SELECTED ECONOMIC INDICATORS

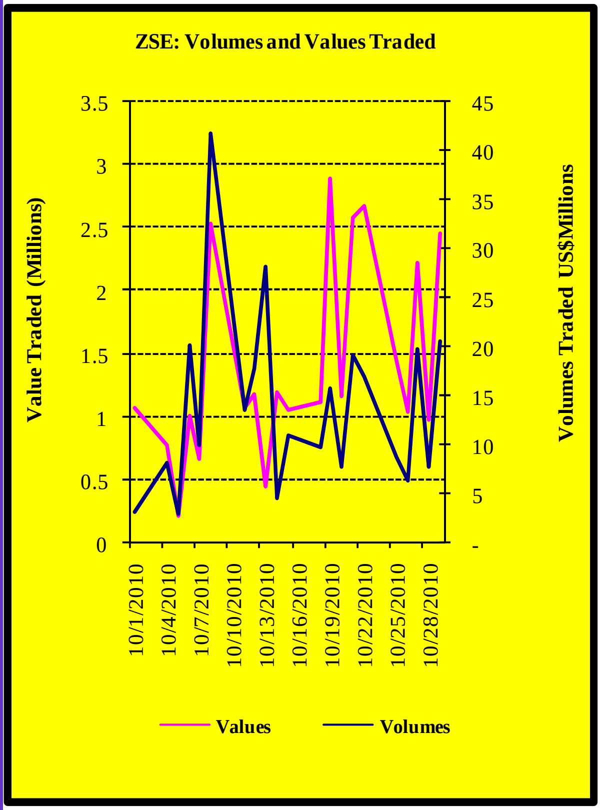
	October 2010 (End Period)
Z.S.E Mining Index	217.1
Z.S.E Industrial Index	157.7
Money Supply (M3) Growth*	136.2%
Yearly Inflation	3.6%
Interest Rates (Per Annum)	
Average Lending Rates**	29.6%
Average Demand Deposit Rates	1.15%

Z.S.E: Zimbabwe Stock Exchange

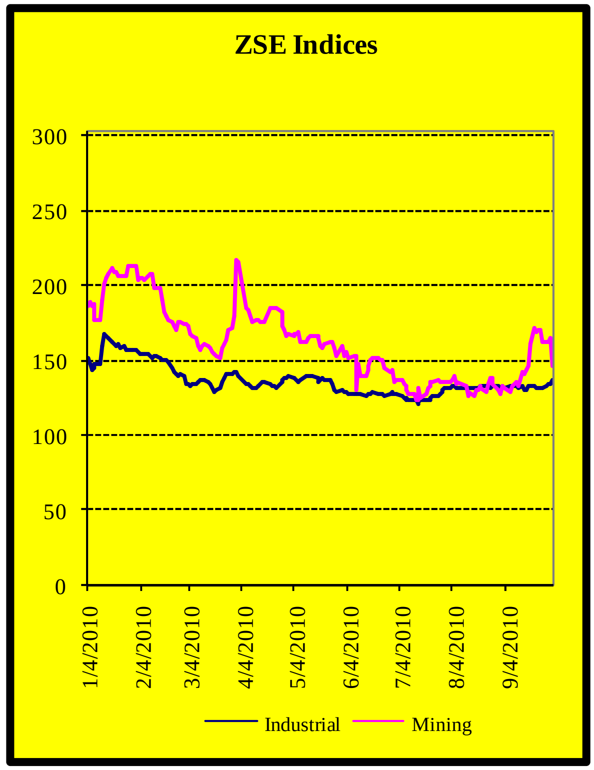
*   September 2010
** Lending Rate— Libor + margin

Stock Market Developments

The current undervaluation of shares on the ZSE has attracted foreign investors. Most of the listed companies are currently undervalued due to the perceived country risk yet they have solid fundamental values.



Most listed companies posted better than expected half year results in 2010. In addition, they have prospects for growth and to continue being profitable. These half year results coupled with the growth prospects have further increased external interest in the local bourse.



