

Little in-store stock, so producers flock to the stock market

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Zimbabwe's supermarkets and other retailers are still lurching from chronic stock shortages, despite the central bank pumping out trillions of Zimbabwe dollars into industry to boost production.

Harare - Bankers told Bizcommunity.com that industrial operations had started received cheap funding from the central bank towards the end of last month under a Basic Commodity Supply Side Intervention (Bacossi) facility created “to see a quick return of goods to our supermarket shelves”.

But most producers were pumping the money into the stock market, feeding into a bull run that has overheated stocks and taken the equities market to unprecedented record highs.

The funding to the productive sector as well as key distribution agents comes at a concessionary interest rate of 25% per annum, against punitive interest rates of over 900% for general and consumptive borrowing.

Industry players said industrial operations still remained stuck in a quagmire, with unreliable electricity and coal supplies, inadequate foreign currency for critical raw materials inputs as well as costly diesel supplies from the black market still dogging their operations.

Consequently, they could do little to boost production even with huge injections of Zimbabwe dollars from the central bank.

Some were putting the money into the equities market to recoup losses incurred when the government launched its infamous price blitz at the end of June, which forced prices down drastically and triggered current market-wide shortages.

The key industrial index, which closed the month of October at 317 373 258.01 points, climbed 85% in the five trading days to November 7, 2007 to reach 586 242 310.51 points. In the same period, the mining index, which closed October trading at 327 692 719.86 points, gained by a massive 157% to touch an all-time high of 842 832 472.71 points.

This reflected huge jumps in share prices and buying pressure as the productive sector institutions jostled for shares on the equities market.

“It’s the Bacossi money pushing the market,” a stock market dealer said. “Producers can’t sweat their assets because of structural constraints like power outages.”

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