1. INTERNATIONAL COMMODITY PRICE DEVELOPMENTS

The gold price exhibited a fluctuating trend throughout the month of November. The downward movements were as a result of the depreciation of the Indian rupee, which may have curbed the demand for gold in India, one of the leading importers of gold; and the depreciation of several currencies against the United States dollar (USD) including the Japanese yen and the Canadian dollar. On the other hand, positive movements were mostly as a result of the European Union (EU) Finance ministers’ approval of the Greek bailout announced at the early-November EU summit; and the discussion among United States (US) policymakers to avoid triggering the “fiscal cliff” (a mix of Government spending cuts and tax hikes expected to hit the US in early 2013). The gold price ended the month at USD 1,727, which was higher than the October closing price of USD 1,710. The lowest price recorded in November was USD 1,697 (Table 1).

Meanwhile, Russia’s gold holdings slightly declined in November while the other top gold hoarding countries’ holdings remained constant. The total global gold supply reached 31,460 tonnes, representing a 13.4 tonnes gain in November compared to the previous month.

Table 1. International Commodity Prices

<table>
<thead>
<tr>
<th>Date</th>
<th>Gold (US$/oz)</th>
<th>Platinum (US$/oz)</th>
<th>Copper (US$/tonne)</th>
<th>Brent Crude Oil (US$/barrel)</th>
</tr>
</thead>
<tbody>
<tr>
<td>26-Oct-2012</td>
<td>1,710</td>
<td>1,556</td>
<td>7,813</td>
<td>109</td>
</tr>
<tr>
<td>2-Nov-2012</td>
<td>1,697</td>
<td>1,554</td>
<td>7,690</td>
<td>107</td>
</tr>
<tr>
<td>9-Nov-2012</td>
<td>1,746</td>
<td>1,562</td>
<td>7,557</td>
<td>107</td>
</tr>
<tr>
<td>16-Nov-2012</td>
<td>1,712</td>
<td>1,556</td>
<td>7,573</td>
<td>109</td>
</tr>
<tr>
<td>23-Nov-2012</td>
<td>1,735</td>
<td>1,585</td>
<td>7,755</td>
<td>111</td>
</tr>
<tr>
<td>30-Nov-2012</td>
<td>1,727</td>
<td>1,615</td>
<td>7,931</td>
<td>111</td>
</tr>
</tbody>
</table>

Source: Bloomberg and Reuters

Platinum prices closed at around USD 1,556 per ounce at the end of October, which was the lowest price since the announcement of quantitative easing in the third quarter of 2012. Despite the industrial action at Anglo mines in South Africa at the end of October, platinum prices continued to soften into November. The price of platinum only firmed in the last week of November and closed at USD 1,615 per ounce. Copper prices also firmed.
during November, starting the month at USD 7,690 and closing at USD 7,931 per tonne.

The price of Brent Crude oil remained constant at USD 107 per barrel during the first two weeks of November having fallen from USD 109 per barrel as on 26 October. The prices firmed during the third week of November, reaching the same level recorded in the last week of October before further rising to USD 111 per barrel in the fourth week and then remaining constant going into the last week of the month. Some of the factors that affected the oil price during the month were concerns about the struggling world economy and its impact on oil consumption and concerns about disruptions to Middle East supplies following a flare-up of geopolitical tensions in the region.

### Table 2. Maize and Wheat Prices (US) Fob and Gulf

<table>
<thead>
<tr>
<th>Date</th>
<th>Maize (US) Fob, Gulf USD/tonne</th>
<th>Wheat HRW (US) Fob, Gulf USD/tonne</th>
</tr>
</thead>
<tbody>
<tr>
<td>26-Oct-2012</td>
<td>320</td>
<td>376</td>
</tr>
<tr>
<td>9-Nov-2012</td>
<td>319</td>
<td>367</td>
</tr>
<tr>
<td>16-Nov-2012</td>
<td>320</td>
<td>369</td>
</tr>
<tr>
<td>23-Nov-2012</td>
<td>329</td>
<td>370</td>
</tr>
<tr>
<td>29-Nov-2012</td>
<td>334</td>
<td>379</td>
</tr>
</tbody>
</table>

*Source: International Grain Council*

The wheat price rose from USD 367 per tonne on 9 November to USD 379 per tonne in the last week of November (Table 2). The main driver of this price increase was speculation about dwindling Black Sea region supplies and the prospects of export curbs in the Ukraine. However, contrary to the expectations, the supplies remained firm, thus limiting the price increase. The maize price increased from USD 319 per tonne on 9 November to close the month at USD 334 per tonne (Table 2). This increase was largely due to a decline in maize supplies as the US failed to revive its maize export hopes, and adverse planting weather in South America.

