

WEEKLY ECONOMIC REVIEW

Commodity 30-Day Price Chart



Commodity Prices

Daily	US\$/oz	WoW %Δ
4-Jul-14	1,319	
7-Jul-14	1,313	
8-Jul-14	1,323	
9-Jul-14	1,323	
10-Jul-14	1,340	
11-Jul-14	1,335	
		1.19

Commodity Developments

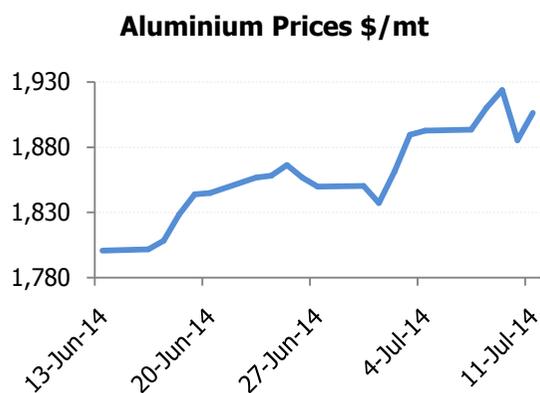
- Gold prices continue trending upwards supported by geopolitical crises of the Middle East and Europe and the Fed Reserve's insistence that higher interest rates are still way off.
- Last week's suspension of bonds and share trading of Portugal's 2nd largest bank, Banco Espirito Santo, sparked worries of a new euro zone bank crisis sending the markets into risk averse.
- The yellow metal also gained support from India's decision to keep the import duty unchanged at 10% in its budget announced on the 10th of July.
- Gold has had a strong performance so far this year, but there are fears that this is unlikely to continue. Whilst solid Chinese demand and some recovery in Indian demand will support the price, this will be offset by another negative year for investment demand.
- US economic growth momentum, the USD rally and expectations about the Fed's future path of interest rates will also adversely impact the gold prices.



Daily	US\$/oz	WoW %Δ
4-Jul-14	1,504	
7-Jul-14	1,505	
8-Jul-14	1,495	
9-Jul-14	1,504	
10-Jul-14	1,520	
11-Jul-14	1,515	
		0.73

- Platinum and Palladium prices surged boosted by more demand for the auto catalyst metals and also by supply problems in major producer SA.
- SA's Anglo American Platinum said its 1st half year earnings would fall by as much as 96% after a 5-month strike - the longest and most damaging in the country's history, crippled its operations.
- The company is reviewing options for its Rustenburg operations, which were hit by the strike and its parent Anglo American has signalled its intention to possibly dispose of some of its ageing platinum assets. Restructuring is expected in SA's platinum sector, which is struggling with rising costs and depressed prices for the metal used for catalytic converters in automobiles.
- The strikes have affected the SA economy and production is expected to normalise in last quarter of the year.

Commodity 30-Day Price Chart



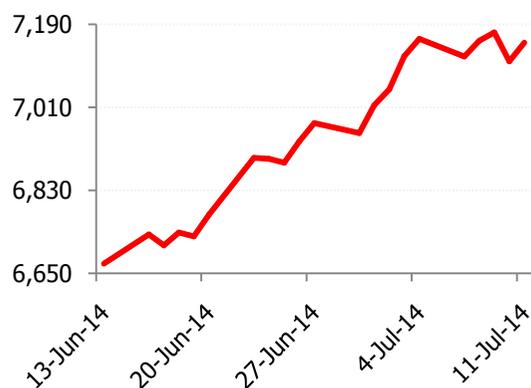
Commodity Prices

Daily	US\$/t	WoW %Δ
4-Jul-14	1,893	
7-Jul-14	1,894	
8-Jul-14	1,910	
9-Jul-14	1,924	
10-Jul-14	1,885	
11-Jul-14	1,906	
		0.71

