

# Monthly Financial Sector Bulletin

Issue No. 69, May 2019



**COVER PICTURE:** "A critical problem is inadequate legal coverage of contingent liabilities. In most cases it is limited to some aspects of explicit contingent liabilities for example loan guarantees. I will tell you why we always have inadequate legal coverage because these transactions and deals are sometimes negotiated by people without the necessary skills. At the debt resource you are now placed in situation where you can see that this transaction does not work, but it has already been negotiated and agreed at senior levels and you have no choice but to try and work with it. In most instances, we all know what follows, the contingency liabilities always materialise. The materialisation of contingent liabilities risks has adverse consequences on Government's fiscal position. The fiscal cost is invisible until they are triggered, thus they represent a hidden subsidy, blur fiscal analysis and can drain Government financing by increasing debt service obligations," Finance and Economic Development Permanent Secretary George Guvamatanga, officially opening a Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) Debt Managers Seminar in Harare on the 6<sup>th</sup> of May 2019. He highlighted the fact that badly negotiated loan deals were giving Treasury long-term accounting problems.

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The MFSB is a monthly roundup of key Zimbabwean financial sector developments produced by SoundGarden Publishing, a provider of proprietary data, business intelligence and analytical content supporting decision-making in financial markets.

**SINCE SEPTEMBER 2013:** For six solid years, the Monthly Financial Sector Bulletin (MFSB) has been consistently providing reliable aggregated financial sector information enabling industry professionals and other stakeholders to make data-driven decisions!

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## SELECTED VITAL STATISTICS AT A GLANCE

### General Statistics

Year-on-year Inflation for <b>June 2019</b>	175.66 % ( <b>May 2019: 97.85%</b> )
Month-on-Month Inflation <b>August 2019</b>	18.07% ( <b>July</b> - 21.04%)
Projected Average Inflation for 2019	22.4%
Projected 2019 Gross Domestic Product (GDP) Growth	3.1% (AfDB – 4.2%; World Bank – 3.7%)
Original Budget for 2019	\$8.16 billion (\$10.85 billion)
2018 Manufacturing Sector Capacity Utilisation	48.2% (2017 – 45.1%) (2016 - 47.4 % (2015 - 34.3%)
Projected Trade Deficit for <b>2018</b>	US\$1.6bn (Exports – \$4.9bn; Imports – \$6.3 bn)
Zimbabwe's Foreign Direct Investment (FDI) – <b>2018</b>	US\$745m (US\$349m - 2017) (US\$319m – 2016) (US\$421m-2015)

### Statutory Ratios

Formula	Ratio
<b>Minimum Capital Adequacy Ratio:</b> (Total Qualifying Capital/Total Risk Weighted Assets) x 100	12%
<b>Minimum Liquidity Ratio:</b> (Total Liquid Assets/Total Liabilities to the Public) x 100	30%

### Deposits, Loans and Lending Ratios

Total Banking Sector Deposits ( <b>30 June 2019</b> )	\$16.92 billion (\$10.32 billion – <b>31 Dec 2018</b> )
Total Banking Sector Loans & Advances ( <b>30 June 2019</b> )	\$6.17 billion (\$4.22 billion – <b>31 Dec 2018</b> )
Loans-to Deposit Ratio ( <b>30 June 2019</b> )	36.49% ( <b>31 December 2018</b> – 40.71%)
Banking Sector Non-Performing Loans (NPLs) ( <b>30 June 2019</b> )	3.95% (6.92% - <b>Dec 2018</b> & Peak 20.45% as at 30 Sept 2014)
Total Banking Sector Assets ( <b>30 June 2019</b> )	\$23.54 billion ( <b>31 Dec 2018</b> - US\$13.98 billion)

**Sources:** Mainly the Monetary Policy Statement (RBZ), National Budget & Various other Industry Sources

## Editorial Comment

### Product Innovation & Channel Development: Uncertainty Causes Flat Activity

Total product development activity was flat at seven (7) although the spread narrowed down to just product launches and promotions as there were no enhancements during the period under review unlike in April when two were recorded. In terms of sectoral contribution, the banking sector led the pack at 43%, followed by mobile money at 29% while microfinance and insurance weighed in with 14% apiece. Channel development/rationalisation activity increased marginally from a single initiative in April to two(2) in May, although the two initiatives came from two companies from the same financial services group (CBZ Life and CBZ Insurance), which relocated from 4<sup>th</sup> Floor Beverly Court in the city centre to 5 Campbell Road in Pomona, Borrowdale.

### Executive Management/Board Changes: Steward Bank CEO in Surprise Resignation

In a routine development, Webster Rusere, the Managing Director of FBC Bank Limited was re-elected President of the Bankers Association of Zimbabwe, while Ralph Watungwa, the Chief Executive Officer of Standard Chartered Bank Zimbabwe Limited, was elected Vice President, replacing Benefit Washaya who was unavailable for re-election. Apparently, Washaya was due to retire from his post at NMBZ Holdings. Meanwhile, in a move that surprised the market and spawned some measure of speculation, Steward Bank chief executive officer Dr Lance Mambondiani resigned after serving the Cassava Smartech subsidiary for six years. Mambondiani was credited with helping to transform the bank through a robust digital strategy.

### Rebranding & Strategic Realignment Initiatives: Old Mutual Restructures along Major Business Lines

During the period under review, Old Mutual Zimbabwe's shareholders approved a restructuring exercise which will see the Group's operations being consolidated into three units based on the major lines of businesses operated by the group namely insurance, wealth management and banking. The restructuring exercise was expected to result in a huge cost savings and a simplified operating structure. Meanwhile, as Standard Chartered Bank continued on a path to transform itself into a digital bank, it signaled an intention to terminate safe custody services and requested those who had lodged items with the Bank, to collect them from their branch by no later than 15 June 2019.

### Bond/TB Issue Outlook: Major Shift in Management of Government Finances

Minister of Finance and Economic Development Mthuli Ncube announced a major shift in the management of Central Government finances from deficits to surpluses, a process which saw the country issuing only ZWL180 million worth of government paper in the first quarter of the year for purposes of restructuring previous years' maturing debt. He noted that neither Treasury Bills nor the overdraft facility were utilised to finance the budget during the year.

### External Financing: Lines of Credit & Grant Finance: Change of Currency Threatens External Loans

The contention by Finance and Economic Development Permanent Secretary George Guvamatanga that individuals with the right skills should be involved in negotiations for public sector loans was an important argument, otherwise badly negotiated deals will continue to give Treasury long-term accounting problems. "The materialisation of contingent liabilities risks has adverse consequences on Government's fiscal position. The fiscal cost is invisible until they are triggered, thus they represent a hidden subsidy, blur fiscal analysis and can drain Government financing by increasing debt service obligations," he said. Meanwhile change of functional currency in February 2019 as a result of the abolishment of the parity between the US\$ and the bond note resulted in funds that were held in an escrow account to securitize a US\$320 million loan received from China Eximbank for the expansion of Kariba South Power Station, being converted to local currency. This meant that the change of currency has eroded the debt service reserves and this could result in Government facing challenges in accessing the US\$1 billion loan facility from China Eximbank for Hwange Power Station expansion.