### 2. MACROECONOMIC DEVELOPMENTS

#### 2.1 Overview of the Economy

There have been mixed reactions to the 2013 National Budget Statement the Zimbabwean Minister of Finance presented on 15 November 2012. While some sectors of the economy have considered the budget as pro-poor, others have expressed concern over its likely adverse effects on the financial sector. There have been widespread concerns about the amount of funds allocated to different sectors. In the budget statement, the economy is estimated to grow by 5 percent in 2013. This growth rate is considered reasonable. However, the outcome of the constitutional referendum and elections may have a positive or negative impact on economic growth in 2013 and beyond.

#### 2.2 Agricultural Sector Developments

**Agricultural inputs**

The agricultural sector was allocated USD 159.4 million in the 2013 National Budget Statement. This represented only 4 percent of the total budget vis-a-vis the 10 percent set target of the Maputo Declaration on Agriculture and Food Security. The banking sector has committed a total of USD 215 million in credit facilities to augment Government support to the 2012-2013 agricultural season. In addition, the Zimbabwean Government is expecting to receive USD 19.3 million from cooperating partners.

In this budget, only USD 5 million was allocated to the agricultural input scheme targeting 60,000 vulnerable groups. Each household is expected to receive 10kg of maize, 5kg bag of small grain and two bags of fertilizer. The Government has also set aside USD 3 million for rebuilding the national livestock herd, and Old Mutual has committed USD 7 million to the same purpose.

Separately, the vulnerable households will this season benefit from the USD 20 million Presidential Well-wishers’ Special Input Scheme, which is targeting about 800,000 households in
the 2012-2013 farming season. Seed, dipping chemicals and fertilizers will be distributed to beneficiaries including vulnerable groups such as senior citizens, orphans and child-headed families who reside in remote rural areas. The scheme has grown from the 570,000 beneficiary households it targeted when it was introduced during the 2008-2009 farming season.

General concerns are that agricultural development is seriously underfunded against a background of severe food insecurity that has been haunting most parts of the country for more than a decade now. Government also needs to disburse funds to seed houses on time in order to allow farmers to access inputs timely. These seed houses are, however, still owed millions in Government debt and are thus prevented from responding adequately to farmer demands.

**Tobacco Production**

The Tobacco Industry and Marketing Board has indicated that 63,352 farmers have so far registered to grow flue-cured tobacco this season. This represents a 94 percent increase from the 33,808 farmers that registered for tobacco production in the last season, showing that the crop is gaining popularity among farmers. The majority of these farmers are small-scale farmers, either A1 or communal farmers (Table 3).

**Table 3. Types of Tobacco Farmers in the 2012 - 2013 Agricultural Season**

<table>
<thead>
<tr>
<th>Grower sector</th>
<th>Number of registered growers</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1 farmers</td>
<td>27,333</td>
<td>43</td>
</tr>
<tr>
<td>Communal farmers</td>
<td>25,224</td>
<td>40</td>
</tr>
<tr>
<td>Small-scale commercial farmers</td>
<td>6,047</td>
<td>9</td>
</tr>
<tr>
<td>A2 farmers</td>
<td>4,748</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>63,352</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Tobacco Industry and Marketing Board

**Cotton Production**

Cotton growers, particularly those in the Mashonaland West province have resorted to growing soybean and maize after a bad 2012 marketing season. Cotton fetched low prices of USD 0.35 cents per kg instead of the promised USD 1.50 at the start of the 2011-2012 season, resulting in huge losses. Inasmuch as cotton companies were sending agents to engage farmers, most of the growers were not willing to produce the crop this season. Instead they are diversifying, growing other crops such as sugar beans, soybeans and groundnuts under conservation farming in anticipation that this move will increase yields and reduce production costs.

