Country Report

Zimbabwe

September 2010

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Economist Intelligence Unit

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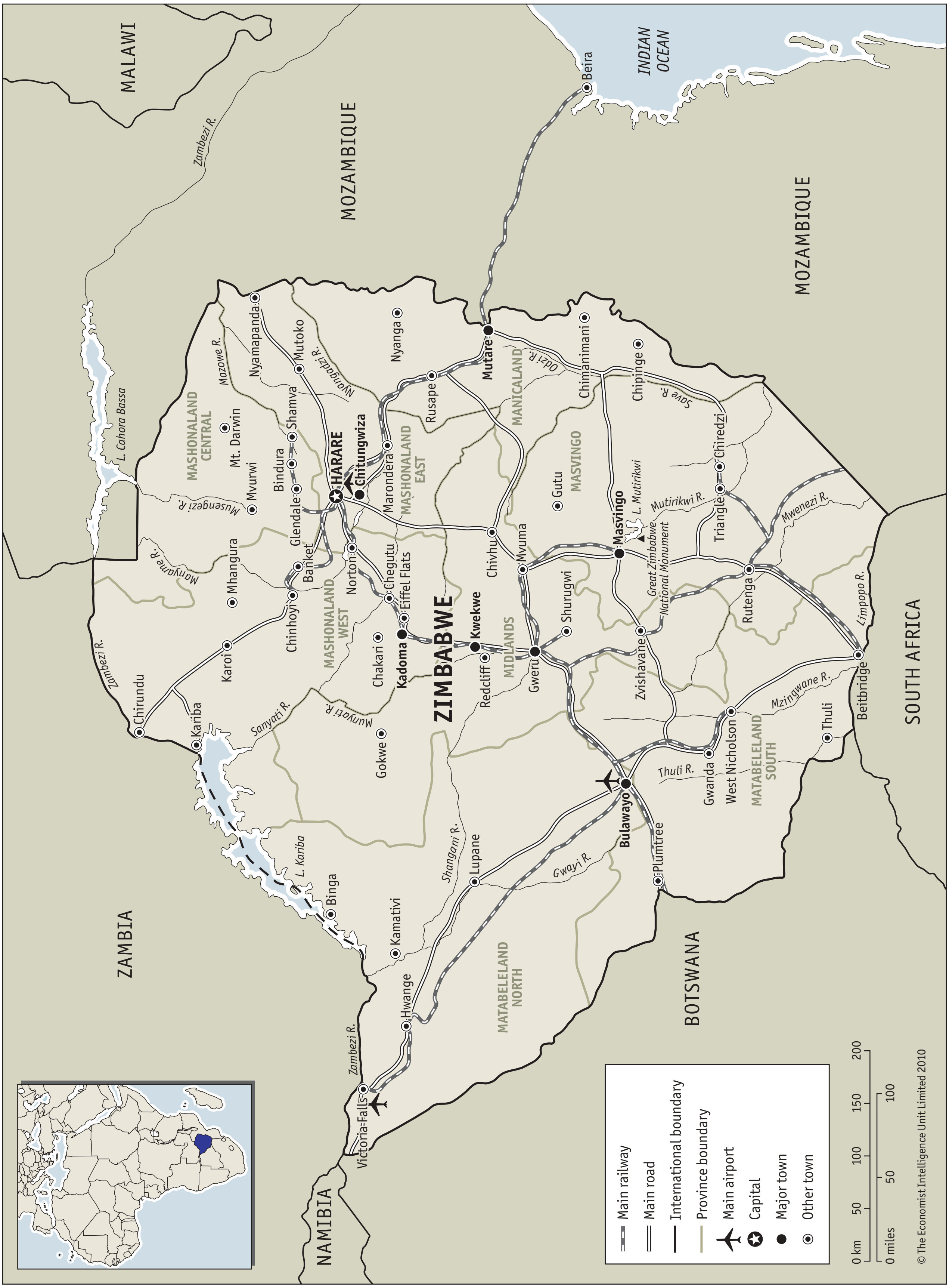
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Kariba
Chakari
Gokwe
Redcliff
Gweru
Shurugwi
Zvishavane
Great Zimbabwe National Monument
Rutenga
Beitbridge
Thuli
West Nicholson
Gwanda
Plumtree
Lupane
Binga
Kamativi
Hwange
Victoria Falls
Main railway
Main road
International boundary
Province boundary
Main airport
Capital
Major town
Other town
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Executive summary

Highlights

September 2010

Outlook for 2010-11

- Both the president, Robert Mugabe, and the prime minister, Morgan Tsvangirai, say that they want fresh elections in 2011 to break the political deadlock, but this timetable is likely to prove unattainable.
- Mr Tsvangirai will come under increasing pressure from sections of his Movement for Democratic Change (MDC), which believe that the prime minister has lost touch with the electorate.
- Some EU states appear to believe that targeted sanctions should be moderated so as to reward the government of national unity (GNU), but others—and the US—will continue to take a harder stance.
- The GNU will have to rely on aid grants to finance much of the difference between domestic revenue and expenditure.
- Growth in 2010-11 is likely to be constrained by ongoing power shortages and suboptimal flows of foreign capital and investment. Expansion will therefore remain well below potential, at an estimated 2.9% in 2010 and 4.3% in 2011.
- Although inflationary pressures have moderated, upward pressure on prices is likely to persist for the remainder of 2010 and into 2011. However, average rates will remain in single digits—low by historical standards.
- With growth in export earnings outstripping expansion of imports, the current-account deficit as a percentage of GDP is set to shrink sharply, to some 37% in 2010 and 22.5% in 2011.

Monthly review

- South Africa's latest attempts to resolve tensions within the GNU have proved unproductive, prompting the president, Jacob Zuma, to set a 30-day deadline for the resolution of outstanding issues.
- Mr Tsvangirai and his MDC-M counterpart, Arthur Mutambara, are coming under increasing pressure from within their own parties over their leadership styles.
- The formal secession of the "new" Zimbabwe African Political Union from the Zimbabwe African National Union-Patriotic Front (ZANU-PF) will add to the pressures on the MDC-M.
- Civil servants are threatening strike action in pursuit of their wage demands, and private-sector unions are likely to follow suit.
- The initial sale of diamonds from the controversial Marange fields has proved disappointing, with earnings at the lower end of previous estimates.
- Tobacco production and overall earnings are expected to be double the 2009 totals, although farmers are operating with relatively narrow profit margins.

