
COUNTRY REPORT

Zimbabwe

1st quarter 1996

The Economist Intelligence Unit
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The Economist Intelligence Unit

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Symbols for tables

"n/a" means not available; "-" means not applicable

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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 150 members, 120 representing geographical constituencies elected by universal adult suffrage every five years, eight being provincial governors, ten customary chiefs and 12 others appointed by the president

Last elections: March 1990 (presidential); April 1995 (legislative)

Next elections due: March 1996 (presidential); April 2000 (legislative)

Head of state: president, elected by universal suffrage and serving a six-year term

National government: the president and his appointed cabinet; last major reshuffle April 1995

Main political parties: Zimbabwe African National Union-Patriotic Front (ZANU-PF), the ruling party since 1980, governed by a 138-member Central Committee and a 24-member Political Bureau (Politburo), 147 seats; Zimbabwe African National Union-Ndonga (ZANU-Ndonga), two seats; Zimbabwe Unity Movement (ZUM); Forum Party of Zimbabwe (FPZ); United Parties (UP); Democratic Party (a split from ZUM); Front for Popular Democracy (FPD)

President

Robert Mugabe

Vice-presidents

Simon Muzenda; Joshua Nkomo

Key ministers

agriculture

Dennis Norman

defence

Moven Mahachi

education

Thenjiwe Lusabe

finance

Herbert Murerwa (acting)

foreign affairs

Stanley Mudenge

health & child welfare

Timothy Stamps

home affairs

Dumiso Dabengwa

industry & commerce

Herbert Murerwa

information, posts & telecommunications

David Karimanzira

justice, legal & parliamentary affairs

Emmerson Mnangagwa

local government, rural & urban development

John Nkomo

lands & water resources

Kumbirai Kangai

mines

Eddison Zvobgo

national security

Sydney Sekeramayi

national affairs, employment creation & cooperation

Florence Chitauo

public construction & national housing

Enos Chikowore

public service, labour & social welfare

Nathan Shamuyarira

transport & energy

Simon Moyo

Minister of state in the President's Office

Cephas Msipa

Planning commissioner

Richard Hove

Governor of the Reserve Bank of Zimbabwe

Leonard Tumba

Economic structure

Latest available figures

Economic indicators	1991	1992	1993	1994	1995 ^a
GDP at factor cost Z\$ m	19,436	23,536	31,091	39,775	49,008
Real GDP growth %	3.3	-5.8	0.9	7.4	0.5
Consumer price inflation ^b %	23.3	42.1	27.6	22.2	22.6
Population m	9.60	10.40	10.60	10.94	11.27
Exports fob US\$ m	1,694	1,528	1,609	2,210 ^c	2,200
Imports fob US\$ m	1,646	1,782	1,487	1,949 ^c	1,970
Current account US\$ m	-457	-604	-116	-46 ^c	-120
Reserves excl gold US\$ m	149.7	222.2	432.0	405.3	677.3 ^d
Total external debt US\$ m	3,436	4,005	4,168	n/a	n/a
External debt-service ratio %	27.2	32.5	32.3	n/a	n/a
Volume of mining production ^e	108.9	107.0	104.4	112.9	118.5 ^f
Volume of manufacturing production ^e	143.0	129.9	119.3	130.7	106.6 ^g
Exchange rate (av) Z\$:US\$	3.621	5.098	6.483	8.152	8.670 ^h

January 12, 1996 Z\$9.338:US\$1

Origins of gross domestic product 1994	% of total	Components of gross domestic product 1990	% of total
Agriculture & forestry	13.6	Private consumption	52.3
Mining & quarrying	7.2	Public consumption	23.7
Manufacturing	22.9	Gross fixed capital formation	19.6
Transport & communications	6.1	Change in stocks	3.7
Distribution, hotels & restaurants	10.7	Exports of goods & services	29.4
Public administration	9.6	Imports of goods & services	-28.7
Other	29.9	GDP at market prices	100.0
GDP at factor cost	100.0		

Principal exports 1994	US\$ m	Principal imports 1994	US\$ m
Tobacco	650	Machinery & transport equipment	927
Gold	227	Chemicals	366
Ferro-alloys	115	Manufacturers	365
Nickel	81	Petroleum products & electricity	222

Main destinations of exports ⁱ 1994	% of total	Main origins of imports 1994	% of total
UK	12.9	South Africa	32.6
South Africa	11.8	UK	10.3
Germany	7.1	Germany	5.9
USA	6.3	Japan	5.7
Japan	5.7	USA	5.3

^a EIU estimates. ^b The low-income index, net of sales tax and excise duty (1980=100), was used until 1990; a new composite index, inclusive of sales tax and excise duty (1990=100) was introduced in January 1993. ^c RBZ/EIU estimates. ^d August actual. ^e 1980=100. ^f January-March actual. ^g January-June actual. ^h January-August actual. ⁱ Excluding gold.

Outlook

Political instability is likely—

Infighting within the Zimbabwe African National Union-Patriotic Front (ZANU-PF) is likely to increase, as different factions manoeuvre for influence. The internal struggles are rarely over matters of principle; at best, they often relate to attempts to maintain or promote resource shares for particular regions and, at worst, to attempts to win positions within the party which can provide access to corrupt pay-offs. Challenges to this increasingly unprincipled jostling for position are growing, but lack proper coordination. The lack of faith in any of the opposition parties is manifesting itself in growing support for independent candidates and single-issue groups, particularly on the human rights front, although it appears that the new Multi-Party Consultative Conference (MPCC) may provide an anti-government focus.

