1. INTERNATIONAL COMMODITY PRICE DEVELOPMENTS

1.1 Precious Metals

On a year-on-year basis, the average monthly platinum price declined by 15 percent from USD 1,588 in December 2012 to USD 1,357 in December 2013, while that of gold fell by 27.6 percent to USD 1,223 (Figure 1). On a month-on-month basis, the average platinum price fell by 4.5 percent in December 2013 from USD 1,421 in November 2013 while gold declined by 4.2 percent from USD 1,277 (Figure 1). The fall in gold and platinum prices can be attributed to the decision by the Federal Reserve in December 2013 to taper the third phase of Quantitative Easing (QE3) by USD 10 billion, beginning January 2014. The tapering decision supported a rally in the United States equity markets, which serves as an alternative investment to precious metals.

Other factors that weighed in on the prices of gold and platinum included various positive reports signifying progress in the US economy such as the revised US GDP growth in the third quarter of 4.1 percent, housing starts increased by 22 percent, the Purchasing Manager Index (PMI) increased by 0.3 percent to 57.3 percent. This is mainly because investors tend to opt for investments yielding a higher return following positive growth in US economy while selling off gold, which is often regarded as a safe haven in economic slowdown phases.

Figure 1. Monthly Average Gold and Platinum Prices

Source: Bloomberg and Reuters
1.2 Brent crude oil

The Brent crude oil market was bullish in December 2013, resulting in a 2.5 percent increase in price to average USD 111 per barrel from USD 108 in November 2013 (Figure 2).

The upward trend in price was supported by supply disruptions from Libya and an increase in demand in Asia. Furthermore, the tight supplies were worsened by the fact that Iranian crude oil was not available for most European refiners due to sanctions, as well disruptions in supplies from the Kirkuk governorate in Iraq as a result of frequent disruptions of the pipelines due to technical problems and insurgent attacks. Russia, on the other hand, continues to direct its crude oil away from Europe towards Asia, thereby helping to firm up the Brent crude oil price.

![Figure 2. Monthly Average Brent Crude Oil Prices](image)

Source: Bloomberg and Reuters

1.3 Wheat and Maize

The world wheat prices continued to weaken in December 2013, underpinned by a slowing demand for export and good winter wheat conditions for the next crop in the United States. The wheat price declined from trading at USD 317 per tonne on 3 December 2013 to as low as USD 290 at the end of the month (Figure 3). The fall in wheat prices was, however, contained by limited export availability and quality concerns in Commonwealth Independent States (CIS).

![Figure 3. Daily Maize US 3YC and Wheat US HRW Prices in December 2013](image)

Source: International Grain Council
December 2013 experienced minimal changes in the quoted prices for maize. The price declined from USD 213 on 2 December 2013 to end the month trading at USD 206 per tonne (Figure 3). Firmer export prices in the US and Brazil were outweighed by slight declines in Argentina and the Black Sea. In overall terms, maize price quotes have remained at their lowest level in three years, being quoted at around USD 206. Global maize production is expected to expand by 10 percent year-on-year, to reach 950 million tonnes, mainly due to maize crop rebound in the US in the 2013/2014 season.

2. MACROECONOMIC DEVELOPMENTS

2.1 Developments in the Agricultural Sector

2.1.1 Agriculture Funding in the 2014 National Budget

The agricultural sector was allocated 4 percent of the total budget in the 2014 National Budget. This falls far short of the 2003 Maputo Declaration on Agriculture and Food Security, in terms of which countries committed to growing investment in agriculture to at least 10 percent of their budgetary allocations. The targets set in the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset, 2013-2018) will be difficult to achieve without additional funds to invest in the agricultural sector in addition to funds provided for in the budget.

The agricultural sector generally registered poor performance in 2013, as the sector’s growth declined by 1.3 percent from the initial 2013 projection of 6.4 percent. This decline is explained by underperformance of tobacco, maize, groundnut and cotton, from forecasts made at the start of the season. However, the sector is projected to grow by 9 percent in the 2013/2014 season, mainly underpinned by growth in maize, cotton, soya beans, and groundnuts, given improvements in preparedness for the cropping season, and input availability.

