.06 percent).

Table 1. Interest Rate Levels (Annual Percentages)

<table>
<thead>
<tr>
<th>End Period</th>
<th>Commercial Banks Lending Rates</th>
<th>Merchant Banks Lending Rates</th>
<th>3-Month Deposit Rate</th>
<th>Savings Deposit Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal Rate</td>
<td>Weighted Average</td>
<td>Nominal Rate</td>
<td>Weighted Average</td>
</tr>
<tr>
<td></td>
<td>Individuals</td>
<td>Corporates</td>
<td>Individuals</td>
<td>Corporates</td>
</tr>
<tr>
<td>Sep-14</td>
<td>6.00-35.00</td>
<td>13.25 11.14</td>
<td>15.00-30.00</td>
<td>17.98 13.92</td>
</tr>
<tr>
<td>Oct-14</td>
<td>6.00-35.00</td>
<td>13.35 11.03</td>
<td>13.00-30.00</td>
<td>17.98 13.95</td>
</tr>
<tr>
<td>Nov-14</td>
<td>6.00-35.00</td>
<td>15.25 10.88</td>
<td>13.00-25.00</td>
<td>17.91 14.42</td>
</tr>
<tr>
<td>Dec-14</td>
<td>10.00-35.00</td>
<td>15.08 10.4</td>
<td>15.00-25.00</td>
<td>17.93 14.43</td>
</tr>
<tr>
<td>Jan-14</td>
<td>10.00-35.00</td>
<td>15.58 10.81</td>
<td>13.00-25.00</td>
<td>17.96 14.42</td>
</tr>
<tr>
<td>Feb-14</td>
<td>10.00-35.00</td>
<td>14.83 10.53</td>
<td>13.00-25.00</td>
<td>17.93 14.36</td>
</tr>
<tr>
<td>Mar-14</td>
<td>6.00-35.00</td>
<td>14.32 10.19</td>
<td>14.00-25.00</td>
<td>17.8 14.35</td>
</tr>
<tr>
<td>Apr-14</td>
<td>3.00-35.00</td>
<td>14.58 9.66</td>
<td>14.00-25.00</td>
<td>17.77 14.35</td>
</tr>
<tr>
<td>May-14</td>
<td>9.00-35.00</td>
<td>14.25 9.89</td>
<td>13.00-23.00</td>
<td>17.66 17.02</td>
</tr>
<tr>
<td>Jun-14</td>
<td>9.00-35.00</td>
<td>14.29 9.46</td>
<td>15.00-22.50</td>
<td>17.78 16.89</td>
</tr>
<tr>
<td>Jul-14</td>
<td>6.00-35.00</td>
<td>14.39 9.65</td>
<td>15.00-28.00</td>
<td>17.7 16.97</td>
</tr>
<tr>
<td>Aug-14</td>
<td>6.00-35.00</td>
<td>13.82 9.32</td>
<td>15.00-23.00</td>
<td>18.32 16.92</td>
</tr>
<tr>
<td>Sep-14</td>
<td>6.00-35.00</td>
<td>14.03 9.37</td>
<td>15.00-22.50</td>
<td>18.31 16.94</td>
</tr>
</tbody>
</table>

| Average    | 14.39 10.18 | 17.93 15.30      |                   |                   |

Source: Reserve Bank of Zimbabwe Monthly Economic Review

2.4 Financial Sector Developments

2.4.1 Interest Rate Developments

Commercial bank-weighted average lending rates for individuals firmed from 13.25 percent in September 2012 to 14.03 percent in September 2013, while commercial bank-weighted lending rates for corporates softened from 11.14 percent to 9.37 percent over the same period (Table 1). Merchant bank-weighted average lending rates for both individuals and corporates firmed from 17.98 and 13.92 percent in September 2012, to 18.31 and 16.94 percent in September 2013, respectively.

The range in commercial bank savings deposit rates for September 2013 has remained at the November 2012 range of 0.15-8 percent, and the three-month deposit rate range has remained at the July 2013 range of 3-20 percent.

2.4.2 Monetary Developments

Annual growth in broad money supply (M3), defined as total banking sector deposits (net of interbank deposits), declined from 23.1 percent in September 2012 to 4.9 percent in September 2013 (Figure 8). On a month-on-month basis, M3 growth increased from -1.5 percent in August 2013 to 3.0 percent in September 2013, as a result of the increase in all classes of deposits.
In September 2013, annual total banking sector deposits increased to USD 3.91 billion from USD 3.73 billion in September 2012 (Figure 9).