—as independents challenge ZANU-PF—

The importance of external monitoring and pressure has been demonstrated in Margaret Dongo's victory as an independent in the Harare South by-election. The ZANU-PF machine was able to bus in supporters to defeat her under the cover of the general election in April, but both her appeal to the High Court and the subsequent election re-run demonstrates that the party can be defeated when it is forced to play by the rules. Too much can also be made of the near monopoly of ZANU-PF control of the media. Indeed, opposition or independent monthly magazines flourish, and the *Financial Gazette* has a circulation many times what it would have were it catering exclusively for the business community, given the public's widespread scepticism regarding the content of the government-controlled media.

—but the outcome of the presidential election is not in doubt

The upcoming presidential election, scheduled for March 16-17, 1996, will have the effect of delaying unpopular economic measures as the implementation of reforms is put to one side. However, the election is unlikely to have any significant political ramifications given that a serious challenger to Mr Mugabe has yet to emerge. It is now probably far too late for opposition opinion to crystallise around a sole candidate and, even if this did occur, there is little hope that a challenger to Mr Mugabe could make much of an impact against ZANU-PF's well-established electoral machine at this late stage.

Budgetary discipline is needed—

On the economic front, Zimbabwe will find itself increasingly influenced by Washington in the aftermath of the election as virtually all the cards will be in the hands of the IMF. Although the government has not exerted adequate budgetary discipline, it is difficult to envisage where sufficient cuts can realistically be made rapidly enough to satisfy the IMF without violating the World Bank's new emphasis on maintaining social spending, especially in health and education.

—but the IMF prescription may bring overkill—

Military expenditure remains far too high, but there is the risk that rapid demobilisation could have serious social consequences. Outside the protected social areas and defence, there are clearly some opportunities for expenditure cuts, but the total vote appropriations in the 1995/96 budget for the other 16 ministries, the president and parliament amount to only Z\$6.7bn (US\$660m), plus Z\$3.2bn in the vote of credit, compared with a projected

deficit of Z\$6.3bn. As a result, even savage cuts going well beyond anything previously proposed would not solve the problem. In fact, the consequence of this situation was already highlighted in the 1995/96 budget, with the finance minister being obliged to cancel all investment plans.

—and hamper economic growth

This epitomises the debt trap the government finds itself in: because debt service is high and other items of current expenditure cannot be slashed for social reasons, the very spending which can help to generate growth is having to be cut. It remains to be seen whether the IMF will oppose the World Bank and attack social spending or will insist on a highly deflationary alternative which may hamper economic growth. Given that Zimbabwe has high taxes and high collection rates, the primary deficit (before debt servicing) in reality has not been far from surplus for more than a decade. In fact, the problem derives almost entirely from financing and refinancing the country's accumulated debt, which owes its origin to the early 1980s when Zimbabwe was encouraged to borrow extensively. As a result, the one option that would harm neither social spending on human capital nor physical investment would involve refinancing the accumulated deficit, followed by strict future controls on recurrent spending.

A contraction of the economy is likely—

The worsening trend in manufacturing industry and forecasts of a 5% decline in agriculture have caused the EIU to revise downwards its estimate for real GDP in 1995, from 1.5% to 0.5% (4th quarter 1995, page 5). Although the drought has severely hampered the agricultural sector's performance as a whole, tobacco has had another bumper year, while cotton and sugar have shown signs of recovery. However, if the contraction in agriculture was closer to 10%, as some fear, and the hint of a modest recovery in manufacturing in the second half of the year proves to be illusory, then the economy may well have contracted marginally in 1995.

—followed by recovery in 1996 and 1997

With good rains reported in December, the outlook for 1996-97 is far more encouraging. Both agriculture and manufacturing should recover the ground lost last year, while the mining sector, bolstered by solid growth in gold, platinum and copper, can be expected to continue its double-digit expansion in real terms. Overall, this should enable real GDP to grow by a healthy 7% in 1996 and by a further 4% in 1997, assuming normal climatic conditions. Despite frequent official predictions that the inflation rate would slow to 15%, or even 10% in 1995, consumer prices averaged an estimated 22.6% last year and are likely to remain stubbornly high during the forecast period. Although food prices should ease in the aftermath of last year's drought, the prospect of another large budget deficit in 1995/96 and the likelihood of substantial wage increases will exacerbate inflationary pressures so that consumer prices are expected to average 18% and 15% in 1996 and 1997 respectively.

Forecast summary (domestic)

(% change on previous year)

	1994 ^a	1995 ^b	1996 ^c	1997 ^c
GDP at factor cost	7.4	0.5	7.0	4.0
of which:				
agriculture, forestry & fishing	8.3	-5.0	10.0	6.0
mining & quarrying	10.6	11.0	12.0	10.0
manufacturing	11.7	-8.0	8.0	3.0
services	5.1	3.2	4.2	3.5
Consumer price inflation ^d	22.2	22.6	18.0	15.0

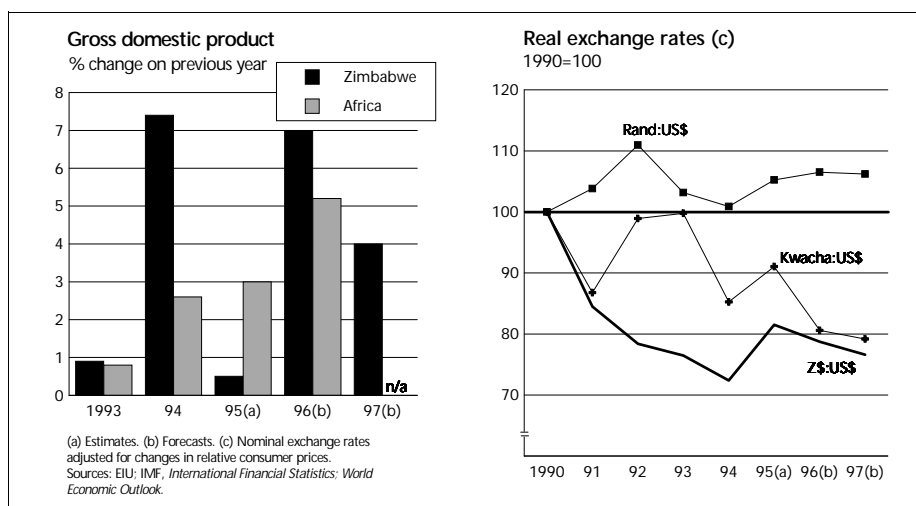
^a Official estimates. ^b EIU estimates. ^c EIU forecasts. ^d Based on the new composite index.

