2024 ECONOMIC OUTLOOK

EVOLVING TO ADDRESS A CHALLENGING OPERATING ENVIRONMENT

OUTLINE

- 2023 in Review:
-    - Global, Regional and local
- Macroeconomic developments in Zimbabwe
- 2024 Economic Outlook
- Recommendations

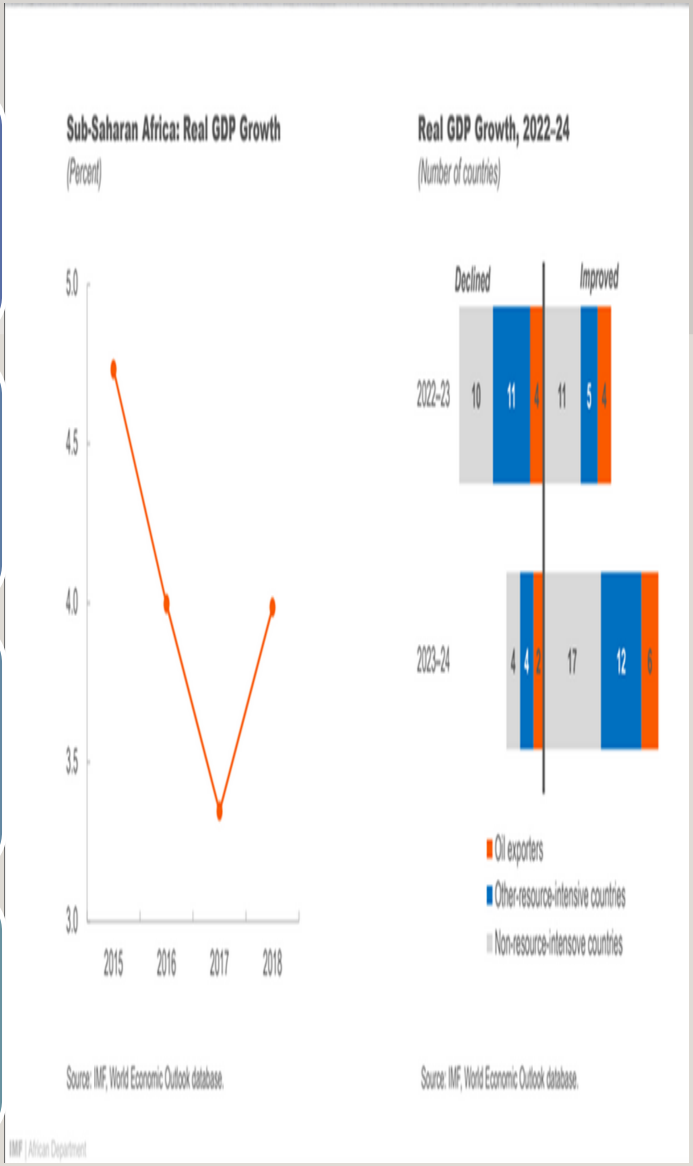
REGIONAL DEVELOPMENTS

For sub-Saharan Africa, 2023 is a difficult year, with growth declining for a second year in a row.

However, there are early signs that the region is turning the corner

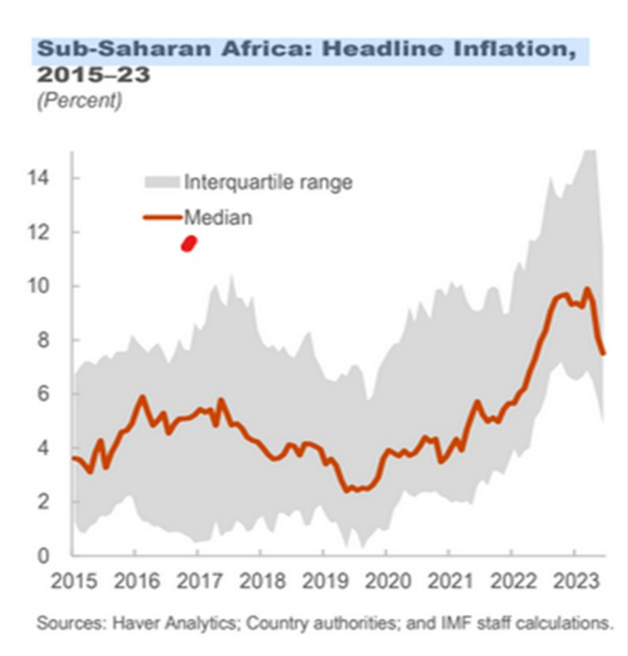
Growth in sub-Saharan Africa is set to rebound to 4.0 percent in 2024.

About four-fifth of countries in the region are projected to record higher growth in 2024 (relative to 2023).



