SELECTED ECONOMIC INDICATORS

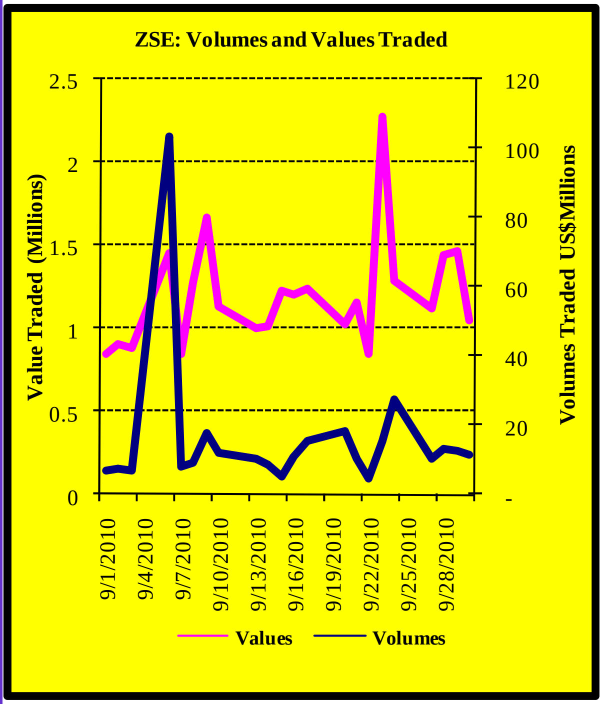
	September 2010 (End Period)
Z.S.E Mining Index	217.1
Z.S.E Industrial Index	157.7
Money Supply (M3) Growth*	147.1%
Yearly Inflation	3%
Interest Rates (Per Annum)	
Average Lending Rates**	29.3%
Average Demand Deposit Rates	1.15%

Z.S.E: Zimbabwe Stock Exchange

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

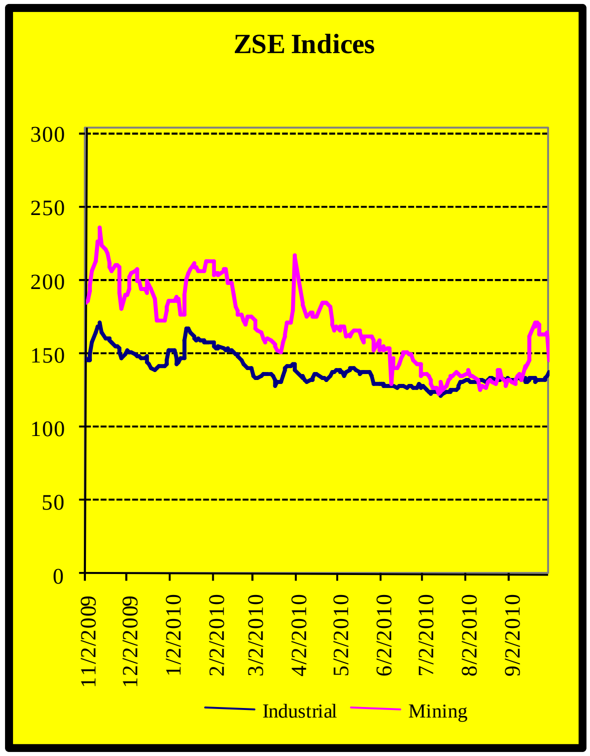
Stock Market Developments

During the period January to August 2010, trading on the local bourse was subdued by liquidity challenges, mainly due to the absence of Foreign Direct Investment (FDI) and portfolio investment, coupled with suppressed export receipts in the economy.



Portfolio investment inflows declined, especially from February 2010 as foreign investors' confidence was negatively affected by the announcement of indigenization regulations.

From September 2010, however, there was a renewed interest by foreign investors in the local bourse because of the setting up of sectoral committees on indigenization. These committees have the mandate to formulate sector specific indigenization policies.