### Fiscal, Public Debt & Investment Issues: Rebasing Creates GDP Confusion

Zimbabwe's Finance Minister Mthuli Ncube announced the rebasing of the economy, following the adoption of a new currency – the RTGS\$ - earlier in the year. Rebasing entails changing the reference points used to calculate the country's gross domestic product. This however created confusion, as analysts said it conflicted with Statutory Instrument (S.I) 33 of 2019. The resultant estimated nominal GDP of RTGS42.8 billion for 2018 and RTGS70.3 billion for 2019 was a culmination of the conversion of US\$23.113 billion for 2018 and US\$22.679 for 2019 to RTGS\$ assuming annualised

average RTGS\$: US\$ exchange rates of 2: 1 and 3.7:1 respectively. This was despite the fact that the official market currency was only introduced in 2019 and the rest of the economy was explicitly directed not to convert 2018 balances at a rate other than 1:1.

### Capital Markets Developments: Sustaining the Reform Agenda

The Zimbabwe Stock Exchange sustained its reform agenda by announcing the launch of Direct Market Access (DMA), a platform or mechanism whereby Fund Managers and Institutional Investors can enter their orders directly into the Automated Trading System "ATS" through a Client Binding Terminal without manual intervention by the broker. The ZSE also said it was mulling the introduction of inflation-indexed bonds and establishment of a US dollar trading platform for listed securities, given the demand for US dollar-denominated assets to hedge against inflation.

### Policy/Regulatory /Legal Developments: Fuel Market Liberalisation Erodes Disposable Income

The announcement by the Reserve Bank of Zimbabwe that with effect from 21 May 2019 the procurement of fuel by the Oil Marketing Companies (OMCs) would be done through the interbank foreign exchange market, was a key highlight of the month. In one fell swoop, the bank effectively liberalised the fuel sector by stating that there would be only one foreign exchange rate to be used in the market for the importation of goods and services. This meant that the 1:1 exchange rate that was being used by OMCs for the procurement of fuel was discontinued with immediate effect. We explore some implications of this move.

- **Consumer Purchasing Power:** The motoring public will have to stomach a fuel price of about 50%, even before they have had the opportunity to adjust to the 150% January price increase, and this will significantly erode consumer purchasing power, which was already under severe pressure. The ensuing reduction in aggregate demand may result in companies laying off people. Research company Morgan & Co had this to say about the development. "...The fuel price increases will negatively impact disposable incomes and increase the cost of doing business. We see significant cost pressures affecting local businesses in the outlook period."
- **Inflationary Pressures:** The increase will pile further inflationary pressure as businesses will have no choice but to pass on this cost to consumers. Inflation was measured at 75.86% in April. "In the costing models that have been done in the past, fuel has always caused an increase though not major, but depending on what type of business you are running it has a cost build-up in the cost structures," said Consumer Council of Zimbabwe chairman Philip Bvumbe.
- **Wage and Salary Increases:** There will be pressure for wage and salary increments as the cost of products and services will increase in sympathy with the hike in the fuel price increase.
- **Fuel Supply Situation:** Fuel supply might eventually improve due to reduced demand, as less people will be able to afford it at current prices. However indications on the ground are that despite the steep price increase, fuel queues persist, with supply clearly unable to meet demand as queues have not subsided due to the underlying foreign currency shortages.
- **Arbitrage Opportunities:** The authorities say liberalisation of the fuel market will bring an end to arbitrage in the fuel market. Trucks from regional countries reportedly took advantage of astronomical black market rates to convert USD into local currency and refuel in Zimbabwe while speculators exported the fuel into the region where the commodity fetched higher prices in hard currency.
- **Price To Reflect Market Exchange Rate:** The price of fuel will now reflect the market exchange rate, thereby reducing market distortions.

Also notable was Cabinet's expression of concern on the level of price increases, which it partly blamed on the Old Mutual Implied exchange rate (a comparison of the price of shares of insurer Old Mutual Limited in London and Harare) in its 18th meeting held on 29<sup>th</sup> May 2019. Government went on to say it was working round the clock to address the issue of price hikes in order to alleviate the suffering of the citizens and its efforts in this direction include, "addressing the issue of the fungibility of Old Mutual Shares." We wonder what this means but take it this could at best, mean tightening the conditions that come with fungibility or at worst outright revocation of the fungibility status. Government's intentions raise some interesting questions which beg for answers:

- If the Old Mutual implied rate was not in place, would the parallel market not be in existence?
- Could Government go all the way and revoke the fungibility of Old Mutual shares, which is incidentally being used by investors to exit the ZSE following their inability to access foreign currency from the interbank market?
- Or will government tighten the conditions that come with the fungibility?

Whatever action government decides to take, we urge restraint; otherwise it could amount to shooting themselves in the foot at a time the country is in desperate need for foreign investment. We are however heartened by Finance

Minister Mthuli Ncube who appears to have a sensible perspective on the matter and while speaking in Parliament, said Old Mutual cannot be blamed for having a fungible counter. We think that Government is clutching at straws when it claims the Old Mutual Implied Rate “drives” the parallel market rate. What in effect drives the rate are the shortages in the official foreign exchange market, which have driven businesses to the alternative market. The Old Mutual Implied Rate is just a reflection of the skewed fundamentals such as foreign currency shortages and rising inflation in Zimbabwe which negatively impact on Old Mutual shares in relation to the London Stock Exchange where it is also listed.

### Conferences/Symposia & Training Events: Sustaining Digital Momentum

Two important events were held during the period under review. First, the Escrow Group hosted the inaugural C-Trade Investor Day Conference on the 15<sup>th</sup> of May 2019 under the theme “Fostering financial inclusion and stimulating economic development through exploiting investment opportunities on Zimbabwe’s capital markets,” and meant to foster interactions on unlocking economic value through capital markets. Meanwhile, Payments technology company, ZimSwitch Technologies, in collaboration with the SADC Banking Association (SADC BA) hosted the second edition of the ZimSwitch Digital Payments Conference in the resort town of Nyanga from the 30<sup>th</sup> May 2019 to 1<sup>st</sup> June 2019. Held under the theme “Digital Economy for Africa,” the conference is an open forum that aims to foster collaboration and co-invention of the future of payments while presenting an active platform for discussion, engagement and networking.

### Currency, Pricing and Liquidity Perspectives: Price Reductions a Triumph for Consumer Resistance

Zimbabwe Stock Exchange-listed beverages manufacturer, Delta Corporation’s reduced prices for soft drinks in a bid to stimulate demand, which had markedly declined in recent months as consumers could not afford the high prices. Accordingly, Delta company secretary Alex Makamure on the 9<sup>th</sup> of May 2019 said the company was recommending new retail prices in order to guide the market as they had stock in the warehouse for three weeks but the market was not taking it up citing the prevailing RTGS\$ prices that were considered too high. Delta’s decision was seen as a triumph for consumer resistance, which could play a key role in deciding the country’s pricing matrix going forward, as indicated by Confederation of Zimbabwe Industries (CZI) president Sifelani Jabangwe. Apparently, big retailers such as OK Zimbabwe refused to bow down to Delta’s demands for part payment for orders for beverages to be made in foreign currency. This saw Delta’s products disappearing from supermarket shelves in recent weeks. The reduction in prices by Delta on the back of waning consumer demand was seen as a cue for other companies that increased prices in response to recent monetary and fiscal measures, to consider reducing prices. More specifically, this could force Delta’s key competitor, Varun Beverages to also reduce its prices, which would benefit the long-suffering and crisis-weary consumers. However, sustainable reduction of prices was likely to remain a pipe dream if availability of foreign currency remained a challenge.

