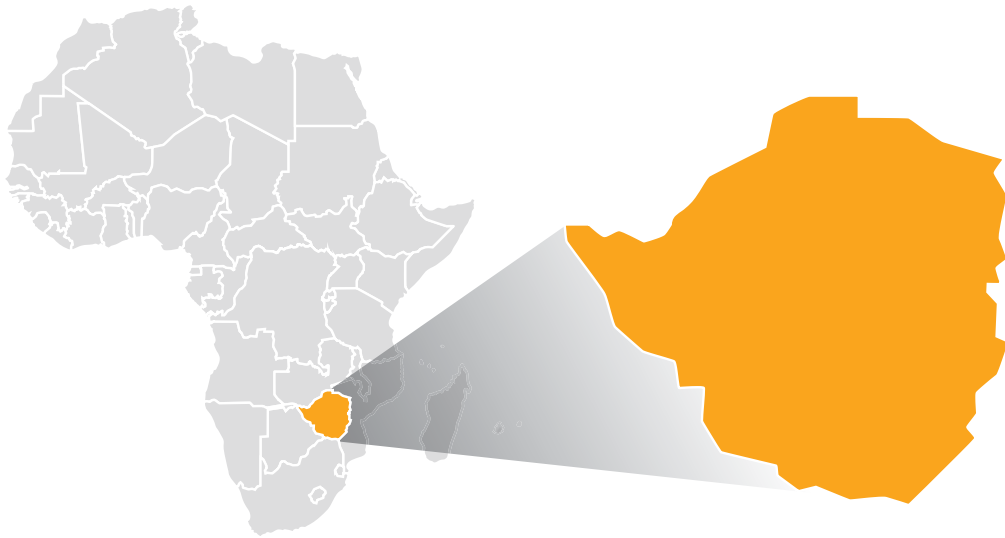


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\$19.42 Bn
Equity Market
Capitalization