Commodity Developments

- Aluminium prices could rise further if more automakers start producing vehicles made from the metal.
- Ford Motor plans to launch aluminium intensive truck this year and there is strong speculation that other carmakers could start using more of the metal, which is lighter than steel and helps make vehicles more fuel efficient.
- Rising demand and closure of some 2m tonnes of aluminium capacity are likely to shrink an expected surplus of the metal this year in top producer and consumer, China, supporting prices.
- In industry news, Standard Bank Plc said it has a total exposure related to China's Qingdao port of about US\$170m worth of aluminium and has started legal proceedings. The bank is trying to recoup losses after Chinese authorities launched an investigation into whether a private metals trading firm, Decheng Mining and its related companies, used fake warehouse receipts at Qingdao Port to obtain multiple loans secured against a single cargo of metal.

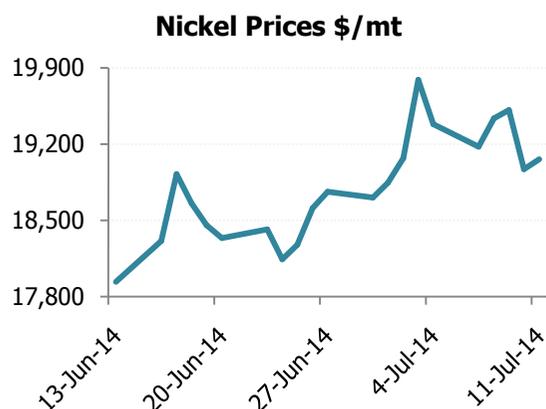
Copper Price \$/mt



Daily	US\$/t	WoW %Δ
4-Jul-14	7,159	
7-Jul-14	7,120	
8-Jul-14	7,155	
9-Jul-14	7,173	
10-Jul-14	7,110	
11-Jul-14	7,151	
		-0.11

- Copper slipped as investors eyed rising stocks and reassessed whether the metal will extend any gains.
- Data from China, the world's biggest copper consumer, showed its trade performance improved in June but missed market forecasts, suggesting that Beijing will have to deploy more stimulus measures to stabilise the economy.
- Concerns about Europe's banking sector, even if investors have been temporarily reassured that problems at Portugal's biggest listed bank are unlikely to engulf the wider EU banking sector weighed down on base metals.
- In other related industrial metals developments, Africa's largest iron ore miner, Kumba Iron Ore, expects 1st half profit slide by as much as 19%, after prices of the steel making ingredient touched their lowest.
- Iron ore prices traded as low as US\$90/t due to oversupply and weakening Chinese demand growth.

Commodity 30-Day Price Chart

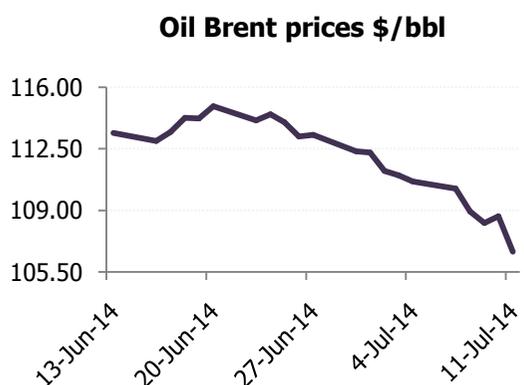


Commodity Prices

Daily	US\$/t	WoW %Δ
4-Jul-14	19,383	
7-Jul-14	19,178	
8-Jul-14	19,438	
9-Jul-14	19,513	
10-Jul-14	18,970	
11-Jul-14	19,063	
		-1.65

Commodity Developments

- Nickel prices slid as inventories rose, giving investors a reminder of an overhang of the material despite the Indonesian ban.
- The metal has gained 36% YTD after to exporter Indonesia banned shipments of unprocessed ore, sparking fears of shortages developing.
- The market is expecting the new Indonesian Gvt to confirm the export ban following last week's elections that saw the 2 main candidates claiming victory. A final vote count takes place later this month and the new president takes office in October. A policy change is possible but though more unlikely.
- Multi-commodity miner Mwana Africa after posting a US\$43.5m loss in 2013 as a result of a US\$43m impairment charge on Zim subsidiary Bindura Nickel Corporation (BNC) swung to net profit of US\$50.6m. The success came with the resumption of sales of nickel-in-concentrates by BNC's Trojan nickel mine.
- However, due to depressed commodity prices the Q1:14, the company failed to secure additional funding to finance full ramp-up.

