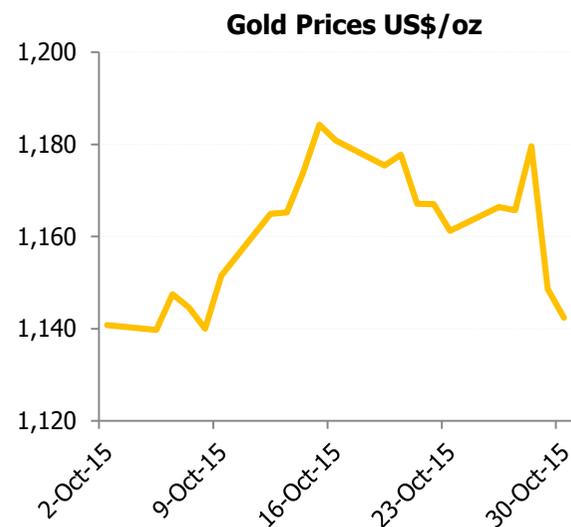


## WEEKLY ECONOMIC REVIEW

### Commodity 30-Day Price Chart



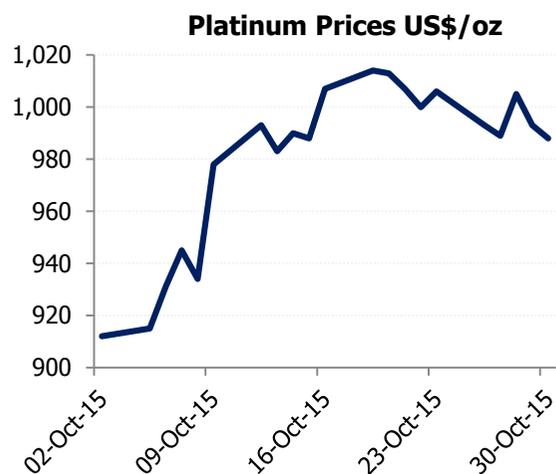
### Commodity Prices

Avg Prices (US\$/oz)		YoY %Δ
2014	1,266	-10.28
2015	1,175	-7.19
2016	1,156	-1.62
2017	1,138	-1.56
2018	1,120	-1.58
Daily	US\$/oz	WoW %Δ
23-Oct-15	1,161	
26-Oct-15	1,166	
27-Oct-15	1,166	
28-Oct-15	1,180	
29-Oct-15	1,149	
30-Oct-15	1,142	
		<b>-1.63</b>

### Commodity Developments

- Gold prices have declined this year despite concerns over the Chinese economy and debt/political issues in Greece. These conditions were outweighed by investor expectations of US dollar strength and a US interest rate increase.
- Gold mine supply is trending lower as miners cut investments and focus on aggressive cost containment. Containing costs is seen as a better objective rather than shutting down mines which is an expensive exercise in this period of low prices.
- Lower energy prices, improved efficiency, and depreciating producer currencies have helped reduce costs. However, lower capital expenditures for exploration and development will negatively impact future production.
- In Zim, improved gold deliveries by small scale miners has been on the back of reduced royalty from 3% to 1%, and increased gold buying points. Small scale gold deliveries increased by more than 100% in 9-months to Sep-15 at 5,112kg compared with 2,412kg during the same period in 2014.

Avg Prices (US\$/oz)		YoY %Δ
2014	1,384	-6.93
2015	1,080	-21.97
2016	1,116	3.33
2017	1,153	3.32
2018	1,192	3.38
Daily	US\$/oz	WoW %Δ
23-Oct-15	1,006	
26-Oct-15	993	
27-Oct-15	989	
28-Oct-15	1,005	
29-Oct-15	993	
30-Oct-15	988	
		<b>-1.79</b>



- Platinum prices are expected to fall more steeply than its peers reflecting a recovery in SA mine output from last year's strikes.
- However, a significant portion of the industry is losing money at current prices and some production cutbacks and capital investments deferrals have been announced.
- Zimplats, the largest platinum miner in Zimbabwe recorded a US\$5.9m profit in the quarter ended 30-Sep-15. This is a significant upturn in performance when compared to a US\$32.5m loss in the quarter ended 30-Jun-15.
- The company embarked on a cost rationalisation strategy to counteract the effect of weak global prices. As a result, the cost of platinum fell to US\$988/oz in Q2:15 compared to US\$1,127/oz in Q1:15.