By the third week of November cotton should have been planted, but by then, the farmers had not yet received inputs. This meant that even if they still planted the crop this season, they would almost certainly obtain low yields, as they missed the planting dates. This combined with the fact that most of the growers are shying away from the crop may affect the crop output.

**2.3 Mining Sector Developments**

The Kimberley Process Certification Scheme (KPCS) finally allowed the Government of Zimbabwe to sign Marange diamond export certificates for companies operating in Marange diamond fields without having to consult KPCS monitors. This followed the release of a positive Kimberley Process Monitor report that indicated that the country is fully compliant with the KPCS rules.

In terms of gold, a comparison of deliveries in November 2012 with that of same period in the previous year shows that total gold deliveries declined by a small margin of 0.65 percent. However, deliveries by small-scale producers declined by a bigger margin of 30.04 percent from 348.15kg whereas deliveries by primary producers grew by 12.64 percent from 769.29kg to 866.57kg during the same period. Thus, a cumulative total gold delivery of 12,422.43kg was achieved from January to November 2012 compared to the 11,645.26kg delivered during the comparable period in 2011; this represents a 7 percent increase. The hike was mainly driven by the increased productivity in the gold mining sector and firming international prices. To date gold producers have
delivered 83 percent of the targeted output of 15 tonnes. The target for the year is not likely to be attained, however, given that the average monthly deliveries stood at 1,129.312kg per month.

**Figure 1. Total Gold Deliveries (kgs)**

![Figure 1. Total Gold Deliveries (kgs)](source: Fidelity Printers and Refiners)

A month-on-month comparison of gold deliveries in October 2012 and November 2012 shows that total gold deliveries declined by 7.38 percent while deliveries by small-scale producers and primary producers grew by 4.4 percent and 10.24 percent, respectively.

### 2.4 Inflation Developments

Annual inflation decelerated from 4.2 percent in November 2011 to 3.0 percent in November 2012. Key drivers of annual inflation included education (14.2 percent); housing, water, electricity, gas and other fuels (11.9 percent); alcoholic beverages and tobacco (6.3 percent); restaurants and hotels (4.4 percent) and food and non-alcoholic beverages (3.9 percent).

On a month-on-month basis, inflation declined from 0.3 percent in October 2012 to 0.1 percent in November 2012. Month-on-month food and non-food inflation stood at 0.2 percent and 0.1 percent, respectively. Education (3.5 percent); and housing, water, electricity, gas and other fuels (0.3) were the main drivers of month-on-month inflation in November 2012. With these inflation figures, Zimbabwe is most likely to meet the annual average inflation target of 5 percent for 2012.

**Figure 2. Inflation Developments**

![Figure 2. Inflation Developments](source: ZIMSTAT)

### 2.5 Interest Rate Developments

There is a wide range in nominal lending rates quoted by commercial and merchant banks (Table 3). This suggests different cost structures among banks and different risk profiles of borrowers.
### Table 4. Interest Rate Levels (Annual Percentages)

<table>
<thead>
<tr>
<th>End Period</th>
<th>Commercial Banks Lending Rates</th>
<th>Merchant Banks Lending Rates</th>
<th>3-Month Deposit Rate</th>
<th>Savings Deposit Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal Rate</td>
<td>Weighted Average</td>
<td>Nominal Rate</td>
<td>Weighted Average</td>
</tr>
<tr>
<td></td>
<td>Individuals</td>
<td>Corporates</td>
<td>Rate</td>
<td>Individuals</td>
</tr>
<tr>
<td>Mar-12</td>
<td>8.00-30.00</td>
<td>16.04</td>
<td>12.53</td>
<td>14.00-35.00</td>
</tr>
<tr>
<td>Apr-12</td>
<td>8.00-30.00</td>
<td>15</td>
<td>13.06</td>
<td>13.00-25.00</td>
</tr>
<tr>
<td>May-12</td>
<td>6.00-30.00</td>
<td>14.98</td>
<td>11.86</td>
<td>15.00-30.00</td>
</tr>
<tr>
<td>Jun-12</td>
<td>6.00-35.00</td>
<td>13.81</td>
<td>11.58</td>
<td>15.00-30.00</td>
</tr>
<tr>
<td>Jul-12</td>
<td>6.00-35.00</td>
<td>14.32</td>
<td>10.88</td>
<td>15.00-30.00</td>
</tr>
<tr>
<td>Aug-12</td>
<td>6.00-35.00</td>
<td>15.65</td>
<td>10.74</td>
<td>15.00-30.00</td>
</tr>
<tr>
<td>Sep-12</td>
<td>6.00-35.00</td>
<td>13.25</td>
<td>11.14</td>
<td>15.00-30.00</td>
</tr>
<tr>
<td>Oct-12</td>
<td>6.00-35.00</td>
<td>13.35</td>
<td>11.03</td>
<td>13.00-30.00</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>14.55</td>
<td>11.60</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Reserve Bank of Zimbabwe Monthly Economic Review