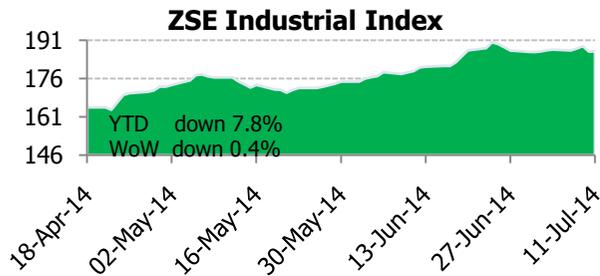


Daily	US\$/bbl	WoW %Δ
4-Jul-14	110.64	
7-Jul-14	110.24	
8-Jul-14	108.94	
9-Jul-14	108.28	
10-Jul-14	108.67	
11-Jul-14	106.66	
		-3.60

- Brent oil extended losses for the 3rd week in a row as fears about supply shortages in the Middle East and North Africa continued to recede.
- Brent lost US\$3.98 to settle at US\$106.66 a barrel, the lowest since April 7. It dropped 3.6% during the week, the steepest slide since early Jan.
- In Iraq, oil exports from the southern Basra ports continue, despite fighting in the north between Islamist militants and forces loyal to Baghdad. Meanwhile, Kurdish forces took over two northern Iraq oilfields, Bai Hassan and Kirkuk, replacing Arab workers with Kurds.
- News that Libya is set to ramp up oil production contributed to decline in prices. Libya's southern El Sharara field has pushed the country's oil output to 350,000 barrels per day, quickly rising to its pre-crisis level.

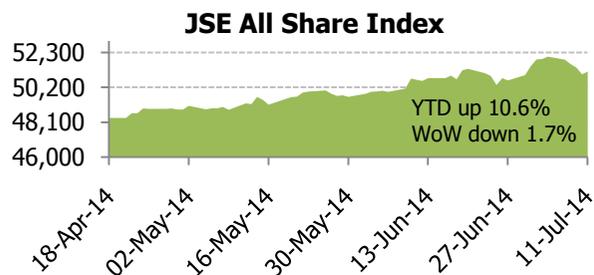
Equities 90-Day Index Charts

Zimbabwe



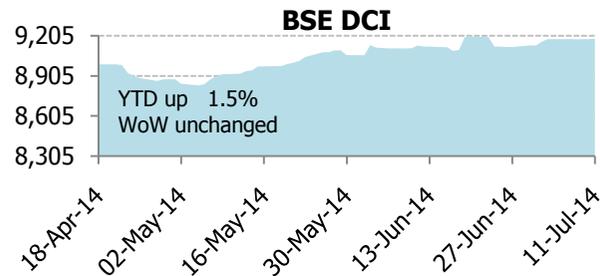
- According to the IMF, the economy faces serious medium-term challenges, and a vigorous reform program is needed to put the country on a sustainable, inclusive growth path. In particular, a fiscal strategy aimed at rebalancing the expenditure mix should be a priority, including preventing the accumulation of domestic arrears.

South Africa



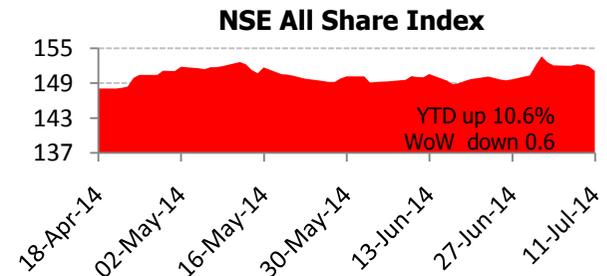
- US motor company Ford has suspended production at one of its SA plants and Japanese car-maker Toyota plans to follow suit as a manufacturing workers' strike hits suppliers of car components. General Motors was also forced to close its assembly plant in Port Elizabeth due to the strikes.