### Commodity 30-Day Price Chart

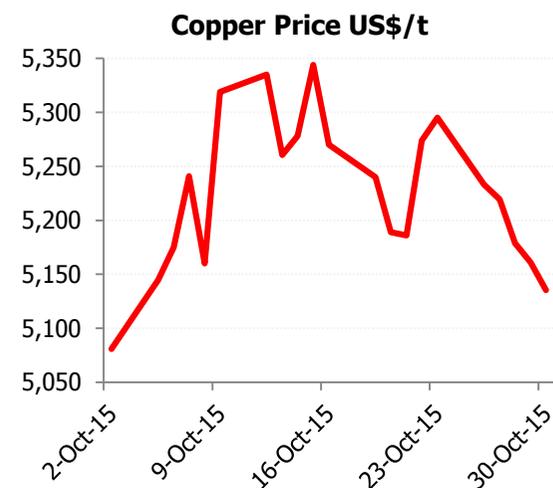


### Commodity Prices

Avg Prices (US\$/t)		YOY %Δ
2014	1,867	1.08
2015	1,700	-8.94
2016	1,650	-2.94
2017	1,704	3.27
2018	1,759	3.23
Daily	US\$/t	WoW %Δ
23-Oct-15	1,481	
26-Oct-15	1,468	
27-Oct-15	1,454	
28-Oct-15	1,434	
29-Oct-15	1,441	
30-Oct-15	1,448	
		<b>-2.23</b>

### Commodity Developments

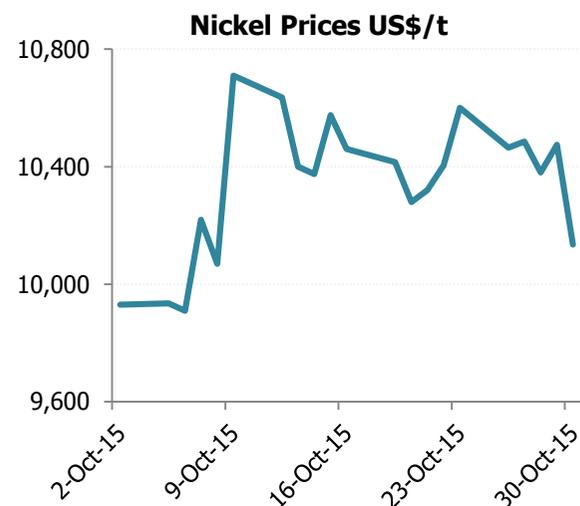
- Aluminium prices are expected to fall this year, despite falling London Metals Exchange (LME) inventories, on slowing demand and continued strong growth in smelting capacity in China.
- There have been closures of high-cost capacity during the course of the year, but these fall short of the growth in new low-cost capacity in China, resulting in a global surplus.
- Further cuts are required to balance the market, but closures are expensive and often slow to materialise, in part due to Gvt pressures in producing countries particularly, China, to sustain employment. However, aluminium demand remains relatively robust globally due to its diversified use in multiple sectors, and is expected to be a key driver going forward.
- The metal used for transport and packaging shed about 6% in Oct-15 the biggest monthly drop since May-15, partly on worries that China was likely to sell more aluminium onto world markets by offering its struggling smelters cheaper power prices to keep them operating.



Avg Prices (US\$/t)		YoY %Δ
2014	6,863	-6.40
2015	5,625	-18.04
2016	5,749	2.20
2017	5,876	2.21
2018	6,006	2.21
Daily	US\$/t	WoW %Δ
23-Oct-15	5,295	
26-Oct-15	5,233	
27-Oct-15	5,220	
28-Oct-15	5,179	
29-Oct-15	5,161	
30-Oct-15	5,136	
		<b>-3.01</b>

- Copper prices are expected to fall by 18% from last year average and forecasted to remain low amid weak demand in China, elevated stocks, and steady increases in new mine capacity.
- During the year, there have been significant supply disruptions due to heavy rains and strikes in Chile, lack of rainfall/electric-power in Zambia and DRC, and drought affecting operations and river transport in Papua New Guinea. However, prices have failed to respond significantly due to multi-years of oversupply.
- Some producers have announced plans to idle production in 2016 because of the low price environment. New mine supply is expected in the next few years, mainly from a number of mid-size mines in the Americas, and is expected to keep the market in surplus.
- Over the past week, prices fell as investors zeroed in on a combination of oversupply and weak demand in major metals consumer China