2.1.2 Sugarcane Production and Forecasts

The 2013 sugarcane production was estimated to be 4,159,034 mt on a hectarage of 44,818 ha. In the 2013/14 season, the government forecasted an increased growth of 9 percent in production from the last season to 4,550,000 mt. A bigger area is expected to be allocated for sugarcane production in the 2013/14 cropping season, to reach to 50,000 ha. Sugarcane production, however, is continually faced with water shortages owing to recurrent droughts, which also affect irrigation activities, as water levels from Lake Mutirikwi remain critically low. In that regard, completion of the Tokwe Mukosi Dam will help to unlock water resources for sugarcane production in the Lowveld.

2.1.3 Soya bean output

Soya bean output for the 2013 season is estimated to increase to 77,000 tonnes from the 70,452 realized in 2012. This has to be seen against the national requirement of 220,000 tonnes. The 2013 production increases were mainly on account of increased hectarage being cultivated, coupled with firming producer prices. Production in the forthcoming season is projected to increase to around 97,500 tonnes, with 91 percent of the output being produced under contract farming. Increasing funding of soya bean production through contract farming and increased technical support to farmers will help boost soya bean production.

2.2 Mining Sector Developments

On a month-on-month basis, total gold deliveries increased by 4.99 percent from 1,028.87 kg in November 2013 to 1,080.3 kg in December 2013 (Figure 4). Deliveries by primary producers decreased by 5.11 percent from 828.12 kg in November 2013 to 785.83 kg in December 2013, while deliveries by small-scale producers increased by 46.68 percent from 200.75 kg in November 2013 to 294.47 kg in December 2013. The announcement by the Government of Zimbabwe, through the 2014 National Budget, that Fidelity Printers and Refineries will now be the sole buyer of gold, making it the sole exporter of the mineral as from 1 January 2014, might have induced the increase in deliveries by small-scale producers in December 2013 since they cannot now export directly.
Total gold delivered by gold producers declined by 6.02 percent, to a cumulative total of 12,663.39 kg for the year to December 2013 compared to 13,474.43 kg produced during the comparative period in 2012, against an annual projection of 17,000 kg. The decline in gold deliveries for the year 2013 can be attributed to the liquidity crisis in the country that affected production and the closure of some gold mines such as Dalny Gold Mine in August 2013.

**Figure 4. Total Gold Deliveries**

![Graph showing total gold deliveries from November 2012 to December 2013]

**Other Mining Sector Developments**

The Government, through the 2014 National Budget, announced proposals to amend the mining laws, thereby decriminalizing the operation of small-scale miners to allow more locals to participate in the exploitation of the country’s mineral wealth. The amendment of mining laws will allow the government to repossess unused mining claims from holders on a “use it or lose it” basis. The repossessed mining claims will be allocated to small-scale miners in accordance with the indigenization and economic empowerment drive. It is envisaged that the promotion of small-scale miners will create employment for the majority of Zimbabweans who are unemployed. However, there is a need for the Government to capacitate small-scale miners through knowledge transfer programs and targeted short-term training courses by the Zimbabwe School of Mines. The Ministry of Mines and Mining Development also needs to carry out periodic assessments of progress in the development of mining claims by the small-scale miners and monitor compliance with environmental regulations. Failure to comply with the measures would lead to the forfeiture or even cancellation of the license.