On a month-on-month basis, total banking sector deposits increased from USD 3.80 billion in August 2013 to USD 3.91 billion in September 2013.

In September 2013, demand deposits, savings and short-term deposits and long-term deposits increased by 2.58 percent, 4.22 percent and 1.81 percent, respectively (Table 2). This increase in all classes of deposits is a positive development for long-term financing.
Table 2. Composition of Total Banking Sector Deposits (USD billion)

<table>
<thead>
<tr>
<th>Type of Deposit</th>
<th>Jul-13</th>
<th>Aug-13</th>
<th>Sep-13</th>
<th>Monthly Increase (absolute) USD billion</th>
<th>Monthly Increase (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand Deposits</td>
<td>2.04</td>
<td>2.01</td>
<td>2.06</td>
<td>0.05</td>
<td>2.58</td>
</tr>
<tr>
<td>Saving &amp; Short-Term Deposits</td>
<td>1.33</td>
<td>1.25</td>
<td>1.31</td>
<td>0.05</td>
<td>4.22</td>
</tr>
<tr>
<td>Long-Term Deposits</td>
<td>0.49</td>
<td>0.53</td>
<td>0.54</td>
<td>0.01</td>
<td>1.81</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>3.85</td>
<td>3.8</td>
<td>3.91</td>
<td>0.11</td>
<td>3.01</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of Zimbabwe Monthly Economic Review

At end September 2013, the composition of total bank deposits was as follows (Figure 10): demand deposits (52.76 percent), savings and short-term deposits (33.38 percent) and long-term deposits (13.86 percent). Demand and savings and short-term deposits comprise over 86 percent of total deposits. Given the absence of the lender-of-last resort facility at the Central Bank, an inactive money market, and higher proportions of capital tied up in fixed assets, banks are constrained in their ability to transform short-term deposits into long-term loans which could finance long-term projects.

Figure 10. Composition of Total Banking Sector Deposits for September 2013

Source: Reserve Bank of Zimbabwe Monthly Economic Review

The loan-to-deposit ratio, calculated on the basis of total bank deposits as well as external and domestic sources of funding increased from 89.9 percent in September 2012 to 95.1 percent in September 2013 (Figure 11). The banking sector has been committed to supporting the private sector by lending a greater part of the deposits. However, more efforts should be directed at mobilizing more deposits, especially long-term deposits, which can support long-term investment activities. Improving the environment for doing business would also help the economy attract much needed foreign capital.

Figure 11. Loan-to-Deposit Ratio

Source: Reserve Bank of Zimbabwe Monthly Economic Review
In September 2013, bank credit to the private sector was distributed as follows (Figure 12): loans and advances (84.9 percent), mortgages (9.5 percent), other investments (2.8 percent) and bankers’ acceptances (1.8 percent) and bills discounted (1 percent).

**Figure 12. Distribution of Bank Credit to the Private Sector in September 2013**

![Pie chart showing distribution of bank credit]

The distribution of bank loans and advances to the private sector was as follows (Figure 13): agriculture (18.4 percent), individuals (17.8 percent), distribution (16.7 percent), manufacturing (16.7 percent), services (14.2 percent), other sectors (9 percent) and mining (7.2 percent).

**Figure 13. Sectoral Distribution of Bank Loans & Advances in September 2013**

![Pie chart showing sectoral distribution of bank loans]

Despite being charged high average lending rates, individuals are still getting a larger proportion of credit relative to most of the productive sectors. Lending to individuals seems attractive to banks as a result of, among other factors, higher lending rates charged on individuals relative to corporates, lower risk associated with salary-based loans and spreading risk by lending to many individuals an amount that could be lent to relatively fewer corporates. The impact on the economy of lending relatively more to individuals depends on the use of credit by the borrowers. It is generally believed that many individuals are borrowing to finance consumption. However, market indications also suggest that some of the individuals are now financing small businesses.