In October 2012, the range for commercial bank savings rates and three-month deposit rates (excluding rates on dormant or inactive accounts) remained unchanged at April 2012 levels of 0-12.00 percent and 5.00-20.00 percent, respectively. The range in the quoted rates suggests wide variations in the various banks’ capacity to reward depositors and savers. It is also reflective of the differences in costs banks face in mobilizing deposits and savings.

In the 2013 National Budget Statement, the Government ordered banks to remove bank charges on deposits of less than USD 800 and to pay annual deposit rates of at least 4 percent on term deposits of USD 1,000 and above that are held for a period of 30 days or more. The lending rates will be at almost 10 percent above the weighted average deposit rate (inclusive of all deposit rates). The removal of bank charges on deposits below USD 800 will see banks offering free services on account balances under USD 800. Banks that largely depend on service charges may subsequently experience viability challenges.

### 2.6 Banking Sector and Monetary Developments

Annual growth in broad money supply (M3), defined as total banking sector deposits (net of inter-bank deposits), declined from 41.9 percent in October 2011 to 24.9 percent in October 2012 (Figure 3). On a month-on-month basis, M3 growth also declined from 3.9 percent in September 2012 to 2.3 percent in October 2012. The deceleration in monthly M3 growth is a negative development in an economy facing liquidity challenges. Policy measures that lead to improvements in disposable income could improve the capacity of income earners to save.

![Figure 3. Monetary Developments (M3)](image-url)
Annual total banking sector deposits increased from USD 3.05 billion in October 2011 to USD 3.81 billion in October 2012 (Figure 4). However, the annual growth rate declined from 41.9 percent in October 2011 to 24.9 percent in October 2012.

On a month-on-month basis, total banking sector deposits increased by 2.3 percent from USD 3.73 billion in September 2012 to USD 3.81 billion in October 2012.

**Figure 4. Level & Growth Rate of Total Banking Sector Deposits**

![Graph of Total Banking Sector Deposits and Growth Rate](image)

*Source: Reserve Bank of Zimbabwe Monthly Economic Review*

Although deposits have been increasing in absolute terms, the annual growth rate has been decelerating. In October 2012, the composition of total bank deposits was as follows (Figure 5): demand deposits (52.9 percent); savings and short-term deposits (34.4 percent) and long-term deposits (12.7 percent). There is a need for policy measures that will promote long-term deposits, which are important in financing long-term investments.

**Table 5. Total Banking Sector Deposits (USD billion)**

<table>
<thead>
<tr>
<th>Type of Deposit</th>
<th>Jun-12</th>
<th>Jul-12</th>
<th>Aug-12</th>
<th>Monthly Increase (Absolute) USD billion</th>
<th>Monthly Increase (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand Deposits</td>
<td>1.93</td>
<td>1.97</td>
<td>2.02</td>
<td>0.05</td>
<td>2.32</td>
</tr>
<tr>
<td>Saving and Short-Term Deposits</td>
<td>1.21</td>
<td>1.2</td>
<td>1.31</td>
<td>0.12</td>
<td>9.68</td>
</tr>
<tr>
<td>Long-Term Deposits</td>
<td>0.45</td>
<td>0.56</td>
<td>0.48</td>
<td>-0.08</td>
<td>-13.57</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>3.59</td>
<td>3.73</td>
<td>3.81</td>
<td>0.09</td>
<td>2.30</td>
</tr>
</tbody>
</table>