The current-account deficit widened in 1995—

Exports and imports both increased very rapidly in 1994, according to new data from the Central Statistical Office (CSO). The dramatic increase in exports to \$2.2bn improved the trade balance and led to a much-reduced current-account deficit, which we now estimate at US\$46m. However, it is likely that merchandise exports stagnated in 1995. Maize and cotton exports will have been limited by the drought, while manufacturing output slumped with the loss of textile markets. Nevertheless, the improved performance of key exports such as tobacco and gold should have allowed the overall level of exports to be maintained. Meanwhile, merchandise imports probably rose modestly, despite the stagnation of the economy, largely because of the need to import more maize and wheat as a result of the drought. We thus expect that the country's current-account deficit will have widened to US\$120m in 1995.

—but it should improve during the forecast years

Export growth should recover in 1996 and 1997, climatic conditions permitting, as tobacco earnings look set to rise further to US\$750m per year. The mining boom is likely to continue, with gold production increasing rapidly and the coming on stream of platinum. Imports, meanwhile, will rise steadily as the economy recovers from last year's drought. The trade surplus should thus decline marginally to US\$200m per year during the forecast period, but invisibles will continue to register a large deficit, largely due to the country's high interest payments on foreign debt. As a result, Zimbabwe's current account will remain in deficit, at an average of US\$190m per year in 1996 and 1997.



Forecast summary (external)

(US\$ m unless otherwise indicated)

	1994 ^a	1995 ^b	1996 ^c	1997 ^c
Merchandise exports fob	2,210 ^d	2,200	2,300	2,400
of which:				
tobacco	650	700	750	750
gold	227	290	320	350
ferro-alloys	115	115	110	100
nickel	81	95	80	80
Merchandise imports fob	1,949 ^d	1,970	2,100	2,200
Trade balance	261 ^d	230	200	200
Net invisibles	-307 ^d	-350	-380	-400
Current-account balance	-46 ^d	-120	-180	-200
Average exchange rate (Z\$:US\$)	8.15	8.67	10.20	11.70

^a Actual. ^b EIU estimates. ^c EIU forecasts. ^d RBZ/EIU estimates.

Review

The political scene

The death of the finance minister brings a new crisis

The death of the minister of finance, Ariston Chambati, on October 7, 1995, after less than six months in office, has come at a particularly unfortunate time, with the IMF demanding authoritative action on the budget deficit. On past form, it may be some time before a replacement is appointed. Indeed, it took about 18 months before Mr Chambati was identified as the successor to the ailing Bernard Chidzero, and once again no obvious candidate is available. In the meantime, the minister of industry and commerce, Herbert Murerwa, himself already under pressure to renegotiate a trade agreement with South Africa, is acting minister of finance.

Ndabaningi Sithole is arrested—

The leader of the Zimbabwe African National Union-Ndonga (ZANU-Ndonga) and former leader of ZANU, Reverend Ndabaningi Sithole, was arrested on October 13, 1995, in connection with an alleged plot to assassinate the president, Robert Mugabe. He was initially remanded in custody after being refused bail, but this was granted on appeal on October 20. Mr Sithole is 75 and suffering from high blood pressure.

—following an alleged assassination attempt on the president

The arrest and charging of the leader of the only party other than the ruling Zimbabwe African National Union-Patriotic Front (ZANU-PF) to be represented in parliament followed the disclosure in early October that there had been an attempt on Mr Mugabe's life. William Nhamakonha, a member of Chimwenje, an armed dissident group based in an area controlled by the rebel Resistencia Nacional de Mocambique (Renamo) in Mozambique, was arrested and charged in camera on August 21, and two further arrests were made in early October, including that of the alleged leader of the group, Simon Mhlanga. In November Mr Nhamakonha was sentenced to 12 years in jail. Chimwenje had previously been linked in local reports to the leader of the Zimbabwe Unity Movement (ZUM), Edgar Tekere. Although some observers have implied that Mr Sithole's

arrest was politically motivated because he probably would have been a rival to Mr Mugabe in the presidential election due to take place early in 1996, the fact is that the ZANU-Ndonga leader made no secret of his support for Renamo during his self-imposed eight-year exile in the USA in the 1980s, which was then making regular incursions into Zimbabwe.

Margaret Dongo wins the Harare South election re-run—

Standing as an independent, Margaret Dongo won the Harare South by-election at the end of November with 3,075 votes compared with 1,613 for the ZANU-PF candidate, Vivian Mwashita. Ms Dongo, an ex-guerrilla and former ZANU-PF member of parliament (MP), was the defeated candidate in Harare South in the general election last April, but she successfully appealed to the High Court to have the result annulled (4th quarter 1995, page 7).

