P. O. Box 712
20 Mt Pleasant Drive
Mt Pleasant
Harare
Telephone: (263 242) 336318, 334517, 334507
E-mail: info@chamines.co.zw

Please address all correspondence to the Chief Executive Officer

THE CHAMBER OF MINES OF ZIMBABWE

ECONOMIC REVIEW

July 2024

Commodity price index down by 4%

ZWD depreciates on the parallel market

2024 Midterm budget outcomes

Economic Growth Proj:	2%
Inflation June	
M-o-m (ZiG)	-0.1
M-o-m (Weighted)	-0.1
M-o-m (USD)	-0.1
Y-o-y (USD)	3.6
Exchange rate June 24(ZiG/USD)	
Interbank	13.32
Parallel	24

Global growth expected to remain steady

During the period under review, the global economy maintained steady growth at 3.2%, largely driven by robust performances in emerging markets, particularly in Asia, while advanced economies showed mixed signs. Global trade improved, with significant contributions from China, India, and the US, while Europe remained stagnant and Africa's exports declined. High energy and food prices have continued to drive global inflation upwards.

Commodity price index down by 4%

During the month under review, the World Bank commodity price index fell by 4%, recording its lowest monthly performance since May last year. Most key commodities, except for gold, traded lower on the international market. Nickel prices declined by around 7% in July 2024, due to reduced demand from the stainless-steel industry. PGMs, which had shown signs of recovery in the second quarter of the year, albeit briefly, dropped in July due to decreased automotive industry demand and a shift towards electric vehicles. Lithium prices dropped of 11% on excess supply. Meanwhile, gold prices increased by 3%, driven by safe haven demand on the back of economic uncertainties and geopolitical tensions. In the outlook, we expect commodity markets to remain largely the same and most commodity prices are expected to remain subdued for the rest in July.

Global prices for selected commodities			
Commodities	**June-24**	**July-24**	**% Change**
Nickel($/MT)	17,498	16,335	-7%
Gold ($/troy oz)	2,326	2,398	3%
Platinum ($/troy oz)	985	979	-1%
Palladium ($/troy oz)	964	911	-5%
Rhodium ($/troy oz)	4,650	4,625	-1%
Coal($/MT)	133	132	-1%
Lithium ($/MT)	12,902	11,492	-11%
Crude oil	81	83	2%

Source: Trading Economics, Kitco, Pinksheet

Gold deliveries surge

During the period under review, gold deliveries to Fidelity Gold Refinery surged by 31% to 3,495 kgs compared to 2,674 kgs recorded in the same period last year. On a month-on-month basis, deliveries were up by 33%. The increase was notable in small scale producers who delivered 2,343 kgs in July 2024 compared to the 1,619 kgs recorded in June 2024.

	Jul-23	June-24	Jul-24	y-o-y % Change
Large Scale Producers (Kg)	1,048	1,000	1,152	10%
Small Scale Producers (Kg	1,626	1,619	2,343	44%
Total (Kg)	2,674	2,619	3,495	31%