**2.3 Developments regarding Inflation**

The year 2013 saw annual inflation maintaining a downward trend from 2.5 percent in January 2013 to 0.33 percent in December 2013, thus fast approaching zero amid fears that the economy is heading towards deflation. The December inflation figure declined by 0.21 percentage points from 0.54 percent in November 2013, with annual food and non-alcoholic beverages inflation at -2.20 percent and non-food inflation at 1.61 percent. The top factors driving annual inflation downwards remained unchanged from November 2013 with the prices of communication (-13.99 percent), food and non-alcoholic beverages (-2.20 percent), furniture and equipment (-1.08 percent), and recreation and culture (-1.03 percent). The decline in annual inflation was mainly driven by a weak South African rand/US dollar exchange rate and depressed aggregate demand on the local economy due to the liquidity squeeze facing consumers. On the other hand, the following items exerted upward pressure on annual inflation: alcoholic beverages and tobacco (4.26 percent); housing, water, electricity, gas and other fuels (3.63 percent); health (2.11 percent); and restaurants and hotels (2.03 percent).
Month-on-month inflation for December 2013 stood at -0.08 percent, shedding 0.17 percentage points from 0.09 percent in November 2013. Food and non-alcoholic beverages inflation increased to -0.41 percent from -0.60 percent in November while non-food items inflation declined to 0.08 from 0.43 percent in November 2013. The decline in monthly inflation was underpinned by the decline in the prices of furnishings, home equipment and routine maintenance (-0.93 percent); miscellaneous goods and services (-0.46 percent); food and non-alcoholic beverages (-0.41 percent) and furniture and equipment (-0.29 percent), while on the other hand, housing, water, electricity, gas and other fuels (0.37 percent); and transport (0.27 percent). Alcoholic beverages and tobacco (0.14 percent) and health (0.12 percent) exerted upward pressure on monthly inflation.

**Figure 5. Inflationary Developments**

![Month-on-Month Inflation](image1)

Source: Zimbabwe Statistical Agency

### 2.4 Interest Rate Developments

Commercial bank-weighted average lending rates for individuals firmed from 13.95 percent in October 2013 to 14.18 percent in November 2013, while commercial bank-weighted lending rates for corporates also increased from 9.25 percent to 9.40 percent over the same period (Table 1). Merchant bank-weighted average lending rates for both individuals and corporates firmed from 18.67 and 17.66 percent in October 2013, to 18.84 and 17.72 percent in November 2013, respectively. Despite the Memorandum of Understanding between banks and the RBZ, lending rates have continued on an upward trend, which dis-incentivises borrowing for the much-needed recapitalization of companies.

The upward trend in price was supported by supply disruptions from Libya and an increase in demand in Asia. Furthermore, the tight supplies were worsened by the unavailability of Iranian crude oil for most European refiners due to sanctions, as well disruptions in supplies from the Kirkuk governorate in Iraq as a result of frequent disruptions of the pipeline due to technical problems and insurgent attacks. Russia, on the other hand, continues to direct its crude oil away from Europe towards Asia, therefore helping firm up the Brent crude oil price.

The range in commercial bank savings deposit rates for November 2013 has remained at the November 2012 range of 0.15-8 percent, and the three-month deposit rate range has remained at the July 2013 range of 3-20 percent. The wide range in the deposit and savings rates reflects the varying capacities among banks in rewarding depositors and savers.

