SELECTED ECONOMIC INDICATORS

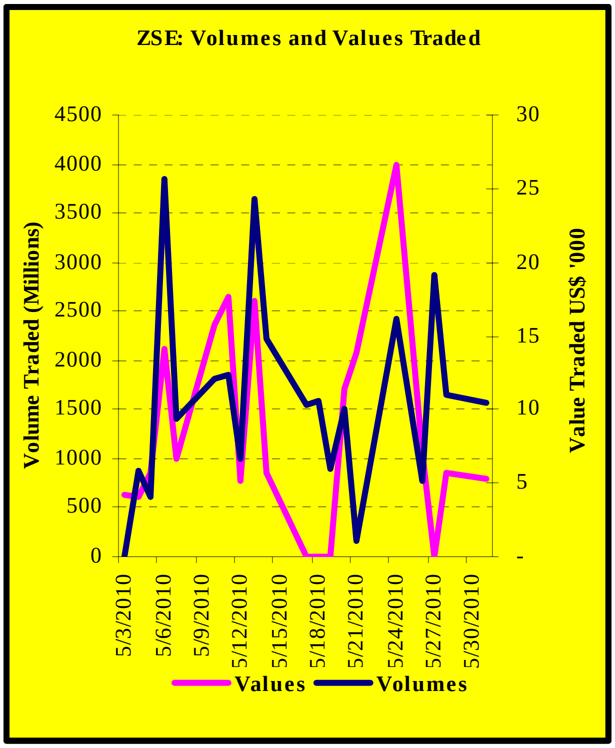
	May 2010 (End Period)
Z.S.E Mining Index	159.28
Z.S.E Industrial Index	129.40
Money Supply (M3) Growth*	253.7%
Yearly Inflation	6%
Interest Rates (Per Annum)	
Average Lending Rates**	20.7%
Average Demand Deposit Rates	1.13%

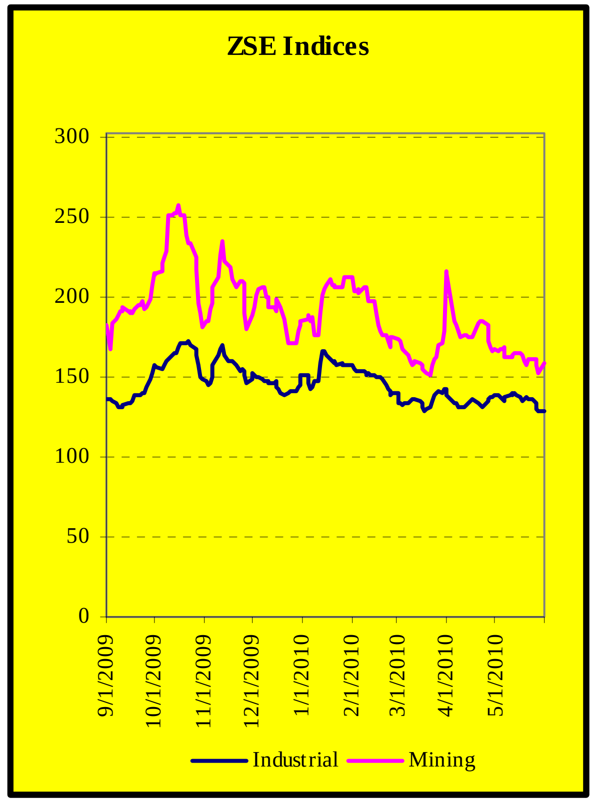
Z.S.E: Zimbabwe Stock Exchange

* Provisional April 2010
** Lending Rate— Libor + margin

Stock Market Developments

The adoption of a multi-currency framework created economic stability, predictability and a conducive environment for investors. Benefits of this positive development, however, did not reach the stock exchange. In the first half of 2010, trading on the local bourse was dented by uncertainty pertaining to indigenization regulations and a lack of liquidity in the economy. This was evident in the volume and values traded during this period. The inflows that were expected to come from donors as well as from Foreign Direct Investment (FDI) have not materialized.





Liquidity challenges constrained expansion programmes of most companies. There was a small pool of loanable funds from the banks which limited credit that could be advanced to companies. Also, lack of liquidity increased the level of credit risk in the economy and reduced profits for companies that sell capital and durable goods which are usually purchased on credit.

Further, political developments had a negative impact on investor confidence. Foreign investors were uncertain on whether the outstanding issues on the full implementation of

1. All banking statistics are provisional.

the Global Political Agreement (GPA) will be resolved.