-
Debt Market
Capitalization

62
Number of
listed
companies

2
Number of
issuers
(bonds)

59.36%
Domestic
Equity Market
Cap/GDP

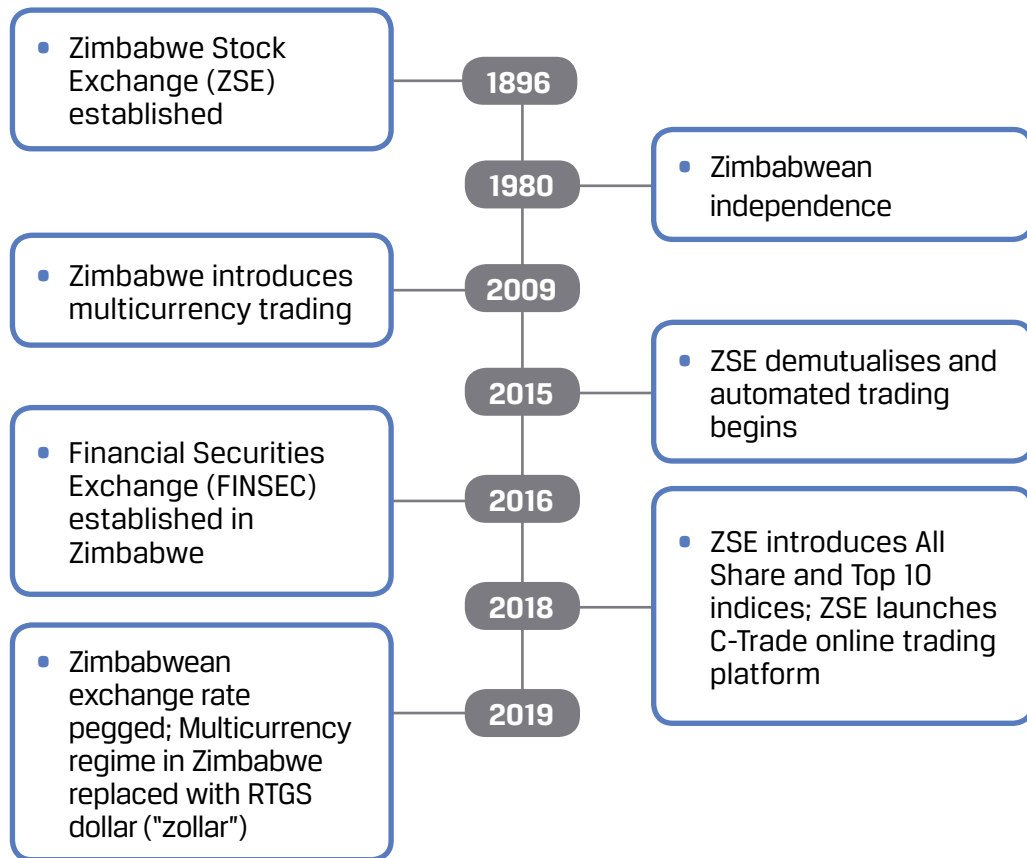
62.66%
Total Equity
Market Cap/
GDP

-
Debt Market
Cap/GDP

2,517,356,999
Equity Market Share Volume Traded

-
Debt Market Instrument Volume Traded

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The capital markets of Zimbabwe are composed of the Zimbabwe Stock Exchange (ZSE) established in 1896 and the Financial Securities Exchange (FINSEC) established in 2016. The ZSE had a total market capitalisation of USD1.5 billion and 63 listed companies as of 17 September 2019. Three companies dominate the market cap—namely, Delta Corporation, Econet Wireless Zimbabwe, and Cassava Smartech, with market caps of USD270.70 million (17.7%), USD214.37 million (14.0%), and USD214.37 million (14.1%), respectively. The ZSE has two main sectors: industrial and mining, as shown in **Figure 1** and **Figure 2**, represented by the Zimbabwe Industrial Index and the Zimbabwe Mining Index, respectively. The All Share Index and Top 10 Index were introduced on 1 January 2018.

The bond market in Zimbabwe is still in its infancy, with only two corporate issues listed on the ZSE: GetBucks Financial Services and Rainbow Tourism Group. FINSEC has two bond issuers—namely, Untu Capital and IDBZ (Infrastructure Development Bank of Zimbabwe), with an estimated value of USD83 million. Most of the corporate debt issues are not listed.

KEY EVENTS AND DEVELOPMENTS

In 2009, trading activity resumed on the ZSE as Zimbabwe adopted the use of the USD, ZAR, and BWP as the major trading currencies. The only instruments trading at the time were equities. At the inception of this multicurrency

FIGURE 1. ZSE EQUITY MARKET CAPITALISATION

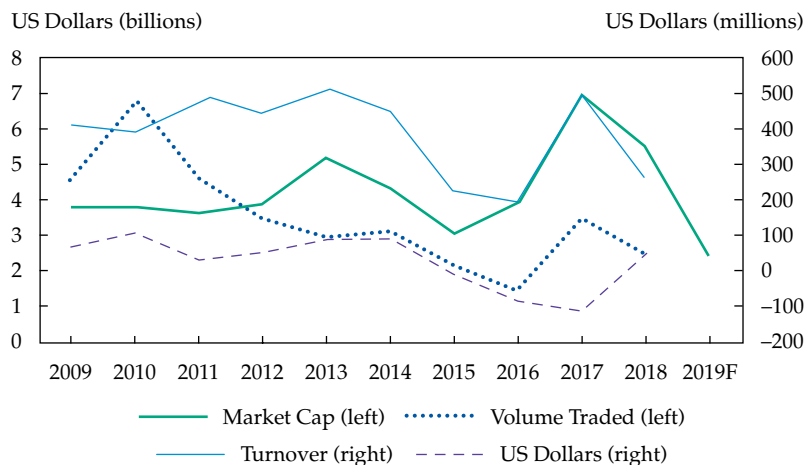
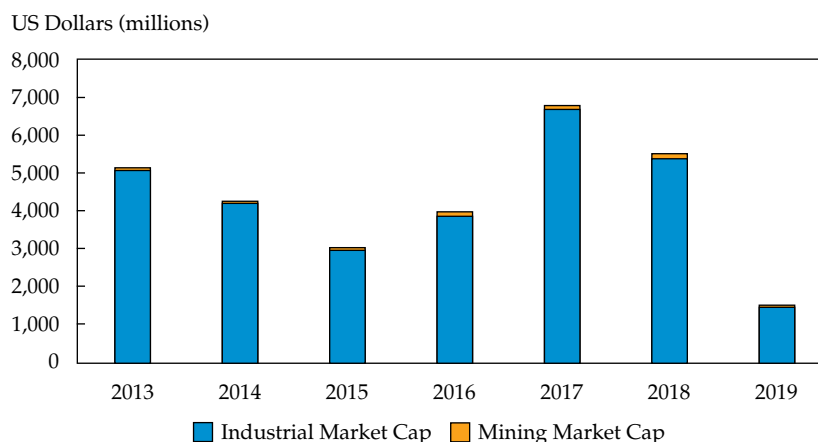