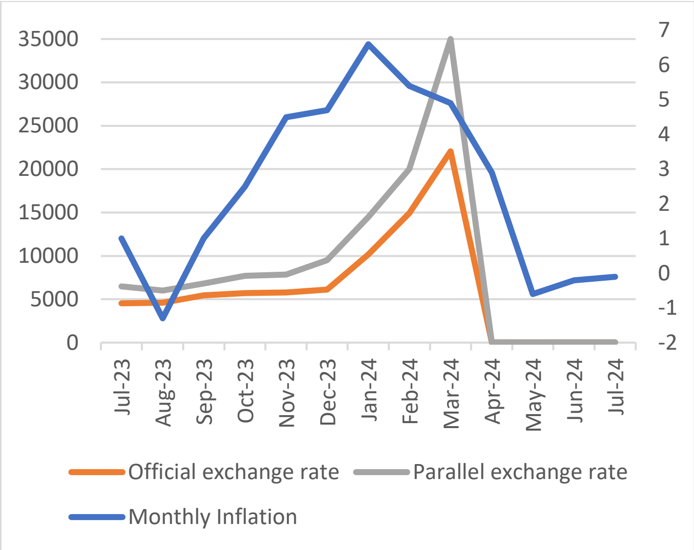
Source: Ministry of Mines

Fragile power supply as Kariba water levels drop significantly

During the month under review, the power supply situation worsened, due to declining water levels at Kariba and frequent breakdowns at Hwange Power Station. Kariba hydro station which is designed to operate between levels 475.50m and 488.50m for hydropower generation is steadily decreasing due to low inflow, closing the period under review at 477.04m (10.63% usable storage), compared to 479.69m (29.56% usable storage) recorded during the same period last year. Kariba's production during the period of July was reduced to 292 MW, against an installed capacity of 1,050 MW while Hwange power station generated 889 megawatts against a capacity of 1,520 MW. Electricity generation during the month under review averaged 1,191 MW against a peak demand of 1,800 MW. The power supply outlook is expected to remain depressed for the rest of 2024.

Inflation pressures dissipate

During the period under review, the weighted month-on-month inflation was -0.1%, from the -0.2% recorded in June 2024. The year-on-year inflation, which is recorded in USD, was 3.6% for July 2024, compared to 3.8% in June. The local currency (ZiG), has contributed to relatively stable prices and exchange rates on the official market. Risks to the inflation outlook are the downside as parallel market premiums are expected to continue to widen for the rest of the year



Source: RBZ

Parallel market premiums widen

Meanwhile parallel market premiums which were below 5% at the time of introduction of ZiG in May 2024 are now averaging 60% at the end of July. The local currency's depreciation in the parallel was largely driven by excess liquidity injections in the market. Risks to the outlook emanates from pressure on the government regarding payments to contractors, which may trigger liquidity injections and exchange rate volatility in the economy

Outcome of the 2024 Midterm Budget

The Minister of Finance presented the 2024 Mid Term Budget Review Statement on 25 July 2024, with no major policy shift for the economy. The Minister further announced that there will be no supplementary budget, thus the 2024 approved budget will be followed through. The following are some of the highlights and measures presented by the Minister:

- Economic growth projection for 2024 revised downwards to 2%, from the original projection of 3.5%, with downward revision in growth for agriculture (-4.9% to -21.2%) and mining sector (7.6% to 5.2%)
- Exports for the first half of 2024 increased to US$3.4 billion, compared to US$3.3 billion in the same period last year. Mineral exports declined to US$2.6 billion, compared to US$2.7 billion for the comparable periods.
- Government is currently establishing the Minerals Commodity Exchange on the Victoria Falls Stock Exchange, which will provide for both spot and futures market to enable the trading of mineral commodities.
- Bonus Tax Free Threshold adjusted to US$700 or the local currency equivalent thereof at the time of remuneration.
- A list of Government fees to be exclusively paid in local currency proposed.
- Fuel imported under Removal in Transit (RIT), will be liable to duty at the Port of Entry, now liable to duty he measures takes effect from 1 August 2024.

The Minister also committed to regularise into law, the measures announced through his press statement of 19 June 2024.

Summing up

There is significant pressure on the exchange rate despite Government implementing stabilization measures. If the exchange rate and parallel market premiums are not managed, there is risk of exchange rate instability. Additional risks to economic the outlook also include fragile power and subdued commodity prices.

Disclaimer: The forecasts, opinions and expectations are entirely those of the Authors and not that of the Chamber as an entity. The document was prepared with the utmost due care and consideration for accuracy and factual information; the forecasts, opinions and expectations are deemed to be fair and reasonable. However, there can be no assurance that future results or events will be entirely consistent with the forecasts, opinions and expectations. Therefore, the authors and the Chamber of Mines will not incur any liability for any loss arising from any use of this document or its contents or otherwise arising in connection therewith. Neither will the sources of information or any other related parties be held responsible for any form of action that is taken as a result of the proliferation of this document.