### 2.4.1 Monetary Developments

Annual growth in broad money supply (M3), defined as total banking sector deposits (net of interbank deposits), declined from 23.8 percent in November 2012 to -0.5 percent in November 2013 (Figure 6). On a month-on-month basis, M3 growth declined from 1.0 percent in October 2013 to -3.7 percent in November 2013. The decline was attributed to panic bank deposit withdrawals, liquidity challenges and the general decline in economic activity.
Table 1. 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>Nominal Rate</td>
<td>Weighted Average</td>
<td>Weighted Average</td>
</tr>
<tr>
<td></td>
<td>Individuals</td>
<td>Individuals</td>
<td>Corporates</td>
<td>Corporates</td>
</tr>
<tr>
<td>Nov-14</td>
<td>6.00-35.00</td>
<td>13.00-25.00</td>
<td>10.88</td>
<td>17.91</td>
</tr>
<tr>
<td>Dec-14</td>
<td>10.00-35.00</td>
<td>15.00-25.00</td>
<td>17.93</td>
<td>14.43</td>
</tr>
<tr>
<td>Jan-14</td>
<td>10.00-35.00</td>
<td>13.00-25.00</td>
<td>17.96</td>
<td>14.42</td>
</tr>
<tr>
<td>Feb-14</td>
<td>10.00-35.00</td>
<td>13.00-25.00</td>
<td>17.93</td>
<td>14.36</td>
</tr>
<tr>
<td>Mar-14</td>
<td>6.00-35.00</td>
<td>14.00-25.00</td>
<td>17.8</td>
<td>14.35</td>
</tr>
<tr>
<td>Apr-14</td>
<td>3.00-35.00</td>
<td>14.00-25.00</td>
<td>17.77</td>
<td>14.35</td>
</tr>
<tr>
<td>May-14</td>
<td>9.00-35.00</td>
<td>13.00-23.00</td>
<td>17.66</td>
<td>17.02</td>
</tr>
<tr>
<td>Jun-14</td>
<td>9.00-35.00</td>
<td>15.00-22.50</td>
<td>17.78</td>
<td>16.89</td>
</tr>
<tr>
<td>Jul-14</td>
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<td>15.00-28.00</td>
<td>17.7</td>
<td>16.97</td>
</tr>
<tr>
<td>Aug-14</td>
<td>6.00-35.00</td>
<td>15.00-23.00</td>
<td>18.32</td>
<td>16.92</td>
</tr>
<tr>
<td>Sep-14</td>
<td>6.00-35.00</td>
<td>15.00-22.50</td>
<td>18.31</td>
<td>16.94</td>
</tr>
<tr>
<td>Oct-14</td>
<td>6.00-35.00</td>
<td>15.00-23.00</td>
<td>18.67</td>
<td>17.66</td>
</tr>
<tr>
<td>Nov-14</td>
<td>6.00-35.00</td>
<td>15.00-23.00</td>
<td>18.84</td>
<td>17.72</td>
</tr>
<tr>
<td>Average</td>
<td>14.50</td>
<td>9.91</td>
<td>18.04</td>
<td>15.88</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of Zimbabwe Monthly Economic Review

Figure 6. Monetary Developments

Annual total banking sector deposits decreased to USD 3.81 billion in November 2013, from USD 3.82 billion in November 2012 (Figure 7). On a month-on-month basis, total banking sector deposits decreased to USD 3.81 billion in November 2013, from USD 3.95 billion in October 2013.

In November 2013, demand deposits, savings and short-term deposits declined by 6.74 percent and 0.77 percent, respectively. Long-term deposits increased by 0.90 percent (Table 2). The increase in long-term deposits is a positive development for long-term financing.

Source: Reserve Bank of Zimbabwe Monthly Economic Review
As at November 2013, the composition of total bank deposits was as follows (Figure 10): demand deposits (51.06 percent), savings and short-term deposits (32.74 percent) and long-term deposits (16.20 percent). It is of concern that increasingly, banks have a limited ability to transform short-term deposits into the long-term loans required by industry.

The loan-to-deposit ratio, calculated on the basis of total bank deposits, as well as external and domestic sources of funding, increased from 91.2 percent in November 2012 to 97.2 percent in November 2013 (Figure 8). Since dollarization, the banking sector has shown its commitment to supporting the private sector by lending a bigger part of the deposits. The majority of the deposits are of a short-term nature and therefore limit the scope for lending to long-term projects.
As of November 2013, bank credit to the private sector was distributed as follows (Figure 10): loans and advances (83.7 percent), mortgages (9.8 percent), bills discounted (2.7 percent), other investments (1.9 percent), and bankers’ acceptances (1.9 percent).

The distribution of bank loans and advances to the private sector was as follows (Figure 11): agriculture (17.7 percent), distribution (17.6 percent), services (16.6 percent), individuals (16.1 percent), manufacturing (15.6 percent), other sectors (9.4 percent) and mining (7.0 percent).

