

No Christmas cheer in Zimbabwe this year

The recent government order to Zimbabwean retailers to slash prices has had another unintended side-effect – banks rolling in cash and no one to spend it.

Harare - Banks in Zimbabwe are unhappy with huge cash piles from retailers who are not restocking: Clothing merchant Edgars Stores Limited indicates that it might be until April before bankers hear the beleaguered retailers' knock-on-the-door, assuming there is “some agreement soon on pricing” with the government to allow them to start restocking.

The government forced retailers, and manufacturers, to cut prices by 50% at the end of June fearing intensifying inflationary pressure could trigger social upheaval and unseat the incumbent regime of President Robert Mugabe. Inflation is at an all-time high of 7 634.8 for July.

The price slash led to unprecedented demand and, for the retailers, sales in July were ahead of forecasts.

However, none has been accepting fresh supplies, resulting in stock holdings going down.

Mark Woods, managing director of Kingdom Bank, says there has been a massive growth in ‘idle’ corporate cash deposits since July.

“We are trying to deploy (the cash) as best as we can,” Woods says.

Normally, the bankers should be celebrating, rather than cringing, over the parking of cash with their institutions; they earn their profits from on-lending that cash or buying money market instruments earning interest.

However, Nkosinati Sinini, an analyst with Kingdom Asset Management, says the concern among bankers is the requirement to lodge 40% of all deposits with the Reserve Bank at 0% interest. They are left with 60% to juggle in the financial markets.

However, this is not the bigger concern.

“These retailers are the banks' biggest clients. The banks understand that if they have money sitting in the banks and doing nothing to make profit, their relationship (with retailers) is not sustainable beyond the current (cash) windfall,” Sinini says.

Edgars had poor sales in August, and predicts an operating loss in September when it reports on nine months of the current financial year.

Supermarket chain, OK Zimbabwe, has also incurred losses, but chief executive officer, Willard Zireva, insists operations

have not been crippled, even though supermarket shelves are almost empty.

Retailers agree that the supply system has been damaged, and there might be no Christmas this year for Zimbabwean shoppers.

“As a direct consequence of the capping of mark-ups, we have not yet placed orders for the key Christmas trading period even though physical stock holdings should be at their peak in September and October,” says Thembinkosi Sibanda, executive chairman of Edgars Stores.

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