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ECONOMIC REVIEW

OCTOBER 2024

Global economy remains
resilient



Commodity prices rebound



Improved prospects for the
2024/2025 rainfall season



Economic Growth Proj:	2%
Inflation October	
M-o-m (ZiG)	37.2%
M-o-m (Weighted)	7.3%
M-o-m (USD)	0.7%
Y-o-y (USD)	4.1%
Exchange rate October 24(ZiG/USD)	
Interbank	28.7%
Parallel	50%

Global economy remains resilient

During the period under review, the global economy showed signs of stabilization as inflationary pressures eased, enabling central banks to consider cautious policy adjustments. Economic growth remains resilient with inflation continuing to moderate and the services sector maintaining strong momentum. Reflecting this resilience, the OECD has slightly raised its global growth forecast for 2024 to 3.2% from the original forecasts of 3.1% with inflation rates in most G20 countries projected to reach target levels by 2025. Despite these positive indicators, significant risks to the outlook persist, including geopolitical tensions, trade frictions, labour market challenges, and potential disruptions in financial markets due to disinflationary trends.

Commodity prices rebound

During the month under review, the commodity price index rose by 4.1% on a monthly average basis, up from a 3.3% decline in September 2024. Key minerals, such as nickel, rebounded by 4% to an average of \$16,766 per tonne, driven by rising demand in the stainless-steel industry. Prices for PGMs like platinum (up 3%) and palladium (up 12%) also recovered, underpinned by improvement in demand and increased production activity in major economies, notably China. PGMs are expected to sustain recovery in the near term, with current market conditions supporting strategic inventory build-ups for both platinum and palladium, positioning them for potential long-term gains. Gold prices surged to record highs, increasing by 5% to reach \$2,700 per ounce in October. Meanwhile, lithium prices continued on a downward trend, dropping by 4% to an average of \$10,200 per metric ton, driven by oversupply pressures.

Global prices for selected commodities			
	Sept-24	Oct-24	% change
Nickel(\$/mt)	16,077	▲ 16,766	4%
Gold (\$/troy oz)	2,571	▲ 2,700	5%
Platinum (\$/troy oz)	967	▲ 999	3%
Palladium (\$/troy oz)	996	▲ 1,118	12%
Rhodium (\$/troy oz)	4,750	▼ 4,675	-2%
Crude oil(\$/bbl)	72	▲ 74	2%
Lithium(\$/mt)	10,646	▼ 10,223	-4%
Coal(\$/mt)	139	▲ 147	5%

Source: Kitco, World Bank, Trading Economics

Mineral production performance mixed

During the first 9 months of the year (January to September 2024), mineral output performance was mixed compared to the same period last year. Output increases were recorded in minerals such as gold (6%), platinum (0.4%), rhodium (2%) and chrome (3%). However, significant output declines were recorded in lithium (-48%), nickel (-16%), diamonds (22%) and coal (-13%). These declines are attributed to changes in market dynamics particularly for lithium, operational challenges and a general increase in the cost structure for the mining industry.

	Jan-Sept 2023	Jan-Sept 2024	% Change
Gold (kg)	24,194	25,758	6%
Platinum (kgs)	14,332	14,395	0.4%
Palladium (kgs)	11,921	11,962	0.3%
Rhodium (kgs)	1,250	1,279	2%
Coal (MT)	4,620,786	4,036,871	-13%
Chrome (MT)	1,809,765	1,859,729	3%
Diamond (cts)	3,868,530	3,012,642	-22%
Nickel (MT)	13,903	11,681	-16%
Lithium (MT)	3,698,610	1,909,333	-48%

Source: Ministry of Mines

In the outlook for the rest of the year, the mining sector's output is projected to grow by a weighted average of approximately 5%. This growth will be driven primarily by ongoing expansion activities and new projects, with some key minerals expected to record increased output compared to 2023.

Projected Output performance for selected minerals			
Mineral	2023 (actual)	2024 (estimate)	% Change
Gold (Kg)	32,391	36,600	13%
Platinum (Kg)	19,180	19,200	0.1%
Palladium (Kg)	15,857	15,950	1%
Rhodium (Kg)	1,672	1,700	2%
Diamonds (Cts)	5,098,207	4,100,000	-20%
Nickel (Mt)	17,784	15,600	-12%
Coal (Mt)	4,898,734	4,300,000	-12%
Chrome (Mt)	1,077,353	2,500,000	132%
Lithium (Mt)	5,099,454	2,600,000	-49%

Optimistic economic outlook for 2025

The Government projects the economy to recover in 2025. In his presentation during the 2025 Pre-Budget Seminar, the Minister of Finance indicated that the domestic economy is expected to grow by 6% in 2025, up from 2% in 2024, driven by a rebound in agriculture, mining, and manufacturing. In terms of GDP contribution for 2025, the major sectors are projected to be retail (19.5%), mining (13.3%), agriculture (10.7%), and manufacturing (10.6%). However, despite the anticipated recovery, risks to the economic outlook remain on the downside due to domestic structural bottlenecks, including infrastructure and power deficits, foreign currency shortages, high inflation, exchange rate volatility, and capital constraints.