Outlook for 2010-11

Political outlook

Domestic politics

The two main parties in Zimbabwe's power-sharing government, Robert Mugabe's Zimbabwe African National Union-Patriotic Front (ZANU-PF) and Morgan Tsvangirai's Movement for Democratic Change (MDC), will continue to manoeuvre for power. Progress will be patchy at best and subject to frequent reversals: ZANU-PF insists that the Global Political Agreement (GPA) signed in September 2008 will not be implemented fully until targeted Western sanctions are lifted. Both Mr Mugabe and the prime minister, Mr Tsvangirai, say that they want fresh elections in 2011 to break the deadlock, but this is disingenuous, not least because the Zimbabwe Electoral Commission believes that it will take up to 18 months to produce an updated electoral roll, while the constitutional outreach programme is already running a year behind schedule and is likely to be delayed further. In addition, whatever he may say in public, Mr Tsvangirai almost certainly prefers the status quo to fraudulent and possibly violent polls, and although Mr Mugabe may believe that ZANU-PF has a greater chance of winning polls under the existing constitution and electoral roll, there are clear advantages to postponing polls, since internal tensions within the MDC, and pressures on Mr Tsvangirai, are likely to increase.

The Economist Intelligence Unit still believes that polls are unlikely to be held before 2012, but concerns about ZANU-PF's likely electoral strategy—which has previously involved intimidating the opposition and manipulating the result—are likely to add to discontent within a section of the MDC that already believes Mr Tsvangirai to have lost touch with the electorate. Disquiet about the harassment of MDC supporters—or potential deadlock over the constitution, with ZANU-PF and the MDC remaining fundamentally divided on the delineation of presidential powers—could lead to another split within the party or its withdrawal from the government of national unity (GNU) as currently constituted. Under such a scenario Mr Mugabe would try to remain in power, possibly seeking to co-opt those MDC politicians who believe that forcing an election would lead to an unacceptable wave of violence against party supporters. The president has proved to be highly adept at such manoeuvres in the past, and there is no guarantee that international pressure to force him from office would succeed.

International relations

Although Mr Tsvangirai is seeking to improve relations with donor nations and to persuade them that the transition process is working, Mr Mugabe continues to take an antagonistic approach to Western states, and Western governments have sought to tie the removal of sanctions to political and economic progress in Zimbabwe. For its part, ZANU-PF insists that the GPA will not be implemented until targeted sanctions have been removed. There are signs that some EU states believe that targeted sanctions should be moderated so as to "reward" the GNU, but the US and other European states are taking a harder stance, insisting that there can be no real progress until internationally recognised elections have been held.

The MDC will continue to turn to regional powers to influence Mr Mugabe, but this strategy appears increasingly ineffectual. Mediation efforts by the South African president, Jacob Zuma, have made little progress, and Mr Zuma's attempts to set deadlines for the resolution of outstanding issues merely underscore this. It is far from clear what South Africa—or the Southern African Development Community (SADC)—will do if such deadlines are not met, even if SADC as a whole can be persuaded to take a tougher stance. Sanctions (let alone armed intervention) are not on the agenda while Mr Mugabe still commands support among other members of the African Union, suggesting that the stalemate will continue unless the president himself decides that it is time to alter the dynamic.

Economic policy outlook

Policy trends

As part of the power-sharing agreement, the Ministry of Finance has been placed under the control of Tendai Biti of the MDC. This means that the MDC is set to lose support as it makes only limited progress in tackling the economy. Economic policy will continue to be driven by political considerations, with the struggle for influence in the power-sharing government between ZANU-PF and the MDC overshadowing policy reform. However, there is also likely to be a continuing struggle for influence between rival economic ministries that are controlled by the MDC; Mr Biti has adopted a notably lower profile since a cabinet reshuffle earlier this year in which he reportedly almost lost his job; nonetheless, sections of the party continue to believe that the finance minister is becoming too powerful. This will add to the confusion over Zimbabwean economic policymaking, and risks creating (or, more accurately, reinforcing) the perception in some areas that the MDC is simply not up to the task of running the economy, although this is partly because it lacks the political clout to force through its policies. The IMF has called on the government to entrench property rights, improve labour-market flexibility and reform the banking sector as part of a move towards a staff-monitored programme. However, although the government has abolished the bank statutory reserve ratio and doubled the liquidity ratio, broader reforms would be politically controversial and are unlikely to be implemented until mid-2011 at the earliest.

Fiscal policy

Fiscal policy will remain a source of conflict both within the MDC and between the MDC and ZANU-PF. The key areas of dispute are likely to be the control of revenue from diamond sales and attempts to cap rising public-sector wages. Tendai Biti is keen to use diamond revenues to finance the budget deficit, but other MDC (and ZANU-PF) ministers are likely to want the funds to be used to boost civil service wages and increase public spending prior to elections. However, it seems likely that the value of the country's diamond stockpile will be towards the lower end of the scale—at US$350m-400m—suggesting that the administration will have to rely on aid grants to finance much of the difference between domestic revenue and expenditure. Meanwhile, government services, particularly healthcare and education, will continue to deteriorate.

Monetary policy

Severe foreign-exchange shortages have shaped monetary policy in recent years, undermining all economic activity. The effective dollarisation recognised in the 2009 budget adds a new dimension to this, with monetary policy rendered even less effective. The government is studying the possibility of joining the Southern African Common Monetary Area, which currently comprises South Africa, Lesotho, Namibia and Swaziland, but any formal link to the rand is unlikely before mid-2011 given the previous disparity between inflation rates in Zimbabwe and other southern African nations, as well as concerns about more restrictive capital-account controls. Bank lending rates have fallen very sharply with the decline in inflation, but the pace of the slow-down is likely to moderate given liquidity issues and continuing problems in the banking sector.

Economic forecast

International assumptions

International assumptions summary
(% unless otherwise indicated)

	2008	2009	2010	2011
Real GDP growth				
World	2.7	-0.8	4.5	3.6
OECD	0.4	-3.4	2.5	1.6
EU27	0.6	-4.2	1.4	1.1
Exchange rates				
¥:US$	103.4	93.7	89.5	89.5
US$:€	1.470	1.393	1.293	1.235
SDR:US$	0.629	0.646	0.661	0.672
Financial indicators				
€ 3-month interbank rate	4.65	1.23	0.82	0.93
US$ 3-month Libor	2.91	0.69	0.64	0.78
Commodity prices				
Oil (Brent; US$/b)	97.7	61.9	80.0	78.5
Gold (US$/troy oz)	871.8	973.0	1,179.8	1,238.8
Platinum (US$/oz)	1,563.2	1,204.8	1,579.1	1,595.0
Food, feedstuffs & beverages (% change in US$ terms)	28.3	-20.4	0.4	0.8
Industrial raw materials (% change in US$ terms)	-5.1	-25.6	32.9	3.4

Note. Regional GDP growth rates weighted using purchasing power parity exchange rates.

We expect world GDP (measured on a purchasing power parity basis) to expand by 4.5% in 2010 as many Western economies start to recover from recession. Growth is set to moderate in 2011, however, not least because US expansion is poised to decelerate as the impact of the stimulus measures fades and domestic demand remains weak. The prices of some commodities should recover strongly in 2010: platinum, for example, will rise by 31% while gold prices will increase by 21%. We expect Brent Blend to average US$80/barrel in 2010 (a rise of 29% from the 2009 average), which will increase Zimbabwe's oil import bill. Prices will moderate slightly in 2011, to an average of US$78.5/b.