—and independents do well in local elections—

Local elections were held in chaotic circumstances under presidential powers in late October. Invocation of these powers was made necessary as new legislation providing for executive mayors and tighter party control of councils had not yet been passed, and the opposition Forum Party of Zimbabwe (FPZ) had obtained a temporary High Court order postponing the elections earlier in the month. Most opposition parties announced boycotts of the polls on the grounds that, as in the general election last April, ZANU-PF was unfairly favoured; none of the 30 candidates who nevertheless stood were successful. There were similar protests within the ruling party following the primary elections in which some successful candidates were rejected by the party, and some unsuccessful ones claimed vote-rigging. Several of those who were rejected stood as independents, and ten were elected, along with five other independents. Although ZANU-PF won all the remaining seats, voter turnout was barely 20% and the registration rate was very low.

—and win the executive mayorship in Mutare—

In the mayoral elections, the former mayor, Alderman Lawrence Mudehwe, who had been expelled from ZANU-PF for mounting a challenge against the official candidate, John Mvundura, won decisively, standing as an independent. Mr Mvundura, supported by ZANU-PF's national secretary for administration, Didymus Mutasa, is seeking to have the result annulled on grounds of partiality on the part of the returning officer. Mr Mudehwe, if he survives as executive mayor, will nonetheless preside over a council dominated by ZANU-PF with nine members against three independents.

Meanwhile, the ruling party in Mutare has split into two hostile factions, with the minister of lands and water resources, Kumbirai Kangai, and his provincial deputy, Moses Mvenge, being accused by Mr Mutasa and the minister of defence, Moven Mahachi, of clandestinely supporting Mr Mudehwe against the official candidate. Two leading members of ZANU-PF, the national chairman, Joseph Msika, and the governor of Matabeleland North, Welshman Mabhena, stated openly in late October that the party was deeply divided on tribal and regional lines. This analysis is widely accepted but is rarely admitted publicly in the party.

—but the mayoral bill is delayed

For several weeks, the newly elected councillors and mayors were unable to take office, and the outgoing councillors were still in receipt of benefits, but deprived of authority, following a revolt in parliament in which on three

separate occasions MPs had refused to rubber-stamp executive decisions on the content of the urban councils bill (4th quarter 1995, page 7). There was apparent unease that what was being presented as a measure involving decentralisation of power would in fact place executive power in the provinces firmly under the control of the ZANU-PF politburo.

A new opposition alliance threatens protests

The new Multi-Party Consultative Conference (MPCC), formed in September and comprising some seven opposition parties, announced in November that it would agitate for constitutional changes by way of protest marches and civil disobedience. The MPCC argued that there was no longer any point in contesting elections under the present constitution because of the abuse of its powers by ZANU-PF, and called on the international community to withhold aid to Zimbabwe until the government respected human rights and guaranteed democratic practice.

There are riots following “trigger-happy” police killings—

Three bystanders were shot, two of them fatally, in police action against criminals in Harare city centre in early November. The riot squad had to be called out when the police were subsequently attacked by an angry crowd, which was dispersed with tear gas. A week later, a demonstration calling for the resignation of the police commissioner, Augustine Chihuri, was organised by the human rights watch-dog, *ZimRights*, and student groups. The protest passed off peacefully, but it was followed shortly thereafter by rioting, street closures and tear gas. Of the 15 people arrested, only one could be linked to the earlier demonstration, causing press speculation that the riot may have been organised to discredit *ZimRights*, which has been a thorn in the government’s side over the conduct of the general election (4th quarter 1995, page 7).

—as concern over human rights grows

The newly formed Zimbabwe Media Council circulated a draft document in November on existing laws and government practice in the area of freedom of expression. The council involves academics, politicians and trade unionists, is chaired by a retired Supreme Court judge of appeal, Justice John Manyarara, and has as its first interim registrar Judith Todd, daughter of Garfield Todd, a liberal prime minister in the 1950s. A conference on the reform of media law was planned for the end of 1995 in order to produce a final document for submission to the Law Development Commission, which is charged to produce draft bills.

The future of the Zimbabwe International Book Fair seems assured

Meanwhile, the threat to the future of the Zimbabwe International Book Fair (4th quarter 1995, page 8), following its capitulation to government pressure to ban a display by Gays and Lesbians of Zimbabwe (GALZ), seems to have been contained with a press release in October affirming that next year applications to participate will be considered solely on legal grounds, and that the fair’s trust will, if necessary, go to court to defend freedom of expression for any group wanting participation. Nevertheless, the banning of GALZ may affect Norway’s aid to Zimbabwe. The Norwegian Ministry of Foreign Affairs said in September that human rights issues were central to Norway’s concerns in fixing its aid programme. The theme of next year’s fair, to be held over six days beginning on July 29, 1995, is “Books for Business”, and the marketing programme, begun at the Frankfurt Book Fair, will continue through the London Book Fair in March 1996.

The airport tender raises a storm of protest—

A cabinet decision in October to award the contract to build the new Harare International Airport to an almost unknown bidder raised a storm of protest. A leaked technical subcommittee document, published in the *Financial Gazette*, showed that the tender by Air Harbour Technologies (AHT) came only fourth of seven tenders on technical merit; it was beaten by Aéroports de Paris (ADP) which had already won the contract in 1994 only to find the decision revoked by the cabinet (4th quarter 1994, page 9), as well as by Scott Brownrigg and Turner (builders of Heathrow Terminal 4 in London). Furthermore, at Z\$920m (US\$99m), the tender was said to be Z\$300m more expensive than any other design, while offering only 60% of the floor area of the ADP proposal, so that further extensions and alterations would be needed within three years and major extensions required from 2010. Funding will now have to be entirely through suppliers' credits as the offer of a loan of Z\$700m (US\$75m) by Japan was withdrawn after the ADP tender was revoked. AHT is said to be linked to Leo Mugabe, Mr Mugabe's nephew, and is owned by Yani Amani of Cyprus, who has cultivated an extensive network of contacts among politicians and businessmen in Zimbabwe and who recently bailed out the Zimbabwe Football Association. The cabinet decision was not without opposition, with at least five ministers said to be strongly opposed. Moreover, the Ministry of Transport and Energy gave an almost wholly negative report on the AHT proposal in an interview with the *Financial Gazette* in October.