According to statistics released by the ZimStats, annual inflation continued its relentless march and increased from 66.80% in March to 75.86% in April, a development which Government tried to downplay by focusing more on month-on-month inflation and assuring Zimbabweans that annual inflation would come down by the end of the year. Finance Minister Mthuli Ncube said Zimbabwe was expected to continue experiencing high inflation for most of 2019 before it started cooling off on the back of austerity measures. Government’s weapon of choice for taming high inflation is the reduction of money supply growth, guided by Ncube’s austere hand. Presenting the State of the Economy Report in Parliament on the 15<sup>th</sup> of May 2019, Ncube downplayed the inflationary meltdown by emphasizing fiscal surpluses. However, the disconcerting thing is that these surpluses have not been achieved through a meaningful reduction in government expenditure but mainly through the 2% tax and other aggressive revenue collection measures. In fact Government is under pressure to spend more on salaries as well as on goods and services due to the inflationary environment. We can be sure that the Finance Minister will not miss an opportunity to go to town about these surpluses, but it’s not enough for authorities to boast about budget surpluses when the benefits of these are not trickling down to the man in the street. In fact, the question that arises and which Ncube should be answering is: At what cost has this austerity have been achieved? So far all the indications on the ground are that the true cost of austerity has been the impoverishment of long-suffering Zimbabweans due to rising prices and dwindling disposable incomes – a direct result of recent Government policies.

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### PRODUCT LAUNCH/ENHANCEMENT INDEX (PLEI)

- **BancEasy**, a part of **Atlas Mara** introduced the **BancEasy Emergency Loan**, a salary-based loan product. In order to qualify for the loan, which has a repayment period of 1 month, one must earn a minimum net salary of RTGS\$250.00. Proceeds of the loan, which is touted for its fast turnaround time, are available for disbursement through bank account transfer and **EcoCash** channels. Requirements for successful application for the loan include the National ID, Latest payslip, a letter from the employer and three months bank statement.
- **EcoCash** introduced DStv payments through the EcoCash FCA wallet. “Pay using the EcoCash FCA wallet by generating a Virtual Card Number (VCN). Make sure you deposit US\$ first in your EcoCash FCA wallet and you’ll be good to go,” said the **Cassava Smartech** company. In order to generate a VCN, one logs onto the EcoCash app, selects Card Services, selects **MasterCard** Virtual, generate the VCN and then receive an SMS with the Virtual Card Number and the CVV.
- **BancABC**, part of **Atlas Mara** introduced **Instabanc**, a card product it touts for its low cost, quick sign-up and security. The card account attracts no ledger fees, requires only \$2 in initial deposit and can be opened in 5 minutes. One can conduct up to \$1000 monthly transactions through 24/7 access on POS, ATM, mobile, Internet and **ZimSwitch**.
- **Fidelity Life Assurance of Zimbabwe** introduced the **Fidelity Life Funeral Cash Back Plan**. “Enjoy life with a 50% premium refund on your Fidelity Life Funeral Cash Back Plan after every 5 years of no claim. Sign up today and enjoy Zimbabwe’s first funeral cover with Cash Back plan!” said the company about the product, which is also available in US dollars.

### PRODUCT PROMOTION INDEX (PPI)

- **EcoCash** introduced the **Chaka-Chakachaya neEcoCash promotion**, touted as Zimbabwe’s biggest promotion, under which over 150 000 winners stood to win monthly draw prizes of airtime, cash and school fees vouchers; monthly grand draw prizes of stands, cows, televisions, goats and generators as well as bonus draw prizes of a house, Afcon, Cape Town Cruise and a trip to Victoria Falls. “Earn a point for every RTGS\$20 when you transact with EcoCash, 5 points get you in the running to WIN amazing prizes,” said the **Cassava Smartech** subsidiary. Users could also transact at any of EcoCash’s partners such as the **N. Richards Group**, **Vaya Rides**, **Ownei**, **EcoSure**, **Gain Cash & Carry** and **Simbisa Brands** and stood a chance to WIN additional prizes. They could also spend RTGS\$ 10 on the EcoCash Bundle, banking services, remittances and the EcoCash Debit to get 10 booster points. The promotion ran from 1 May to 31 July 2019.
- **FBC Bank**, in partnership with **Mastercard International** on the 13<sup>th</sup> of May 2019 rewarded fifty (50) clients for transacting with FBC Mastercard Prepaid Card in the Bank’s “Transact without Borders Promotion”, which commenced on 18 November 2018 and ended on 28 February 2019. The prizes for the promotion comprised cash rewards, electronic devices, mobile phone and fully paid holiday trips to local, regional and international destinations. Speaking at the prize presentation, **John Mushayavanhu**, (FBC Group CEO), said “As a customer-driven financial services firm, FBC Bank appreciates the importance of recognising and rewarding clients for embracing the culture of transacting with plastic money and electronic banking services. It is for this reason that we have launched the FBC Mastercard Transact without Borders Promotion in partnership with Mastercard International in order to reward clients for transacting with plastic money and give back to the community.”
- **Steward Bank** introduced a promotion for its Globetrotter VISA Card in association with **VISA**, an official partner of **Confederation of African Football (CAF)** for the Africa Cup of Nations. “Win a trip to the 2019 Total Africa Cup of Nations, courtesy of Visa. Be part of the action. Spend USD20 on your Globetrotters VISA Card and stand a chance to win a 2019 Total Africa Cup of Nations ticket for two, thanks to VISA,” said the banking subsidiary of **Cassava Smartech**.

- **ZB Bank** introduced a “Cook and Win” competition in commemoration of Africa Day. “ZB Bank would like to wish all our brothers and sisters across the African continent, a Happy Africa Day!” On how to enter the competition, ZB Bank said, “Tell us about your favourite African dish. Prepare your favourite African dish. Take pictures and upload onto our social media pages. Lots of prizes to be won,” said the bank in an advertisement.

### SUMMARY: PRODUCT LAUNCH & PROMOTION INITIATIVES

#	Organization	Product /Promotion	Product/Service Category	Sub-sector	Type of Initiative
1	BancEasy	Emergency Loan	Consumer Lending	Microfinance	Product Launch
2	EcoCash	DStv Payments (FCA)	Payment Service	Mobile Money	Product Launch
3	BancABC	Instabanc	Instant Card Product	Banking	Product Launch
4	Fidelity Life Assurance	Cash Back Plan	Funeral Insurance	Insurance	Product Launch
5	EcoCash	Chakachaya Promotion	Mobile Money	Mobile Money	Product Promotion
6	Steward Bank	Globetrotter VISA Promo	Plastic Money	Banking	Product Promotion
7	ZB Bank	Cook and Win Competition	Public Relations	Banking	Product Promotion

### CHANNEL DEVELOPMENT/RATIONALISATION ACTIVITY

- **CBZ Life** advised clients that the Head Office Units had moved from 4<sup>th</sup> Floor Beverly Court, 100 Nelson Mandela Avenue to number 5 Campbell Road, Pomona, Borrowdale in Harare next to **CBZ Wealth Management Centre**. “Clients will continue to receive world class service from our new location alongside current services provided through our game changing mobile App CBZ Touch, Independent Agents, Registered Brokers and Financial Advisors located in CBZ Bank branches nationwide. We remain committed to giving our valued clients exceptional service. Please take note we will still have Client Services at 4<sup>th</sup> Floor Beverly Court,” said the life assurance arm of **CBZ Holdings**.
- **CBZ Insurance** advised clients that the Head Office Units had moved from 4<sup>th</sup> Floor Beverly Court, 100 Nelson Mandela Avenue to number 5 Campbell Road, Pomona, Borrowdale in Harare next to **CBZ Wealth Management Centre**. “Clients will continue to receive world class service from our new location alongside current services provided through our game changing mobile App CBZ Touch, Independent Agents, Registered Brokers and Financial Advisors located in CBZ Bank branches nationwide. We remain committed to giving our valued clients exceptional service. Please take note we will still have Client Services at 4<sup>th</sup> Floor Beverly Court,” said the short term insurance arm of **CBZ Holdings**.