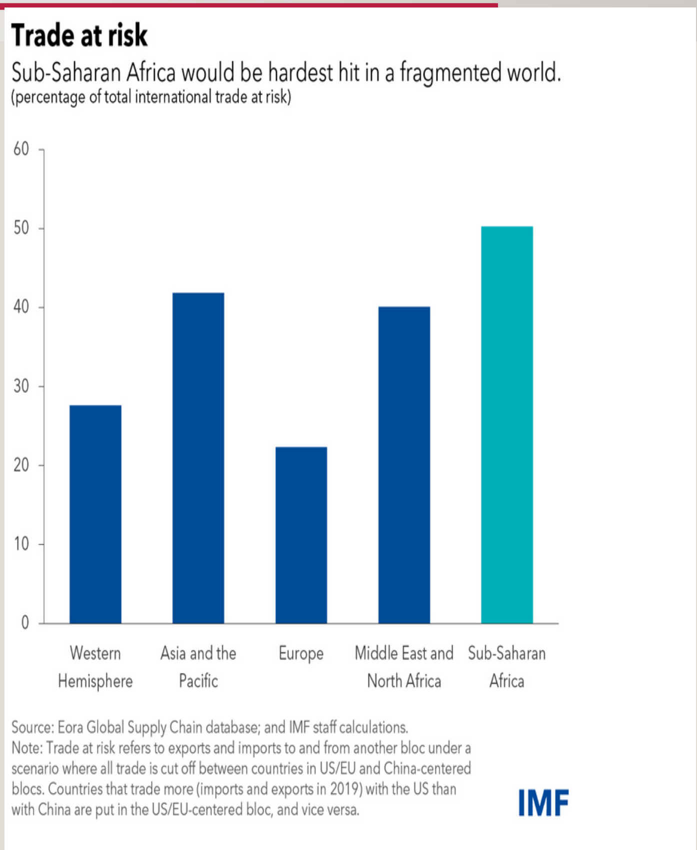
INFLATION

- Inflation has also started to decline in many countries in sub-Saharan Africa.
- After peaking at about 10% in March, median inflation across the region has dropped to 7% (the latest data point with the sufficiently large sample in July).
- The main reasons behind the disinflation are the decline in international food prices (close to 40% of the consumption basket in SSA, on average), the easing od supply chain constraints, and the monetary tightening in the region in the past year and a half.



IMPACT OF GEOPOLITICS ON THE REGION

- Economic Growth in Sub-Saharan Africa could permanently decline if geopolitical tensions escalate
- SSA could stand to lose the most if the world were split into two isolated trading blocs centered around China or the United States and the European Union.
- In this severe scenario, sub-Saharan African economies could experience a permanent decline of up to 4 percent of real gross domestic product after 10 years IMF losses larger than what many countries experienced during the Global Financial Crisis.
- Economic and trade alliances with new economic partners, predominantly China, have benefited the region but have also made countries reliant on imports of food and energy more susceptible to global shocks, including disruptions from the surge in trade restrictions following Russia's invasion of Ukraine.



MACROECONOMIC DEVELOPMENTS IN ZIMBABWE

Zimbabwe's economy has continued its post-COVID recovery, but enhancing its longer-term growth potential would require strong reform efforts.

Real GDP is projected to grow by around 4.8 percent in 2023, supported by strong activity in the mining sector and reflecting the beneficial impact of structural reforms in the agriculture and energy sectors.

Local-currency (ZWL) inflation and exchange rate pressures have fallen in recent months, following significant price increases and exchange rate depreciation in the second quarter of 2023.