—while the PTC and ZBC contracts also raise disquiet

Ericsson International and the Posts and Telecommunications Corporation (PTC) suffered another defeat in the High Court in November when the interdict order imposed last April, preventing the PTC from proceeding with its own tender for a cellular telephone network, was reaffirmed. In early December the PTC was asked by the Supreme Court to grant a licence to Retrofit, which had previously been denied the right to proceed with its own cellular network. However, the Supreme Court reserved judgment, whether the PTC's communications monopoly, which would justify its refusal, was unconstitutional (4th quarter 1995, pages 9-10). Shortly thereafter, Retrofit announced that it was confident that it could start a commercial service by April 1996.

The Zimbabwe Broadcasting Corporation (ZBC) has been severely criticised for losing millions of dollars on broadcasting the Africa Games in September. Preparations were inadequate and severely delayed, resulting in the contracting out of many services to the South African Broadcasting Company (SABC) and the appointment (to the anger of ZBC staff) of Jeremy Brickhill as executive producer, only to see him dismissed while the games were in progress. The ZBC under its new director-general, Edwin Moyo, has also been in dispute with the Ministry of Information, Posts and Telecommunications, over a contract to establish a pay-TV joint venture. The ministry awarded a contract to a local firm, Commtel Electronics, but the ZBC claims that equipment can be sourced from Pfluger Enterprises of the USA at two-thirds of the cost of Commtel's supplier, Technology for Communication International of the UK.

Salaries rise for politicians—

In a move that is likely to fuel resentment among many hard-pressed Zimbabweans, the salaries of the president and vice-presidents are to more than double from next July. Mr Mugabe will receive Z\$456,000 (US\$49,100), up from Z\$195,000, and the two vice-presidents, Joshua Nkomo and Simon Muzenda,

will be paid Z\$324,000. Furthermore, shortly after civil servants sued the government for scrapping their annual bonuses, it was announced that cabinet ministers and MPs will also be given large increases.

—but soldiers are squeezed

The armed forces and police also lost their bonuses, although the police and air force personnel did receive salary rises ranging from 33% to 61% in September. Plans to reduce the size of the armed forces below the current target of 40,000 (3rd quarter 1995, page 11), however, received a setback as the government has run out of funds to offer attractive retirement packages. The latest figures show that in 1994 the Zimbabwe National Army (ZNA) had 41,000 troops while air force personnel totalled 4,000.

Health and social policy

AIDS may claim 100,000 victims—

About 1% of the population of Zimbabwe, or over 100,000 people, are likely to die of AIDS within the next 18 months, according to the minister of health, Timothy Stamps. He claimed recently that the country had one of the highest rates of new infection in the world, and said that the UN Development Programme (UNDP) was conducting a comprehensive study of its impact on the economy. Dr Stamps admitted to having exaggerated the scale of the problem last March (3rd quarter 1995, pages 12-13), but now appears to be reverting to the figures that he was using in 1994 of 1 million people HIV-positive and 120,000 with full-blown AIDS.

—and is affecting the Termination of Pregnancy Act

Some doctors have wrongly used the Termination of Pregnancy Act to perform abortions on HIV-positive women, according to Dr Stamps. He called for a “clarification” of the act, which currently allows abortions when the pregnancy is a result of rape, incest, or where the life of either the mother or the baby is threatened. The 1977 act is the subject of deliberations by a committee which is considering adding mental health and “immunity abnormalities” to the list.

Economic policy

A new agreement with the IMF is likely—

Zimbabwe has for the second time in a year had its IMF funding suspended, causing it to be put on a “shadow programme” for six months as of September. Some SDR27.7m (US\$41m) of a SDR114.6m extended arrangement and SDR48.7m of a SDR200.6m Enhanced Structural Adjustment Facility (ESAF) remained undrawn at the expiry date of September 10, 1995, and these sums may now be lost. Although a new programme was being negotiated in late 1995, according to the acting finance minister, Herbert Murerwa, it is unlikely that agreement can be reached before the presidential election in March has been held. Details of this programme have yet to be disclosed, but are almost certain to include stringent new controls on public spending.

—but spending cuts will be difficult to make

In September the government froze all vacant posts in the civil service as part of a renewed attempt to cut its size and set a new target of 20,000 jobs to be eliminated over the next two years. This is very unlikely to be achieved. The

failure to reduce the civil service by the targeted 25,000 posts (from some 180,000 in 1990) was put in context by a letter in the *Financial Gazette*, which pointed out that nearly all the 164% increase in jobs to 164,000 between 1980/81 and 1995/96 (despite a reduction of about 16,000 since 1990/91) took place in the education and health services. The increase in all other ministries was only 21%, to 44,475, so that further major cuts can only come in areas which the World Bank now argues should be protected.

Meanwhile, the level of funding and implementation of the Social Development Fund (SDF), which was set up to ease the transition to a liberalised economy, has been far from adequate. The official figures show that 5,803 jobs have been created by the SDF at a cost of Z\$110m, but most of these relate to retrenched civil servants; given unemployment of more than 50% for the country's workforce of some 3 million, such efforts have made little impact on the economy.