### Commodity 30-Day Price Chart

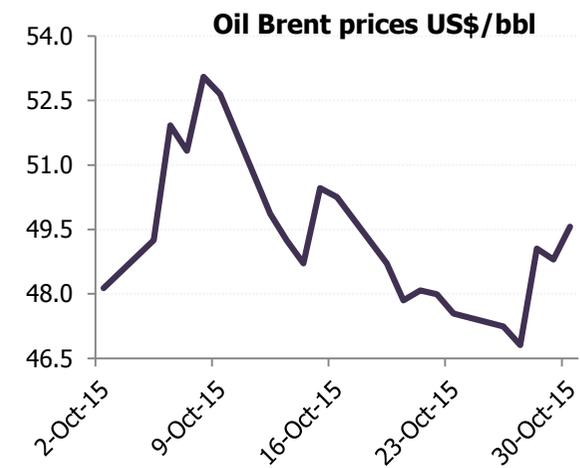


### Commodity Prices

Avg Prices (US\$/t)		YoY %Δ
2014	16,893	12.38
2015	12,200	-27.78
2016	12,818	5.07
2017	13,468	5.07
2018	14,150	5.06
Daily	US\$/t	WoW %Δ
23-Oct-15	10,600	
26-Oct-15	10,465	
27-Oct-15	10,485	
28-Oct-15	10,380	
29-Oct-15	10,475	
30-Oct-15	10,135	
		<b>-4.39</b>

### Commodity Developments

- Nickel prices are expected to plunge this year due to weak demand, destocking from the stainless steel sector (which consumes about 70% of world refined nickel), and resilient Chinese output.
- China's nickel pig iron (NPI) production, while contracting, has held up longer than expected following Indonesia's ore export ban (enacted to encourage domestic processing).
- Shipments from new NPI plants in Indonesia are rising and further investment in new capacity is expected. Nevertheless, current prices are significantly below estimated breakeven costs for much of China's NPI sector, and production cuts are expected to help rebalance the nickel market in the coming years.
- Just like all other base metals, nickel prices plunged over the week due to low demand amid investors' concerns over China as the country transitions to a less metal intensive - consumer driven economy.



Avg Prices (US\$/bbl)		YoY %Δ
2014	96.20	-7.59
2015	52.50	-45.43
2016	51.40	-2.10
2017	54.60	6.23
2018	57.90	6.04
Daily	US\$/bbl	WoW %Δ
23-Oct-15	47.54	
26-Oct-15	47.24	
27-Oct-15	46.81	
28-Oct-15	49.05	
29-Oct-15	48.80	
30-Oct-15	49.56	
		<b>4.25</b>

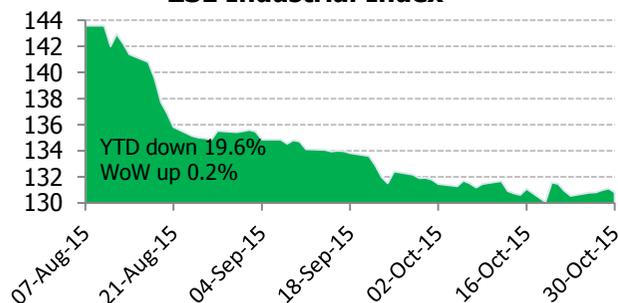
- Average oil prices are expected to fall this year by 45% from 2014 levels owing to large stocks, resilient supply from continuing falling costs of the US shale oil industry and expectations of larger Iranian oil exports.
- Upside risks to outlook include accelerating declines in shale output, delayed implementation of the Iran agreement, and supply curtailment because of geopolitical events.
- Over the past week, oil prices surged, finishing higher for the week and month as well, after a sharp decline in the US oil rig count indicated US crude production could fall in coming months.
- Although US output is declining, global supplies of crude and refined oil products continue to grow, testing storage capacity and hammering oil company results.

