SELECTED ECONOMIC INDICATORS

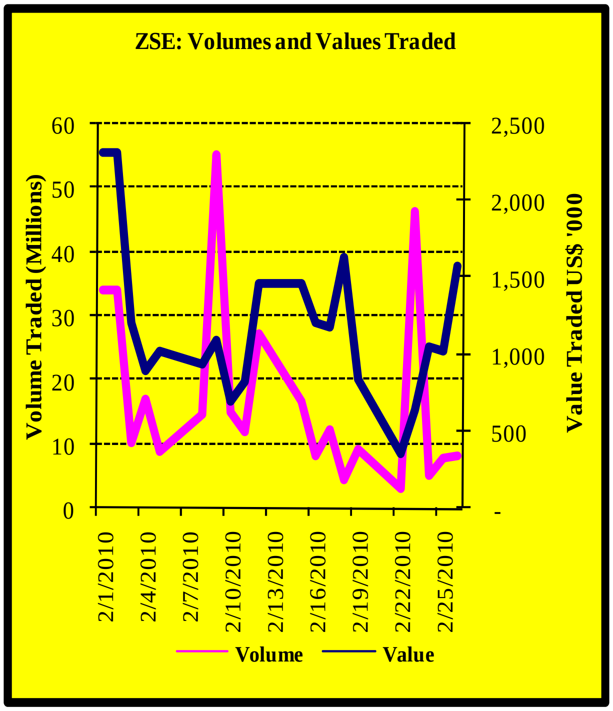
	March 2010 (End Period)
Z.S.E Mining Index	216.85
Z.S.E Industrial Index	142.37
Money Supply (M3) Growth*	29%
Yearly Inflation	3.6%
Interest Rates (Per Annum)	
Average Lending Rates**	29.3%
Average Demand Deposit Rates	1.15%

Z.S.E: Zimbabwe Stock Exchange

* Provisional December 2009
** Lending Rate— Libor + margin

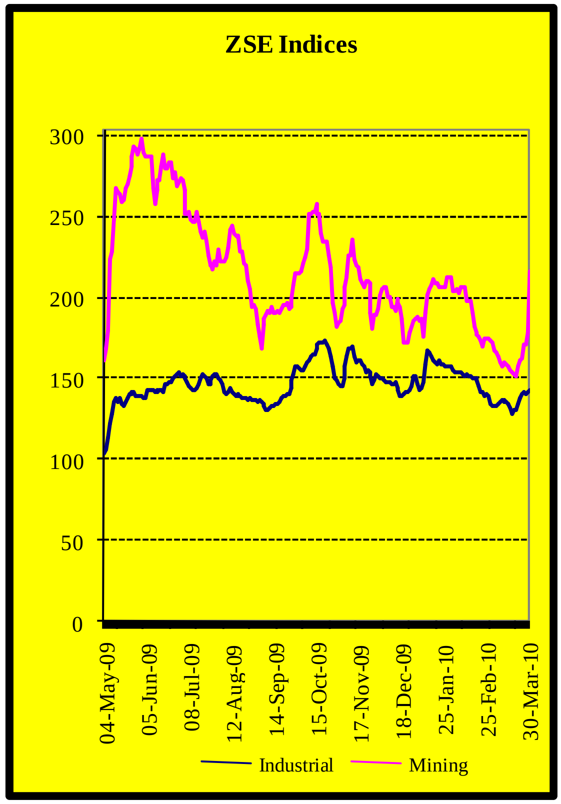
Stock Market Developments

During the month of February 2010, the local bourse was affected by the uncertainty surrounding the indigenisation regulations. The Zimbabwe stock exchange (ZSE) recorded a slowdown in volumes and values traded from



34 million shares at a value of US$2.3 million at the end of January 2010 to 8.3 million shares at a value of US$1.6 million as the end of February 2010.

This resulted in the both the mining and industrial indices falling from 212.27 and 157.36 to 175.08 and 140.37, respectively.



The overall performance of the ZSE will continue to be affected by limited liquidity in the economy and the perceived country risk.

Banking Sector Developments[1]

On a month-on-month basis, total banking sector deposits registered a 9.2% growth between January and February 2010, to US$1.5 billion. The growth was driven by a 3.9% monthly expansion in demand deposits. Demand deposits rose to US$1.1 billion and accounted for 72% of total deposits.