Salary-based loans to individuals still dominate loans and advances. Most banks prefer to lend to salaried individuals, given the high loan default rates in the economy.

Figure 9. Loan to Deposit Ratio

[Graph showing loan to deposit ratio from Nov-12 to Nov-13]

Source: Reserve Bank of Zimbabwe Monthly Economic Review

Figure 10. Distribution of Bank Credit to the Private Sector in November 2013

[Pie chart showing distribution of credit with loans and advances at 83.8%]

Source: Reserve Bank of Zimbabwe Monthly Economic Review

Figure 11. Sectoral Distribution of Bank Loans & Advances in November 2013

[Pie chart showing sectoral distribution with agriculture at 17.7% and distribution at 16.1%]

Source: Reserve Bank of Zimbabwe Monthly Economic Review
2.5 Other Financial Sector Developments

The Reserve Bank of Zimbabwe, with the approval of the Ministry of Finance and Economic Development on 6 December 2013, cancelled the banking license for Trust Bank over the violation of the Banking Act (Chapter 24:20) and management’s abuse of depositors’ funds. In 2005, Trust Bank had been put under curatorship for imprudent banking practices and its banking license was reissued in September 2011. Prior to the second cancellation of its banking license, Trust Bank had been critically undercapitalized. Core capital had been USD 1.90 million against a required minimum capital level of USD 75 million by December 2013 and USD 100 million by June 2014. According to the December 6, 2013 RBZ Public Notice, Trust Bank had also been posting persistent losses since inception with a cumulative loss position of USD 18.01 million. The institution has been facing critical liquidity challenges owing to a poor loan book, inadequate working capital and gross abuse of depositors’ funds. The Reserve Bank will, in conjunction with the Deposit Protection Corporation, institute liquidation proceedings in order to facilitate payments to depositors and other creditors. The Minister of Finance and Economic Development, the Honorable Patrick Chinamasa, in his 2014 National Budget presentation on 19 December 2013, stated that 13 out of 23 banks had fallen below the liquidity prudential requirements by August 2013. Given the above information, the financial sector’s contribution to the national economy in the year 2014 is likely to be minimal due to the challenges the sector is facing.

2.6 Fiscal Developments

Revenues outturn

The government revenue outturn has witnessed a declining trend from USD 353.43 million in September through to November 2013 (Figure 12). Actual revenue inflows for November 2013 amounted to USD 259.1 million. This was 26.33 percent lower than the target of USD 351.7 million, making November the third consecutive month in which actual revenues missed the targets. Against the background of missed targets, the cumulative revenue outturn to November 2013 of USD 3.360 billion was 1.04 percent lower than the cumulative target of USD 3.395 billion. The lower revenue outturn can be attributed to lower corporate tax performance, on the back of low industrial capacity utilization and delays by some companies to submit corporate tax returns (MoFED 2013). Hence, the corporate tax outturn for November of USD 321.41 million was 8.35 percent lower than the target of USD 350.68 million. Other underperforming tax heads included customs duty and VAT, which missed targets by 5.61 and 6.73 percent, respectively. This can be attributed to the current low liquidity situation, which suppressed consumption.

Figure 12. Fiscal Developments from January to November 2013

![Figure 12. Fiscal Developments from January to November 2013]

Source: Ministry of Finance, 2013

1 Treasury State of The Economy Report: November 2013
On the back of depressed performance of the major tax heads, that is, Corporate Tax, VAT, Customs Duty and PAYE, particularly during the last quarter, the 2013, the outturn is now projected at USD 3.6 billion, which will be slightly lower than the 2014 National Budget estimate of USD 3.722 billion.

**Expenditure Outturn**

Total expenditure for November 2013 amounted to USD 305.10 million, resulting in the Government incurring a cash deficit of USD 45.99 million (Figure 6). Capital expenditure, which had increased from a monthly average of USD 19.97 million to USD 101.87 million in October 2013, fell to USD 16.68 million. The fall in capital expenditure was offset by increased expenditure in the recurrent budget, particularly employment costs, given that part of the civil service received their bonuses in November. As such, the recurrent budget of USD 288.42 million accounted for 94.53 percent of the total expenditure, of which 63.05 percent were employment costs at USD 181.84 million.