As a consequence of the renewed external interest, volumes and values traded averaged 14.2 million shares and US$2 million in October 2010.

The above developments resulted in the key industrial index registering a 3.8% year-to-date gain to 157.71 points as at 30 October 2010. The industrial index is expected to remain on an upward trend until December, the profit taking month.

The loss of value in the US dollar has resulted in investors moving their funds to gold and platinum. These metals are also used as hedge instruments against currency risk. The demand for gold and platinum has firmed up their prices.

The firming of metal prices on the world market has raised the mining index to 217.07 points as at the end of October 2010. This reflects a 16.4% year-to-date gain. Prospects are high in the Zimbabwe mining sector given that gold is forecasted to be above US$1 500/ounce on the world market by June 2011.

The surge in activity on the ZSE in October saw the market capitalization of the local bourse reaching almost US$4 billion. Market capitalization rose from US$3.4 billion as at end of September to US$3.98 billion in October.

The local bourse has immense potential for investors. However, the potential is hampered by liquidity constraints, and perceived country risk.

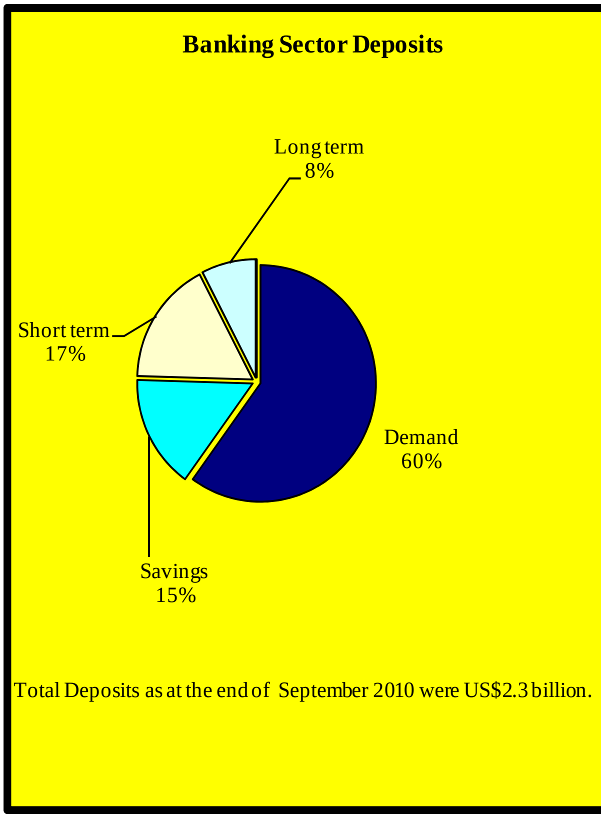
Banking Sector Developments

Total deposits in the banking system, increased from US$1 407.8 million in January 2010 to US$2 289.5 million in September.

On a month-on-month basis, total deposits grew by 12.2 percentage points in September, compared to 6.4 percentage points recorded in August 2010.

Short term deposits, which are transitory in nature, continue to dominate broad money. These constituted over 90% of total deposits for the period January to September 2010.

The high component of short term deposits is partially attributable to the dominance of cash based transactions in the economy.

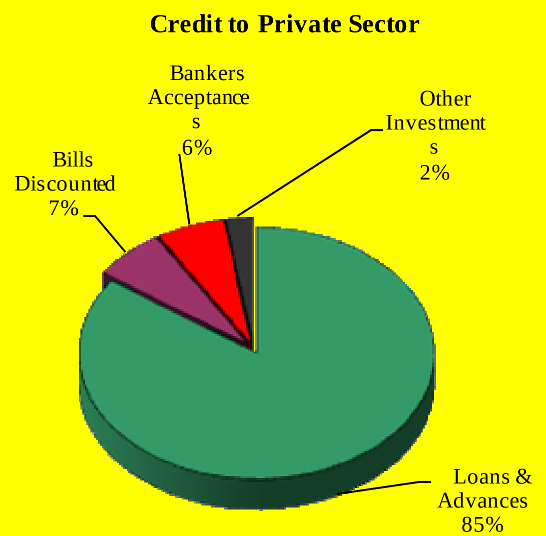


Credit to the private sector grew from US$ 738.7 million in January 2010 to US$1 429.8 million in September 2010.