Funds are finally unblocked—

In September the Reserve Bank of Zimbabwe (RBZ, the central bank) began the release of Z\$100m (US\$11m) of profits and dividends belonging to foreign companies that had been blocked for up to 30 years. The release of the funds is to be phased over three years, with an estimated US\$35m still to be unblocked. The RBZ subsequently announced that as of January 1, 1996, there would be a 10% increase in the amount of equity foreigners are allowed to buy in a company, pushing the ceiling to 35%. The cap on foreign investment allowed in primary issues of stocks and bonds was also increased from 25% to 35%. These measures should pave the way for a fresh influx of foreign investment.

—a major ADB facility is disbursed—

In October more than Z\$200m of the final Z\$700m tranche of the African Development Bank (ADB)'s industrial rehabilitation facility was disbursed, over half of it to black-owned enterprises. Earlier, a government request to the ADB to have the remaining part of the fund converted to a soft-loan facility for black entrepreneurs had been rejected. The funds are the final part of a US\$250m facility, announced in 1990 at the start of economic reform, which has been drawn down very slowly.

—and an investment agreement with Germany is signed at last

The long-delayed investment agreement between Zimbabwe and Germany was recently signed after a compromise was reached on the German demand for full capital repatriation. On disinvestment, 50% of capital proceeds will be remittable, with the balance over 18 months. The deal is thought to have been made possible by the rise in Zimbabwe's reserves. Zimbabwe has been a signatory to agreements of both the World Bank's Multilateral Investment Guarantee Agency (MIGA) and the USA's Overseas Private Investment Corporation (OPIC) since 1990, so Germany's inflexibility had puzzled observers.

Finance

Government stock issues

By the end of September 1995 the government had raised one-third of its budgeted Z\$4bn (US\$431m) domestic borrowing, following the success of the third issue of the financial year which raised Z\$772m on a four-year 24.5% issue. Earlier in the month the second issue had failed, raising only Z\$84m on

a five-year 22% issue that had been intended to raise Z\$600m; only Z\$266 was offered, but Z\$182m of this was rejected as being priced above the specified yield to maturity.

New RBZ guidelines The Reserve Bank of Zimbabwe (RBZ, the central bank) has instituted new guidelines designed to strengthen the capital adequacy of local financial institutions. A two-tier system in line with world standards has replaced the previous 5% gearing-ratio requirement. The ceiling on foreign investment in primary stocks and bonds was raised from 15% to 25% in September, and commercial banks may now issue international credit cards.

The money supply rises again— Money supply (M3) rose by nearly 12% from Z\$15bn in May 1995 to Z\$16.7bn in September; the year-on-year rise mainly increased, from 16.6% in May to 19.3% in June, down to 15.2% in July, but up again to 22.5% in August and 22.4% in September.

—as do interest rates A year-on-year rise in the inflation rate to 23.7% in August caused the RBZ to raise its Treasury-bill rate from 23% to 25.5% in October, with the call money rate rising to 27.5% in November and negotiable certificates of deposit (NCD) reaching 30%. Further rises were expected, with forecasts of inflation accelerating to 25% by the end of 1995.

The newest building society grows rapidly The Zimbabwe Building Society, founded in 1992, claimed continuing phenomenal growth in the year to June 30, 1995. Assets rose to Z\$1.88bn from Z\$185m after roughly a 25-fold increase in the year to end-June 1994, to Z\$185m from Z\$7m. Savings have been attracted from relatively poor people for future housing purposes, and mortgage advances have surged from Z\$6.8m to Z\$60m, with a further Z\$32m committed for low-income earners.

The economy

Growth in 1995 is likely to be negative— It appears increasingly likely that the economy stagnated in 1995, given the adverse impact of the drought. The boom in mining will have been insufficient to compensate for the negative effects of the drought in other sectors, while the decline in manufacturing, which began before the consequences of the drought could be felt, has undoubtedly been exacerbated by it. It thus seems likely that GDP growth will have been close to zero last year.

—as donors pledge drought relief The donor community has pledged nearly Z\$1bn (US\$108m) for drought relief, including the construction of dams and the sinking of boreholes. This follows the cancellation in the budget of all capital investment, including that for water development.

The UN World Food Programme (WFP) has told the government that it should be able to fund the programme itself, as Zimbabwe is much better off than its priority cases, Malawi and Mozambique. This may be related to the cost of the All Africa Games held in Harare in September 1995, which are estimated to have cost the government US\$81m, with France providing a further FFr48m (US\$9.6m) for sporting installations.

Inflation rises and then drifts down again—

Inflation rose again following tax increases in the July 1995 budget, but then eased slightly in September and October. Despite frequent official predictions of a fall in the inflation rate to 15% or even 10%, the consumer price index seems to be firmly entrenched above 20% mark. Likewise, the producer price index fell to 17.75% for the June quarter, but rose again to 20% in September. The building materials index similarly was 20.1% higher in June 1995 than in June 1994, a rise from 17.1% in the March figures.

Consumer price index
(1990=100)

	Index	% change on year-earlier period
1994		
Nov	290.2	21.2
Dec	293.7	21.1
1995		
Jan	296.0	20.8
Feb	307.6	24.4
Mar	319.8	21.6
Apr	322.5	20.9
May	322.7	20.0
Jun	327.1	19.9
Jul	334.3	21.6
Aug	346.7	23.7
Sep	354.1	23.0
Oct	354.5	22.4

Sources: Reserve Bank of Zimbabwe, *Monthly Bulletin*, October 1995; Central Statistical Office, *Stats-Flash*, October 1995.