Economic growth

After a prolonged period of collapse the economy started to recover in late 2009, albeit from a low base, and this recovery is expected to accelerate in 2010. However, official projections of 12.5% growth in 2010 and an annual average of

15% in 2010-15 are clearly unrealistic; indeed, according to revised forecasts announced by the finance minister in his mid-year fiscal review, GDP will grow by 5.4% this year. Even this is likely to be overoptimistic: national savings are insufficient to fund the necessary investment; flows of foreign capital or investment are running below official forecasts and are unlikely to improve until the political environment improves substantially; and the signs are that agricultural production outside the tobacco sector will have a below-average year. Even assuming that the rains improve and the political situation remains somewhat stable, any recovery in farming will be constrained by the displacement of many farmers, the limited availability of inputs, the ongoing destruction of the commercial sector and the impact of HIV/AIDS; such issues cannot be rectified in the short term. Business confidence is being damaged by the sense of governmental drift, uncertainty over the position of the finance minister and continued confusion over legislation requiring 51% local ownership of all enterprises. The issue of indigenisation is particularly prominent in the mining sector, where it threatens to damage investor interest. All of this suggests that growth is likely to remain constrained to around 2.9% in 2010. Growth should improve slightly in 2011, but much will depend on the willingness and ability of the power-sharing government to pursue policy reforms. If, as seems likely, the administration muddles on, making some progress with reform but remaining deadlocked on the crucial issues, growth will remain well below potential in 2011, at 4.3%. Growth could be even lower if the administration seeks to hold elections, since this is likely to lead to increased instability, investor nervousness and policy drift.

Inflation

Although inflationary pressures moderated in mid-year, upward pressure on prices is likely to persist in 2010 because of increasing wage demands and the strengthening of international food and fuel prices. Much will depend on the direction of the rand. Should the South African currency weaken significantly, import prices in Zimbabwe—which obtains 40% of its imports from South Africa—will fall. However, we expect the rand to maintain a trend of gradual depreciation in 2010, and it is likely that Zimbabwean inflation will exceed the official forecast of 5% in 2010 and is likely to return to double-digit levels before year-end, although it will probably average 6.1% over the year as a whole. Although the rate is expected to average 8.5% during 2011, it should remain low by historical standards, provided that the authorities do not revert to the disastrous policies used previously, such as printing money to finance deficits.

Exchange rates

The exchange-rate regime is likely to become an increasingly contentious political issue. Full dollarisation, with the US dollar as sole legal tender, is probably the simplest option, but as the differential between inflation rates in the US and Zimbabwe widens businesses will question Zimbabwe's ability to operate effectively with the US dollar as its currency, particularly as much of the country's trade is with its southern African neighbours. Membership of the Southern African Common Monetary Area, would bring "significant benefits", according to the IMF, but the introduction of stronger capital-account controls that this would necessitate could prove unpopular. Meanwhile, both Mr Mugabe and Gideon Gono, the governor of the Reserve Bank of Zimbabwe (the central bank), have called for a return to the Zimbabwe dollar. However, the IMF warns that a local currency could be reintroduced only after a track record of sound policies has been established.

External sector

Plans to hold regular auctions of diamonds could boost Zimbabwe's export earnings, but sales thus far suggest that the value of the country's diamond stockpile is at the lower end of estimates, at US$350m-450m. Ferro-alloys, gold and—in particular—tobacco will therefore continue to dominate export earnings. However, both exports and imports are likely to increase in 2010 (the latter financed by increased domestic credit and higher humanitarian assistance). The strong performance of the tobacco sector in the 2010 season is likely to encourage farmers to seek to boost output in 2011, but agricultural sector growth will be partly dependent on climatic conditions, while expansion of the crucial mining sector will be influenced by international mineral prices, the government's approach towards international investment—specifically, mandated levels of local ownership of major projects—and possible power shortages. As a result, growth in both exports and imports will moderate in 2011. Since tourism will recover only slowly, we expect the services account to remain in deficit in 2010-11. The income account is also set to remain in deficit, even though the repatriation of profits and debt-service payments will be limited. Only the current transfers account will be in surplus: remittances by the 3.5m-plus Zimbabweans living abroad are likely to improve as the global economy starts to recover. With percentage growth in export earnings outstripping expansion of imports, the current-account deficit as a percentage of GDP is set to shrink sharply, but will still remain high, at 37% of GDP and almost 22.5% of GDP in 2010 and 2011 respectively.

Forecast summary

(% unless otherwise indicated)

	2008[a]	2009[a]	2010[b]	2011[b]
Real GDP growth	-14.4	-1.3	2.9	4.3
Manufacturing production growth	-13.3	-3.8	6.0	5.7
Gross agricultural production growth	-24.0	-4.0	-2.0	0.0
Consumer price inflation (av)	1.5E+10	4.5E+16	6.1	8.5
Consumer price inflation (end-period)	2.2E+23	5.0E+01	1.0E+01	5.0
Short-term interbank rate	450.3	352.0	41.0	26.0
Government balance (% of GDP)	-6.2	-6.3	-5.0	-4.5
Exports of goods fob (US$ bn)	1.4	1.2	1.7	1.9
Imports of goods fob (US$ bn)	1.9	2.4	2.9	3.2
Current-account balance (US$ bn)	-0.6	-0.8	-0.6	-0.4
Current-account balance (% of GDP)	-39.2	-60.5	-37.2	-22.4
External debt (year-end; US$ bn)	5.2[c]	5.7	5.8	5.9

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual.

Monthly review: September 2010

The political scene

South Africa sets another deadline

South African attempts to resolve the tensions in Zimbabwe's power-sharing government at a mid-August summit of the Southern African Development Community (SADC) were—predictably—unproductive. South Africa's president, Jacob Zuma, has now set a 30-day deadline during which the three leaders of the coalition administration "must" resolve outstanding issues—specifically, the disputed appointments of Gideon Gono, the governor of the Reserve Bank of Zimbabwe (RBZ, the central bank), and Johannes Tomana, the attorney-general; the appointment of provincial governors; and the refusal of the president, Robert Mugabe, to appoint Roy Bennett, the nominee of the Movement for Democratic Change (MDC), to the post of deputy agriculture minister.

It is unclear what action the South Africans and SADC will take if the mid-September deadline passes without any substantive progress, as seems likely. Mr Mugabe has clearly stated that there will be no more political reform until Western sanctions are lifted. SADC leaders have renewed their appeal to the US, EU, UK and Australian governments to lift measures, but there is little likelihood of progress on this front. Indeed, the US ambassador, James Ray, has flatly rejected any such moves until the Global Political Agreement (GPA), signed on September 15th 2008, is fully implemented.