Cumulative expenditure to November amounted to USD 3.534 billion, of which 89.87 percent (USD 3.176 billion) were recurrent, while the remaining USD 298.25 million were devoted to capital projects. On the back of underperforming revenues, the Government overall balance worsened from a deficit of USD 127.71 million at end-October to USD 174.00 million by end-November 2013. This is a major concern towards meeting the country’s fiscal commitments under the Staff Monitored Program, particularly, the need to align expenditure to the available fiscal revenues and gradually rebuild international reserves from the current low of 0.2 months\(^2\) of import cover.

### 2.7 External Sector Developments

Statistics from Zimbabwe National Statistics Agency (ZIMSTAT) show that for the period January to November 2013, total exports amounted to USD 3.26 billion. Total exports for the eleven months to November fell by 8.76 percent in 2013 compared to the same period in 2012. This shows that it is unlikely that the estimated target of USD 4.43 billion for 2013 will be attained, as exports for December would have to be over a billion dollars, at a time when exports for the eleven months averaged only USD 296 million. Although exports were high during the last four months for the period under review (Figure 13), the liquidity concerns that were raised towards the end of 2013 are likely to suppress the December exports level.

The 2014 National Budget Statement revealed that total imports for the year 2013 are expected to reach USD 7.682 billion. Total imports for the eleven months to November 2013 amounted to USD 7.51 billion, increasing by about 4.9 per cent compared to the same period in 2012.

![Figure 13. Imports and Exports statistics, Zimbabwe, January to November, 2012 and 2013](ZIMSTAT)

\(^2\) IMF Staff Monitored Program 2013
The 2014 National Budget has provided for some protectionist measures through higher customs duty for some few finished products, aimed at controlling imports while at the same time cushioning the local industry against competition from foreign suppliers. However, given the attendant challenges in the local industry such as ageing equipment and machinery, power outages and challenges with access to credit, the effect in the long run could be upward pressure on inflation due to higher prices.

The trade deficit has continued to grow in 2013 to about USD 3.9 billion for the eleven months to November. This is an increase of about 19.9 per cent compared to the same period in 2012. A trade deficit that exceeds the value of exports reveals the difficulties that would be encountered in trying to cancel it out through increased exports. It is therefore likely that 2014 will continue to be characterized by a trade deficit, which exacerbates the country’s balance of payment position.

3. STOCK MARKET DEVELOPMENTS

In December 2013, the industrial index opened trading at 213.91, losing 11.79 points to close the month at 202.12, while the mining index opened the month at 47.02, shedding 1.23 points to close at 45.79. Market capitalization, which had reached USD 5.5 billion in November 2013 lost 5.47 percent to USD 5.2 billion in December 2013. This was mainly due to liquidity constraints, as local investors did not have excess funds to invest on the local equities market.

There was increased participation by foreign investors on the local bourse in December 2013 compared to November 2013, as evidenced by the increase in the value of shares bought and sold by foreign investors by 46.56 percent and 129.23 percent, respectively, while the volume of shares bought and sold also increased by 167.99 percent and 261.95 percent, respectively. This partly indicated low confidence on the local bourse as there were more shares being disposed of, compared to shares bought by foreign investors.

On a year-on-year comparison, despite the poor performance by the industrial index in December 2013, the index surpassed its performance in December 2012 to close at 202.12 compared to 152.4 in the same period last year. On the other hand, the mining index closed at 45.79 in December 2013, remaining below its performance in December 2012, which had closed at 65.12 (Figure 8).