The loans to deposit ratio increased, from 52.4% in January 2010 to 62.4% in September 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 58.8% in September 2010.

The proportion of offshore finance in total loans to the private sector increased from 3.1% in January 2010 to 5.9% in September. The small proportion reflects that financing of the economy by banks is largely done using locally mobilised resources.



Credit to the private sector as at the end of September 2010 was US$1.4 billion.

Furthermore, utilisation of offshore lines of credit by economic agents has been low partly owing to stringent disbursement preconditions of set by creditors. The preconditions are largely in the form of administration fees, down payments and collateral.

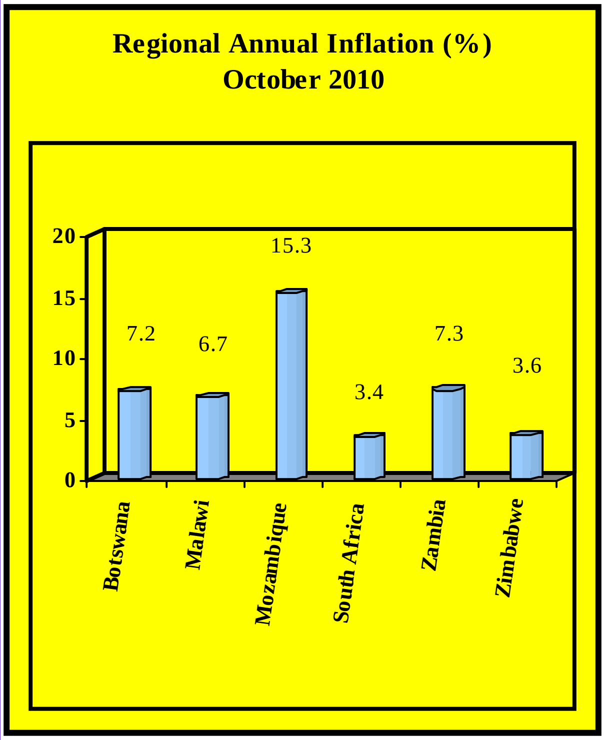
The high liquidity risk owing to limited interbank lending has hampered financial intermediation. Lending continued to be largely of short term tenure and at punitive rates of around 35% per annum.

Following the introduction of the cash budgeting system, Government has been in a surplus position from April 2009 to September 2010. As at end of September 2010, Central Government deposits held at CBZ, FBC and RBZ (major account holders) amounted to US$178.6 million.

Credit to public enterprises amounted to US$29.8 million in August 2010, of which US$14.9 million was advanced to Grain Marketing Board, US$3.7 million to Air Zimbabwe and the remaining amount was utilised by other parastatals.

Inflation

Annual inflation which is measured by the all items Consumer Price Index (CPI), declined by 0.6 percentage points to 3.6% in October from 4.2% in September 2010. Recreation and culture recorded a 5.6% annual decline and communication also decreased by 4.4%. Zimbabwe's annual inflation is amongst the lowest in the SADC region.