The timing of the election remains a matter of debate

It also seems unlikely that Mr Mugabe, the prime minister, Morgan Tsvangirai, and Arthur Mutambara, the leader of the small and increasingly irrelevant MDC-M faction, will accommodate another of Mr Zuma's demands—that new elections be held by the end of 2011. Both Mr Mugabe and Mr Tsvangirai insist that they want elections sooner rather than later—although both are believed to prefer the status quo—but Mr Mutambara is adamant that free and fair polls are impossible until further political reforms are in place, and that elections before 2012 are therefore infeasible.

He is backed by the Electoral Commission established under the GPA. Its chairman, Judge Simpson Mutambanengwe, believes that it will not be possible to draw up a new voters' roll and organise elections in 2011, partly because there is no money available for the process. "Ultimately, the economy of the country will determine when and whether we hold elections," he has said. Under the GPA, a new constitution must be designed and approved at a referendum before fresh elections are held. The constitutional affairs minister, Eric Matinenga (MDC), hopes that the draft constitution will be completed by end-2010 or early 2011, but this looks optimistic given that the "outreach" programme, which should have been completed months ago, is bogged down in disputes over procedures and funding, and threatened by the intimidation of people wishing to make their views known. At the end of August the programme was extended by a further 23 days—in addition to the original 65-day programme—and Mr Matinenga said that he expected Copac, the parliamentary select committee that is managing the process, to complete this phase of its work by the first week of October. Thereafter, a number of "thematic committees" will draw up a report that will then be converted into a constitution by a team of legal drafters. That will then be taken to an "all stakeholders" conference for approval before being submitted to parliament, which will then have to approve the document. A referendum should be held within three months of the constitution being gazetted. This is a "best-case" scenario and is unlikely to be achieved, but even if it is possible to hold a referendum in the second quarter of 2011 Zimbabwe is unlikely to go to the polls until April 2012, and possibly even later given the need to complete voter registration and constituency delimitation.

Party leaders are under pressure

Meanwhile, two of the country's three leaders are under pressure within their own parties. Mr Mutambara faces a challenge for the MDC-M leadership from Welshman Ncube, the party's secretary-general (and industry minister). Mr Mutambara seems unlikely to retain his position, partly because he hails from Mashonaland whereas the party's entire support base is in the Matabeleland area, but also because he has been the target of considerable criticism from within the party for his erratic stance within the unity government. Although Mr Ncube is expected to be a more reliable party leader, he is also seen as being likely to side with Mr Mugabe's Zimbabwe African National Union-Patriotic Front (ZANU-PF)—not least because he fell out with Mr Tsvangirai in 2005, when the MDC split into two wings. Indeed, in his most recent public statement he accused the MDC of being power-hungry, adding that it was the MDC, not ZANU-PF, that was "violating" the GPA.

This will add to the pressures on Mr Tsvangirai, who is already facing MDC criticism regarding his leadership style and, in particular, his reliance on a "kitchen cabinet" of advisers. As part of attempts to stem growing factionalism the MDC recently decided that Mr Tsvangirai could no longer make senior appointments in the party or government without first consulting the MDC's National Standing Committee. In part, this criticism arises from a cabinet reshuffle in which a number of senior party members were demoted, while Theresa Makone—the wife of Mr Tsvangirai's chief-of-staff, Ian Makone—was promoted to the influential position of joint-minister (with Kembo Mohadi) for home affairs (July 2010, The political scene). At the time there was speculation that the kitchen cabinet was pushing for the demotion of the powerful finance minister, Tendai Biti, and that it had taken the intervention of some Western donors and the IMF to save Mr Biti's job. Although this is flatly denied by the MDC, it is noticeable that Mr Biti has been both less prominent and more circumspect in his public statements since the reshuffle.

The ZAPU leader is elected

Dumiso Dabengwa, formerly the home affairs minister in the Mugabe government, has been unanimously elected as leader of the "new" Zimbabwe African Political Union (ZAPU). Established in the 1950s by Zimbabwe's first internationally recognised nationalist leader, Joshua Nkomo, ZAPU formally dissolved in 1987 when Mr Nkomo entered into a political merger with Mr Mugabe's Zimbabwe African National Union (ZANU) to create ZANU-PF. The "new" ZAPU has now formally seceded from ZANU-PF, 18 months after severing links with the party, and says that it will contest future elections. The move is bad news for both wings of the MDC, but especially the Mutambara section, since all of its members of parliament come from the Matabeleland/Midlands area, where ZAPU is expected to recruit the vast bulk of its support.

Economic policy

Pay demand pressure increases

Inflation slowed for the second successive month—from 6.1% (year on year) in May to 5.3% in June and 4.1% in July. However, the decline primarily reflects seasonal reductions in some food prices, and these are about to be reversed with the announcement of a 10% increase in the price of bread (attributed to the increase in world prices). Because the country's wheat harvest this year will be the lowest on record, at only 11,000 tonnes—as against annual consumption of around 300,000 tonnes—prices of wheat-related products are forecast to increase further over the next 12 months.

Even though inflationary pressures appear to have abated, at least temporarily, trade union militancy is on the rise, especially in the public sector. Inspired in part by the pressure that South African public service unions have applied to their government, Zimbabwe's civil servants have renewed threats to take strike action later this year. Public-sector unions are demanding that the government dip into its "windfall" earnings from the sale of diamonds from the Marange fields to increase salaries. Zimbabwe's public service unions have traditionally failed to mount effective strike action and ministers are confident that any new strikes will be equally ineffective. However, parents are concerned that, as in 2008, a threatened teachers strike would seriously disadvantage children taking O- and A-level examinations in November.

The private-sector Zimbabwe Banks and Allied Workers' Union has also called a strike, for September, demanding an 80% pay increase and an end to retrenchment by banks, which have laid off more than 1,000 workers in the past year. The lowest-paid bank employees currently earn US$273 a month, and employers say that they cannot afford to pay more: one of the country's largest banks, South African-owned Stanbic, has said that its staff costs doubled to US$5m in the first half of 2010; BancABC estimates that staff costs—which represent 58% of total expenses—have increased by 30% so far this year. The dispute comes against a background of demands by the RBZ that banks reduce their charges, cut interest rates and pay interest on demand deposit accounts—all of which have been rejected by banks as unrealistic in current conditions.

Commercial banking licences are awarded

The RBZ has issued commercial banking licences to Trust Bank, Royal Bank and Barbican Bank with effect from September 1st, bringing the number of commercial banks to 17. The Zimbabwe Allied Banking Group, into which the three banks were forced to amalgamate to form a single institution in 2005 following concerns about high levels of bad debts (March 2005, The domestic economy), will remain in operation as a separate entity. Given that seven existing banks have failed to meet the capital ratios stipulated by the RBZ, there is widespread criticism of the licensing of more institutions in a market that is clearly overbanked.