### SUMMARY:CHANNEL EXPANSION/RATIONALISATION ACTIVITY

#	Institution	Sector	Type of Initiative	Description
1	CBZ Life	Insurance	Office Relocation	Beverly Court to Pomona Borrowdale
2	CBZ Insurance	Insurance	Office Relocation	Beverly Court to Pomona Borrowdale

### ICT DEVELOPMENTS

- **FBC Bank** and **FBC Building Society** conducted a system maintenance exercise which started from 1300hr on Saturday, 18 May to 0700hrs on Monday, 20 May 2019. The exercise resulted in the unavailability of Internet Banking and Internal Transfers.

### EXECUTIVE MANAGEMENT/BOARD CHANGES

- The Chief Secretary to The President and Cabinet, **Dr Misheck J. M. Sibanda** announced extension of the term of office of the **Reserve Bank of Zimbabwe** Governor **Dr John Mangudya**. “The Chief Secretary to the President and Cabinet, Dr. Misheck J. M. Sibanda, has announced the Extension of the Term of Office of the Reserve Bank of Zimbabwe Governor, Dr John Panonetsa Mangudya by His Excellency the President of Zimbabwe, Cde E.D.



Mnangagwa, acting in terms of Section 14 of the Reserve Bank Act [Chapter 22: 15]. The extension takes effect from 1<sup>st</sup> May 2019 for another five years,” said the statement dated 3<sup>rd</sup> May 2019.

- Chief Executive Officer of the [Bankers Association of Zimbabwe \(BAZ\)](#) [Sijabuliso T. Biyam](#) issued a press release announcing the outcome of elections held at the 26th Annual General Meeting of the association. “At the 26<sup>th</sup> Annual General Meeting of the Bankers Association of Zimbabwe held on Tuesday 30<sup>th</sup> April 2019, [Mr. Webster Rusere](#), the Managing Director of [FBC Bank Limited](#) was re-elected President of the Bankers Association of Zimbabwe. Mr. Ralph Watungwa, the Chief Executive Officer of Standard Chartered Bank Zimbabwe Limited, was elected Vice President replacing [Mr. Benefit Washaya](#) who was unavailable for re-election. The Bankers Association of Zimbabwe would like to congratulate both Mr. Rusere and Mr. Watungwa, and would like to thank Mr. Washaya for the sterling work during his term as Vice President and wish him well,” said Biyam in the press release.
- [Steward Bank](#) chief executive officer [Dr Lance Mambondiani](#) resigned after serving the [Cassava Smartech](#) subsidiary company for six years. The Bank’s chairman, [Bernard Chidzero Jnr](#), confirmed the CEO’s departure in a letter addressed to the bank’s staff, and said Dr Mambondiani’s last day at work was May 31, 2019. He thanked Dr Mambondiani for his role in helping to transform the bank through its digital strategy. On the 8<sup>th</sup> January 2015, Steward Bank announced that CEO [Kwanele Ngwenya](#) was stepping down after agreeing not to renew his contract which was scheduled to expire on 31 January 2015. On the 22<sup>nd</sup> January 2015, the [Reserve Bank of Zimbabwe](#) approved the appointment of Dr Lance Mambondiani as the interim CEO of Steward Bank pending appointment of a substantive CEO. He was confirmed as substantive CEO in August 2015. He had joined Steward Bank in July 2013 as Business Development & Strategy Executive.

“Yesterday I tendered my resignation to the [Steward Bank](#) Board to pursue other interests. Although it’s been more than six glorious years, it feels like yesterday when I started on this incredible gig. I am graciously indebted to the board, the shareholder and the purple team for supporting me through my role. It has been a privilege to serve this great vision. As overwhelming as it is, I believe time has come to say goodbye, to allow someone else to take the bank into a new growth stage and for me to sink my teeth into another challenge. I will always remember how special I felt serving all Steward bank customers no matter how small their query. I have fond memories of how crazy and inspired the team has always been launching one ground breaking innovation after another and how emotional it has been to see the bank grow through the combined efforts of a highly driven team that has achieved so much in such a little space of time. My heart and soul goes out to all the stewards across the country who have been loyal to the vision and supported my madness through the years, I owe all of you a debt of gratitude. Nonetheless, I am excited that I will be embarking on an equally challenging role and thankful to God for His Grace,” said Mambondiani on his LinkedIn profile.

### REBRANDING & STRATEGIC REALIGNMENT INITIATIVES

- [Old Mutual Zimbabwe](#)’s shareholders at an Annual General Meeting (AGM) on Wednesday, 8 May 2019 approved a restructuring exercise which will see the Group’s operations being consolidated into three units based on the major lines of businesses operated by the group namely insurance, wealth management and banking. This means that the group has clustered its operations based on the major lines of business. Consequently, [Old Mutual Property Zimbabwe \(Pvt\) Ltd](#) and [Old Mutual Real Estate Zimbabwe \(Pvt\) Ltd](#) will be merged together with [Old Mutual Zimbabwe Investment Limited](#) into [Old Mutual Investment Group Zimbabwe](#). [CABS](#) and [CABS Custodial Services \(Pvt\) Ltd](#) will be merged, as well as [Old Mutual Investment Property Corporation \(Pvt\) Ltd](#) and [Old Mutual Life Assurance Company Zimbabwe Limited](#). [Shared Services Private Ltd](#), will likewise be subsumed into other retained units. The restructuring exercise is expected to result in a huge cost savings and a simplified operating structure.
- [Standard Chartered Bank](#) issued a public notice in respect of the termination of safe custody services. “Following earlier advice to affected clients, [Standard Chartered Bank Zimbabwe Limited](#) wishes to inform all those who have previously lodged items for Safe Custody with the bank that it is regrettably no longer offering this service. If you have lodged items with the Bank, you are requested to collect them from your branch by no later than 15 June 2019 upon producing the relevant identification documents and Safe Custody receipt which was issued when the

parcel was lodged. Should you have any queries please call +263 242 702 668 or +263 242 702964. Alternatively you may contact us on email: [contactus.zw@sc.com](mailto:contactus.zw@sc.com)," said the bank whose payoff line is "Here for good."

### BOND/TB ISSUE OUTLOOK

- Minister of Finance and Economic Development [Mthuli Ncube](#) said the country issued ZWL180 million worth of government paper in the first quarter of the year and planned to establish a functional auction system for Treasury Bills before year end. "The budget balance for the period January to March 2019 was a surplus of \$443.1 million against a target of \$78.2 million, indicating a major shift in the management of Central Government finances from deficits to surplus. As a result, since January 2019, neither Treasury Bills nor the overdraft facility were utilised to finance the budget. The Treasury Bill issuances amounting to RTGS \$180 million were for purposes of restructuring previous years' maturing debt," Ncube told Parliament on the 15<sup>th</sup> of May 2019.