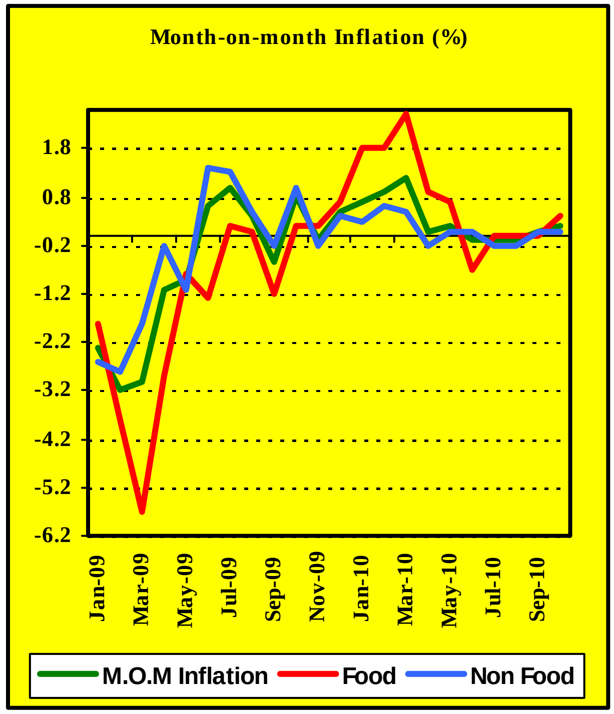


Food inflation, however, remained on an upward trend registering an 8.6% annual rise in October, compared to 8.3% in September. Non food inflation, however, declined to 1.6% from 2.5% in September 2010.

There are significant inflationary pressures because of the firming of the South African rand against the United States dollar. This is because most of Zimbabwe's imports come from South Africa.

Month-on-month inflation, which had declined by 0.1% from June to August 2010, registered a 0.1% rise in September and 0.2% in October 2010. The increase in October 2010 was driven by a 0.4% acceleration in food inflation.

The high capital inflows into emerging markets like South Africa and the implementation of monetary policy measures by the USA to weaken the US Dollar, will result in the continued firming of currencies from emerging markets.



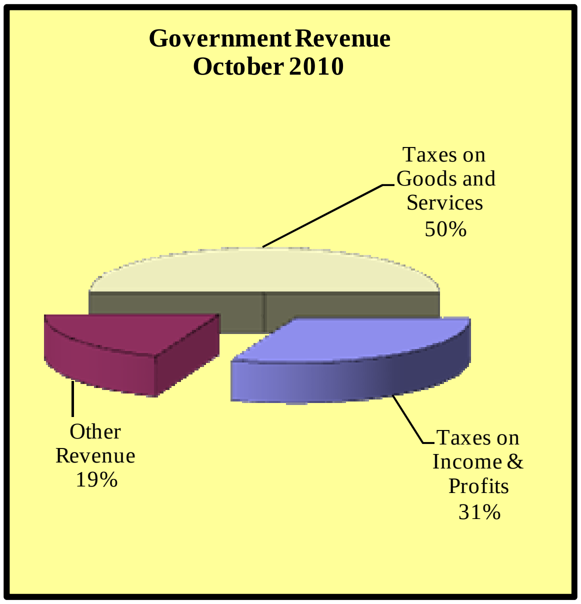
This is will make their exports dearer and countries that rely on imports like Zimbabwe will register high inflation levels.

Government Finance

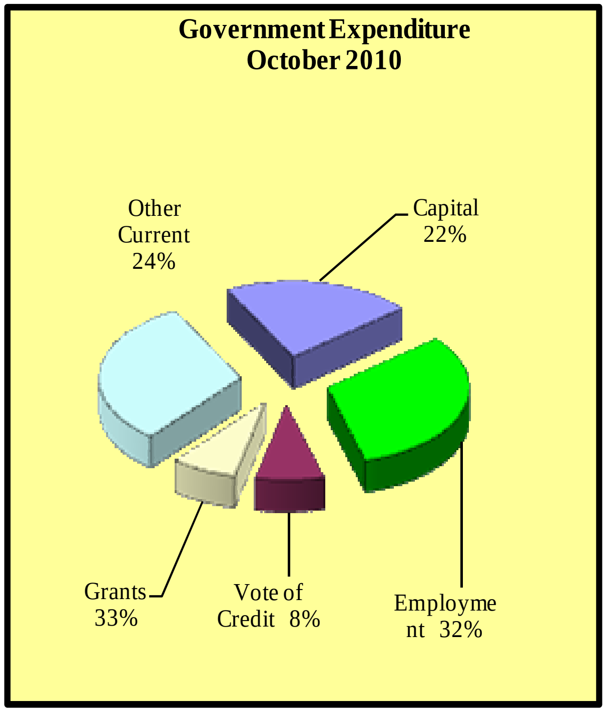
Cumulative Government revenue to October 2010 was US$2 billion. Taxes on income and profits contributed US$613.8 million (32.1%), taxes on goods and services US$1.1 billion (56.4%) and non-tax revenue