Furthermore, there has been a surge in capital inflows into emerging markets as investors try to diversify their risk and in pursuit of high returns. Zimbabwe is amongst those countries that is benefiting from these capital inflows. Trades by foreign investors accounted for 43.1% of total turnover.

As a consequence of the renewed external interest, volumes and values traded averaged

1. All banking statistics are provisional.

16.1 million shares and US$1.2 million in September 2010.

The mining index registered an 8% monthly rise between August and September 2010. the growth in the mining index was largely driven by the firming of international commodity prices. On a year to date basis, the mining index has, however declined by 21.9%.

The industrial index gained 4.7% to 137.04 points in September 2010 from 130.92 points in August. On a year to date basis, the industrial index has decreased by 9.8%.

Banking Sector Developments[1]

Broad money (M3), defined as consolidated deposits in the banking system, increased from US$1 407.8 million in January 2010 to US$2 040.2 million in August. On a month-on-month basis, M3 grew by 6.4 percentage points in August 2010.

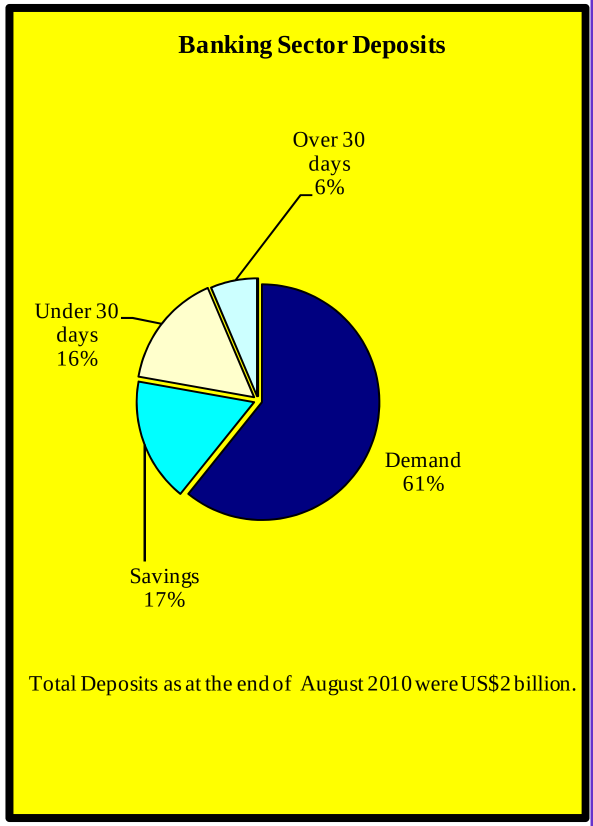
Short term deposits, which are transitory in nature, continue to dominate broad money. These constituted over 90% of total deposits for the period January to August 2010.

Credit to the private sector, the dominant component of money supply, grew from US$ 738.7 million in January 2010 to US$1 305.9 million in August 2010.

The loans to deposit ratio increased, from 52.4% in January 2010 to 64% in August 2010. The growth in the ratio shows banks' 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 60.5% in August 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.



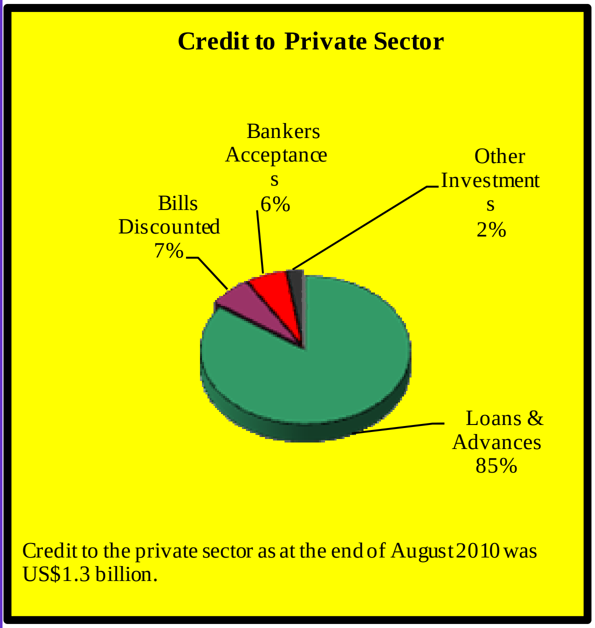
Since the adoption of cash budgeting, Gov-

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).

ernment accounts at banks were in a surplus position from April 2009 to August 2010.