**2.4.3 Other Financial Sector Developments**

The Reserve Bank of Zimbabwe has committed to repay, at 12 percent per annum, all corporates and individuals who lost money in their foreign currency accounts that were used by the RBZ at the height of hyperinflation. This followed the Supreme Court ruling that ordered Standard Chartered Bank to pay back the money it transferred to RBZ, which belonged to a Chinese firm, China Shougang International. However, there is no definite time period over which the repayment would be done. If the RBZ honors its obligations, it would be a positive step towards building public confidence in the banking system.
2.5 Fiscal Developments

Revenues outturn

Revenue outturn for September amounted to USD 353.43 million (Figure 14), thereby bringing the cumulative total to USD 2.790 billion. The cumulative revenue collections to September 2013 were 11.67 percent higher than the outturn of USD 2.499 billion realized over the same period in 2012. This increased revenue outturn mainly reflects improvements in revenue collection by ZIMRA and a positive yield from the increases in excise duty on fuel and other non-tax revenues such as license renewal by the mobile telecommunication operators.

Expenditure Outturn

Total expenditure for September 2013 amounted to USD 298.65 million, resulting in a cash surplus of USD 54.78 million (Figure 14). However, cumulative expenditures to September 2013 of USD 2.793 billion exceeded total revenues of USD 2.791 billion, thus yielding a cash deficit of USD 2.22 million. As has been the trend, recurrent expenditures continue to absorb a huge share of the budget at USD 2.604 billion or 93.23 percent of total expenditures. Capital expenditures amounting to USD 180.02 million accounted for 6.77 percent, which is far less than the 2013 National Budget target of 13.55 percent. Mounting wage increase pressures, coupled with year-end bonus for the public sector, will further crowd out non-wage expenditure and compromise the implementation of planned projects under the government’s public sector investment programme. Further strain on the fiscus is emanating from expenditure relating to the start of the agricultural season, such as input and farming implements support. This, therefore, calls for the Government to mobilize additional resources, including diamond revenues and donor support.

To date, Treasury reports that no remittances have been received from diamond mining activities, which calls for enhanced transparency and accountability in the subsector. Similarly, donor financing, which reached its peak in 2012, remains a key source of programme financing to complement Government revenues. Bilateral donor support has been on a steady decline from USD 651 million in 2009 to USD 472 million in 2011, before increasing to USD 710 million in 2012 (Figure 15). On the back of uncertainty and subsequent holding of the 2013 General Elections, bilateral donor support fell to USD 82 million as at end-June 2013, (Figure 15). However, following a generally peaceful political environment after the election, donor support is projected to rise to USD 525 million by end-2013, which is 26.06 percent lower than the 2012 outturn.

Similarly donor support from multilateral institutions, which had averaged USD 100 million from 2009 to 2011 rose to USD 225 million in 2012. However, by June 2013 only USD 7 million had been received from multilateral donors (Figure 15) as donors developed a wait-and-see attitude, ahead of the July 31 General Election. Multilateral
donor support is, however, projected to rise to USD 32 million by year-end, about 85.78 percent lower than that received in 2012. Against this background, the Government needs to make concerted efforts to reengage the donor community to complement the low domestic revenues.

Figure 15. Trends in Donor Inflows from Bilateral and Multilateral Agencies (2009 – 2012)

![Bar chart showing trends in donor inflows from bilateral and multilateral agencies from 2009 to 2012.](Image)

*Source: Ministry of Finance 2013 figures are as at June 2013, while 2013* is a projection

### 2.6 External Sector Developments

Based on the statistics for the first eight months of 2013, the performance of exports is quite dismal, pointing to the need for export-enhancing policy strategies. While exports are expected to be high enough to cover imports, they constitute only 41 percent of imports, as total exports for the first eight months were only about USD 2.11 billion at a time when total imports were about USD 5.14 billion. Compared to 2012, it is quite apparent that exports are falling while imports are increasing as exports constituted about 51 percent during the same period in 2012. A look at the trends for 2012 and 2013 (Figure 16) would reveal that over several months in 2013 exports performed below their 2012 levels while a similar trend did not apply for imports. As a result, exports fell by about 10.1 percent in 2013 compared to 2012 while imports increased by about 12.1 percent during the same period, thereby increasing the trade deficit. The trade deficit for the first eight months in 2013 stood at USD 3 billion, an increase of about 35.6 percent compared to the same period in 2012.