### EXTERNAL FINANCING: LINES OF CREDIT AND GRANT FINANCE/AID

- Finance and Economic Development Permanent Secretary [George Guvamatanga](#) said individuals with the right skills should be involved in negotiations for deals or loans as badly negotiated deals were giving Treasury long-term accounting problems. "A critical problem is inadequate legal coverage of contingent liabilities. In most cases it is limited to some aspects of explicit contingent liabilities for example loan guarantees. I will tell you why we always have inadequate legal coverage because these transactions and deals are sometimes negotiated by people without the necessary skills. At the debt resource you are now placed in situation where you can see that this transaction does not work, but it has already been negotiated and agreed at senior levels and you have no choice but to try and work with it. In most instances, we all know what follows, the contingency liabilities always materialise. The materialisation of contingent liabilities risks has adverse consequences on Government's fiscal position. The fiscal cost is invisible until they are triggered, thus they represent a hidden subsidy, blur fiscal analysis and can drain Government financing by increasing debt service obligations," said Guvamatanga, who was officially opening a [Macroeconomic and Financial Management Institute of Eastern and Southern Africa \(MEFMI\)](#) Debt Managers Seminar in Harare on the 6<sup>th</sup> of May 2019. A contingent liability is a liability that may occur, depending on the outcome of an uncertain future event. It is recorded in the accounting records if the contingency is likely and the amount of the liability can be reasonably estimated.
- Government, through the [Reserve Bank of Zimbabwe \(RBZ\)](#) said it would begin drawing down on a new US\$500 million facility on the 20<sup>th</sup> of May 2019 to supply the interbank foreign currency market, in a development that monetary authorities said would "go a long way to stabilise the exchange rates and prices of goods and services in the economy." In an announcement on Twitter on the 18<sup>th</sup> of May 2019, the central bank said the funds would help to meet foreign currency payments for both businesses and individuals. Reacting to the announcement, Finance and Economic Development Minister [Mthuli Ncube](#) also indicated that the facility, which had been raised from international banks, "will increase the supply of foreign currency for imports, for industry and other sectors."
- Zimbabwe might face challenges accessing the US\$1 billion loan facility from [China Eximbank](#) for [Hwange Power Station](#) expansion following the change of functional currency that resulted in funds that were held in an escrow account to securitize an earlier loan being converted to local currency. This emerged on the 19<sup>th</sup> of May 2019 during a briefing between [ZESA](#) officials and newly appointed Minister of Energy and Power Development [Advocate Fortune Chasi](#) who was on a tour of power generation facilities in Kariba. The escrow account funds related to a US\$320 million loan received from China Eximbank for the capacity expansion of Kariba South Power Station. State Power utility, ZESA, was obligated to maintain an escrow account balance of US\$28 million held in the form of trust funds that would be accessed by China Eximbank if the borrower defaulted. However, while the escrow funds were deemed US dollar, they immediately became local currency in February, after the Reserve Bank of Zimbabwe dropped the parity policy between the USD and the local currency. At the interbank rate of about 3.5RTGS to 1US\$ ruling at the time of the briefing, the escrow account funds were equivalent to about US\$7 million. Effectively, it meant that ZESA breached an agreement between the parties to maintain the prescribed escrow account balance of US\$28 million, which might scupper funding arrangements for Hwange, funded by the same bank. The State power utility must pay at least US\$16 million interest and principal to China Eximbank twice a year,

failure of which the bank can “raid” the escrow account funds, as per the parties agreement. “This agreement was signed in 2014 in US dollar. I think you have heard about the USD\$533 million budget (for Kariba South expansion), it was made up of two major loans. One was from [Standard Chartered](#) of US\$ 150 million. This one is being serviced from sales of power exports to Namibia and this loan is under control. The second major loan was obtained through China Eximbank; this is where we have a major challenge because now power is paid for RTGS dollars. It (payment) has changed from US dollars. So, that change of currency has eroded the debt service reserves. China Eximbank requires us to build (US dollar) resources,” said [Kariba South Hydro Power Station](#) general manager Engineer [Wellington Maphosa](#), who added that ZESA had since written to the [Reserve Bank of Zimbabwe](#) to make an undertaken to honour the escrow balances on 1 to 1 parity.

### FISCAL, PUBLIC DEBT & INVESTMENT ISSUES

- Zimbabwe’s Finance Minister [Mthuli Ncube](#) announced the rebasing of the economy on Wednesday, 15 May 2019 following the adoption of a new currency earlier in the year. Rebasing the economy broadly means changing the reference points used to calculate the country’s gross domestic product. The southern African nation rebased its economy in October 2018, boosting it by 40% to \$25.8 billion and Ncube said the adoption of the RTGS\$ required another rebasing exercise, which put the economy at RTGS\$70.1 billion or US\$21 billion at the official exchange rate.
- Government reduced excise duty on diesel and petrol to cushion consumers from the effects of the latest round of fuel price increases. The decision to reduce by half, the duty on fuel, came in the wake of fuel price increases announced by the [Zimbabwe Energy Regulatory Authority \(ZERA\)](#) on 21 May 2019. Without the reduction, the diesel price would have increased to \$5.79 per litre while that of petrol would have increased to \$6.12 per litre. “The Government has reduced the duty on petrol and diesel. As you might be aware, the duties were \$2.30 for petrol and \$2.05 for diesel. The duty is now reduced to 90 cents for diesel and \$1.15 for petrol. This has been done in order to make sure that we cushion the public from increases in the price of fuel,” Permanent Secretary in the Ministry of Finance and Economic Development, [George Guvamatanga](#) said. Guvamatanga added that the duty on fuel, even at the reduced rate, would be used to subsidise public transport fares through [ZUPCO](#) and allayed fears about the sustainability of the subsidies, saying the move was well calculated and would not burden the fiscus. “We know exactly how much this is going to cost us, we have done some mathematics, and we have factored in this subsidy. A subsidy, if it’s quantified, budgeted for and targeted, it’s a good subsidy,” he added. At least 15 cents (5 cents from diesel and 10 cents from petrol) in fuel levies per litre will go towards subsidizing the public transport system.
- Treasury’s rebasing of 2018 economic statistics to reflect the GDP value in the RTGS\$ dollar has created confusion, as analysts said it conflicted with Statutory Instrument (S.I) 33 of 2019. Finance Minister [Mthuli Ncube](#) announced a rebased “estimated nominal GDP of RTGS\$42.8 billion for 2018 and RTGS\$70.3 billion for 2019” which was a culmination of the conversion of US\$23.113 billion for 2018 and US\$22.679 for 2019 to RTGS\$ assuming annualised average RTGS\$: US\$ exchange rates of 2: 1 and 3.7:1 in that order. This was despite the fact that the official market currency was only introduced in 2019 and the rest of the economy has explicitly been directed not to convert 2018 balances at a rate other than 1:1. The recalibration of the 2018 economic statistics meant that Zimbabwe enters [statisticstimes.com](#)’s top 20 global ranking of economic growth during the year, with a GDP increase of 6.2 percent, up from a rank of 82 with the previously stated growth rate of 4.2 percent. Analysts however believe it is ridiculous to say the economy grew by 6.2 percent in 2018 as there was actually a contraction. “What this means is that for starters a GDP of \$22 billion (rebased in October 2018) was already largely in RTGS\$ save for minor discrepancies and on promulgation of the official exchange rate would have been divided by the interbank rate to come up with a US dollar value. To now multiply this GDP figure by an arbitrary exchange rate is an error of commission and gross negligence, which only serves to sanitise the deficit and government’s underperformance,” said local advisory firm [Equity Axis](#).