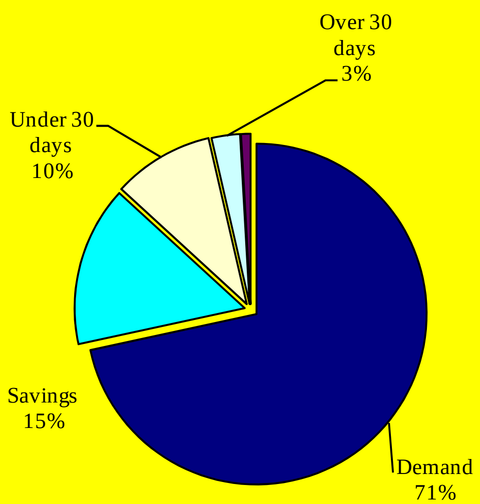
1. All banking statistics are provisional.

Total short term deposits accounted for 96.4% of total deposits. The current structure of deposits reflects low confidence in the banking system and low incomes in the economy. Consequently, long term deposits were 3.6% of total deposits.

The bulk of the deposits, 35.8%, came from the services sector which also includes local authorities and the Zimbabwe Electricity Supply Authority (ZESA). Households contributed 14.7% to total deposits.

Credit to the private sector by banks, increased from $738.1 million in January 2010 to $784.3 million in February 2010.

Banking Sector Deposits



Total Deposits as at the end of February 2010 were US$1.5 billion.

Credit to the private sector as a component of total deposits at banks, decline marginally from ’s 52.4% in January to 50.7% in February 2010.

Credit to the private sector was mainly utilised for the procurement of raw materials (29.9%) and restocking (24.9%)

Companies that accessed credit were mainly in the distribution sector as they have stable cashflows.

Inflation

The year-on-year inflation rate for the month of March 2010, as measured by the consumer price index (CPI) stood at 3.5%, gaining 4.2 percentage points on the previous month’s rate of -0.7%. The month-on-month inflation rate stood at 1.1%, gaining 0.1 percentage points on the February 2010 rate of 1%. The monthly annualized inflation for the month under review was 14%, up from 12.7% recorded in February 2010.

The increase in annual inflation was a result of increases in food and non-alcoholic beverages, 1.23%, and non food inflation, 4.6%.The following food and non alcoholic beverages sub-categories were the major annual inflation drivers

On a yearly basis, non– food inflation was recorded at –1.3% in January 2010 compared to –4.2% in December 2009. the rise was

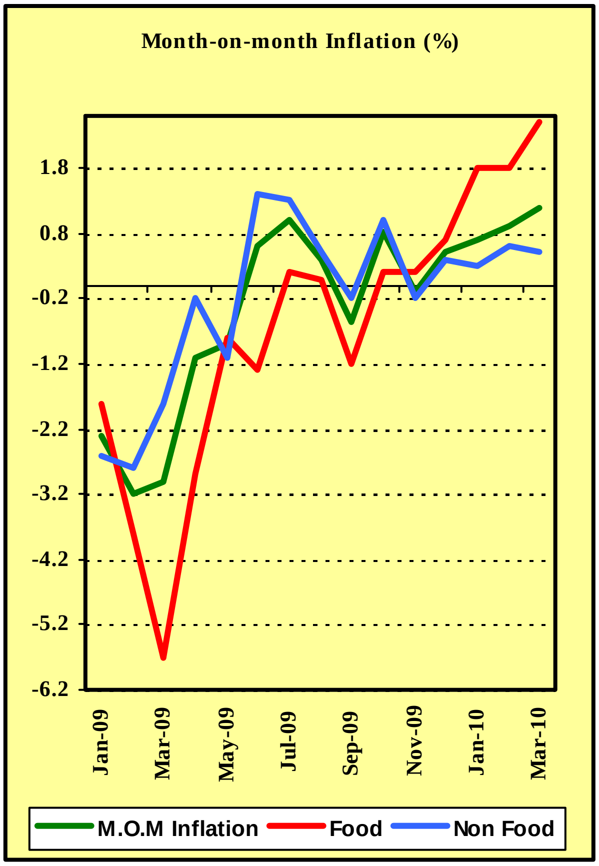
driven a 0.3% month on month rise in non

2.DMBs consists of commercial banks, merchant banks and discount houses.