Economic performance

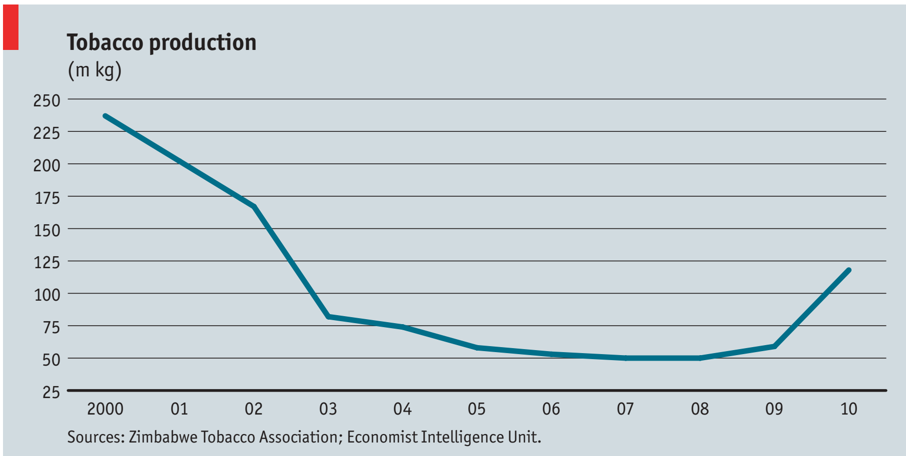
Diamond sales prove disappointing

Hopes that the economy would receive a major boost from diamond sales have receded following the first "legal" sale of diamonds from the controversial Marange fields (June 2010, Economy policy) on August 11th. According to the mines minister, Obert Mpofu, the sale of 900,000 carats raised US$56.4m, of which US$30m will go to the government. Mr Biti had earlier stated that the gems had been sold for US$45m, of which the government would receive just US$15m. Both figures are substantially below earlier official estimates, one of which put potential diamond earnings at around US$1bn a month. Just under one-sixth of the 6m-carat stockpile has been sold, at an average price of US$62 per carat; this suggests that the remaining 5.1m carats will be worth some US$320m.

Further sales are scheduled despite renewed efforts by human rights groups to convince buyers that they are trading in tainted diamonds The US-based Rapaport Group, which claims to be the world's largest diamond-trading network, with members in more than 70 countries, says that it will expel members who trade Marange diamonds. According to the group's chairman, Martin Rapaport, "There is no assurance that diamonds with Kimberly Process certification are free of human-rights violations", adding that the state-owned Minerals Marketing Corporation, which is selling the diamonds, is on the international sanctions list.

Tobacco production increases substantially

The 2010 tobacco sales season is scheduled to end on September 3rd, with production having doubled to 118m kg, from 59m kg in 2009—the largest crop since 2003 but well below the record of more than 230m kg in 2000. The crop will be worth some US$350m—double the US$175m earned last year—but average prices are marginally lower, at US$2.91/kg compared with US$2.98/kg in 2009. There is a significant gap between the prices paid for contract tobacco (US$3.06/kg) and leaf sold on the auction floors (US$2.65/kg). Historically, all of Zimbabwe's tobacco was sold through the auction floors, but this has changed in recent years, with almost two-thirds being sold to contractors at significantly higher prices. Most of the larger-scale growers who produce the better-quality leaf do so under contract. Following the excellent season production is set to increase again in 2010, but industry sources warn that, although prices have been good, costs have risen dramatically, with the result that many farmers are operating with relatively narrow profit margins.



Bids for Zisco re-opened

The government is making a renewed attempt to sell a 70% stake in the Zimbabwe Iron and Steel Company (Zisco), calling for bids to be submitted by September 24th. In May bids by ArcelorMittal South Africa and India's Jindal Steel and Power were rejected by Mr Mugabe, who said that the companies were "too big" and that Zisco should be taken over by a "medium-sized business". Jindal has since said that it will re-bid for the firm.

Data and charts

Annual data and forecast

	2005[a]	2006[b]	2007[b]	2008[b]	2009[b]	2010[c]	2011[c]
GDP							
Nominal GDP (US$ bn)	1.9	1.8	1.7	1.5	1.3	1.6	2.0
Real GDP growth (%)	-5.4	-4.6	-5.6	-14.4	-1.3	2.9	4.3
Expenditure on GDP (% real change)							
Private consumption	9.0	-4.5	-5.0	-13.9	-1.0	2.5	4.5
Government consumption	7.7	-6.0	-6.0	-10.0	5.0	5.5	4.8
Gross fixed investment	-63.4	-1.0	-5.0	-8.0	-2.0	1.1	4.0
Exports of goods & services	-3.4	-1.0	-0.8	-1.2	-0.5	2.8	4.2
Imports of goods & services	-2.6	-1.5	-1.0	-0.6	1.5	3.0	4.5
Origin of GDP (% real change)							
Agriculture	-10.0	-4.5	-5.0	-24.0	-4.0	-2.0	0.0
Industry	-11.7	-3.5	-5.0	-14.7	-2.0	4.0	8.0
Services	-3.4[b]	-5.0	-5.8	-11.0	-0.3	3.0	5.3
Population and income							
Population (m)	12.5[b]	12.5	12.5	12.5	12.5	12.6	12.6
GDP per head (US$ at PPP)	185[b]	183	177	155	154	160	169
Fiscal indicators (% of GDP)							
Public-sector revenue	43.3	38.8	37.1	38.9	39.5	39.6	38.2
Public-sector expenditure	45.0	50.2	45.8	45.1	45.8	44.5	42.7
Public-sector balance	-1.7	-11.4	-8.7	-6.2	-6.3	-5.0	-4.5
Net public debt	191.2[b]	205.9	219.1	247.0	282.6	241.9	194.7
Prices and financial indicators							
Consumer prices (end-period; %)	5.86E+02	1.28E+03[a]	6.62E+04	2.16E+23	5.00E+01	1.02E+01	5.01E+00
Lending interest rate (av; %)	235.7	496.5[a]	579.0	450.3	352.0	41.0	26.0
Current account (US$ m)							
Trade balance	-509[b]	-365	-421	-519	-1,200	-1,179	-1,260
Goods: exports fob	1,595[b]	1,675	1,555	1,396	1,213	1,692	1,898
Goods: imports fob	-2,104[b]	-2,040	-1,975	-1,915	-2,413	-2,871	-3,158
Services balance	-97[b]	-88	-108	-146	-130	-202	-249
Income balance	-268[b]	-151	-144	-189	-198	-180	-156
Current transfers balance	263[b]	264	266	270	720	971	1,222
Current-account balance	-611[b]	-340	-407	-584	-807	-591	-444
External debt (US$ m)							
Debt stock	4,255	4,651[a]	5,292[a]	5,199[a]	5,667	5,772	5,896
Debt service paid	236	85[a]	80[a]	29	58	51	63
Principal repayments	210	33[a]	39[a]	8[a]	36	25	36
Interest	27	53[a]	41[a]	21	22	25	27
Debt service due	288	438[a]	445[a]	230	777	356	478
International reserves (US$ m)							
Total international reserves	160[b]	139	117	96	351	376	462

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Source: IMF, *International Financial Statistics*.