Botswana



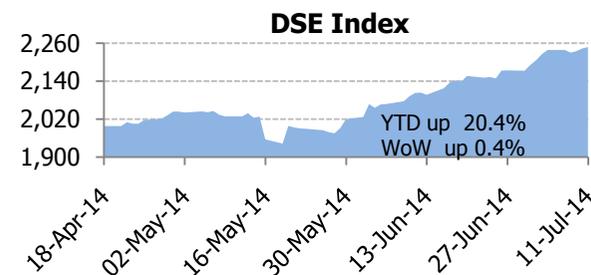
- According to the IMF, the economy is broadly internally and externally balanced but overall external stability is, however, affected by the lack of export diversification, which leaves the economy vulnerable to fluctuations in the international demand for diamonds.

Kenya



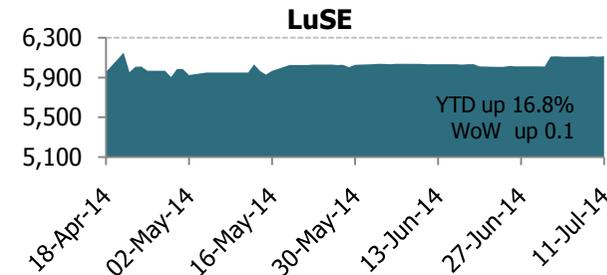
- The IMF said that lending to the manufacturing sector was picking up, pointing to good economic growth prospects. Manufacturing is helping to offset weaker tourism, which has been hit by a number of attacks in Kenya recently.

Tanzania



- Tanzania raised the price of petrol and kerosene at the pump and marginally lowered that of diesel, citing a weaker local currency and swings in international energy prices. Fuel prices are the 2nd biggest drivers of inflation after food commodities.

Zambia



- More than half of China's foreign aid of over US\$14bn between 2010 and 2012 was directed to Africa, Beijing said. 9 countries including Equatorial Guinea, Mali and Zambia had been forgiven a total of 1.24bn Yuan in mature interest-free loans.

Foreign Exchange Markets

	USD/BWP	USD/MZN	USD/TZS	USD/ZMW	USD/ZAR	EUR/USD	GBP/USD
Wk Ending							
4-Jul-14	8.86	30.64	1,655	6.18	10.75	1.359	1.715
Daily							
7-Jul-14	8.87	30.62			10.82	1.359	1.715
8-Jul-14	8.87	30.61	1,655		10.70	1.360	1.713
9-Jul-14	8.83	30.61	1,658	6.15	10.67	1.362	1.712
10-Jul-14	8.83	30.62	1,658	6.07	10.71	1.364	1.713
11-Jul-14	8.85	30.62	1,657	6.09	10.72	1.362	1.715
WoW %Δ	-0.09	-0.07	0.12	-1.47	-0.33	0.27	-0.02
YTD %Δ	1.50	2.65	5.81	10.47	2.37	-1.13	3.77

	ZAR/BWP	ZAR/MZN	ZAR/ZMW	ZAR/TZS
Wk Ending				
04-Jul-14	0.825	2.85	0.575	153
Daily				
07-Jul-14	0.824	2.84		
08-Jul-14	0.824	2.87		154
09-Jul-14	0.827	2.86	0.574	154
10-Jul-14	0.826	2.85	0.565	155
11-Jul-14	0.826	2.86	0.568	154
WoW %Δ	0.06	0.35	-1.15	0.65
YTD %Δ	-1.20	-0.35	8.81	3.46