*Source: Reserve Bank of Zimbabwe Monthly Economic Review*

**Figure 5. Composition of Total Banking Sector Deposits (Percent of Total Deposits) in October 2012**

![Pie chart showing deposit composition](image)

*Source: Reserve Bank of Zimbabwe Monthly Economic Review*
The loan-to-deposit ratio, calculated on the basis of total bank deposits, external and domestic sources of funding, declined from 89.9 percent in September 2012 to 88.4 percent in October 2012 (Figure 6). The monthly decline in the loan-to-deposit ratio is explained by a larger increase in total bank deposits (2.30 percent) compared to the increase in bank credit to the private sector (0.66 percent) over this period.

Although the loan-to-deposit ratio is within the international standard practice of 70 to 90 percent, local banks might be over exposed to credit given the high level of non-performing loans (about 13 percent by September 2012). Therefore, the slower growth in the extension of credit to the private sector could be considered as cautious lending on the part of the banks. Policy measures aimed at improving the business operating environment, competitiveness and profitability of firms will contribute to the reduction in the level of non-performing bank loans.

**Figure 6. Loan-to-Deposit Ratio**

![Loan-to-Deposit Ratio Chart](source)

**Source:** Reserve Bank of Zimbabwe Monthly Economic Review

**Figure 7. Distribution of Bank Credit to the Private Sector in October 2012**

![Distribution Chart](source)

**Source:** Reserve Bank of Zimbabwe

As of October 2012, bank credit to the private sector was distributed as follows (Figure 7): loans and advances (86.1 percent), mortgages (7.9 percent), other investments (3.2 percent), bills discounted (1.7 percent) and bankers’ acceptances (1.2 percent). Loans and advances have remained the largest proportion of bank credit to the private sector. The distribution of bank loans and advances to the private sector was as follows (Figure 8): agriculture (18.9 percent), manufacturing (17.8 percent), distribution (17.3 percent), individuals (16.1 percent), services (11.4 percent), other sectors (9.9 percent) and mining (8.5 percent).

The share of loans and advances extended to individuals is high, implying that a sizeable amount of resources are being channeled towards consumptive borrowing at the expense of productive activities in the real sectors of the economy.
2.7 Other Financial Sector Developments

Genesis Investment Bank, which surrendered its banking license in June 2012, has started the liquidation process. Grant Thornton Camelsa is handling the liquidation process in collaboration with the Depositors Protection Corporation.

The Zimbabwe Stock Exchange (ZSE), the Public Accountants and Auditors Board and the Securities Exchange of Zimbabwe revived a monitoring panel that ensures that publicly listed companies fully comply with international financial reporting standards. It is expected that the introduction of the monitoring panel will, among other things:

- enhance compliance with international reporting standards,
- improve disclosure of information to stakeholders,
- improve the quality of financial statements,
- enhance transparency and
- avoid misleading of investors by the listed companies.

In the 2013 National Budget Statement, the minimum capital requirements for the insurance and pensions industry were increased as follows:

- from USD 0.4 million to USD 1.5 million for life reinsurance and funeral assurance companies,
- from USD 0.3 million to USD 1.5 million for non-life insurance companies and
- from USD 0.5 million to USD 2 million for life assurance companies.

Insurance companies were given up to 30 June 2014 to fully comply with the new minimum capital requirements. The increase was meant to enhance the under-writing capacity of insurance firms so as to avoid externalization of premiums due to lack of capacity to insure large risk. The increase was also meant to enhance the protection of policyholders.

2.8 Fiscal Performance

The Government revenue outturn for October 2012 amounted to USD 282.9 million bringing the cumulative revenues to October 2012 to USD 2.78 billion (Figure 9). This was, however, 12.51 percent lower than the cumulative target of USD 3.18 billion in 2011. With only two months to year-end, it is unlikely that the revenue target of USD 3.64 billion projected in the 2012 budget will be attained. Subsequently, the Government may have to realign and reprioritize planned expenditures in line with the available revenues, which may result in some of the expenditures planned for 2012 not being funded.

