Money Acumen Advisory

Thoughtful Investing

APRIL 2024

ECONOMIC AND FINANCIAL RECAP

Introduction

In the first month of Q2 2024, significant events unfolded in Zambia's financial and economical landscape. Investrust Bank faced insolvency, while ZCCM generated royalties from First Quantum Minerals (FQM), contributing to revenue inflow. Additionally, CEC commissioned a new solar plant, enhancing renewable energy capacity. This report will expand on these events as well as delve into matters of exchange rate, inflation rates and the performance of Government bonds and stocks on the Lusaka Securities Exchange Market. Furthermore, it will highlight any other noteworthy worthy events that have occurred in the month of April.

Exchange Rate Trend

The exchange rate has persistently followed an upward trajectory since the start of April 2024. The table below shows a summary of the rate of the Zambian Kwacha against the US Dollar and other significant currencies during the month:

CURRENCY	BUYING (2 APRIL)	SELLING (2 APRIL)	BUYING (26 APRIL)	SELLING (26 APRIL)
USD – Dollar	24.8031	24.8531	26.4973	26.5459
GBP – Pound	31.1750	31.2404	33.1270	33.1930
EUR – Euro	26.7154	26.7792	28.3866	28.4519
ZAR – Rand	1.3210	1.3240	1.4080	1.4108

Exchange rate is known to play a crucial role in influencing inflation within a country. The Zambian Kwacha has depreciated by 10% since the beginning of March 2024 and is assumed to have had an impact on the risen inflation rate in the month of April. Lower purchasing power directly leads to higher consumer prices, which, in turn, impact the balance of trade. When a country's currency weakens due to inflation or other factors, the cost of importing goods rises, resulting in an unfavourable trade balance which innately affects the economy as a whole.

Inflation Rate Trend

The year-on-year inflation rate in Zambia increased to 13.8% in April 2024, from the 13.7% recorded in March 2024. An indication that on average, prices of goods and services rose by 13.8% between April 2023 and April 2024. The inflation surge was primarily attributed to price movements in selected food items such as bread, cereals, fish, vegetables and mealie meal, among other essentials goods. While annual food inflation for April stood at 15.7%, which is slightly higher than the 15.6% recorded in the preceding month, non-food inflation remained stable at the previously recorded 11.2% which can be attributed to price movements in non-food products such as cement, pharmaceutical products, charcoal, shoes and other footwear.

The annual inflation has risen across several key categories, as indicated by the Consumer Price Index (CPI). Below is a table exhibiting comparisons made between price indexes in April 2023 and April 2024:

KEY CATEGORIES	APRIL 2023	APRIL 2024
All Items	10.2	13.8
Food and Non-alcoholic Beverages	11.6	15.7
Alcoholic Beverages and Tobacco	7.1	8.6
Clothing and Footwear	7.3	8.8
Housing, Water, Electricity, Gas and Other Fuels	7.4	8.6
Furnishing, Household Equipment, Routine Household Maintenance	5.8	10.5
Health	8.7	11.3
Transport	14.0	20.1
Communication	0.7	1.2
Recreation and Culture	8.9	13.1
Education	6.0	5.8
Restaurant and Hotel	9.5	13.3
Miscellaneous Goods and Services	8.5	10.5

The Consumer Price Index (CPI) provides further insight into inflation trends as it measures the changes in the prices paid by consumers for goods and services. The April 2024 column indicates the percentage increase in prices from April 2023 to the present date. The primary cause of this inflation surge was the weakening Kwacha, which depreciated by 10% since the start of March, coupled with a rise in the importation of food products due to the current drought condition.

Government Bonds Auction

In the second quarter of the year, the first Bond auction for Government securities was held on Friday 26 April, 2024. The total amount of bonds on offer was K1,600 Mn (One Billion Six Hundred Million Kwacha) issued at par value – a reduction from the K2,000 Mn issued in March. The results of the auction were published on the Saturday 27 April, 2024 and they reflected a reduction in the demand for bonds in comparison to the previous month, this can be seen from the data in the table below:

TENOR	AMOUNT OFFERED (AT FACE VALUE) - MARCH	AMOUNT OFFERED (AT FACE VALUE) - APRIL	AMOUNT BID (FACE VALUE) - MARCH	AMOUNT BID (FACE VALUE) - APRIL	AMOUNT ALLOCATED (FACE VALUE) - MARCH	AMOUNT ALLOCATED (FACE VALUE) - APRIL
2 years	K350.00 Mn	K280.00 Mn	K38.09 Mn	K27.50 Mn	K36.09 Mn	K27.00 Mn
3 years	K400.00 Mn	K320.00 Mn	K243.95 Mn	K18.96 Mn	K240.10 Mn	K17.96 Mn
5 years	K420.00 Mn	K330.00 Mn	K177.64 Mn	K147.48 Mn	K173.38Mn	K144.88 Mn
7 years	K300.00 Mn	K240.00 Mn	K345.80 Mn	K212.71 Mn	K315.80 Mn	K212.71 Mn
10 years	K300.00 Mn	K240.00 Mn	K415.47 Mn	K416.47 Mn	K414.37 Mn	K413.77 Mn
15 years	K230.00 Mn	K190.00 Mn	K509.86 Mn	K358.06 Mn	K487.86 Mn	K356.06 Mn
Total	K2,000.00Mn	K1,600.00Mn	K1,730.81Mn	K1,181.18Mn	K1,667.60Mn	K1,172.38Mn

In April, the tenors ranging from two (2) years to seven (7) years experienced under subscription, with the lowest demand observed in the 3-year tenor. However, the trend of strong demand for long-term Government bonds persisted, as both the 10-year and 15-year tenors were significantly oversubscribed. This validates the theory that investors are favouring longer-term bonds to capitalize on potentially higher returns. Coupon rates remain unchanged since the month of January.

LuSE Stock Performance

On April 4, 2024, the Lusaka Securities Exchange (LuSE) held its inaugural Quarterly Press Conference. During this event, Nicholas Kabaso, the Chief Executive Officer, delivered a presentation on the first-quarter performance results. He emphasized critical indicators, including the Lusaka All Share Index performance and prevailing market trends.

LuSE witnessed a number of key market developments in the month of April. As of Friday, 26 April, 2024 trading activity reflected a total of 31,815 transacted shares, resulting in a turnover of K157,908.07 with notable share price changes recorded in Standard Chartered Bank (+K0.01) and Zambeef (-K0.07). Trading activity was recorded in African Explosives Zambia (AECI), Airtel Networks Zambia (ATEL), Copperbelt Energy Corporation (CEC), Real Estate Investments Zambia (REIZ) and Zambia National Commercial Bank (ZNCO). The LuSE All Share Index (LASI), which is the benchmark used to represent the performance of all listed companies, closed at 12,849.36 points with a market capitalization of K100billion including Shoprite Holdings and K65billion excluding Shoprite Holdings. During the month of April ZNCO, CHIL, SCZ and CEC were prominent performers, with PMDZ experiencing a notable increase in its share price value.

On Thursday 25 April, 2024 LuSE announced the formal suspension of the listing of Investrust Bank, effective from Wednesday 24 April, 2024. The Bank of Zambia correspondingly terminated the interests of all shareholders in Investrust Bank pursuant to the provisions of the Banking and Financial Services Act.

Below is a concise summary of the share price trends for the month of April. Companies which experienced an upward shift in their share price are highlighted in green, while those that experienced a downward shift are highlighted in red.

LuSE Stock Performance

COMPANY	PRICE (2 APR 2024)	PRICE (26 APR 2024)	PRICE CHANGE	% PERIOD CHANGE
AECI	40.00	40.00	-	0.00%
ATEL	43.50	43.50	-	0.00%
BATA	3.16	3.16	-	0.00%
BATZ	2.31	2.32	0.01	0.43%
CEC	7.70	7.70	-	0.00%
CHIL	13.80	14.01	0.21	1.52%
MFIN/MAFS	1.86	1.86	-	0.00%
NATB	4.10	4.10	-	0.00%
PMDZ	0.80	4.62	3.82	477.5%
ZMRE	2.80	2.80	-	0.00%
PUMA	2.80	3.01	0.21	7.5%
REIZ	2.10	2.00	- 0.1	- 4.8%
SCZ	3.50	3.50	-	0.00%
SHOP	64.00	64.00	-	0.00%
ZMBF	2.39	2.20	- 0.19	- 8.00%
ZMBR	7.00	7.00	-	0.00%
ZAMEFA	5.01	5.01	-	0.00%
ZNCO	6.49	6.49	-	0.00%
ZCCM	47.53	47.55	0.02	0.04%
ZAFFICO	2.53	2.53	-	0.00%
ZSUG	35.00	35.00	-	0.00%
INVE	25.00	-	-	-