### CAPITAL MARKET DEVELOPMENTS

- The Ministry of Finance and Economic Development revealed that the [Securities and Exchange Commission of Zimbabwe's \(SECZ\)](#) Investor Protection Fund (IPF) had grown to \$15 million since it was established in 2009 to compensate investors in the event of losses suffered as a direct result of financial collapse of a market player licensed by it being unable to meet its liabilities through insolvency, malpractice or other causes. Growth of the fund is largely determined by performance of the stock market, which constitutes 45 percent of its investment. Under the fund, licensed securities traders and dealers collect a levy on every buy or sale deal and remit the money to the regulator, SECZ. Speaking at the inaugural C-TRADE Investor Day Conference in Harare on the 15<sup>th</sup> May 2019, Ministry of Finance and Economic Development deputy director of Public Finance Management System Unit, [Masausa Kaliati](#) said the IPF was also working on programmes to enhance access to information for investors, which should help boost their confidence.
- The [Zimbabwe Stock Exchange \(ZSE\)](#) said it would soon launch a service which will give fund managers and institutional investors direct access to the market without manual intervention by brokers. "ZSE has launched Direct Market Access (DMA) facility with effect from [June 1, 2019](#). DMA facility is offered through various connectivity modes which permit the trading members of ZSE to provide direct trading terminals to their DMA clients. DMA refers to the platform or mechanism whereby Fund Managers and Institutional Investors can enter their orders directly into the Automated Trading System "ATS" through a Client Binding Terminal without manual intervention by the broker," said [Justin Bgoni](#), the [Zimbabwe Stock Exchange's](#) chief executive office in a statement on Monday, 13 May 2019. Bgoni added that buyers would now be able to "place their own orders to the buy and sell columns instantly, and advertise the quantity and price of a stock at which they are willing to trade. Applications for this facility will however be processed through the stockbrokers.
- The [Zimbabwe Stock Exchange](#) said it was proposing the issuance of inflation-indexed bonds and the establishment of a US dollar trading platform on listed securities as inflation continued to erode value. Chief executive officer [Justin Bgoni](#) told the [Zimbabwe Association of Pension Funds \(ZAPF\)](#) 44<sup>th</sup> annual conference in Victoria Falls. The ZSE is mulling the establishment of a US dollar trading platform for listed securities, given the demand for US dollar-denominated assets to hedge against inflation. The platform is expected to enable buyers to pay US dollar prices for securities and sellers to receive US dollars when they liquidate their investments. "Discussions with monetary authorities have been initiated and ZSE will also initiate assessment of the infrastructure and process flows for the platform to work," Bgoni said.

### POLICY/REGULATORY/LEGAL DEVELOPMENTS

- Government said it would soon come up with a new Pensions Bill which will compel insurance companies and pension funds to compensate pensioners whose pension contributions are eroded by inflation. This was said by [Insurance and Pensions Commissions \(IPEC\)](#) spokesperson [Lloyd Gumbo](#) during an insurance and pensions workshop held in Kwekwe on Monday, 13<sup>th</sup> May 2019. "As IPEC, we were tasked to spearhead the compensation programme together with the ministries of Finance and Social Welfare. As a result, we have proposed the crafting of a legal framework to help us achieve our goal of ensuring that employees are compensated. It was discovered that what happened then was wrong, those who lost their pensions through dollarisation should be compensated. We have already met the Parliamentary Portfolio Committee on Finance so that they do not have to debate it in Parliament rather they fast-track the process in Parliament to avoid further delays," said Gumbo. IPEC was conducting a series of workshops around the country to educate pensioners on important information pertaining to pensions. The Kwekwe workshop was held in conjunction with the [Consumer Council of Zimbabwe \(CCZ\)](#) whose executive director, [Ms Rosemary Siyachitema](#) said they organised the workshop to ensure that pensioners got adequate information.
- Business organisations met in Harare and agreed on a process to arrest the economic decline and stabilise prices of basic commodities. "A high-level meeting of business member organisations was held at [Confederation of Zimbabwe Industries \(CZI\)](#) on Friday, (17 May 2019). Business membership organisations representatives from industry, agriculture, mining, banking and retail were present. The purpose of the meeting was to receive a report

on the interbank market from economists and to deliberate on how business can jointly and proactively work together to play their role in working to stabilise the economy instead of working in silos. The [National Competitiveness Commission](#) was also represented. The business attendees agreed on an urgent process to be implemented collectively by business, government and labour. This process is expected to yield interventions to arrest the decline and stabilise the situation in the short-term as it will involve all economic agents," CZI president [Sifelani Jabangwe](#) said in a statement following the meeting. He added that the process agreed by businesses would then feed into the [Tripartite Negotiating Forum \(TNF\)](#) process once the TNF bill was passed so that its provisions are binding to all parties. The TNF Bill, once enacted into law, will provide a platform for engagement, negotiating and consultation between government, business and labour on issues of common interest relating to socioeconomic policy.

- The [Reserve Bank of Zimbabwe](#) issued a press statement on payment arrangements for fuel through the interbank foreign exchange market and the drawing down of USD500 million offshore line of credit. "The Reserve Bank of Zimbabwe (the Bank) is pleased to advise the public that with effect from 21 May the procurement of fuel by the Oil Marketing Companies (OMCs) shall be done through the interbank foreign exchange market. There shall be only one foreign exchange rate to be used in the market for the importation of goods and services. This means that the 1:1 exchange rate that was being used by OMCs for the procurement of fuel will be discontinued with immediate effect. The new position is necessary to promote the efficient use of foreign exchange and to minimise and guard against incidences of arbitrage within the economy. As previously advised, the Bank is proceeding to make a drawdown of US\$500 million from an offshore line of credit to supplement the Country's foreign exchange receipts in order to underpin the interbank foreign exchange market for the purpose of meeting foreign payment requirements of businesses and individuals. The facility will be disbursed into the economy through the interbank foreign exchange rate on a willing-seller willing-buyer basis...Over and above these initiatives, Letters of Credit (LCs) shall continue to be used for the importation of essential commodities such as fuel, grain, and cooking oil. The LCs will also be priced at the prevailing interbank foreign exchange rates. The Bank has directed banks to effectively apply the willing-seller willing buyer principle to ensure that the interbank foreign exchange market is reflective of market conditions. Accordingly, banks must ensure that there are no moral hazards in the operation of the interbank foreign exchange market. In this regard, all the foreign exchange requirements for banks for their own use that includes dividend payments, subscription fees, etc. would need prior Exchange Control approval for the proper conduct of the interbank foreign exchange market. Similarly, banks should discontinue twinning arrangements for their customers as this undermines the efficient operation of the interbank foreign exchange market," said RBZ Governor [Dr John P. Mangudya](#) in the statement dated 20 May 2019.
- United Kingdom-based agriculture-focused export company [Holbud](#) took the Zimbabwe government to court for failing to honour agreements relating to Treasury Bills (TBs) valued at US\$26 million. [Hasnain Merali](#), Holbud's chief executive officer, said the firm received government paper amounting to US\$20 million and US\$20.2 million, which matured on March 25, 2017 and February 24, 2017 respectively. However the central bank failed to repatriate proceeds of the TBs into Holbud's offshore account. "The respondent has failed to comply its own payment plan. The full amount is therefore due and owing. It is clear that the respondent has neglected or refused to pay the full amount of US\$26 million plus interest of US\$ 1.5 million, bringing the principal outstanding amount to US\$27.5 million as on November 21, 2018," Merali said in his founding affidavit at the High Court in Harare. According to the agreement, the RBZ should have paid at least 50 percent of the interest due by the end February 2019 and the balance by March 2019. It emerged that in February, the RBZ undertook to immediately pay US\$500 000 from the interest amount of US\$ 1.5 million, if applicant accepted the proposed plan. The company accepted the payment plan and the US\$500 000 immediately became due and payable. "To date RBZ has not paid anything despite the fact that the applicant accepted their payment plan on the understanding that it would receive an immediate payment of US\$500 000. The respondent's officials have simply ignored all pleas to pay and no explanation has been given as to why the payment of US\$500 000 or the payment of interest that is already due and owing has not been made or when it will be made," Holbud said in its court papers.
- Government said it was working on ensuring efficient functioning of the interbank market to meet the economy's foreign currency requirements and bring sanity to price increases driven by black market currency premiums.

