SELECTED ECONOMIC INDICATORS

	December 2010 (End Period)
Z.S.E Mining Index	200.4
Z.S.E Industrial Index	151.3
Money Supply (M3) Growth*	79.0%
Yearly Inflation	3.2%
Interest Rates (Per Annum)	
Average Lending Rates**	30.6%
Average Demand Deposit Rates	1.2%

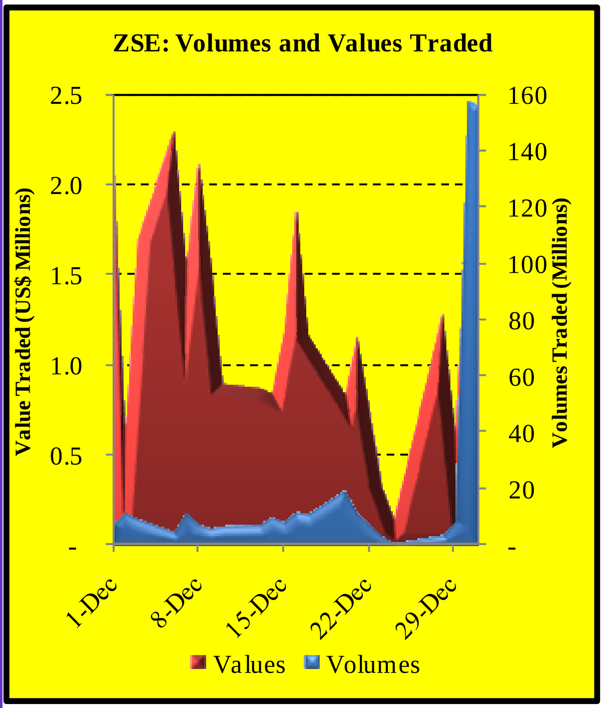
Z.S.E: Zimbabwe Stock Exchange

* November 2010

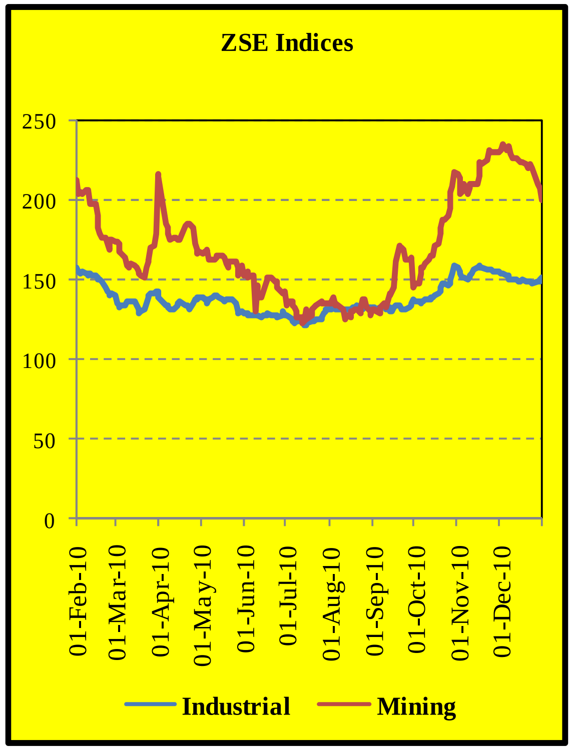
** Lending Rate— Libor + margin

Stock Market Developments

In December 2010, the holiday effect weighed in on the volumes traded on the local bourse. The month under review was characterized by thin trading as most investors chose to delay the adjustment of their trading portfolios until January 2011.



There were, however, special trades on Steelnet (179.2 million shares) and General Beltings (100.1 million shares) that raised the total volume of shares traded for December to 485.7 million from November's 399.1 million shares.



The high volume of Steelnet and General Beltings shares, however, could not raise the total value of shares traded due to their low capitalisation. Consequently, the total value of shares traded declined from US$48.9 million in November to US$26.8 million in December 2010.

On a month-on-month basis, the industrial index declined by 2.2% from 154.6 points in November to 151.3 points in December 2010. During the same period , the mining index also shed 13.1% to 200.4 points in December 2010.