Credit to public enterprises amounted to US$30.8 million in August 2010, US$14.9 million of which was advanced to Grain Marketing Board, US$2.7 million to Air Zimbabwe and the remaining amount was utilised by other various parastatals.



Inflation

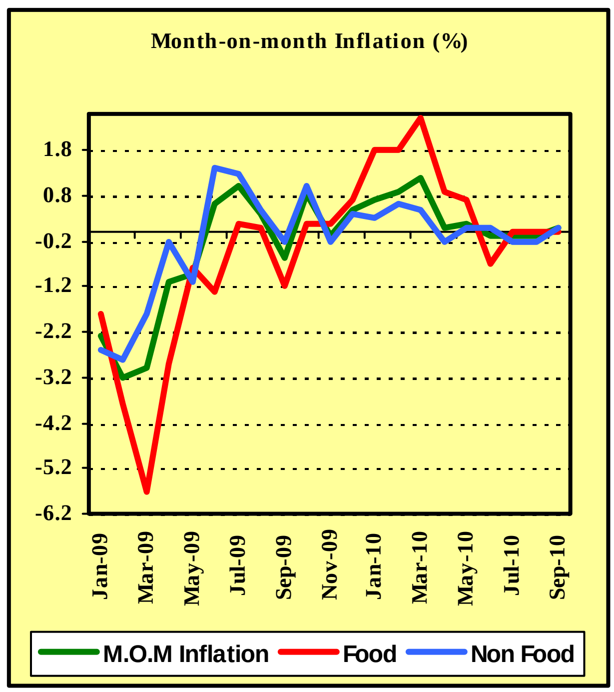
Annual headline inflation surged from 3.6% in August to 4.2% in September 2010. Annual inflation rebounded for the first time after recording consecutive declines since June 2010.

The resurgence in annual inflation was largely driven by food inflation which accelerated by 8.37% in September, compared to 7.1% in August 2010.

Non food inflation rose from 2.2% in August, to 2.49% in September 2010.

The firming of the South African rand against the United States dollar continues to exert significant inflationary pressures in the economy as most retail goods are imported from South Africa.

The vegetables market typifies a perfect competitive market structure where prices fluctuate frequently based on demand and supply conditions.



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 supply of fruits has been adversely affected by declining local capacity on farms. Retailers have, thus, resorted to importing fruits.

The supply of meat products remained subdued in the domestic market, thereby, pushing meat prices up.

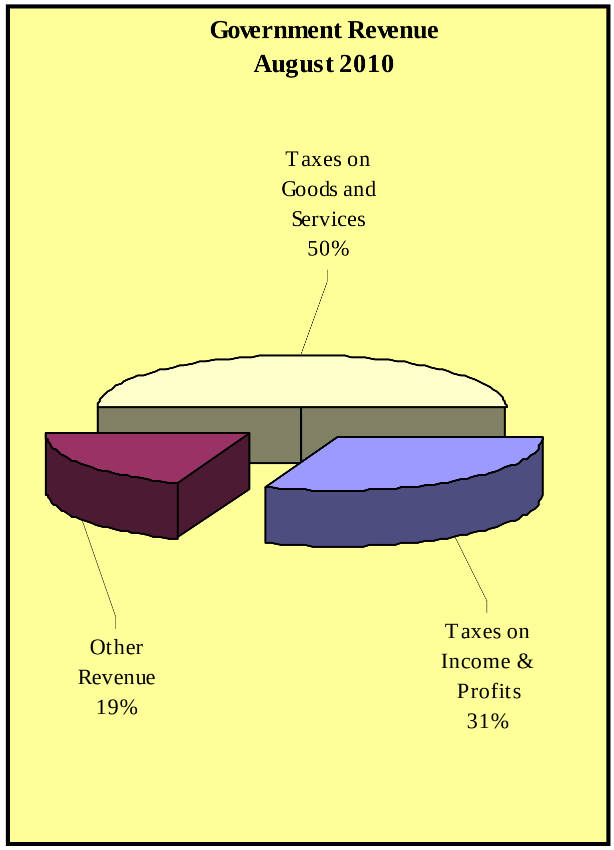
Annual non food inflation was driven by increases in tobacco products and spirits, compared to the same period last year.