Exchange Rate Developments

- Last week's release of minutes from the Fed Reserve's June policy meeting that revealed no signals of an imminent interest rate increase dented the USD against other major currencies.
- Investors had correctly expected the minutes to reiterate the Fed's plans to hold its key interest rate near zero for longer than had previously been expected.
- The ZAR remained weak against the USD underpinned by ongoing 10-day strike by National Union of Metalworkers of South Africa (NUMSA).
- Africa's most advanced economy faces the threat of a recession as strikes take their toll on growth, with GDP contracting in the Q1:14 due to a crippling 5-month platinum strike.
- All BancABC markets' currencies appreciated against the weaker dollar except for the TZS which depreciated marginally.
- The ZMW has been appreciating over the past 4 consecutive weeks against all currencies. The currency which was earlier in the year rated as the worst performing currency has reversed some of its earlier losses.
- ZMW extended its gains against the ZAR over the past week whilst all other BancABC markets' currencies depreciated against the ZAR.

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Appendix: Focus on Zimbabwe – Selected Economic Growth Opportunities

Issue	Comment
Relaxation of indigenisation and empowerment policy (short to medium term)	<ul style="list-style-type: none"> Given the country's perceived high risk premium, the costs of capital remains high for both domestic and foreign investors. Uncertainty about the implementation of the indigenization and empowerment policy remains a major concern for investors. Continuing uncertainty and reliance on a case by case approach will reduce the pool of investors to those who believe they can make a quick win. As demonstrated by the diamond industry, a 50% equity stake does not guarantee that Zimbabwe will see tangible benefits from an investment. As a result, efforts by Gvt to relax some of the requirements on indigenization as well as allow some flexibility in the implementation thereof need to be speeded up.
Amendment of relations with the Fund and the International community (on-going) External Debt payments (on-going)	<ul style="list-style-type: none"> In a clear sign that relations between Zimbabwe and the IMF are improving, the Fund recently appointed a resident representative for the first time in 10 years. Prior to this appointment, the IMF had closed its local office in 2004, when the relations were at its lowest ebb. Furthermore, despite operating a shoe string fiscal budget, the Gvt has been making concerted efforts to pay part of its foreign debt. Over the period Jan- May-14, Zimbabwe made payments in respect of its foreign debt to the tune of \$27m. It has been reported that the country's total external debt stock stood at \$8,9 billion as of Dec-13, which is 68% of Gross Domestic Product (GDP) and 249% of total exports. Total domestic debt stock stood at \$994m, constituting 7.6% of GDP.
Diamond production (short to medium term)	<ul style="list-style-type: none"> Diamond production has been subdued owing to the start of the transition from the exploitation of alluvial to kimberlitic diamond deposits. The flow of diamond revenue to the Gvt coffers has also been below expectations. Against this background, Gvt is reviewing mining licences in the Marange diamonds fields and intends to reduce the number of operators by as many as five (5). The Gvt will likely force through consolidation of the different operators to plug revenue gaps and leakages although consolidation is ultimately necessary for more sustainable mining operations.
Re-opening of New Zimsteel (short term)	<ul style="list-style-type: none"> New Zim Steel which got trapped in some legal wrangles is now focusing on re-opening the plant following concerted efforts by Gvt to solve the problems. The New Zimsteel project was born after Essar purchased 54% of Ziscosteel, now New Zimsteel in a deal initially worth \$750m before glitches involving mineral rights that were to be given to the company's subsidiary, New Zim Minerals arose. The successful implementation of the NewZimsteel project however requires \$650m all to be spent under the first phase of the project which is set to renew production at 500,000 tonnes per annum and would increase to 1.2 metric tonnes per annum in the second phase. At its peak, Zisco produced more than one million tonnes of steel per annum and employed up to 4,000 workers.
Resuscitation of strategic industries (medium to long term)	<ul style="list-style-type: none"> Gvt has reiterated the need to revive strategic industries such as Shabani and Mashava mines which not only created Zimbabwe listed Turnall Fibre Cement which exports in the SADC region but the mines were a key supplier of raw materials to industries in Bulawayo. The asbestos value chain is one example that shows the benefit of beneficiating minerals locally and establishing linkages between primary and secondary producers of raw materials. However, a dark cloud still hovers around the legal challenges that arose when Gvt took over the mines which led to the current impasse.