Figure 16. Imports and Exports statistics, Zimbabwe, January to August, 2012 and

![Line chart showing imports and exports statistics for Zimbabwe from January to August, 2012 and 2013.](Image)

*Source: ZIMSTAT*
Zimbabwe’s exports were driven by primary agriculture and mining products during the period. Tobacco, which constituted about 12 percent of the total exports, ginned and unprocessed cotton (3 percent) and sugar (2 percent) were some of the main agricultural commodities exported during the period under review. Unprocessed and semi-processed mining products constituted at least 61 percent of the total exports. Adding value to these products could see the country increasing the value of its exports rather than relying on primary products.

Fuel constituted the largest imported item during the period under review at 17.7 percent of total imports, closely followed by fertilisers (16.4 percent), motor vehicles (7.4 percent) as well as numerous other items that individually do not constitute a significant amount. The revival of the fertiliser industry and the car assembly plant in Zimbabwe could therefore assist in reducing dependence on imports and reduce the trade deficit.

2.7 Tourism Sector Development

The Ministry of Tourism is set to revive the tourism-revolving fund. Previously Zimbabwe had a tourism-revolving fund which was funded by the Reserve Bank of Zimbabwe. The fund was later put on hold in 2006 during the period of hyperinflation. The Ministry of Tourism has forwarded to the Minister of Finance, a proposal for a tourism-revolving fund valued at USD 200 million. The fund is meant to provide credit to persons in the tourism industry who are currently having problems in accessing credit. The credit would be offered as loans to persons in the tourism industry to expand and rehabilitate equipment used in tourism, among other things. The success of this revolving fund would depend on the ability of borrowers to service their loans.

In terms of tourism performance, the National Parks tourism arrival statistics for 2013 continues on a general upward trend to 53,588 arrivals for September 2013 (Figure 17). As from January to September 2013 the National Rainforest received the highest number of tourists (357,713), followed by Zambezi National Park (66,476) and Matobo’s National Park (29,538). The increase in tourism to national parks has largely been attributed to improved country image and an improved performance in the domestic tourism market. Foreign tourists have been dominating national park arrivals in the course of the year, with 206,705 foreigners having been received from January to September 2013 compared to 159,615 local visitors.

Figure 17. National Parks Tourist Arrivals 2013

<table>
<thead>
<tr>
<th>Month</th>
<th>Foreign</th>
<th>Locals</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 13</td>
<td>10,000</td>
<td>10,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Feb 13</td>
<td>12,000</td>
<td>12,000</td>
<td>24,000</td>
</tr>
<tr>
<td>Mar 13</td>
<td>13,000</td>
<td>13,000</td>
<td>26,000</td>
</tr>
<tr>
<td>Apr 13</td>
<td>15,000</td>
<td>15,000</td>
<td>30,000</td>
</tr>
<tr>
<td>May 13</td>
<td>16,000</td>
<td>16,000</td>
<td>32,000</td>
</tr>
<tr>
<td>Jun 13</td>
<td>17,000</td>
<td>17,000</td>
<td>34,000</td>
</tr>
<tr>
<td>Jul 13</td>
<td>19,000</td>
<td>19,000</td>
<td>38,000</td>
</tr>
<tr>
<td>Aug 13</td>
<td>21,000</td>
<td>21,000</td>
<td>42,000</td>
</tr>
<tr>
<td>Sep 13</td>
<td>23,000</td>
<td>23,000</td>
<td>46,000</td>
</tr>
</tbody>
</table>

Source: National Parks

3. STOCK MARKET DEVELOPMENTS

The industrial index opened the month of October 2013 trading at 208.35 rose to 214.9 before it started profit taking and declined to close the month at 209.74. The mining index opened at 50.29, gaining 2.39 points, to close at 52.68 (Figure 18). The month saw an increase in stock market activities with turnover value and volume increasing by 18.32 percent and 386.65 percent, respectively, thus market capitalization grew by 4.85 percent to close at USD 5.4 billion.
The performance of the industrial index in October 2013 remained above its performance in October 2012 by closing the month at 209.74 compared to 154.47 in a comparable period. The mining index closed at 52.68, which was below its performance in October 2012 by 40.98 points.