Restaurants and hotels also contributed to the year on year increase in non-food inflation, with accommodation rates accelerating by 46% and catering services increasing by 7.5%.

Government Finance

Cumulative Government revenue was US$1.5 billion as at August 2010. Taxes on income and profits contributed US$465.7 million (31.6%), taxes on goods and services US$820 million (55.6%) and non-tax revenue US$74.1 million (5%). Retained and prepaid revenue accounted for 7.8% (US$114.5 million).

On a monthly basis, total revenue collected in August was US$232.8 million, a 4.6% improvement from US$222.5 million in July 2010. Contributing to this growth was a 104.9% (US$6.6 million) rise in company



in non-tax revenue. Taxes on goods and services, however, declined by 11.4% (US$14.9 million).

Government expenditure for August totaled US$185.4 million compared to US$180.7 million in July 2010. Current expenditure accounted for 63.1% (US$116.9 million) of total expenditure in the period under review. Capital expenditure accounted for 21.6% (US$40 million).

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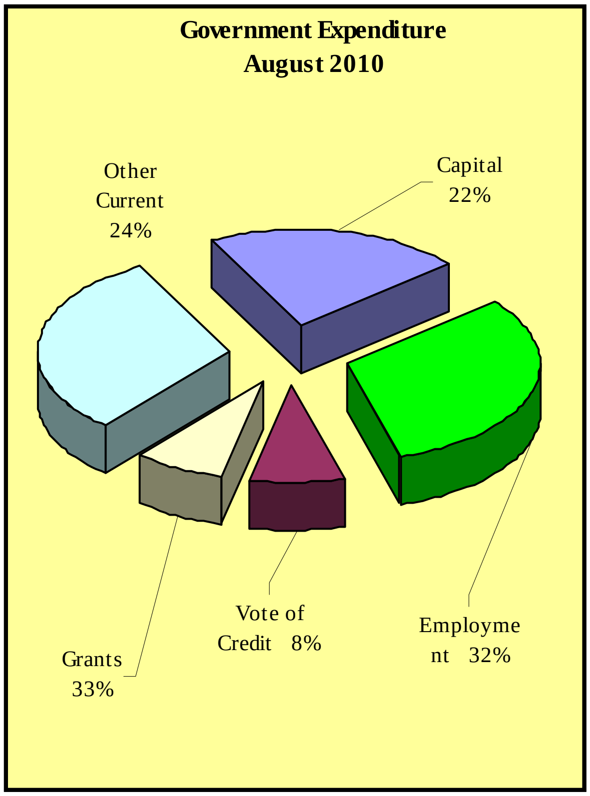

Payments Activity through Cards, Zimbabwe Electronic Transfer and Settlement System (ZETSS) and Cheques for July 2010[4]

Cards

The total value of card based transactions during the month of July 2010 increased by 43 % from USD$22.6 million to US$ 32million. Out of this, 83% were processed through ATMs and 17 % 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 2% to US$1.85 billion from US$1.81 billion. ZETSS volumes also increased by 5 % from 134 945 in June 2010 to 141 099 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 24 % from 14,963 recorded in June 2010 to 18 523 transactions as shown in Fig 2 below. The total value of cheques increased by 10 % from USD$3.7 million to USD$4 million for the same period.