US$98.8 million (5.2%). Retained and pre-paid revenue accounted for 6.3% (US$121.3 million).

On a monthly basis, total revenue collected in October 2010 was US$202.4 million, a 15% decrease from US$238.2 million in September 2010. This was against a revenue target of US$181.7 million. The decline was due to a 68.3% (US$19.7 million) decrease in company taxes and a 13.8% (US$5.5 million) fall in Customs duties.



Government expenditure for the month of October 2010 rose by 98.5% to US$575.3 million from US$196.5 million in September. This was on the back of a US$325.2 million expenditure under the Vote of Credit. Current expenditure accounted for 21% (US$120.7 million) of total expenditure in the period under review. Capital expenditure accounted for 18.6% (US$107.2 million).



The above revenue and expenditure developments resulted in a budget deficit of US$361 million. The deficit was financed by a US$325.2 million aid grant and US$35.8 million from domestic sources.

Payments Activity through Cards, Zimbabwe Electronic Transfer and Settlement System (ZETSS) and Cheques for September 2010[1]

Cards

The total value of card based transactions during the month of September 2010 increased by 54% from US$30 million to US$46 million. Out of this, 87% were processed through ATMs

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

and 13% through Point of Sale (POS) machines.

Zimbabwe Electronic Transfer Settlement System (ZETSS)[2]

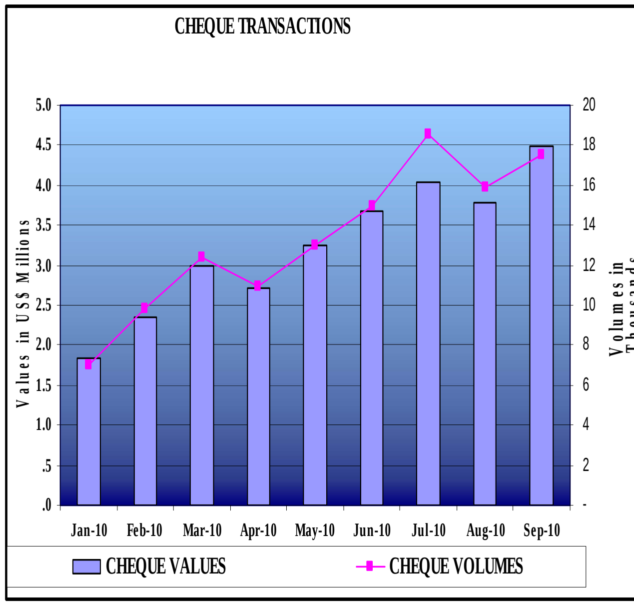
The value of transactions processed through the RTGS system, known as Zimbabwe Electronic Transfer and Settlement System (ZETSS) increased by 18% to US$2.2 billion from US$1.8 billion. ZETSS volumes increased by 17 % from 128 500 in August 2010 to 150 065 transactions in the month under review.

Mobile and Internet Based Transactions

The total value of mobile based transactions increased by 21% from US$88 075 recorded in June 2010 to US$105 732 in July 2010, while internet transactions increased by 15% from US$31 million to US$36 million during the same period.

Cheques

During the month under review the volume of cheque transactions increased by 10% from 15 934 recorded in August 2010 to 17 507 transactions. The total value of cheques increased by 18.3% from US$3.8 million to US$4.5 million for the same period.



2.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.