## Equities 90-Day Index Charts

### Zimbabwe



#### ZSE Industrial Index

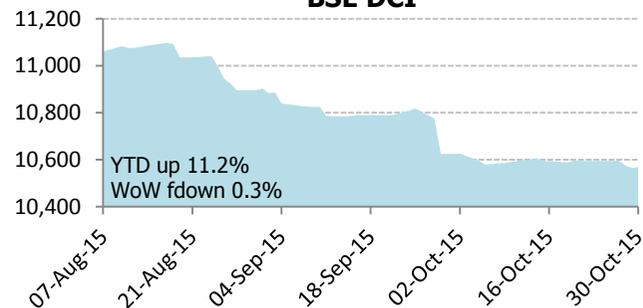


- Tax revenue for the Q3:15 came in below target after mining royalties and company tax fell in an economy struggling with weak commodity prices and high unemployment.

### Botswana



#### BSE DCI

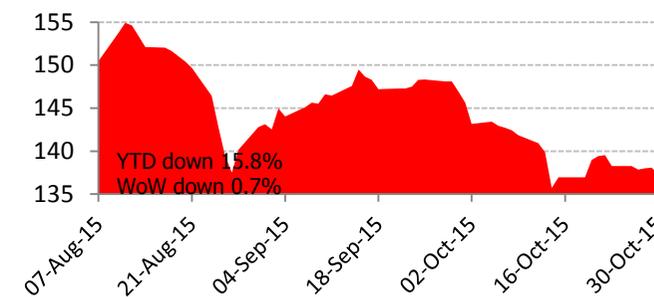


- The construction industry is set to be among the biggest beneficiaries of the recently announced Economic Stimulus Package which aims at accelerating job creation, stimulate and diversify the economy.

### Kenya



#### NSE All Share Index

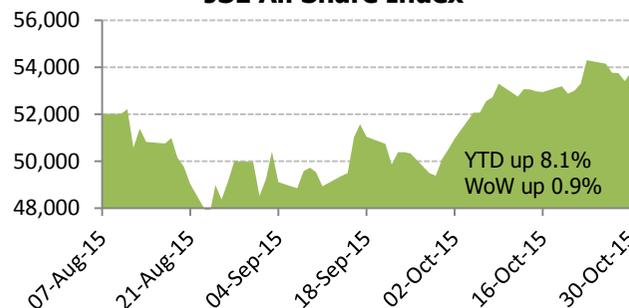


- Kenya's finance minister played down a recent surge in interest rates, arguing that steady inflation and other factors were in place to ensure they came down.

### South Africa



#### JSE All Share Index

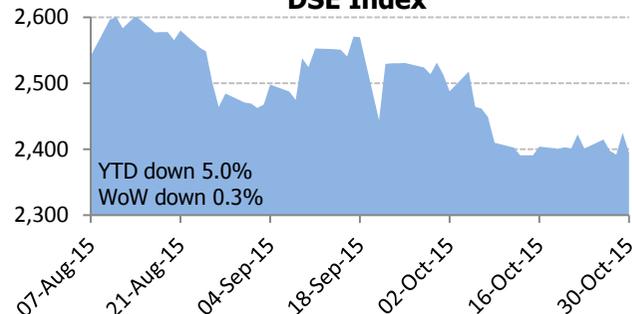


- MTN was temporarily suspended on JSE and fined US\$5.2bn by Nigerian Gvt for failing to deactivate subscribers with unregistered sim cards. Shares in MTN fell by 25% since the fine was announced.

### Tanzania



#### DSE Index

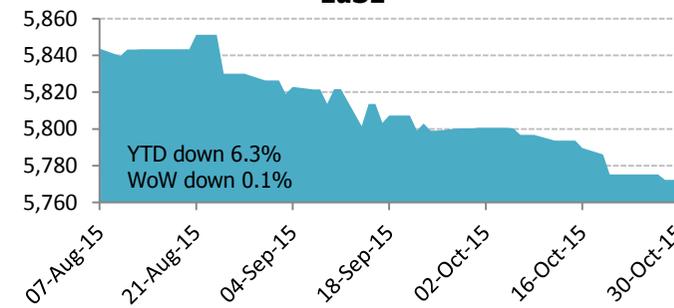


- Tanzania's president-elect, John Magufuli, promised to speed up economic growth and development in the East African nation.

### Zambia



#### LuSE



- Zambia plans to boost exports of a whole range of products to DRC as part of efforts to diversify its economy away from copper and problems caused by its price volatility.