On April 19, 2024, during the 56th Zambia Federation of Employers (ZFE) Annual General Meeting in Lusaka, CEC received six prestigious awards. Notably, the company was honoured as the Overall Employer of the Year 2023. Additionally, CEC received commendation for their unwavering dedication to disability inclusion in the workplace and their impactful investment and talent apprenticeship programs, which aim to cultivate the next generation of leaders. Additionally, the company commissioned a 60megawatts (MW) Itimpi Solar Photovoltaic Solar Power Station and is yet to develop a second plant in the same area, with an anticipated capacity of 126MW. CEC stands out as a high-performing company, excelling not only in the stock market but also within the broader industry. Copperbelt Energy Corporation is currently the second most valuable stock on the LuSE with a market capitalization of K12.5 billion, which is about 12.5% of the entire Lusaka Securities Exchange equity market.

In the mining and investment sector ZCCM generated K1.2 billion (US$58.48 million) from the 3.1 percent mine royalty transaction with Canadian-based company First Quantum Minerals (FQM) signed last year. The investment holding changed the model of payment for its return on investment from dividends to royalties and therefore, converted its 20 percent dividend rights and economic value in Kansanshi Mine into a life of mine royalties. The company will receive 3.1% of Kansanshi Mining Plc's total revenue on a quarterly basis over the entire life of the mine. ZCCM aims to maximise shareholder value and contribute to Zambia's economic growth and development, this makes it an ideal company to invest in on the stock market. ZCCM-Investment Holdings is currently the fifth most valuable stock on the LuSE with a market capitalization of K7.65 billion, which is about 7.67% of the Lusaka Securities Exchange equity market.

The stock market has shown steady progress, influenced by specific companies across various industries. Presently, the top five valuable stocks are Shoprite (SHOP), Copperbelt Energy Corporation (CEC), Zambia Sugar (ZSUG), Zambia National Commercial Bank (ZNCO) and Zambia Consolidated Copper Mines Limited – Investment Holdings (ZCCM-IH) in that respective order.

Disbursement of Funds to Investrust Bank Depositors

On Wednesday, April 25, 2024, the Bank of Zambia (BoZ), having assumed control of Investrust Bank earlier in the month, announced that an initial payment of up to K500,000.00 per deposit account would be disbursed between April 26 and May 10, 2024. Depositors with balances of up to K30,000.00 were directed to visit designated branches of Investrust and Zambia National Commercial Bank (Zanaco).

Mopani Mine Raises Pay

As per the 2024 agreement between the union and Mopani Copper Mine, unionized employees will enjoy a 13% salary increase across the board. This positive development aims to enhance the financial well-being of the workforce. This bonus will be in conjunction with the recently approved salary increments. The agreement means that junior unionised workers will receive a salary increase of K800, while senior employees will be entitled to a salary increase of K1,400. This was all made public at the signing ceremony in Kitwe, where Mopani Copper Mines' Employee Relations Manager, Justine Chiwama also disclosed that the company will be hiring an additional 441 new miners. This move reflects the mine's commitment to expanding its workforce and contributing to local employment opportunities. Chiwama praised the new equity partner, International Resources Holdings (IRH), for reaching a deal with the union within a month.

Energy Regulations Board (ERB) Maintains Fuel Pump Prices

In April, the Energy Regulation Board opted to keep fuel pump prices unchanged. The price of Petrol remained at K31.12, Diesel at K28.78, and Kerosene at K20.44, while Jet-A would be static at K28.23. Reynolds Bowa, the ERB Board Chairperson, attributed this decision to the minimal fluctuations in both international oil market pricing and the local exchange rate. The stability in fuel prices provides predictability for consumers and businesses alike.

Conclusion

While Zambia faces inflationary pressures, efforts to stabilize the economy remain crucial. As previously predicted in the initial quarter of the year, investors in Government bonds persist in favouring longer-term bonds over shorter-term ones. This strategic choice appears to be an effort to safeguard their investment returns upon bond maturity. Regulators such as the Bank of Zambia play a vital role in the economy in maintaining transparency, accountability and sustainable practices within their respective domains, and this is in the best interest of both the institutions under regulation and various stakeholders. The stock market continues to show steady growth in enabling companies to raise capital and to create and sustain wealth for individual investors.

Money Acumen Advisory
Thoughtful Investing

THANK YOU

Phone
+260-764 115 984 | +260 978 966 105

Email
info@moneyacumenadvisory.com

Website
www.moneyacumenadvisory.com

Address
Plot Number 109B, Fir Road, Woodlands,
Lusaka, Zambia.