3. OBIs consists of building societies, finance houses and the People’s Own Savings Bank (POSB).

food inflation.

As the year progresses into the winter where aggregate demand for most CPI ma-



jor groups including housing, water, electricity and gas, clothing and footwear will outweigh aggregate supply, as well as increased demand for food and non alcoholic beverages and tourism related products ahead of the 2010 south Africa soccer show case, some creeping inflation is expected in the short to medium term.

Furthermore, developments on the external market, with the US dollar's continued depreciation against the ZAR, when most of the country's import requirements are US dollar denominated, is likely to pose some imported as well as cost push inflation in the medium term.

Public Finance

Total Government revenue for February 2010 was US$148.7 million, reflecting a 22% rise from January's US$121.3 million. Tax revenue rose by 32% to US$130.3 million whilst non-tax revenue increased from US$3.6 million to US$6.2 million.

Revenue mainly came from taxes on goods and services which accounted for 61% of total revenue at US$90.7 million. Taxes on income and profits, however, accounted for 26.6% at US$39.6 million. These statistics reflect that there is a large part of the economy that is in formal. The incomes and profits from this section of the economy are only taxed at consumption.

Government expenditure for the month of February rose by 64% from US$92 million in January to US$150.9 million. Recurrent expenditure, at 78.2% of total revenue, rose by 50.4% to US$118 million. This growth was underpinned by a 63.5% rise in employment costs to US$69.8 million.

Current transfers registered an 88.1% growth

4.The Zimbabwean economy introduced settlement in USD with effect from 14 April 2009.

5.NB ZETSS still had Zimbabwe dollar transactions while some banks were already issuing foreign currency on ATMs and had POS machines that were operating in foreign currency.

to 69.8 million on the back of pensions and other grants. Major declines were in foreign travel, from US$2.2 million to US$1.1 million, and rental and other services, from US$4.7 million to US$4.2 million.

Capital expenditure rose to US$10.5 million from US$3 million in January. The Zimra, Noczim, and Aids grants, declined from US$10.5 million to US$7.4 million.

The above revenue and expenditure developments resulted in a budget deficit of US$11.3 million. This was financed by borrowing from the domestic banking sector.

The rise in inflation will lead to another round of wage demands by civil servants. This will most likely to put the budget under pressure, given the limited revenues that are being collected.

Further, the existence of a significant informal economy means that there will be some revenue that is being lost by the Government which could have been used to implement capital projects.

The timely availability of external budgetary support will play a critical role in enabling the Government to meet its financial needs and also to implement capital projects which are expected to improve revenue generation. Also, there is a need for the Government to manage expenditure items such as external travel, employment costs, and pensions.

Payments Activity through Cards, Zimbabwe Electronic Transfer and Settlement System (ZETSS) and Cheques for February 2010[4]

Cards

The total value of card based transactions during the month of February 2010 increased by 270% from USD$3.7million to US$13.7 million. Out of this, 87% were processed through ATMs and 13% through Point of Sale (POS) machines.

Zimbabwe Electronic Transfer Settlement System (ZETSS)[5]

The value of transactions processed through the RTGS system, known as Zimbabwe Electronic Transfer and Settlement System (ZETSS) increased by 7.5% from US$ 1.034 billion to US$ 1.112 billion. ZETSS volumes also increased by 16% from 91 654 in January 2010 to 106,367 transactions in the current month under review.

Mobile and Internet Based Transactions

The total value of mobile based transactions decreased by 4% from US$87,885 recorded in January 2010 to US$84,457 in February 2010, while internet transactions increased by 124 % to US$10.6 million during the period under review.

4.The Zimbabwean economy introduced settlement in USD with effect from 14 April 2009.
5.NB ZETSS still had Zimbabwe dollar transactions while some banks were already issuing foreign currency on ATMs and had POS machines that were operating in foreign currency.

Cheques

During the month under review the volume of cheque transactions increased by 25% from 7,864 in January to 9,838 transactions. The total value of cheques increased by 28% from USD$1.8 million in January 2010 to USD$2.3 million in February 2010.