### Foreign Exchange Markets

	USD/BWP	USD/MZN	USD/TZS	USD/ZMW	USD/ZAR	EUR/USD	GBP/USD
<b>Wk Ending</b>							
23-Oct-15	10.37	41.62	2,162	12.10	13.39	1.113	1.540
<b>Daily</b>							
26-Oct-15	10.48	41.71	2,171	12.09	13.68	1.105	1.534
27-Oct-15	10.49	41.77	2,181	12.16	13.71	1.105	1.534
28-Oct-15	10.50	41.86	---	12.41	13.70	1.104	1.530
29-Oct-15	10.54	41.84	2,177	12.51	13.80	1.093	1.527
30-Oct-15	10.57	42.01	2,171	12.55	13.82	1.099	1.534
<b>WoW %Δ</b>	<b>1.90</b>	<b>0.94</b>	<b>0.41</b>	<b>3.70</b>	<b>3.22</b>	<b>-1.20</b>	<b>-0.44</b>
<b>YTD %Δ</b>	<b>11.10</b>	<b>32.77</b>	<b>25.34</b>	<b>96.47</b>	<b>19.40</b>	<b>-9.56</b>	<b>-1.48</b>

### Exchange Rate Developments

- The EUR appreciated against the USD on the 30<sup>th</sup> of Oct although failed to reverse weekly losses, supported by an unexpected improvement in euro zone economic sentiment and signs of faster-than-expected inflation in Germany.
- The GBP also slightly appreciated against the greenback on the 30<sup>th</sup> of Oct on bets that the Bank of England could raise interest rates earlier than previously expected.
- Generally over the week, the USD was stronger against most currencies tied to the US Fed Reserve's unexpected hint that it may raise rates in Dec-15, although there is still much uncertainty in the currency market.

	ZAR/BWP	ZAR/MZN	ZAR/ZMW	ZAR/TZS
<b>Wk Ending</b>				
23-Oct-15	0.776	3.08	0.897	161
<b>Daily</b>				
26-Oct-15	0.770	3.07	0.890	159
27-Oct-15	0.768	3.04	0.889	159
28-Oct-15	0.768	3.08	0.912	158
29-Oct-15	0.768	3.03	0.903	160
30-Oct-15	0.764	3.03	0.907	157
<b>WoW %Δ</b>	<b>-1.51</b>	<b>-1.62</b>	<b>1.09</b>	<b>-2.48</b>
<b>YTD %Δ</b>	<b>-7.01</b>	<b>10.18</b>	<b>64.04</b>	<b>6.08</b>

