

ZIMBABWE ELECTIONS

ELECTION UPDATE: MNANGAGWA DECLARED PRESIDENT

Zimbabwe announces Emmerson Mnangagwa as the winner of the Presidential campaign in the early hours of Friday morning with 50.8% of the votes, while Nelson Chamisa trailed behind with 44.3%.

EMMERSON MNANGAGWA

Mnangagwa has had a head start as the incumbent president despite his short tenure which began in November 2017, having established and improved relations with the West. Although countries such as America have adopted a wait-and-see approach; Britain was quick to extend financial support before the elections. However, the unfortunate incident where the military opened fire in the streets of Harare, resulting in the death of six people and the injury of 14 others will have to be addressed to pacify the nation and the international community. If Mnangagwa manages to distance himself from this unnecessary incident, the international community is likely to begrudgingly extend their support.

THE OPPOSITION

As expected, the MDC Alliance is opposing the election results. Their major test will be to provide enough evidence to prove that rigging took place. The party did not file formal complaints of any irregularities with the Zimbabwe Electoral Commission (ZEC) within 24 hours of the results being announced which raises questions about the credibility of any claims. If Chamisa fails to argue his case, he may be cast into political oblivion. He will not hold any position in parliament, leaving him vulnerable to being ousted as president of the MDC Alliance. It seems highly unlikely that Chamisa will hold any negotiations with Mnangagwa to form a Government of National Unity (GNU) since Mnangagwa emerged as the outright winner.

MARKETS

There was a ZSE sell-off on election eve and the market been subdued post elections. Only 10 counters traded on the 1st of August with a turnover of \$1.7mn, about half the usual amount. On the 2nd of August, turnover was just over \$500k with net sellers as a response to the violence. We expect trading to remain subdued until after inauguration.

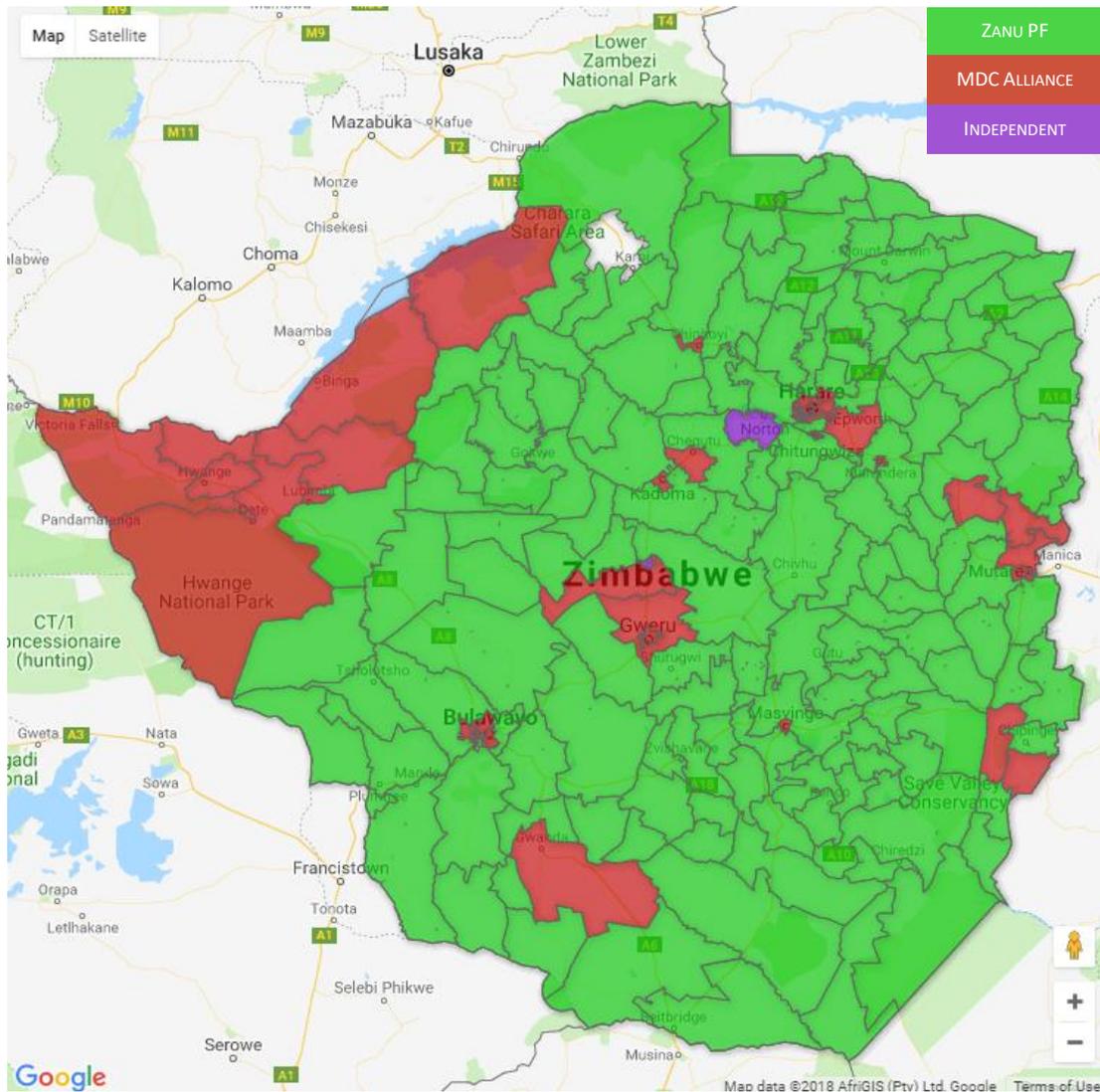
EXPECTATIONS IN GOVERNMENT AND BUSINESS

ZANU-PF won 145 out of 210 seats, gaining the two thirds majority required to change laws in parliament. Of interest is that ZANU-PF won 69% of parliamentary seats, while Mnangagwa barely made the cut with 50.8%. This may suggest that the factionalism within ZANU-PF contributed to Mnangagwa's low presidential support. We are yet to see if this will result in a less than two thirds support, making his job more difficult.

We expect stability in the business environment and Mnangagwa's choice of cabinet will be telling. When the 9th parliament opens, we expect the president to be on an aggressive drive to deliver tangible results in the form of infrastructure investment and trade deals and addressing the liquidity crisis. Mnangagwa will have to make tough choices to address the country's economic issues including restructuring government by making it leaner and channeling resources towards capital projects. We expect the high government spending leading up to the elections to reduce. Business will likely have a stable run for at least the next three years before another election cycle begins.

Today, Harare is open for business and the situation on the ground is peaceful. It seems the generally peaceful city dwellers have taken the pragmatic approach to move on with their lives. South Africa's president Cyril Ramaphosa has sent through a congratulatory message and we wait for the announcement of the inauguration date and the final comments from international observers. Mnangagwa is faced with the tall order of healing the divide in his party and the rest of the highly polarised nation. We believe it won't be easy, but he has the ability to deliver.

NATIONAL ASSEMBLY RESULTS DISTRIBUTION¹



¹ Zimbabwe 2018 harmonised election results (03/08/2018) (<http://kubatana.net/2018/08/03/zimbabwe-2018-harmonised-election-results-national-assembly/>)



More Information

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