Turnover value and volume increased by 90.79 percent and 132.28 percent, respectively, from December 2012 to December 2013. Market capitalization grew by 31.28 percent from USD 3.96 billion in December 2012 to USD 5.2 billion in December 2013 (Table 3). There was increased participation in the local bourse by foreign investors in December 2013 compared to the same period last year with both the value and volume of shares bought by foreigners increasing by 219.66 percent and 349.43 percent, respectively. On the other hand the value and volume of shares sold foreigners also increased by 259.65 percent and 274.34 percent, respectively.

Table 3. Summary Statistics for the Zimbabwe Stock Exchange for December, 2012 and 2013

<table>
<thead>
<tr>
<th></th>
<th>Dec-12</th>
<th>Dec-13</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover Value (USD)</td>
<td>25,789,640.16</td>
<td>49,204,843.94</td>
<td>90.79</td>
</tr>
<tr>
<td>Turnover Volume</td>
<td>123,847,715.00</td>
<td>287,677,683.00</td>
<td>132.28</td>
</tr>
<tr>
<td>Industrial Index</td>
<td>152.40</td>
<td>202.12</td>
<td>32.62</td>
</tr>
<tr>
<td>Mining Index</td>
<td>65.12</td>
<td>45.79</td>
<td>-29.68</td>
</tr>
<tr>
<td>Foreign-bought Value (USD)</td>
<td>10,892,405.30</td>
<td>34,818,400.43</td>
<td>219.66</td>
</tr>
<tr>
<td>Foreign-sold Value (USD)</td>
<td>8,760,906.64</td>
<td>31,508,764.27</td>
<td>259.65</td>
</tr>
<tr>
<td>Foreign-bought Volume</td>
<td>36,048,484.00</td>
<td>162,011,371.00</td>
<td>349.43</td>
</tr>
<tr>
<td>Foreign-sold Volume</td>
<td>35,895,421.00</td>
<td>134,369,161.00</td>
<td>274.34</td>
</tr>
<tr>
<td>Market Capitalization (USD)</td>
<td>3,963,534,353.00</td>
<td>5,203,129,775.00</td>
<td>31.28</td>
</tr>
</tbody>
</table>

Source: Zimbabwe Stock Exchange
4. CORPORATE SECTOR DEVELOPMENTS

The 2014 National Budget revealed mixed scenarios for the corporate sector submarkets. The distribution sector, for example, is doing relatively well, although it is retailing mostly imported products which are cheaper than locally produced products. The construction sector is also expected to grow by 11 percent in 2014 due to an expected upsurge in public and private housing projects.

It is largely the manufacturing sector that has failed to recover. The sector has been experiencing challenges since dollarization, which has seen several companies closing shop as deindustrialization took its toll. The sector is expected to record a modest growth in 2014, with the 2014 National Budget estimating that it would grow by 3.2 percent. However, given the current challenges, it is possible that the projected growth might not be realized.

The growth driver for 2014 is expected to be the customs duty regime that would take effect in 2014, which would see raw materials entering the country duty free while some finished products would face increased customs duty. The imposition of duty on raw materials was a distortion that had been raised on several occasions by industry since some finished products, using the same raw materials, were entering the country duty free. Thus, the measures would go a long way towards improving the competitiveness of the local industry.

Some key issues that determine the fate of the manufacturing sector still need attention. For example, the general reforms in doing business that the country has to embrace to attract investment into the sector need attention, as they have remained outstanding for a long time. These reforms include the procedures and legal framework that act as disincentives in starting a business such as registering property, dealing with construction permits and trading across borders. Although these are noted in the budget statement, it is not likely that a swift movement would be seen in this regard as previous budget statements have failed to elicit action. There is a need for new investors into the sector to ensure that new technology and production systems also filter into the sector.

Another key determinant of success for the manufacturing sector is the issue of access to credit. Firms are struggling to get long-term and cheaper funds that are commensurate with production. The distribution and services sectors have been crowding out manufacturing activity in the loans market as they can make business within the short credit tenor available. Thus, the success with which the budget statement deals with the funding crisis will also help in determining whether the manufacturing sector can recover. As this has not been adequately addressed under the 2014 Budget Statement, the challenges are expected to continue.