FIGURE 2. ZSE EQUITY MARKET CAPITALISATION, 2013–2019

period, the local bourse faced liquidity challenges in meeting the demand for foreign currency. Because of limited monetary space, the country relied more on diaspora remittances, exports, and, to a lesser extent, foreign direct investment. In addition, corporates struggled to convert the monetary values of their assets and liabilities to USD. The property sector was the most affected, characterised by overvalued assets in USD terms, and as a result, low trades were witnessed during the early years of 2009. Another major challenge faced by the markets during this phase was low foreign investment participation, partly as a result of the Indigenisation and Economic Empowerment Act, which required foreign investors to hold no more than 49% equity in any Zimbabwean firm.

The ZSE demutualised and automated its trading platform in 2015 and introduced the View Only Terminal (VOT)⁹ in 2017. As an alternative trading platform to the ZSE, FINSEC was established in December 2016. It has a market capitalisation of USD547.88 million and has

⁹The VOT is an electronic platform that gives investors viewing rights to ZSE trading only as it takes place through the automated trading system.

only one issuer as of 9 August 2019. Zimbabwe introduced its first online trading platform, C-Trade, in 2018, which enables investors to buy and sell shares on both capital markets. The platform aims to increase the awareness of the capital markets by trading via mobile phones with a minimum starting capital of USD10.

In 2016, the Reserve Bank of Zimbabwe (RBZ) introduced bond notes with the view of increasing liquidity on the market. The market responded negatively to the policy; some investors sought value preservation on the equity market, while others parked their funds in properties. The large influx of participation on the equity market increased the share prices, with significant gains witnessed in value stocks. However, the bond notes triggered a further decline in the net foreign investment inflow because foreign investors were averse to the emerging currency risk.

The Zimbabwean election periods have had a major impact on trading behaviour on the stock market: Market cap peaked in election years 2013 and 2018. From 2017, there were multiple policy and monetary reforms that affected trading activity on the local bourses, and the major

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political change on 17 November 2017 saw the market cap rise to the tune of USD10 billion during this time.

Fiscal and monetary reforms were introduced in 2018. The Zimbabwean economy was hit by a cash crisis because of a mismatch between real-time gross settlement (RTGS) balances and USD balances, and banks were no longer able to meet demand deposits. To curb this challenge, RBZ introduced the FCA RTGS and FCA Nostro accounts, as well as a 2% tax on all electronic transactions. There was a notable decline in business across all sectors, including the capital markets. Year-on-year inflation for October 2018 rose to 20.85%—up from 5.39% in September 2018. Equities sold by foreigners increased by 196%, from USD22.71 million in September to USD67.28 million in October 2018.

On 22 February 2019, the RBZ liberalised the exchange rate, pegging USD1 to RTGS2.5, and introduced the interbank market. The balance sheet values were debased by 40%, and equities sold by foreigners increased by 466%—from

USD42 million in January 2019 to USD237.83 million in February 2019. An abolishment of the multicurrency regime was completed in June 2019 with the introduction of a new currency: the RTGS dollar. In addition, stricter capital flow policy was introduced to curb excessive capital flows for dual-listed companies.

REGULATORY ENVIRONMENT

The Securities and Exchange Commission of Zimbabwe (SECZIM) is a regulator of 16 securities dealers, 16 asset management firms, 31 securities investment advisers, 3 securities transfer secretaries, 5 securities custodians, the Central Securities Depository (CSD) of Zimbabwe, 2 securities trustees, and 2 security exchanges. SECZIM has filed for membership into the International Organisation of Securities Commissions (IOSCO) and is awaiting approval. Other financial institutions, such as pension funds, are regulated through the Insurance and Pensions Commission (IPEC), while banks and microfinance institutions are regulated through the RBZ.