Government believes that the country is generating enough hard currency to meet its requirements of critical imports such as fuel, medicines, electricity and raw materials but prevailing shortages are a result of inefficient allocation and failure by some exporters to remit export proceeds within the prescribed period of 90 days. “Fundamentally, the structure of the economy has not changed from an export perspective, we are still exporting at exactly the same level or even higher than we were exporting before. So the issue is; how do we enhance the interbank market so that these export proceeds can be liquidated in the interbank market? It is not Government’s responsibility to fund the market,” Secretary for Finance and Economic Development [George Guvamatanga](#) said on the 27<sup>th</sup> of May 2019 while appearing before the Parliamentary Portfolio Committee on Budget and Finance. He added that Government only wanted to make the interbank market more efficient but had no intention to chase after and match the black market forex rates with interbank market rates.

- In its 18th meeting held on 29<sup>th</sup> May 2019, cabinet expressed concern on the level of prices increases. “Cabinet expressed great concern over the prevailing wanton and unjustified price increases which are inflicting severe hardships on consumers across the board. Of great concern to Cabinet is the fact that the price increases are apparently being fueled by the parallel market rate which in turn is driven by the [Old Mutual](#) implied rate. This is obviously a defective premise on which to predicate prices since the implied rate is driven by factors exclusively applicable to shares which do not, therefore, apply to the pricing of ordinary goods and services. Government is, nonetheless, working round the clock to address the issue of price hikes in order to alleviate the suffering of the citizens. Efforts in this direction include:
  - The on-going fine-tuning of the inter-bank market operations;
  - Mobilising and injecting of foreign currency to stabilise the interbank market rate;
  - Addressing the issue of the fungibility of [Old Mutual Shares](#),” said the decision matrix released by Cabinet through the national press.
- The Ministry of Finance and Economic Development issued a press statement on fees and charges levied by Government Ministries and Departments. “Treasury notes that some Government Ministries, Departments and Agencies are demanding payment of goods and/or services rendered in foreign currency or the equivalent in RTGS Dollars at the prevailing interbank rate. Section 78 (1) (r) of the Public Finance Management Act [CAP 22:19] empowers Treasury to prescribe or issue instructions or directions to Ministries, whether individually, concerning the determination of any scales of fees, other charges or rates relating to revenue accruing to the Consolidated Revenue Fund. Notwithstanding the current trends where services providers are unilaterally reviewing prices of goods and services, Government remains committed to the provision of services at cost recovery levels, cognisant of the need to ensure affordability and accessibility to the general public. It is important to note that Treasury has not approved any changes to the prevailing levels of fees and payment modalities. Thus, Government fees, charges and levies remain at the approved RTGS Dollars that were formally communicated to each Ministry, Department or Agency. In view of the above, Line Ministries have since been directed, to desist from referencing any fees and charges to the USD, as well as unilaterally and illegally reviewing such fees without the approval of Treasury,” said the statement dated 31 May 2019.

### CONFERENCES/SYMPOSIA & TRAINING EVENTS

- The [Escrow Group](#) hosted the inaugural [C-Trade](#) Investor Day Conference on the 15<sup>th</sup> of May 2019. The event was held under the theme “Fostering financial inclusion and stimulating economic development through exploiting investment opportunities on Zimbabwe’s capital markets.” The investor day conference was meant to foster interactions on unlocking economic value through capital markets. Over 300 delegates comprising market intermediaries, regulatory bodies, high net worth investors, retail investors, potential investors and government officials converged to participate at the conference through presentations, panel discussions and questions and answers sessions.
- Payments technology company, [ZimSwitch Technologies](#), in collaboration with the [SADC Banking Association \(SADC BA\)](#) hosted the second edition of the ZimSwitch Digital Payments Conference in the resort town of Nyanga from the 30<sup>th</sup> May 2019 to 1<sup>st</sup> June 2019. SADC BA is a committee of all banking associations from the SADC region and they are the drafters of the payment strategy for SADC essentially driving regional coordination on payments

over the RTGS Real Time Gross Settlement (RTGS) platform. The conference, held under the theme “Digital Economy for Africa” is an open forum that aims to foster collaboration and co-invention of the future of payments while presenting an active platform for discussion, engagement and networking. Zimswitch deputy chief executive [Zabron Chilakalaka](#) said his company was positioned to be the local hub for high-volume, low-value transactions across SADC RTGS hence the importance of SADC BA at this conference. “Our inaugural conference was aimed at sustaining the use of digital payments in Zimbabwe. As you are aware, the country witnessed a sharp rise in electronic payments over the years hence the need to maintain the digital momentum,” he said. Chilakalaka said at the inaugural conference, emphasis was also on fostering collaboration and interoperability and they were pleased that there had been great progress in that regard. [ZB Financial Holdings Limited](#) chief executive officer [Ronald Mutandagayi](#) was the keynote speaker at the event.

### INDUSTRY AWARDS AND ACHIEVEMENTS

- Diversified insurance service provider, [Cell Insurance Group](#) received ZWS ISO 9001 certification at a ceremony held in Harare on the 28<sup>th</sup> of May 2019. Cell insurance began operations in 2004 as a fully-fledged mining insurance provider and has since diversified into the health care business through the creation of two other business units namely [Cell Med Health Fund](#) and [Nectacare](#) in 2009 and 2017 respectively.
- Megafest Leadership Awards were held on the 30<sup>th</sup> of May 2019 at the Rainbow Towers under the theme “Think Fast, Think Smart, Think Disruptive” and winners from the Financial Sector emerged as follows:

Award Category	Position	Winner
Outstanding Marketing Leader of the Year	Bronze Winner	Dennis Mambure (First Capital Bank)
Outstanding Banking and Finance Leader of the Year	Gold Winner Platinum Winner	Lameck Gweshe (Lion Finance Zimbabwe) Saul Chin’anga (CBZ Holdings)
Outstanding Thought Leader of the Year	Gold Winner	Nyasha Nyambuya (Microhub Financial Services)

### DOMESTIC LENDING & FINANCING PERSPECTIVES

- [BancABC](#) issued a public notice on the change in its Base Lending Rate. “BancABC wishes to advise customers that effective 01 July, the Base Lending Rate will be 15% per annum. We remain committed to providing you with affordable and convenient financial services that will continue to expand your opportunities,” said the pan-African bank, which is a part of [Atlas Mara](#).