A comparison of the performance of the stock market in October 2012 and October 2013 (Table 3) reveals that there was an increase in stock market activity in October 2013, with turnover value and volume increasing by 17.75 percent and 194.85 percent, respectively. There was a decline in the value of shares bought by foreigners by 5.01 percent while the volume of shares bought increased, indicating that foreign investors bought shares at a discount in October 2013 compared to October 2012. Foreign buyers constituted 50.52 percent of the turnover value in October 2013 compared to 62.63 percent of the turnover value in October 2012, thus there was a decline in the level of confidence that foreign investors have on the economy. On the other hand, both value and volume of shares sold by foreign investors increased by 114.62 percent and 79.55 percent, respectively. Thus, market capitalization increased by 34.05 percent from USD 4.03 billion in October 2012 to close at USD 5.4 billion in October 2013.

Listed firms Bindura Nickel Corporation and African Distillers announced the addition of new shares to their already issued shares by adding 18,997,521 and 700,000 shares, respectively, thereby increasing their shares in issue to 1,229,211,178 and 95,903,850, respectively. Meanwhile, the board of the Zimbabwe Stock Exchange announced the suspension of trading...
in Phoenix Consolidated Industries’ shares with effect from 3 October 2013, after it had been placed under provisional judicial management.

4. CORPORATE SECTOR DEVELOPMENTS

Among the notable developments in the corporate sector in October 2013 was the three day annual congress held by the Confederation of Zimbabwe Industries (CZI) from 9 to 11 October 2013 and the appearance of the Zimbabwe National Chamber of Commerce (ZNCC) before the Parliamentary Portfolio Committee on Industry and Commerce. These two events reveal a paradigm shift on industry as there is now a gradual realization that there is a limit to the extent to which government funding can go in resuscitating firms. This is evident in the CZI resolutions, for example, where there is no resolution on funding, in contrast to previous years where schemes such as the Distressed and Marginalized Area Fund (DIMAF) were always mentioned.

In their address to Parliament, the ZNCC was very explicit in stating that their position was that distressed companies should no longer be liable for funding and, if any funding scheme is to be negotiated, this should be for companies that are still viable. The ZNCC argument is that being highly indebted due to mismanagement and failure to repay loans is a reason for being in distress. It would be difficult for funding to be channeled to production in the face of high debt. This has merit since any bank that would want to lend to highly indebted firms would first need to understand the position and reaction of other creditors who are already owed money before joining the queue of creditors.

The position of ZNCC might actually not be aligned to the government position, especially the need to revive closed firms in Bulawayo and other areas. While the ZNCC is arguing that closed firms are beyond redemption due to their antiquated production systems and high indebtedness, the Government is actually in the process of trying to bail out the same firms. It would be a tall order for the Government to be able to mobilize resources to revive firms that are under judicial management or have already been liquidated instead of trying to create new firms with a clean record that will be able to fill in the void left by the failed manufacturers that are gone. The objective that has to be met is increased production, and indications on the ground are that the easier route is to support new and existing companies that are viable and hence attractive to creditors rather than firms with a record of failure.

As correctly identified by the CZI in its 2013 resolutions, there are other means of ensuring that Bulawayo and Mutare, which are probably the most de-industrialized cities, can reclaim their former status. The special economic zone status, which is provided for under the Industrial Development Policy, can be used to achieve this, if fiscal and other incentives are given to attract industries in these cities. These measures can easily result in tangible benefits compared to the current situation where firms that benefited from DIMAF failed to recover as intended.

5. OTHER TOPICAL ISSUES

5.1 Mandatory Blending of Petrol

The country increased the percentage for mandatory blending of petrol from 5 percent to 10 percent, effective 24 October 2013. The government intends to increase the mandatory blending in phases to 15 percent by 30 November 2013 and ultimately 20 percent by 30 March 2014. The Chisumbanje ethanol plant is expected to export 10 megawatts (MW) of power into the national grid by December 2013, with the remaining 4 MW being set aside for use at the plant. ZESA and Green Fuel have agreed to share the cost of erecting a power line that will feed power to the national grid through the Mkwasine substation. The line will be upgraded as production increases. Currently the transmission line allows Green Fuel to export only 4 MW out of the 14 MW generated into the national grid. At a national level, ethanol can improve the balance of payments by displacing imported petroleum and electricity with domestically produced products. Ethanol has also an effect of moderating petroleum prices since ethanol will be produced locally at a lower price compared to petroleum imports. It also provides an assured fuel supply in the event of shortages of petroleum fuels. The setting up of an ethanol plant in Chisumbanje also provides increased rural employment and alternative markets for agricultural commodities in that area.