The Ministry of Finance indicates that Government incurred domestic arrears amounting to about USD 205 million as at the end of September 2012. While Government adopted a balanced budget stance, domestic arrears, in fact, represent overspending by the Government and reflect the size of the financing gap. Furthermore, the arrears represent a cost free loan to Government and are a tax on the operations of state enterprises and the private sector.
sector affecting their smooth operation and quality of service delivery. It is thus important that the measures proposed in the 2013 budget are fully implemented so that these arrears can be cleared and the capacity of the respective service providers be improved.

Figure 9. Revenue Developments from January to October 2012

Total Government expenditure for October 2012 amounted to USD 313.4 million, which was marginally higher than revenue, resulting in a deficit of USD 30.4 million (Figure 9). Against low revenue outturn, the cumulative expenditures to October 2012 were contained at USD 2.77 billion and were 12.99 percent lower than the target of USD 3.18 billion. As such, cumulative fiscal expenditures to October 2012 amounted to USD 2.77 billion against cumulative revenues of USD 2.78 billion.

2.9 Tourism Sector Developments

The 2013 National Budget Statement presentation estimated that the tourism industry would grow by 3.9 percent and 4 percent in 2012 and 2013 respectively. The achievement of these targets hinges on the reduction of the negative perception in major source markets and the re-investment in the upliftment of some of the country’s tired tourism facilities and infrastructure. In support of these growth estimates, the Ministry of Finance allocated USD 6.13 million for 2013, up from USD 5.23 million allocated to the Ministry of Tourism in the 2012. Of the allocation only USD 750,000 was channeled towards tourism promotion while USD 1.75 million was channeled towards tourism programs, chief among them being the hosting of the United Nations World Tourism Organization next year in Victoria Falls. The tourism industry is set to implement the following measures in 2013:

- engaging with the Ministry of Transport, Communication and Infrastructure Development with a view of attracting more competitive airlines,
- engage with other countries for visa realignment methods with a flexible visa regime to attract more visitors and
- supporting the formulation of a Tourism Satellites Account system that is expected to be completed by 2015 to curb leakages in the tourism industry as it will capture the actual value of inflows into the economy.

2.10 External Sector Developments

The 2013 National Budget Statement reveals that the problem of an unsustainably high current account deficit is likely to persist in the foreseeable future. The current account deficit is projected to close the year at an estimated USD 3.12 billion, largely spurred by an unfavorable trade balance deficit of approximately USD 3.13 billion due to the underperformance of exports in the face of rising imports.

Since the trade balance is the major source of the deficit, the focus should be on correcting the mismatch between exports and imports. The high level of imports generally reflect the production shortcomings of Zimbabwean firms, as they constantly experience higher production costs compared to foreign firms due to lack of investment.
in low-cost production technologies. This is evident from the fact that the retail and distribution sectors contribute the highest share of imports, and estimates for the period January to October 2012 show that this sector contributed about 38 percent to total imports. Increasing import tariffs on products in the retail and distribution sectors as a way of reducing imports has largely failed due to the inability of the local industries to increase production in response to the protection.

The current account deficit can also be reduced through increasing exports. Not only are weak exports a reflection of the local industry’s weak production capacity, they also indicate the absence of diversification and value addition. For example, during the period January to October 2012, mineral exports accounted for 64 percent of the exports, followed by tobacco at 19.4 percent. Thus about 83 percent of the exports are raw materials, pointing at the need to broaden the export base to also include semi-processed commodities. Overreliances on primary commodities, the prices of which are influenced by international developments, also leave little room to influence their pattern. Thus, beneficiation of the primary commodities will also go a long way to increase the value of exports.

3. **STOCK MARKET DEVELOPMENTS**

The stock market showed mixed results in November 2012 with the industrial index making some gains while the mining index was on a downward trend for the comparable period in 2011. However, the industrial index defied the prevailing economic challenges that are underpinned by liquidity challenges and obsolete production technology, closing the month at 150.16 compared to 144.98 in November 2011. The mining index declined to close the month at 68.74 as compared to 91.61 points on the first trading day of the month. On a year-on-year basis, the mining index was also worse off, declining from an average of 120 in November 2011 to an average of 70 in November 2012. This decline in the mining index might have been what spurred the industrial index as investors took hedge positions in industrial counters. Figure 10 shows the trend in the two indices for November 2011 and November 2012.