Government to maintain tax incentives for mining sector

Meanwhile, Government has reaffirmed its commitment to sustaining tax incentives for mining investors, highlighting the sector's crucial role in the economy. The mining industry which contributes to 70% of foreign direct investment, 80% of exports, 19% of government revenue, 3% of formal employment, and 13.5% of national income has been operating under challenging conditions due to subdued commodity prices and a high-cost structure. Following earlier concerns over the sector's tax contributions, the Ministry of Mines and Mining Development stressed the importance of maintaining incentives to support growth without disrupting sector performance. In the outlook, expect the sector to grow by 7% in 2025 on the back of prospects for improved output and some anticipated commodity price recovery in 2025.

Mining sector embraces sustainability and responsible practises

The mining sector is increasingly embracing sustainability and responsible practices. The 2024 State of the Mining Industry Survey Report has indicated that about 67% of respondent mining executives have an ESG policy that guides their investments and operations, while adopting Environmental, Social, and Governance (ESG) standards focused on environmental conservation, social accountability, and clean technologies that reduce carbon emissions. In response to growing ESG demands from investors and export markets, mining companies are investing in renewable energy, energy-efficient technologies, and sustainable water management, contributing to Zimbabwe's climate goals.

Improved prospects for the 2024/2025 rainfall season

The rainfall outlook for Zimbabwe's 2024/2025 season is set generally improve compared to the 2023/2024 season, with above-normal rainfall in subsequent sub-seasons. Forecasts indicate varied rainfall across the season, with normal to above-normal rainfall predicted for the southern SADC region, including Zimbabwe.

The season is divided into four phases:

1. October-November-December: Normal to below-normal rainfall.
2. November-December-January: Normal to above-normal rainfall.
3. December-January-February: Normal to above-normal rainfall.
4. January-February-March: Normal to above-normal rainfall.

4. January-February-March: Normal to above-normal rainfall.

This outlook suggests potential improvements in agricultural yields, water resources, reduced drought risk, and better hydropower generation capacity.

... as tobacco industry targets record growth

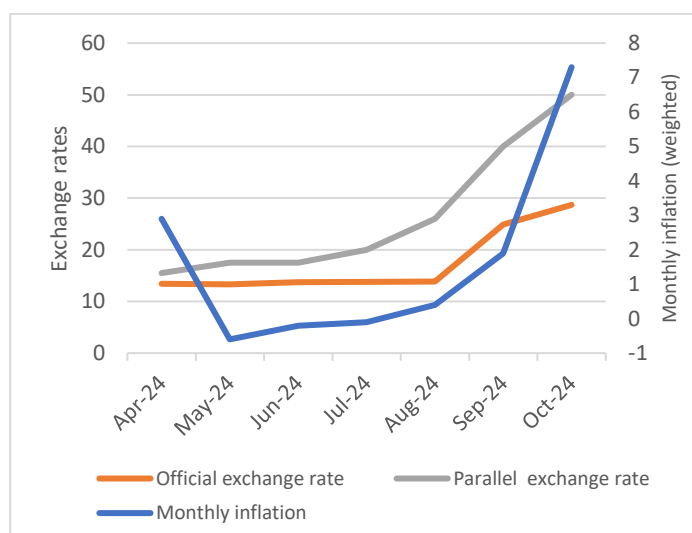
Zimbabwe's tobacco industry is set for a milestone 2024/25 season, aiming for a record 300-million kg yield, up 30% from the previous season's 231 million kgs. This growth outlook is supported by forecasts of normal to above-normal rainfall, a 15% increase in registered growers to over 102,000, and rising seed sale, reflecting farmers' confidence in the sector's potential. During the month under review, the industry recorded 159 million kgs of tobacco export, earning \$833 million, surpassing the figures recorded in the same period last year. The sector saw a 30% revenue increase in 2023, reaching \$1.3 billion, with average tobacco prices also rising by 18% from 2019 due to value addition initiatives.

Power Shortages Cost Zimbabwe 6.1% of GDP annually

The country's power shortages have resulted in substantial costs, equivalent to 6.1% of GDP per year (World Bank). During the month under review, the power supply situation remained fragile with unscheduled power outages averaging around 8 hours per day. This is on the back of declining water levels at Kariba and frequent breakdowns at Hwange Power Station caused by aging infrastructure. Electricity generation during the month under review averaged 900 MW against a peak demand of 1,300 MW. The power supply outlook is expected to remain constrained throughout the rest of 2024

Inflation pressures set to intensify

During the month under review, the domestic month-on-month ZiG inflation surged to 37.2% from 5.8% recorded in September 2024. Similarly, the weighted inflation increased to 7.3% in October from 1.9% in September 2024 while USD inflation remained stabled at 0.7% during the month under review. The local currency depreciation persists as the parallel market premiums have remained above 100% since August 2024. In the outlook, we expect exchange rate depreciation to persist, feeding into ZiG inflation pressures.



Source: RBZ

Summing Up

Zimbabwe's economy showed mixed signals, with commodity prices rebounding, particularly for nickel, gold, platinum, and palladium, while lithium continued to decline. The mining sector remains a key economic driver, anticipating a 7% growth in 2025. However, power shortages continue to strain the economy, costing 6.1% of GDP annually. Inflation pressures also intensified, with domestic ZiG inflation surging to 37.2%, while the local currency's depreciation feeding into rising inflation. In the outlook, we expect Government to prioritize fiscal and monetary policies that support stability of the domestic currency and a stable macro-economic environment through the 2025 National Budget. Liquidity management will be key.