### CURRENCY, PRICING & LIQUIDITY PERSPECTIVES (CP & LP)

- [Zimbabwe Stock Exchange](#) listed beverages manufacturer, [Delta Corporation](#), reduced prices of soft drinks in a bid to stimulate demand, which had markedly declined in the past few months as consumers could not afford the high prices. “Drinks are not in short supply; there was an issue of production in the past but I am saying the reality is that the prices that were prevailing in the market were not generating any demand...So we are trying to recommend these retail prices to guide the market. So the issue of availability is one thing; we have stock in the warehouse for the past three weeks and the market was not taking it up because the prices were high, the prevailing RTGS prices,” said Delta company secretary [Alex Makamure](#) on the 9<sup>th</sup> of May 2019.
- [Fidelity Printers and Refiners \(Pvt\) Limited](#) issued a Press Statement in respect of the introduction of a Gold Support Price. “Fidelity Printers and Refiners (Private) Limited (FPR) would like to advise the public that as a way to further enhance gold production in Zimbabwe, it will pay an incentive over and above the purchase price of gold delivered to FPR. The incentive will be in the form of a Gold Support Price of USD1 368.28 per ounce (USD44 000.00 per kilogram). Under the current retention arrangements, all gold producers retain 55% of the price of gold delivered in their Foreign Currency Accounts (FCAs) and the balance of 45% of the purchase price is paid in RTGS dollars at the ruling interbank exchange rate. The gold support price and the duration of the facility will be reviewed from time to time,” said FPR in the statement dated, 7 May 2019.

- Zimbabwe's annual inflation for April 2019 rose to 75.86 percent, driven by increases in prices of food and non-alcoholic beverages. Meanwhile month-on-month inflation was measured at 5.52 percent, according to statistics released by the [Zimbabwe National Statistics Agency \(Zimstat\)](#) on the 15<sup>th</sup> of May 2019, which said data on prices was collected during the period from April 11 to 17, 2019. "The year-on-year inflation rate for the month of April 2019 as measured by the all items Consumer Price Index (CPI) stood at 75.86 percent, while that of March 2019 was 66.80 percent. This means that prices as measured by the all-items CPI increased by an average of 75.86% between April 2018 and April 2019," said the national statistics agency. Finance and Economic Development minister [Professor Mthuli Ncube](#) told Parliament on the 15<sup>th</sup> of May 2019 that Zimbabwe would continue to experience high inflation for a while before it starts cooling off on the back of austerity measures. Government is looking to tame high inflation by targeting a gradual decrease in money supply growth. "Inflation will remain high until about October this year. After that, it's expected to fall right into early next year," said Professor Ncube.
- Presenting the State of the Economy Report in Parliament, Finance and Economic Development Minister [Mthuli Ncube](#) said the Government was working to "fine-tune" the interbank market to ensure that the quantum of US\$800 million sitting in Nostro Foreign Currency Accounts (FCAs) becomes easily accessible to economic players. "We introduced an interbank market on the 20<sup>th</sup> of February and the Governor has been very clear and I repeat his words as well that we are continuing to fine tune that market so that it works efficiently. There is foreign currency in the Nostro accounts. There is about US\$800 million and we need to make sure that we fine tune the market so that those monies can be released into the market and everyone can access the foreign currency through the interbank market," he said.
- The 2019 tobacco sales hit the 100 million kilogramme mark as farmers sold 101.6 million kilogrammes worth US\$184.3 million, according to the [Tobacco Industry and Marketing Board](#). This was however 20 percent less than the 127.6 million kg worth US\$369.6 million that had been sold at the same time in 2018. The seasonal average price is US\$1.81 per kilogramme compared to US\$2.90 per kilogramme during the same period in 2018.
- The [Reserve Bank of Zimbabwe](#) said it had so far traded US\$40 million in four days on the interbank market as part of the drawdown from the US\$500 million facility availed in late May, raising expectations of the foreign currency exchange rate easing down progressively. RBZ Governor [Dr John Mangudya](#) on the 25<sup>th</sup> of May 2019 said that between Tuesday, 21<sup>st</sup> May 2019 and Friday, 24<sup>th</sup> May 2019, US\$40 million was moved on the interbank market on a willing-buyer willing seller basis. "Stability has returned to the foreign currency market and just from Tuesday, we have drawn down and sold US\$40 million to the interbank market. We have seen that foreign currency trades are going on well and the situation is stabilising. Zimbabwe depends on foreign currency for a lot of goods and services, therefore, it's important to ensure that there is stability. I can safely say we are in transition to stability," he said. [Confederation of Zimbabwe Industries](#) president [Sifelani Jabangwe](#) said the foreign currency willing-buyer willing-seller matrix had opened up more access to foreign currency by business. He added that the economic fundamentals were right for a stable economy as there was US\$800 million in Nostro accounts while RTGS dollars stood at US\$1.2 billion plus \$500 million in bond notes. Jabangwe explained that the RTGS\$1.7 billion and bank balances versus Nostro balances of US\$800 million could not justify the foreign currency exchange rate of US\$: RTGS\$7. "Even if we add about \$800 million in Treasury Bills which are about to mature, bringing local trading currency at \$2.5 billion; the foreign currency exchange rate should be around US\$1: RTGS\$3," he said.
- [Paynet Zimbabwe](#) issued a public notice in respect of the possible disruption of its service. "If you use Paynet to send bulk payments to your employees or suppliers, please read this notice carefully. On 24 April, Paynet Zimbabwe informed all financial institutions on its platforms that the technology owner will directly invoice the contracted US dollar fees. All institutions were required to indicate their intent to pay by end of 31 May 2019. Those institutions which fail to indicate this intend will be suspended from accepting account holder instructions until they make payment. If your institution is suspended, we can assist you in using your Paynet service through alternative channels until your institution regularises its account. If your institution is NOT suspended, you will be able to continue making payments to any and all financial institutions, even if the recipient account is with a suspended institution. Please be assured that Paynet Zimbabwe has increased the number of customer service agents and extended our business hours to assist clients. The list of suspended institutions will be published on the following



channels starting at 5:30pm on 31 May 2019. [www.paynet.co.zw/status](http://www.paynet.co.zw/status); Facebook PaynetZim and Twitter: PaynetZim, “said the electronic payment solutions provider.

- Energy and Power Development Minister **Fortune Chasi** on Wednesday, 29 May 2019 revealed that the **Reserve Bank of Zimbabwe** would stabilise fuel prices by maintaining the foreign currency exchange rate for fuel for two weeks to minimise price fluctuations. Addressing Parliament on challenges facing the fuel sector, Chasi said that the long-term solution was to establish a Fuel Stabilisation Fund to cushion consumers. “One of the challenges we are facing in supplying fuel is related to fuel price fluctuations. In the past, fuel price changes were caused mainly by the changes in the price of fuel on the international market, but such changes were usually minimal. Now the interbank rate, at least up to the time it stabilises, will also be causing fuel price changes. Currently, the changes are upwards and more significant than price changes caused by the international price of fuel. To curtail the fluctuations in the short term, the Reserve Bank will hold the fuel exchange rate for two weeks,” said Chasi.

### PAN-AFRICAN DEVELOPMENTS

- Five Kenyan banks launched a lending service via mobile phone aimed at getting credit through to the country’s small and medium-sized businesses, the central bank said on Monday, 20 May 2019. Under the new pilot SME lending service, **KCB Bank Kenya**, **Commercial Bank of Africa Limited (CBA)**, **Cooperative Bank of Kenya**, **Diamond Trust Bank** and **NIC Group** are targeting 3,500 businesses. They will be offered unsecured loans of between 30,000 Kenyan shillings (\$297) and 250,000 Kenyan shillings with a repayment period of between one and 12 months and attracting an interest rate of 9% per annum. “Customers will be scored and advised of their credit limit. Additionally, they are eligible for a top-up functionality once 80 percent of the loan borrowed has been repaid or track record of three months’ repayment,” said the Kenyan central bank (US\$1 = 101 Kenyan shillings).