Figure 10. ZSE Industrial and Mining Indices for November, 2011 and 2012

Overall, the ZSE also made some losses in total turnover value and volume for the comparable periods of November 2011 and November 2012, shedding values of USD 14.6 million and 151.9 million shares respectively. However, there were positive gains on the value of shares bought by foreigners; these gained USD 761,066. Foreigners were also more keen to hold on to their shares in November 2012 than in the comparable period in 2011 as the number of shares sold declined by 188,565, with a value of USD 5 million. This may be an indicator of a level of confidence in the local bourse as the economy continues on the recovery path. In addition, total capitalization also made gains in November 2012 compared to November 2011, closing at USD 3.9 billion from USD 3.7 billion. Table 6 presents a summary of ZSE statistics for November 2011 and November 2012.
Although the de-industrialization of Bulawayo generated a lot of attention, it appears as if the pattern is the same across many cities outside Harare. The imminent closure of Karina Textiles, which is the sole manufacturer of carpets and hand-knitting yarn in Zimbabwe, is one example of de-industrialization of Mutare. Other companies based in Mutare that have also closed shop include PG Plate Glass, Zimboard, Mutare Board & Paper Mills, Hunyani Papers, and Cairns Food.

The relocation of shops from other towns to Harare is a clear signal that distance from the capital city is proving to be a significant determinant of production costs, while the closure of monopolies is puzzling. There has been an increase in the number of licensed newspapers since dollarization, yet the sole producer of newsprint in the country had to close shop in the face of increased demand for newsprint. Mutare Board & Paper Mills was also strategically located in the part of the country where access to pulp and paper was guaranteed from forestry and plantations.

Evidently, companies with production systems requiring constant updating in line with technological developments are failing to limit the production costs to levels below imports due to run-down infrastructure and underinvestment during the hyperinflation era. Given that demand is almost assured, the companies could have survived with re-tooling and modern technology after overhauling the dilapidated plants and equipment. Thus, the closure of the two monopolies has left a void that any serious investor can easily fill after investing in cost-cutting technology.
enterprise development. At that summit, Uganda took over the Comesa chairmanship from Malawi and joined the Comesa free trade area. It was highlighted that intra-Comesa trade had increased to USD 18.4 billion by the end of 2011, an indication of recovery from USD 12.7 billion in 2009. The member states underscored the role of micro, small and medium enterprises in contributing to job and wealth creation in Comesa economies. The member states also called for the elimination of non-tariff barriers among themselves so as to enhance the market access opportunities of micro, small and medium enterprises. Comesa member states further emphasized their need to continue using the tripartite online reporting and monitoring mechanism. At the summit the transition period for the creation of the Comesa customs union was extended by a further two years, and member states agreed to come up with a two-year road map outlining how the outstanding issues on the formation of the customs union should be addressed.

6. OTHER TOPICAL ISSUES

Anglo American Platinum’s Unki Mine reached an agreement with the Zimbabwean National Indigenisation and Economic Empowerment Board to dispose 51 percent of its shareholding to locals. The new shareholding structure will result in the Tongogara Community Trust, the Employee Share Ownership Trust and unnamed strategic indigenous investors each getting 10 percent of the company shareholding. The National Indigenisation Economic Empowerment Fund will get 21 percent of the shareholding, and the transaction will be financed through a national vendor finance mechanism in which a loan equal to the value of the shares will be granted for the purchase of the shares; the beneficiaries’ shares will be used as collateral. Thus, in return there will be a waiver of the borrowers’ rights to receive future dividends paid by the company during the national vendor finance term.

Pretoria Portland Cement (PPC) agreed to fully comply with the Indigenisation and Economic Empowerment policy and reduce their shareholding to 49 percent. The current shareholding by local investors is 21.4 percent of the company. In compliance with the policy PPC will dispose 29.6 percent stake to local investors as follows 10 percent to the Gwanda and Umguza communities through a community share ownership scheme, 5 percent to an employee ownership trust, 4.9 percent to a local indigenous special-purpose vehicle, and finally the National Indigenisation Economic Empowerment Fund will get the remaining 9.7 percent shareholding.