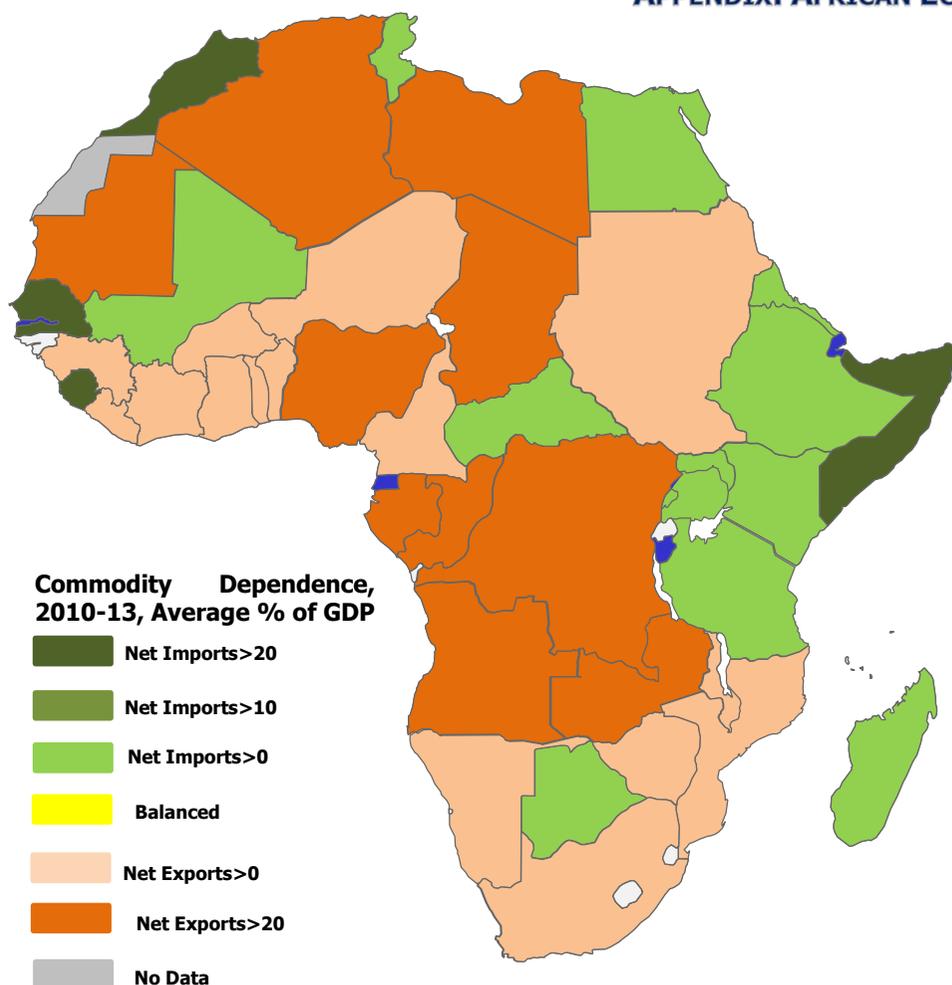
- The ZAR weakened by 3% against the USD as investors as investors anticipating the start of policy tightening in the US and UK dump high yielding but riskier emerging markets.
- Zambia's kwacha fell by closer to 4% and is the only currency that depreciated against the ZAR among BancABC markets' currencies as the outlook for the copper producer's economy continued to darken, with low commodity prices and power shortages taking their toll.
- Zambia's inflation rate nearly doubled in Oct-15 to a 6yr high above 14% due to weakening currency.

### Disclaimer

The information contained herein has been prepared by BancABC on behalf of itself and its affiliated companies solely for information purposes for BancABC clients. Whilst reasonable care has been taken in the preparation of the report to ensure that the information contained herein is not untrue or misleading however, BancABC makes no representation as to its accuracy or completeness thereof and accepts no liability whatsoever for any errors or omissions contained therein, or prejudice occasioned from use of the said information.

Contact telephone numbers: 369701-16; 752383-5

## APPENDIX: AFRICAN ECONOMIES' COMMODITY DEPENDENCE



Source: The Economist Intelligent Unit

- African countries depend disproportionately on commodities and the level of impact of depressed prices on individual economies varies per country.
- Falling terms of trade, reduced income, curtailed investment and slower GDP growth are some of the common effects of depressed commodity prices across African economies. A slowdown and structural shift in China's economy contributed to a fall in commodity prices.
- The region's oil exporters, which accounted for nearly half of the region's GDP in 2014, have been hard hit by weakening terms of trade.
- These economies depend heavily on oil for export receipts and fiscal revenues and are especially vulnerable to oil price movements. Oil accounts for around 90% of merchandise exports in Angola, Chad, Equatorial Guinea, and Nigeria.
- Although Nigeria has a more diverse economy than other oil exporters, oil sector accounts for about 13% of GDP and 65% of Gvt revenues are derived from oil. Not surprisingly, the sharp decline in oil prices since Jun-14 has put substantial pressures on the fiscal and current account balances.
- Lower oil prices are containing inflationary pressures in many oil importing countries in SSA, allowing central banks to keep interest rates on hold or to raise them at a slower pace than otherwise.
- In SA, the beneficial effects of low oil prices on consumer purchasing power are being offset by higher fuel levies, a weaker rand, and electricity shortages which continue to hamper economic activity and export growth.
- Despite low global oil prices, not all countries are seeing lower inflation. Ghana has continued to battle double-digit inflation. The sharp fall in Zambian kwacha and Ugandan shilling in recent months has also been pushing up inflation in those countries.
- In financial markets, sovereign credit default swap spreads rose sharply as commodity prices declined, reflecting investor concern on Africa's dependence on commodities.
- Looking ahead, the structural shift in China's economy will make it less reliant on energy-intensive and commodity-intensive sectors, and more on services. Nonetheless, China's will continue to be a major consumer of commodities, but its demand for many of these may decline (or not grow as fast), and this will continue to weigh on global consumption of commodities, and in turn, prices.