



# NATIONAL TYRE SERVICES LIMITED

## TRADING UPDATE

### **1. Trading environment**

The effect of Covid-19 is being felt and impacting businesses and the economy in general. Zimbabwe's economy is projected to contract by 20% due to the impact of Covid-19. The national lockdown which commenced on 30 March 2020 primarily stopped all industry and commerce activities, initially allowing key essential service providers to operate. Since then industry and commerce businesses have been allowed to re-open but under strict legislated conditions to contain any spread of Covid-19.

The Reserve Bank of Zimbabwe (RBZ) lifted the ban on United States Dollar transactions as a measure to deal with the Covid-19 pandemic. An interbank exchange rate of ZWL\$25 to USD1 was adopted. By March 2020 year-on-year inflation had risen to 679%. Use of a stable currency would assist to retain value across the economy.

During the lockdown, no business was done, as per the directive from Central Government.

### **2. Covid-19 Pandemic response strategy**

The Company has put in place COVID-19 Response Strategies based on three main pillars, namely; extreme prevention measures, COVID-19 awareness campaign and navigating the effects post-lockdown. Focus is on implementing strict precautions to protect the health, safety and welfare of members of staff and everyone visiting our nationwide premises.

### **3. NTS Operational responses**

Port clearance of stock in transit from suppliers which had been delayed by the closure of borders and freight services was accelerated and these goods started arriving. Branches and factories are now fully operational. Cost containment measures and limitation of expenditure is being implemented in line with the Company's survival initiatives in the new order.

Critical staff were equipped to work remotely, a measure which kept key financial administration activities operational even during a very restrictive lockdown. In addition, multi-platform business communication tools were introduced to enhance discussions and exchange of information both internally and externally.

### **4. Volume Performance Q4 2019-2020**

- 4.1 Retreading volumes in the fourth Quarter 2019-2020 decreased by 37% compared to the same period last year due to decline in aggregate demand as most transport operators were grounded coupled with fuel challenges that resulted in greatly reduced mileages.
- 4.2 The volume of new tyres sold in the period under review decreased by 39% compared to the same period last year, due to stock shortages, as tyre manufacturing countries suspended tyre exports due to the Corona virus pandemic. This delayed the Company's imported tyres in transit. Rising inflation

also eroded disposable income for individual customers thereby reducing their purchasing power.

4.3 Services category volumes decreased by 27% compared to the previous quarter ended 31 March 2019 mainly due to persistent electricity load shedding that impacted our tyre workshops.

4.4 Tubes volumes increased by 11% compared to the same period last year driven by the increased demand for tubes in the farming sector.

**5. Outlook**

We look forward to a recovery of demand for the Company's goods and services in the short-term, as the lockdown is eased and businesses can embark on the recovery path. The ZWL18 billion package put together by the government is the fillip that the economy needs.

**By Order of the Board**



**S. N. Mandimika**  
**Company Secretary**  
**15 May 2020**