Quarterly data

	2006			2007				2008
	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr
Central government finance (Z$ m)								
Revenue & grants	162,579	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expenditure & net lending	188,148	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Balance	-25,569	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total domestic debt (end-period)	46,213	119,401	175,666	1,283,404	n/a	n/a	n/a	n/a
Output								
Manufacturing index (1990=100)	58	69	73	n/a	n/a	n/a	n/a	n/a
Manufacturing index (% change, year on year)	-5	12	30	n/a	n/a	n/a	n/a	n/a
Prices								
Consumer prices (2000=100)	133,258	249,903	509,953	1,437,264	7,321,732	n/a	n/a	n/a
Consumer prices (% change, year on year)	1,147	1,071	1,164	1,883	5,394	n/a	n/a	n/a
Financial indicators								
Exchange rate Z$:US$ (av)	100.7	200.0	259.2	259.2	257.3	8,186.7	30,000	30,000
Exchange rate Z$:US$ (end-period)	104.8	259.6	258.9	259.1	255.6	30,000.0	30,000	30,000
Parallel exchange rate Z$:US$ (av)	320.0	1,068.0	2,567	10,333	79,333	293,333	n/a	n/a
Bank rate (end-period; %)	850.0	300.0	500.0	500.0	600.0	600.0	975.0	n/a
Lending rate (av; %)	665.8	431.7	400.0	529.2	537.5	590.8	658.3	n/a
Treasury bill rate (av;%)	509.4	258.8	66.3	66.3	248.8	340.0	340.0	n/a
M1 (end-period; Z$ bn)	1.15E+05	3.32E+05	6.37E+05	2.22E+06	1.89E+07	7.09E+07	4.25E+08	n/a
M1 (% change, year on year)	771	1,510	1,323	3,584	16,324	21,255.8	66,709.9	n/a
M2 (end-period; Z$ bn)	1.58E+05	4.34E+05	9.07E+05	2.85E+06	2.36E+07	9.07E+07	5.49E+08	n/a
M2 (% change, year on year)	781	1,520	1,453	3,372	14,840	20,807.8	60,376.2	n/a
ZSE Industrial index (end-period)	61,764	184,839	310,459	548,730	3,696,286	5,460,688	n/a	n/a
Sectoral trends								
Tobacco auctions (annual totals; '000 tonnes)[a]	53	n/a	n/a	n/a	n/a	0	n/a	n/a
Gold production (kg)	2,556	2,990	2,904	2,334	n/a	n/a	n/a	n/a
Gold production (Z$ bn)	6,286	13,035	29,569	27,735	n/a	n/a	n/a	n/a
Chrome ore production ('000 tonnes)	173	177	176	176	n/a	n/a	n/a	n/a
Chrome ore production (Z$ bn)	1,662	4,019	8,541	19,643	n/a	n/a	n/a	n/a
Platinum production (kg)	1,183	1,434	1,210	1,367	n/a	n/a	n/a	n/a
Platinum production (Z$ bn)	4,016	10,400	10,377	11,761	n/a	n/a	n/a	n/a
Foreign trade (Z$ m)[b]								
Exports fob	236.0	243.3	254.4	620.5	711.0	550.7	620.9	592.1
Imports cif	709.9	786.1	729.7	626.9	592.9	656.4	804.0	644.2
Trade balance	-473.9	-542.8	-475.3	-6.4	118.1	-105.7	-183.1	-52.2

[a] Provisional data for 2006. [b] *DOTS* estimates.

Sources: IMF, *International Financial Statistics*; *Direction of Trade Statistics*; Reserve Bank of Zimbabwe; Central Statistical Office.

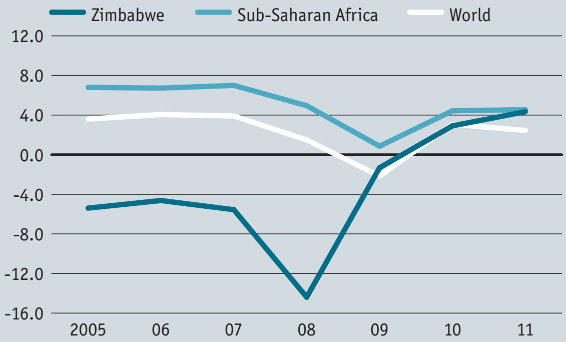
Monthly data

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate Z$:US$ (av)												
2005	5.8	6.0	6.1	6.1	7.1	9.8	12.5	21.2	25.5	61.5	64.2	78.0
2006	93.7	99.2	99.2	99.2	101.2	101.2	101.2	250.0	250.0	250.0	250.0	250.0
2007	250.0	250.0	250.0	15,000	15,000	15,000	15,000	15,000	30,000	n/a	n/a	n/a
M1 (% change, year on year)												
2005	156	196	189	187	191	180	237	236	264	423	407	553
2006	598	546	521	579	688	771	867	1,300	1,510	1,302	1,442	1,323
2007	1,607	2,114	3,584	4,844	8,928	16,324	18,441	16,837	21,256	26,779	57,538	66,710
M2 (% change, year on year)												
2005	168	204	192	190	219	202	253	236	256	377	414	533
2006	588	549	559	593	675	781	853	1,266	1,520	1,490	1,462	1,453
2007	1,668	2,142	3,372	4,559	8,344	14,840	18,599	17,845	20,808	23,081	50,699	60,376
Deposit rate (%)												
2005	56.5	46.5	44.4	44.0	54.0	81.5	79.0	126.0	126.0	130.5	130.5	174.0
2006	169.0	164.0	229.0	254.0	254.0	229.0	284.0	179.0	179.0	166.5	166.5	166.5
2007	129.0	124.0	154.0	154.0	154.0	129.0	129.0	129.0	94.0	104.0	79.0	79.0
Lending rate (%)												
2005	168.0	155.0	155.6	150.0	165.0	200.0	207.5	262.0	275.0	360.0	315.0	415.0
2006	415.0	455.0	595.0	682.5	682.5	632.5	632.5	312.5	350.0	350.0	350.0	500.0
2007	512.5	537.5	537.5	537.5	537.5	537.5	572.5	600.0	600.0	600.0	600.0	775.0
Industrial share prices (% change, year on year)												
2005	–	–	–	–	–	–	–	–	–	–	–	–
2006	–	–	–	–	–	–	–	–	–	–	–	–
2007	1,400	2,200	6,100	8,700	18,200	66,200	27,600	20,133	22,050	97,460	211,588	326,311

Sources: IMF, *International Financial Statistics*; Haver Analytics.

