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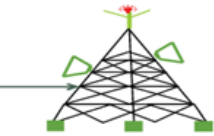
# ECONOMIC REVIEW

## May 2024

Power outages cripple economic activities

Economic growth revised downwards

Local currency (ZiG) experiences deflation



2%



Economic Growth Proj: 2024		2% (AfDB)
<i>Inflation May</i>		
M-o-m (ZiG)		-2.4
M-o-m (Weighted)		-0.6
Y-o-y (USD)		3.5
<i>Exchange rate May 24(ZiG/USD)</i>		
Interbank		13.32
Parallel		18

### Mixed performance in commodity markets

Commodity markets remained volatile during the month under review, driven by geopolitical tensions, demand fluctuations, and a sluggish global economic outlook. Despite a bearish near-term outlook for most key commodities, gold prices have soared to nominal highs of over US\$2,300 per ounce on heightened geopolitical tensions. Similarly, base metals, like nickel, saw a 2.5% price increase from US\$19,238 in April 2024 to US\$ 19,710 in May 2024, driven by manufacturing sector improvements and supply shortages in the US and China. Meanwhile, accelerating investment in green technologies has weakened global demand for PGMs while strengthening prices for key metals like copper, crucial for clean-energy transitions. Risks to the outlook remain conflict driven, with potential conflict expansion in the Middle East expected to sustain high global inflation, further delaying global monetary easing.

for May 2024 were 15% higher than deliveries for April 2024. In the outlook, we anticipate that the government's gold mobilization initiative will boost deliveries to Fidelity.

	May-23	April-24	May-24	y-o-y % Change
Primary Producers (Kg)	1,070	1,169	1,056	-1.3%
Small Scale Producers (Kg)	1,806	1,218	1,678	-7.1%
Total (Kg)	2,876	2387	2,734	-4.9%

Source: Ministry of Mines

Global prices for selected commodities			
Commodities	April-24	May-24	% Change
Nickel(\$/MT)	19,238	▲19,710	2.5
Gold (\$/troy oz)	2,291	▲2,327	1.6
Platinum (\$/troy oz)	945	▲1,036	9.6
Palladium (\$/troy oz)	949	▼904	-4.7
Rhodium (\$/troy oz)	4,725	▼4,566	-3.4
Coal(\$/MT)	135	▲142	5.2
Lithium (\$/MT)	15,580	▼14,876	-4.5
Crude oil	88	▼81	-7.9

Source: Trading Economics, Kitco, Pinksheet

### Economic growth revised downwards

The African Development Bank (AfDB) has revised Zimbabwe's economic growth projections for 2024 downwards to 2%, from an initial projection of 3.2%. This adjustment is due to the worse-than-anticipated impact of El Nino-induced drought and subdued commodity prices. The energy and manufacturing industries have also been severely impacted by the drought, leading to significant operational challenges and reduced output. Meanwhile, the 2023/24 tobacco sales have been subdued by around 6% to US\$4.5 million, due to adverse weather conditions which resulted in low yields.

### Gold deliveries remain depressed

Gold deliveries to Fidelity Printers and Refiners were down by 5% to 2,734 kgs in May 2024 compared to 2,876 kgs recorded during the same period last year. The drop was notable among small-scale producers, who delivered 1,678 kgs in May 2024 compared to 1,806 kgs in May 2023. However, on a month-on-month basis, deliveries

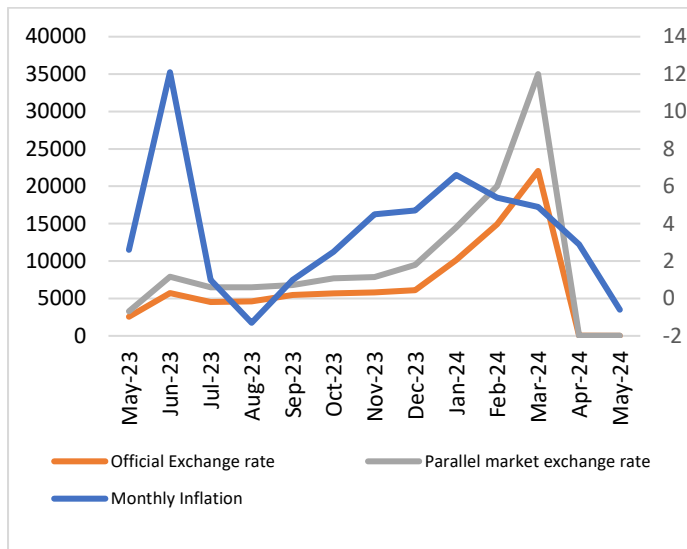
### Power outages cripple economic activities.

During the period under review, the power supply situation remained fragile, marked by widespread outages across most sectors of the economy. Challenges stemmed from scheduled maintenance at Hwange Thermal Power Station and reduced water levels at Kariba Hydro Power Station, coinciding with heightened national power consumption and demands for winter crops. The nation's largest power stations, Hwange and Kariba stations are currently producing 1,335 MW, against a combined installed capacity of 2,570 MW. Meanwhile, power supply to the mining industry has remained relatively stable despite isolated outages caused by transmission infrastructure challenges, technical faults, and poor power quality characterized by instances of very high and very low voltage. In the outlook for the rest of the year, power supply is expected to remain fragile on the back of low water levels at Kariba and increasing demand.

### Prices in local currency experience deflation

During the period under review, the month-on-month inflation for the local currency (ZiG) saw a negative trend, dropping to -2.4%, indicating the initial impact of ZiG on price stability. Blended month-on-month inflation also decreased for the second consecutive month to -0.6% in May 2024, compared to 2.9% in April 2024, reflecting sustained price stability across both USD and ZiG markets. This marks the lowest monthly inflation since August 2023. Meanwhile, the parallel market exchange rate remained stagnant at \$1:18 ZiG, while the official exchange rate stood at \$1:13.31 ZiG. In the outlook for the rest of 2024, we expect overall stability in inflation and exchange rates as the government intensifies the implementation of stabilization measures and maintains a tight liquidity stance. Potential downside risks could emanate from expenditure

pressures, particularly from large wage bills, which may necessitate government intervention.



Source: RBZ

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