Banking Sector Developments

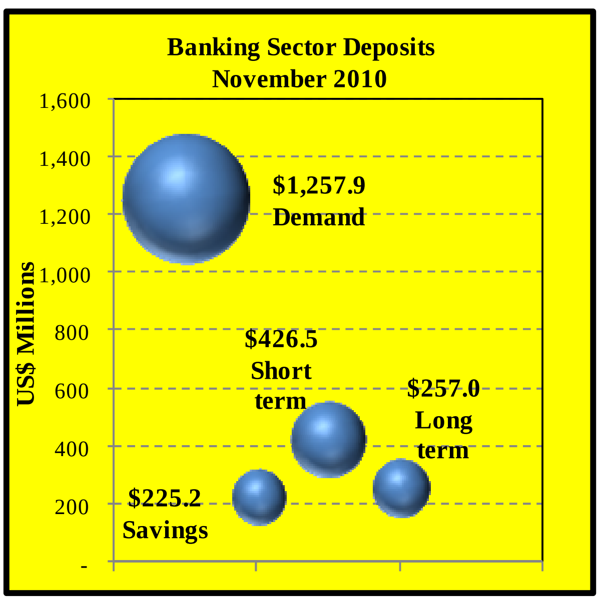
Broad money (M3), defined as the total deposits in the banking system less Government deposits, increased from US$1 407.8 million in January 2010 to US$2 137.8 million in November.

On a month-on-month basis, M3 grew by 3.2 percent in November 2010, from US$2 070.7 million recorded in October.

Short term deposits, which are transitory in nature, continue to dominate broad money. On average, short term deposits, constituted above 90% of total deposits for the period January to November 2010.

The high component of short term deposits, in part, reflects the dominance of cash based transactions in the economy.

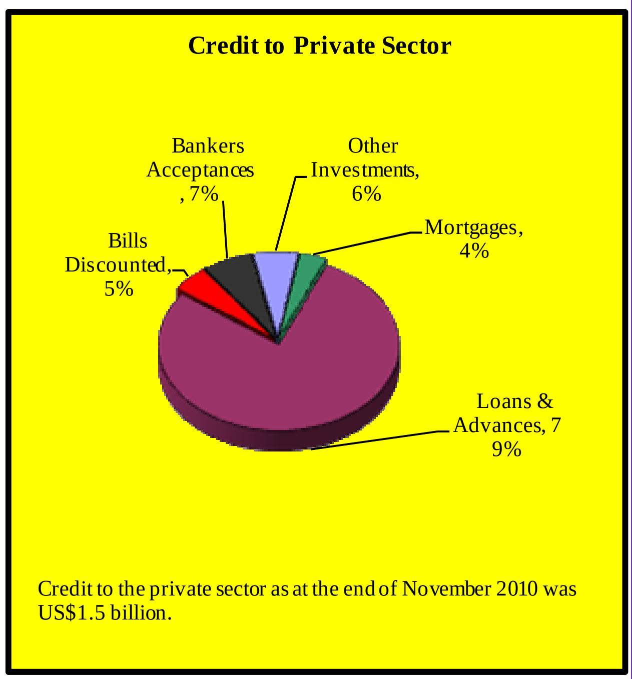
Credit to the private sector grew from US$738.7 million in January 2010 to US$1 485.4 million in November 2010. Resultantly, the loans to deposit ratio increased from 52.4% in January 2010 to 69.5% in November 2010. The growth in the ratio shows growing confidence in the economy and the subsiding risk averseness.



The loans to deposit ratio *less* offshore financing, which reflects loans advanced using locally mobilised funds, increased from 50.8% in January 2010 to 66.8% in November 2010.

The high liquidity risk, owing to the absence of a lender of last resort and a non-functioning inter-bank market, has hampered financial intermediation. Lending continued to be largely of short term tenure and at punitive rates of around 35% per annum.

Credit to public enterprises amounted to US$21.7 million in November 2010, of which



US$4.2 million was advanced to Air Zimbabwe, US$3 million to NRZ and US$2.3 million to Grain Marketing Board, and the remaining amount was utilised by other various parastatals.

Inflation

Annual headline inflation for December 2010 decelerated by 1 percentage point to 3.2%, from 4.2% recorded in November 2010. The annual average inflation for 2010 is estimated at 3.1%, compared to the original National Budget target of 4%.

The deceleration in annual inflation was driven by both food and non-food inflation. Food inflation fell from 9.79% in November, to 7.34% in December 2010, and non food inflation from 1.86% in November, to 1.52% in December 2010.