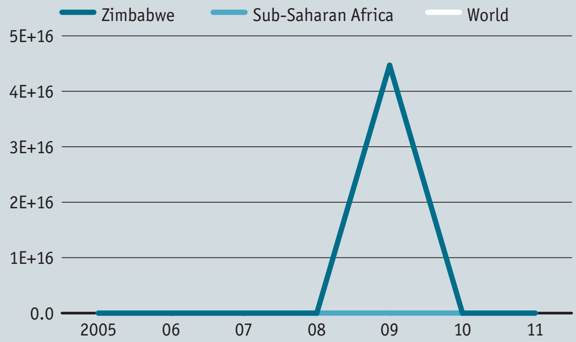
Annual trends charts

Real GDP growth
(% change)



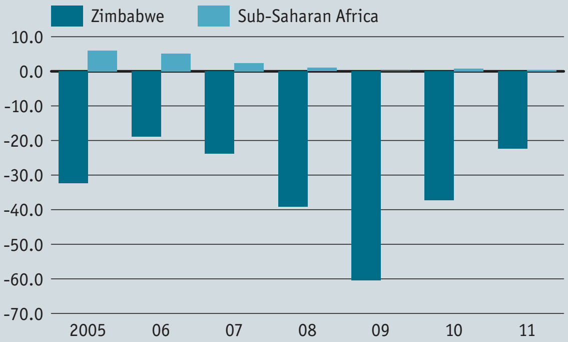
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



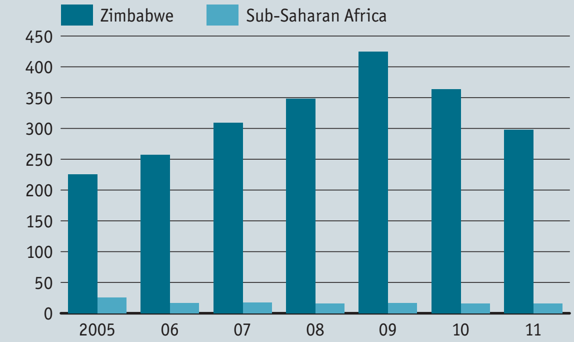
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



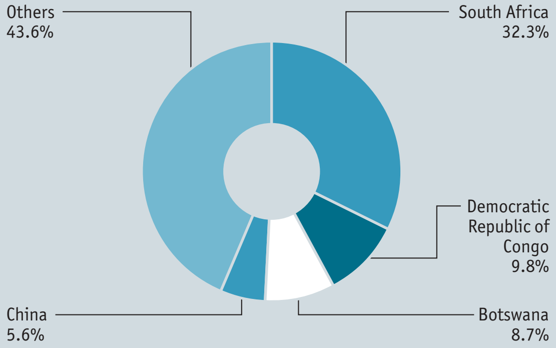
Source: Economist Intelligence Unit.

Total external debt
(% of GDP)



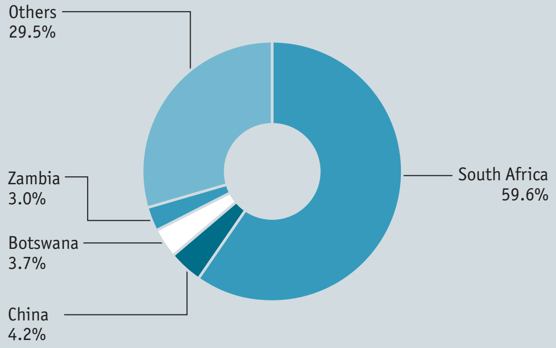
Source: Economist Intelligence Unit.

Main destinations of exports, 2008
(share of total)



Source: Economist Intelligence Unit.

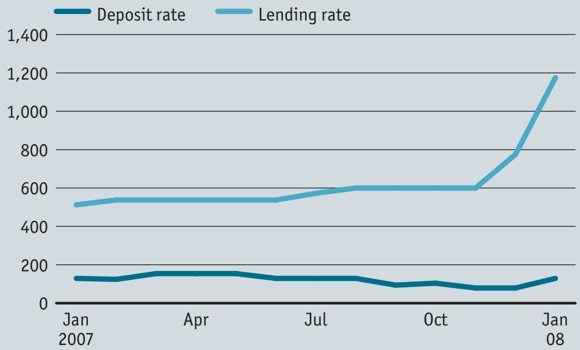
Main origins of imports, 2008
(share of total)



Source: Economist Intelligence Unit.

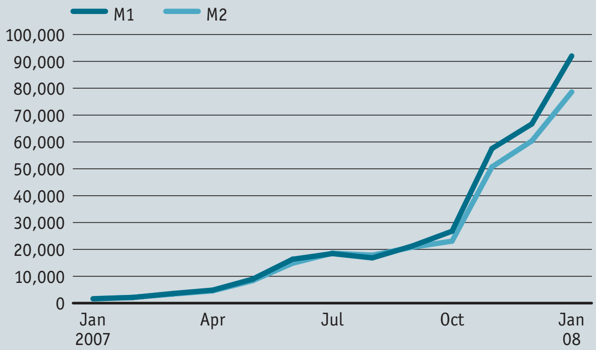
Monthly trends charts

Interest rates
(av; %)



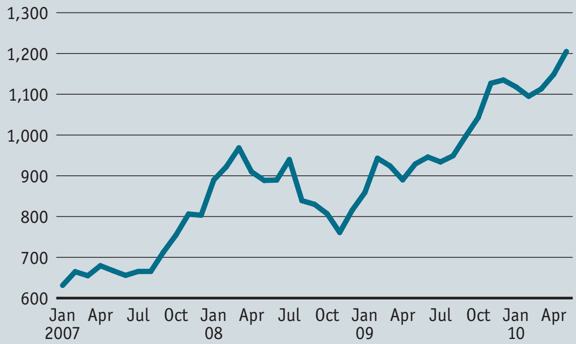
Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



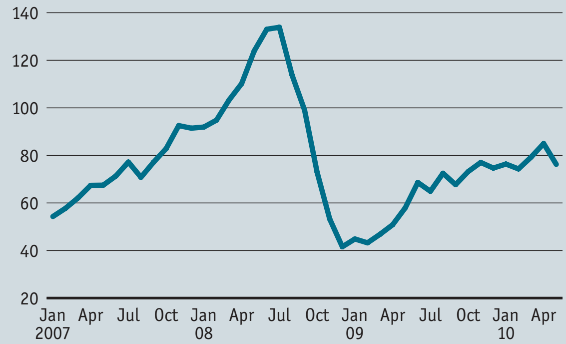
Source: Economist Intelligence Unit.

Gold: London price
(US$/troy oz; av)



Source: Economist Intelligence Unit.

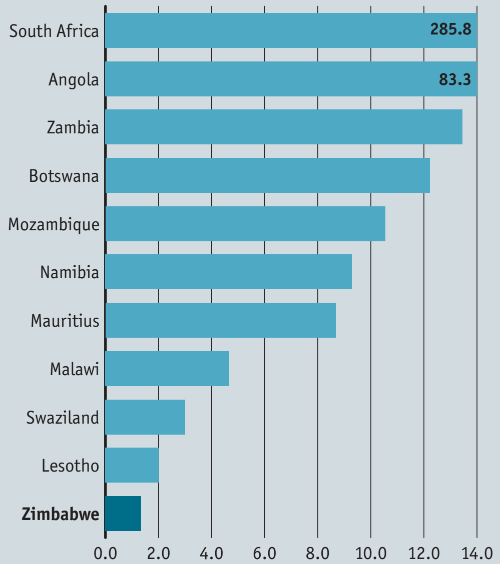
Oil: Brent crude price
(US$/b; av)



Source: Economist Intelligence Unit.