Also, there were reports on the implementation of an Indigenisation levy. This would be levied on the turnover of companies that have net assets of over US$500 000. The funds collected would be used to sustain the Indigenization and Economic Empowerment Fund and finance empowerment programmes.

Overall, trading volumes declined from the January daily average of 37.3 million shares to April's daily average of 27.2 million shares. May recorded a significant improvement at a daily average of 68.2 million shares as a result of large share deals of CFX and Dairy Board Zimbabwe. Value of shares traded also exhibited a similar trend. Total value of shares traded for in January 2010 was $32.4 million as compared to $29.6 million in April. The total value of shares traded in May was $30.7 million.

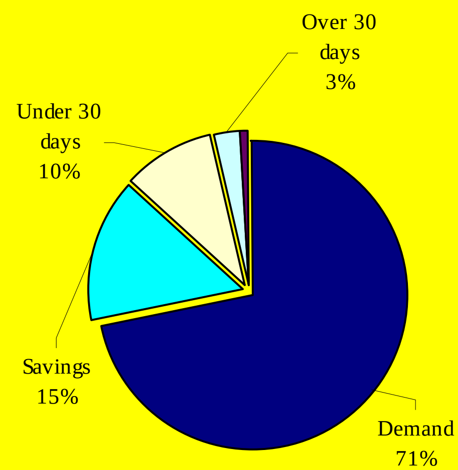
The main ZSE index, the industrial index recorded a loss of 6.9% between April and May 2010. On a year to date basis, the industrial index lost 14.8%. The mining index registered a 5.1% monthly loss between April and May 2010. Between January and May 2010, the mining index has declined 14.6%. The graph below shows the trend of the ZSE indices as a result of the challenges already highlighted above.

The local bourse has immense potential for investors. However, this potential is being inhibited by lack of liquidity, political risk, and the lack of clarity in terms of the indigenization policy. In the short to medium term, the bourse is projected to, to under perform.

Banking Sector Developments[1]

In April 2010, the broadly defined money supply (M3) registered a 253.7% annual growth. The M3 growth was underpinned a 213% annual growth in demand deposits, from US$359.5 million in April 2009 to US$1.1 billion in April 2010.

Banking Sector Deposits



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

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).

Short term deposits accounted for 82% of total deposits, reflecting an inclination towards a cash economy. On a month-on-month basis, total banking sector deposits registered a 3.7% growth between February and March 2010. The growth was as a result of a 62.9% monthly expansion in deposits with a maturity that is greater than 30 days. Further contributing to the growth was a 17.8% increase in savings deposits.

Deposits were mainly from the services sector (35.5%) which also includes local authorities and the Zimbabwe Electricity Supply Authority (ZESA). Households contributed 17.3% to total deposits.

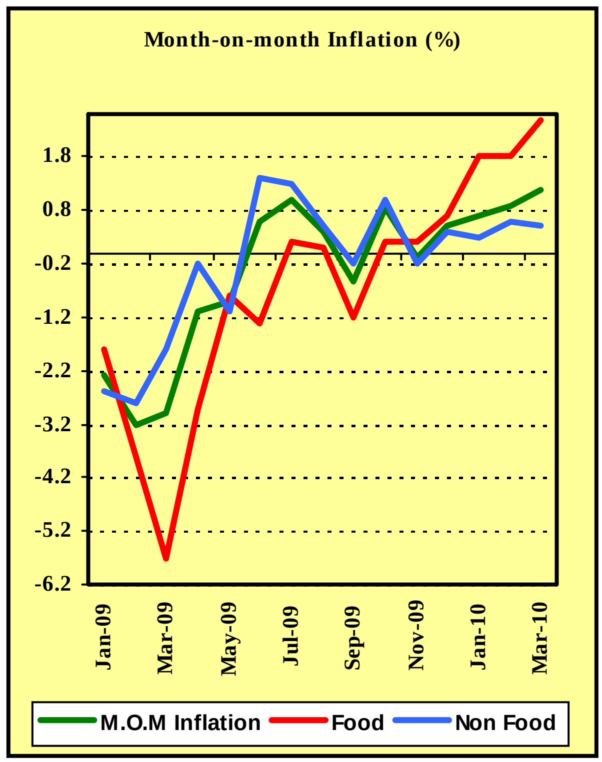
Credit to the private sector registered a 471.2% annual growth between April 2009 and April 2010. At the end of April 2010, total claims on private sector were US$937.1 million. This, however, reflected a 0.4% monthly decline between March and April 2010.

The above developments resulted in a loan to deposit ratio of 53.4%, a 2.2 percentage decline from March's 55.6%. Loans and advances extended to the private sector were mainly utilised for restocking finished goods (26.2%) and the procurement of raw materials (24%). These loans and advances were mainly to the distribution (24.1%) and Agriculture (23%) sectors.