Producer price index
(1988=100)

	Weighting	1993		1994				1995		% change Sep 1995/ Sep 1994	
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Sep 1994
Mining products	134	346.8	363.3	414.9	439.4	471.5	71.5 ^a	71.5 ^a	492.8	492.8 ^a	4.5 ^a
Foodstuffs	192	414.8	417.4	423.2	433.4	450.8	455.3	507.3	525.3	568.4	26.1
Beverages & tobacco	99	335.8	341.6	348.0	373.0	384.6	385.6	449.1	462.6	482.6	25.5
Textiles & leather	171	308.5	309.2	321.0	432.2	399.9	453.1	474.4	484.7	491.7	23.0
Wood & wood products	20	297.9	306.8	319.0	338.9	349.7	360.0	395.0	412.3	434.5	24.3
Paper & paper products	50	370.7	372.0	410.8	453.2	491.3	474.9	477.2	484.6	510.3	3.9
Chemical products	131	302.5	301.8	311.1	330.3	334.0	342.0	378.3	426.5	454.0	35.9
Non-metallic mineral products	22	326.5	326.5	379.2	385.0	394.3	408.0	423.3	429.4	449.8	14.1
Basic metals	78	541.7	551.7	554.9	672.8	675.4	675.4	675.8	839.9	840.7	24.5
Metal products	103	375.3	375.5	405.5	432.3	434.6	435.6	462.8	472.8	477.2	9.8
All items	1,000	64.3	368.3	387.2	431.0	437.8	448.5	477.1	507.5	521.3	19.1

^a Although not noted in the source (RBZ), these are clearly (under)estimates, and they will have produced a small downward bias in the all items category.

Sources: Central Statistical Office, *Producer Price Index*, May 1995; Reserve Bank of Zimbabwe, *Monthly Bulletin*, October 1995.

—as employment falls

Total employment reached a record level of 1,265,100 in September 1994—about 6% above the 1990 level—according to new provisional figures released by the Central Statistical Office (CSO), but it may well have fallen since then. Although there are no more recent figures for agricultural employment, there

has been a fall in employment in most other sectors since December 1994, with the non-agricultural total falling by 23,000.

Employment by sector
(‘000)

	1993	1994				1995
	Year	Mar	Jun	Sep	Dec	Mar
Agriculture & forestry	324.1	328.6	318.2	323.6	n/a	n/a
Mining & quarrying	47.7	49.1	51.6	53.7	55.5	60.5
Manufacturing	187.7	194.9	203.1	200.9	200.0	187.6
Electricity & water	7.9	8.2	7.9	9.1	9.2	9.3
Construction	90.5	88.1	91.2	81.8	79.7	76.4
Finance, insurance/real estate	20.2	21.7	22.2	21.8	21.8	21.3
Distribution, hotels, etc	95.9	97.9	100.4	109.8	112.3	104.4
Transport & communications	49.8	48.7	53.1	55.2	53.0	51.5
Public administration, education & health	226.0	213.9	213.6	216.7	217.9	218.3
Other services	190.5	192.9	193.9	192.5	193.1	190.2
Total	1,240.3	1,244.0	1,255.2	1,265.1	n/a	n/a
Total ex agriculture	916.2	915.4	937.0	941.5	942.5	919.5

Source: Central Statistical Office, *Quarterly Digest of Statistics*, October 1995.

Agriculture

Output will fall marginally in 1995—

The value of output from commercial farming areas is estimated to have risen by about 20% in nominal terms in 1995, despite falls in production of most crops except tobacco, but the value as well as the volume of output has fallen in communal areas as a result of the drought. Some observers fear that the agricultural sector may have declined by as much as 10% in real terms, but this may be overly pessimistic in light of another bumper year for tobacco, and a 5% contraction is thus more likely.

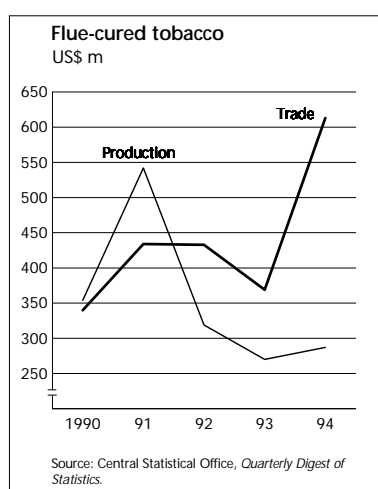
—as recovery plans for the next harvest begin—

Total output of maize is expected to fall by more than 50% in the current marketing season (ending March 1996). By the end of August 1995 less than 62,000 tons had been delivered to the Grain Marketing Board (GMB), compared with more than 1m tons by the end of August 1994. Most maize will be retained or sold to private traders, but the total is unlikely to reach 750,000 tons, more than 1m tons below requirements. After meeting export commitments and drawing down stocks, about 500,000 tons will need to be imported, beginning in January 1996 at the latest. About 165,000 tons of wheat are already being imported because of a predicted fall in output from 203,000 tons to 85,000 tons in the 1995/96 season. In late October the producer price of wheat was raised by 44.8% (to Z\$2,100 or US\$226 per ton), the selling price by 26.7%, and the price of flour by nearly 25%.

About 6 million people have registered for food aid, which will be met by the new “grain loan” scheme at a cost of about Z\$1bn (US\$110m). A further Z\$140m has been earmarked for the drought recovery programme which is to provide some 1.3 million farmers with free seed and fertiliser packs. Over

—and commercial farmers seek drought assistance

Tobacco has another excellent year



Sugar producers are optimistic

50,000 tons of maize seed, 500 tons of groundnut seed and over 100 tons of sunflower seed have been procured.

The Commercial Grain Producers Association (CGPA) has recommended a 25% increase to 170,000 ha in the commercial area allocated to maize, for which a rise in the base price from Z\$1,050/ton to Z\$1,250/ton and an early delivery incentive will be needed. Commercial farmers, however, fear that their viability is threatened by the refusal of the Reserve Bank of Zimbabwe (RBZ) to roll over Z\$4bn in agricultural loans, and are seeking a Z\$800m facility similar to that provided after the 1991/92 drought. The Commercial Farmers' Union (CFU) has received support from the small farmers' Zimbabwe Farmers' Union (ZFU) in pressing for such a facility.