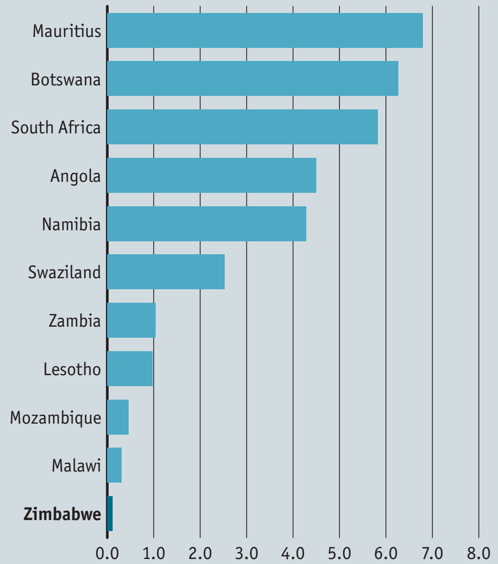
Comparative economic indicators, 2009

Gross domestic product
(US$ bn; market exchange rates)



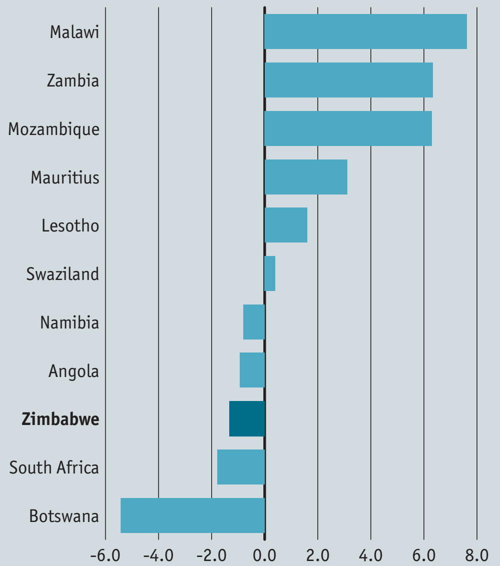
Sources: Economist Intelligence Unit estimates; national sources.

Gross domestic product per head
(US$ '000; market exchange rates)



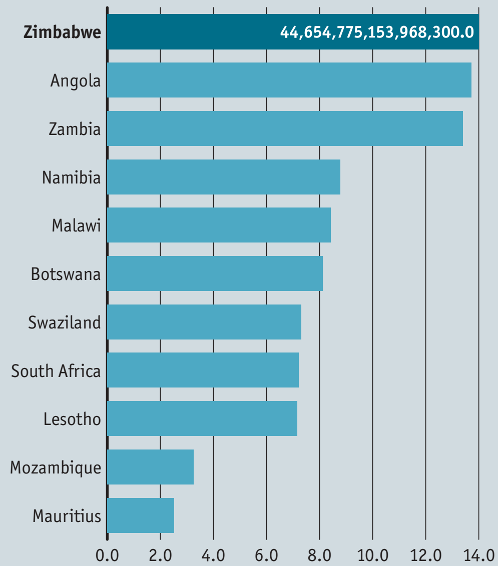
Sources: Economist Intelligence Unit estimates; national sources.

Gross domestic product
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

Consumer prices
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

Country snapshot

Basic data

Land area 390,580 sq km

Population 13.2m[a] (2006, IMF mid-year estimate)

Main towns Population in '000, 2002 (independent estimates)

Harare (capital)	1,444
Bulawayo	676
Chitungwiza[b]	321
Gweru	137

Climate Subtropical

Weather in Harare (altitude 1,472 metres) Hottest months, October and November, 16-27°C; coldest months, June and July, 7-21°C (average daily minimum and maximum); driest month, July, 1 mm average rainfall; wettest month, January, 196 mm average rainfall

Languages English (official), Shona, Ndebele and local dialects

Measures Metric system

Currency Zimbabwe dollar (Z$) = 100 cents; however, because of rampant inflation the government has moved to a multi-currency system, using the US dollar and South African rand in preference to the Zimbabwe dollar

Time 2 hours ahead of GMT

Public holidays January 1st (New Year's Day), Good Friday, Easter Monday, April 18th (Independence Day), May 1st (Workers' Day), May 25th (Africa Day), August 11th (Heroes' Day), August 12th (Defence Forces' National Day), December 22nd (Unity Day), December 25th and 26th (Christmas Day and Boxing Day); many firms close for a summer break of one to two weeks over the Christmas and New Year period

[a] Estimates of Zimbabwe's population vary considerably depending on how they account for the impact of AIDS. The most recent census was in 2002; preliminary results show a population of 11.6m—about 2m below earlier projections. [b] Harare's former township.

Political structure

Official name	Republic of Zimbabwe	
Form of state	Unitary republic	
Legal system	Based on Roman-Dutch law and the 1979 constitution	
National legislature	House of Assembly with 210 members, all of whom are directly elected; a Senate of 66 members (50 of whom are directly elected, six appointed by the president and ten seats held by traditional chiefs) was established in November 2005	
National elections	March 2008 (presidential, legislative and Senate); next elections due in 2011	
Head of state	President, elected by universal suffrage for a six-year term	
National government	The president and his appointed cabinet; a power-sharing government was formed in February 2009 in accordance with an agreement signed after the disputed 2008 elections	
Main political parties	Zimbabwe African National Union-Patriotic Front (ZANU-PF), the ruling party since 1980; the Movement for Democratic Change (MDC), formed by the trade union movement in September 1999; a number of smaller parties and independent candidates also contest elections	
	President	Robert Mugabe
	Prime minister	Morgan Tsvangirai
Key ZANU-PF ministers	**Agriculture, mechanisation & irrigation**	Joseph Made
	Defence	Emmerson Mnangagwa
	Energy & water development	Kenneth Konga
	Environment & natural resources management	Francis Nhema
	Foreign affairs	Simbarashe Mumbengegwi
	Justice & legal affairs	Patrick Chinamasa
	Lands & rural resettlement	Herbert Murerwa
	Media, information & publicity	Webster Shamu
	Mines & minerals development	Obert Mpofu
	Transport & infrastructural development	Nicholas Goche
Key MDC ministers	**Economic planning & investment promotion**	Tapiwa Mashakada
	Education, sport, art & culture	David Coltart
	Energy & power development	Elton Mangoma
	Finance	Tendai Biti
	Health & child welfare	Henry Madzorera
	Home affairs	Theresa Makone
	Housing & social amenities	Giles Mutsekwa
	Industry & commerce	Welshman Ncube
	Labour & social security	Paurina Gwanyanya
	Public works	Joel Gabuza
Reserve Bank governor	Gideon Gono	