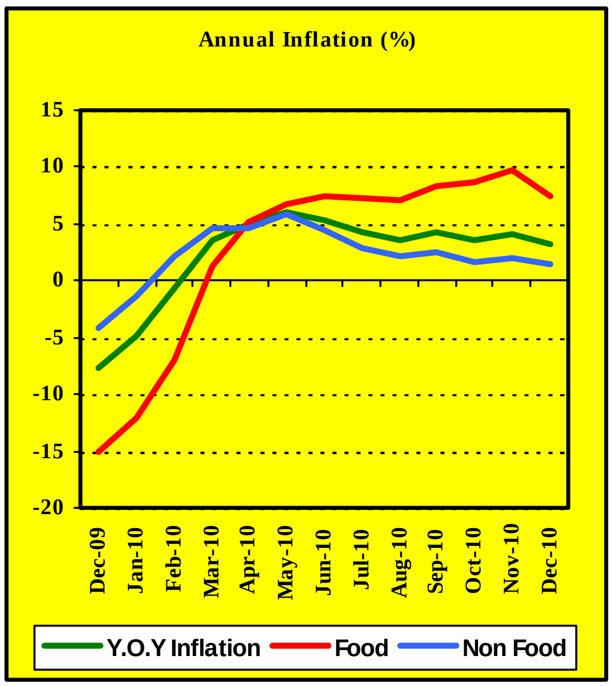
Annual non food inflation was largely driven by increases in prices of alcoholic beverages and tobacco, and restaurants and hotels, which surged by 10.3% and 5.8%, respectively, in response to the fervent festive season.

Monthly inflation for November 2010 decreased to -0.4%, down from 0.5% in November 2010, largely driven by a decline in food inflation. Month-on-month food inflation receded from 1.35% in November 2010, to -1.56% in December 2010.

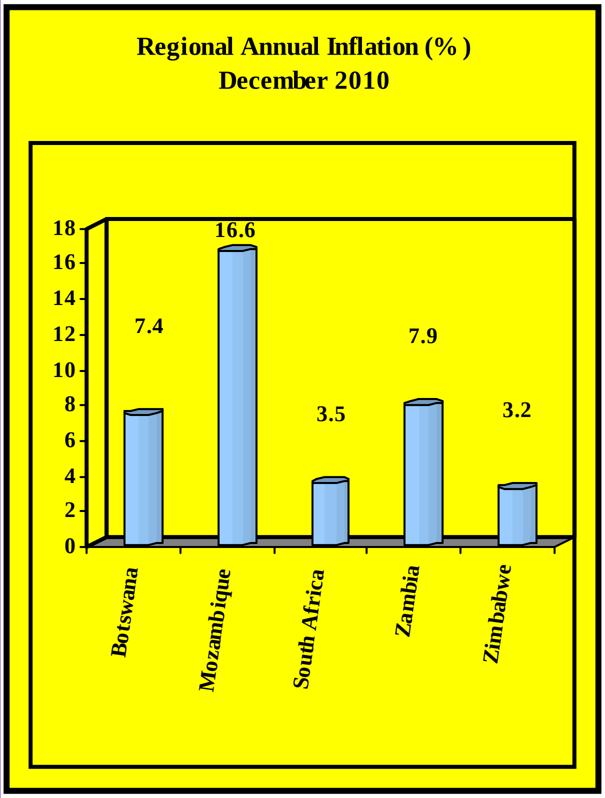
Monthly food inflation declined to -1.56% in December 2010, down from 1.35% recorded in November 2010, underpinned by declines in the fruits (-13.5%), oil and fats (-4.9%), and mineral waters and soft drinks (-2.1%).

The decline in prices of fruits is as a result of increases in the supply of fruits during the summer season.

Monthly non food inflation decelerated to 0.06% in December 2010, down from 0.11% in November 2010, largely driven by Housing, water, electricity, gas and other fuels (-0.43%), Education (-0.14%), Transport (-0.13%), and communication (-0.12%).



Zimbabwe's annual inflation for December 2010, which stood at 3.2%, remains below inflation rates in other countries in the region. Zimbabwe imports most of its retail products from South Africa. As such, Zimbabwe's inflation profile is, to a large extent, influenced by price developments in South Africa.



Quarterly annualized inflation, which captures the current build up of inflationary pressures, decelerated to 0.93%, down from 2.98% recorded in November 2010, reflecting a temporary dampening of inflationary pressures.

In the short to medium term, inflation developments will largely be influenced by the rand/US exchange rate and the behavior of international oil prices.The firming of the rand against the US dollar will continue to induce inflationary pressures in the economy.

The increase in international oil prices continues to induce cost push inflationary pressures in the economy. Reflecting increases in international oil prices, domestic fuel prices increased by between 15% and 20% in December 2010. The increase in fuel prices is expected to result in wide spread price hikes in the economy.