Inflation

The month-on-month inflation rate rose at 0.3% in May 2010 compared to 0.1% in April 2010. The annualized inflation for May 2010 at 6.1%, compared to 4.8% in April 2010.

The food and non-alcoholic beverages month-on-month inflation for May 2010 was 0.57%; 0.33 percentage points lower than the April 2010 rate of 0.90%. The May 2010 non-food month-on-month inflation stood at 0.13% gaining 0.35 percentage points on the April rate of -0.22%.



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.

The major drivers of inflation during the month of May 2010 were; transport, 0.39%; food and non-alcoholic beverages, 0.57%; clothing and footwear, 0.04%; alcoholic beverages and tobacco, 1.17%; restaurants and hotels, 0.34, recreation and culture, 0.28% and health, 0.32%.

Inflation is projected to remain fairly stable, with month-on-month general price level expected to marginally rise for June and July owing to the World Cup fever. Some inflation is likely to be imported from South Africa as the country imports most of its products from South Africa. However, inflation is anticipated to subside in August owing to demand deficiencies that are likely to be experienced after World Cup.

Public Finance

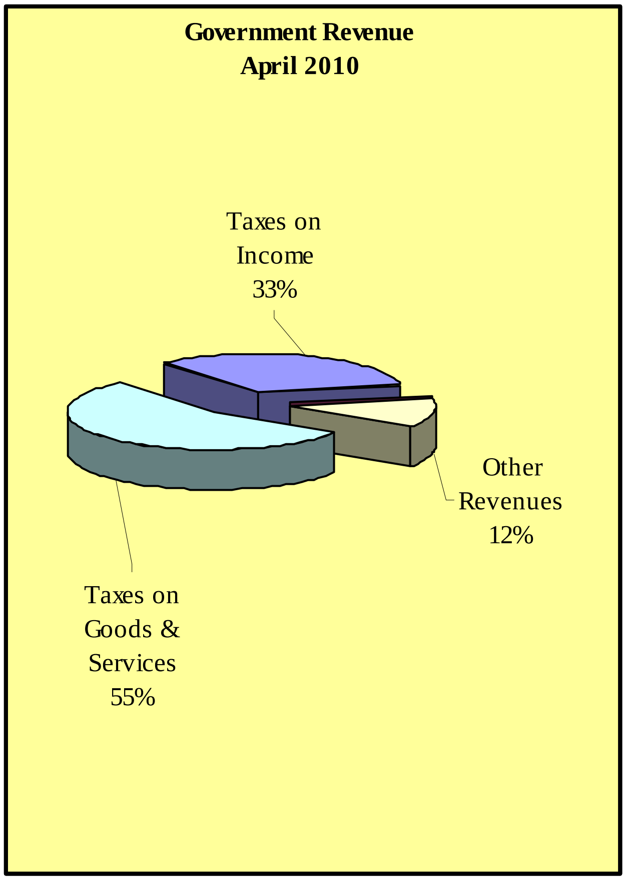
Fiscal revenue for the month of April 2010, amounted to US$172.5 million. This represents a 14% decline from March's US$201.4 million. Excise duties declined by 61% to US$7.3 million and Value Added Tax (VAT) decreased by 8% to US$57.1 million.

In April 2010, non-tax revenue rose by 69% to US$8.8 million. Retained revenue, however, fell by 50% to US$12.7 million.

Total Government expenditure and net lending for the month of April 2010 totalled US$150.7 million, reflecting a 3.1% decline from March's US$155.5 million.

Recurrent expenditure accounted for 80% of the total expenditure mainly in the form of employment costs, which amounted to US$58.7 million. Capital expenditures amounted to US$3.1million or 5% of total expenditures.

The budget surplus, including grants, amounted to $21.8 million.



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

Cards

The total value of card based transactions during the month of May 2010 increased by 11 % from USD$21.5 million to US$ 24.million. Out of this, 84% were processed through ATMs and 16 % 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) remained at US$1.6 billion. ZETSS volumes increased by 7 % from 116,791 in April 2010 to 125,377 transactions in the current month under review.

Mobile and Internet Based Transactions

The total value of mobile based transactions decreased by 4 % from US$98,430 recorded in April 2010 to US$94,817 in May 2010, while internet transactions increased by 17% to US$15.2 million during the same period.

Cheques

During the month under review the volume of cheque transactions increased by 22% from 10,925 recorded in April 2010 to 12,967 transactions. The total value of cheques increased by 19 % from USD$2.7 million to USD$3.3 million for the same period.