

# TRADING UPDATE

## for Quarter ended 31 December 2019



### Trading Environment

Inflation peaked at 38.8% month-on-month in October 2019 and then continued its downward movement, which began in the prior quarter, to end at 16.6% for the month of December 2019. Although still relatively high, declining inflation impacts positively on disposable incomes and volumes. The mortgage market remained subdued due to low disposable incomes.

### Volume performance

Sales volumes were 15% lower than the same period last year as a result of declining effective demand. Selling is being ramped up targeting funded government projects and cluster housing development while riding on short lead times enabled by high stock levels.

### Financial Performance

Inflation adjusted revenue for the quarter was 8% above same period in the prior year. Margins remain under threat from cost push factors such as demands for higher wages and increases in electricity charges, maintenance spares and raw material input prices.

### Outlook

If the trend in the reduction of month-on-month inflation continues, this will present opportunities for volume growth. We also anticipate better business in the second quarter which is traditionally when the construction industry resumes operations after the rainy season. Opportunities are being exploited in the reconstruction of the cyclone ravaged Chimanmani region and other ongoing housing development projects. Profitability is expected to continue into the ensuing quarter.

### By Order of the Board

**M Munginga**  
Company Secretary

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10 February 2020