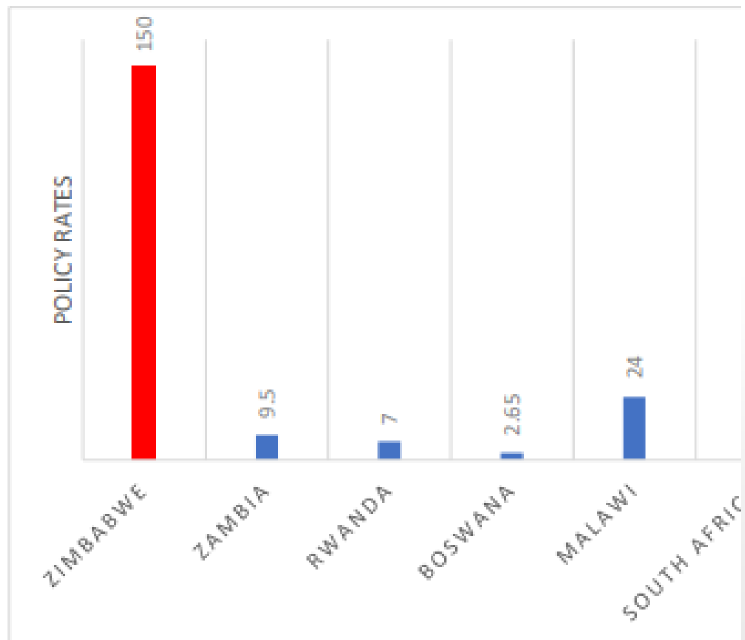
MONETARY POLICY DEVELOPMENTS

- The 2023 MTMPS policy was presented under the theme 'Staying the Course to Price Stability" attesting that the economy is on the right track to price and exchange rate stability and calls for the need to stay the course of the right policy mix.
- The Monetary Authorities have assured the nation that they will continue to implement a tight monetary policy stance until the end of 2023 to sustainably anchor inflation and exchange rate expectations.

INTEREST AND INFLATION RATES DEVELOPMENTS

- Zimbabwe lost its unenviable position of having the world's highest interest rate to Argentina, after slashing borrowing costs to help boost economic growth.
- The monetary policy committee cut the benchmark interest rate to 130% from 150%,
- The southern African nation's local unit plunged about 85% against the greenback between May and June, causing inflation to surge to 176% in June.
- The government then liberalized the exchange rate and introduced measures to promote the use of the Zimbabwe dollar, such as requiring corporate taxes to be paid in the currency, which helped stabilize it and restore some price stability.
- Annual inflation slowed to 18.4% in September from 77% a month earlier after the statistics office revised its methodology to take into account the dominant role the US dollar plays in the economy

Figure 1: Zimbabwe's Central Bank Policy Rates



Source: Worldwide Central Bank Rates (@https://www.cbrates.com/)

IMPACT ON ECONOMY

- Weak performance across sectors
- Depressed investment inflows
- Delay in implementation of projects
- Rising poverty levels
- Emergence of price controls
- Company closures & job losses

2024 OUTLOOK – INSURANCE INDUSTRY

CHALLENGES IN CONTEXT

Economic Instability: Liquidity and Capital Management

Increased focus on scrutinizing the performance of investments

Reduced demand for policies,

increased policy cancellations and lower investment returns.

Economic instability has led to higher levels of unemployment and increased default rates, impacting the insurance industry's profitability.

Competition From Other Industries

Increased competition from non-traditional players, such as technology companies and financial institutions, which often have different business models and lower costs than traditional insurers, will continue to put pressure on margins for insurance companies.

OPPORTUNITIES

SI instrument – an extension of USD loans

Nurtures confidence, de-dollarization will be market driven

- Promotes long term planning and product development

SME POTENTIAL

Small and medium-sized enterprises (SMEs) are a pillar of Zimbabwe's economy, constituting 90% of all businesses. These firms nonetheless face many challenges. High inflation, exchange-rate instability and excessive public debt have increased production costs, reduced incentives for productivity-enhancing investment and encouraged informality in the country.

SMEs in Zimbabwe generate around 60% of gross domestic product (GDP) and more than half of employment. Their importance goes beyond conventional economic contribution as they provide livelihoods to the most vulnerable segments of the workforce. Zimbabwean small businesses employ mostly women and are active in rural areas, thereby enhancing social inclusion in the country.

YOUTH POTENTIAL

Zimbabwe has a young population

Develop micro-insurance products – inclusivity - SDG

TRADE POTENTIAL

AFCTA

Other markets

SO WHAT NEXT ?

Rapidly Evolving Regulatory Compliance Changes

Diverse Regulatory Requirements by Jurisdiction

Modern Technologies Disruption and Adoption

Modern technologies, such as artificial intelligence (AI), machine learning and blockchain, are transforming the insurance industry, and the industry must embrace these technologies to remain competitive.

Cybersecurity and Data Security Threats

Climate Change and Sustainability

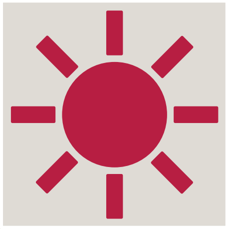
SUSTAINABILITY REPORTING

All risks have various dimensions, but the **environmental, social, and governance** (ESG) profile of risk is a dimension that has only recently found its way into risk analysis in the industrial insurance segment.

ESG becoming more regulated

In 2024 ESG or sustainability reporting will become a mandatory step in any insurer's due diligence, insurers are likely to incorporate sustainability factors into their risk assessments in 2024.

CLIMATE CHANGE



Climate change may have an impact on underwriting assumptions and coverage.

Insurers have opportunities to identify and develop climate-focused solutions in three major areas: Insuring the net-zero transition, creating new risk transfer solutions for rising physical risks and providing adaptation and resilience services.

Investment in insurtechs focused on climate change to be increased.

Thank you

Siyabonga

Tatenda