Output of flue-cured tobacco in 1995 rose to 198,613 tons, more than 8,000 tons above the forecast level and 17% more than in 1994. The total value was 53% higher at Z\$3.58bn, and the average price realised was US\$2.12/kg, which implies a total value of US\$421m. Although good, this is still well below the US\$542m earned in 1991. Zimbabwe now accounts for 30% of world trade in tobacco, but expects to be able to sustain a 5% expansion to 210,000 tons in 1996 and 250,000 tons in 1998. The record crop of 218,000 tons in 1993 met (and contributed to) very low prices, however, and the industry is thus cautious about expanding too rapidly. By contrast, last year's burley tobacco harvest was only around 10,000 tons and of poor quality, earning a mere Z\$96m. Burley output has fallen for four years running, although industry analysts believe that there is a market for 30,000 tons if quality can be improved.

Seed cotton production in 1995 was halved from the 179,000 tons of 1994 to 89,000 tons, mainly because of a drought-induced fall in communal area production, although irrigated commercial production also fell, by 5%. In 1994 some 46,700 tons of lint (equivalent to about 128,000 tons of seed cotton) were exported for Z\$480m (US\$59m), so exports will fall sharply in 1995. However, assuming good rains, the industry is planning for production of 220,000 tons in 1996, of which 145,000 tons is expected to come from communal areas. To raise growers' incentives, Cotpro, the rival to the Cotton Company of Zimbabwe (CCZ), announced a supplementary payment of Z\$1/kg for A though C grade cotton delivered before July 31, 1995, raising the total to Z\$6/kg.

In October Hippo Valley Estates denied a claim by the Zimbabwe Sugar Association (ZSA) that Zimbabwe would need to import between 50,000 tons and 80,000 tons of sugar by the end of 1996 because of the drought-induced withdrawal of 9,000 ha of irrigated land from production. Hippo Valley Estates said they actually withdrew only 800 ha and expected to produce 240,000 tons of sugar by the end of milling in November 1995, well above the 180,000-200,000 tons previously estimated. Sufficient sugar should thus be available to meet all local and export market commitments well into 1996, according to an announcement to shareholders of the company. In 1994 sugar exports earned Z\$763m (US\$93.6m), making it the third biggest agricultural earner after tobacco and maize.

There are good prospects for oilseeds—	The other major sugar producer, Triangle Sugar Corporation, which, like Hippo Valley Estates, is controlled by the Anglo American Corporation of South Africa, confirmed in October that it has acquired all the shares of the Mwenezi Development Corporation from Aberfoyle of the UK. It will use the Manyuchi dam, which was built as part of an abortive attempt at a major palm-oil development, for irrigated sugar production on 3,000 ha.
—while the boom continues in horticulture—	<p>The Commercial Oilseeds Producers' Association (COPA) expects to export about 30,000 tons of soybeans to South Africa in 1996 after increasing the crop area by between 5,000 ha and 10,000 ha. Trinidad Industries, meanwhile, has increased its price for the 1995/96 castor oil crop from Z\$2,150/ton to Z\$2,400/ton as part of a long-term effort to raise output to 40,000 tons annually from the minimal levels grown at present.</p> <p>Horticultural exports in the year to end-July 1995 amounted to 37,510 tons, a rise of 31% on the previous year, according to the Horticultural Promotion Council (HPC). Export earnings totalled US\$73.7m, up by 64%. In the current year, the industry is forecasting a further rise to about 50,000 tons, worth US\$95m, and to 165,000 tons by 2000. Cut flowers are still the most lucrative product, with 9,000 tons worth US\$44.4m being exported in the 1994/95 season, but vegetables and other produce (8,500 tons worth US\$25.5m) and citrus fruits (20,000 tons worth US\$6.8m) are also important.</p> <p>It should have been made clear in our last report (4th quarter 1995, page 18) that the allegations concerning the over-use of pesticides, water and imported inputs by the horticultural industry were made in a recently published book, "The Game of the Rose" by Gaston Dorren and Niala Maharaj. The HPC disputes these allegations, pointing out that the widely used drip irrigation is very efficient and that most inputs are manufactured locally. The HPC is also working to establish a European Union (EU)-accredited quality control system in relation to the use of chemicals. Our last report contained underestimates of earnings from horticulture and the latest figures provided by the industry are given above.</p>
—which is bolstered by a paprika sensation	The surprise new growth industry of paprika (4th quarter 1995, page 18) is even more successful than forecast, despite being affected by the drought. Latest estimates are that the 1995 crop will hit 10,000 tons, worth about Z\$125m (US\$13.5m), a rapid growth from the 200 tons produced in 1992. Growers are considering establishing an association to protect their interests and there are already five processors and exporters. The cost of production is estimated at Z\$16,000/ha (US\$1,725), but returns are between Z\$30,000 and Z\$40,000. Zimbabwe has largely replaced Spain's production and is making inroads on Morocco's market share, but production is also rising in the USA and Mexico.
Short-run benefit but long-run cost for the beef industry	Destocking in the face of the drought led to a high-level of beef production in 1995, with about 600,000 cattle being slaughtered. Earnings of Z\$1.5bn are expected and the lucrative 14,600-ton EU quota should be filled. However, the industry has not recovered from the 1992 drought, and there is now no hope of restoring exports to the 40,000-ton to 50,000-ton levels of 20 years ago for many years.

Dairibord raises profits

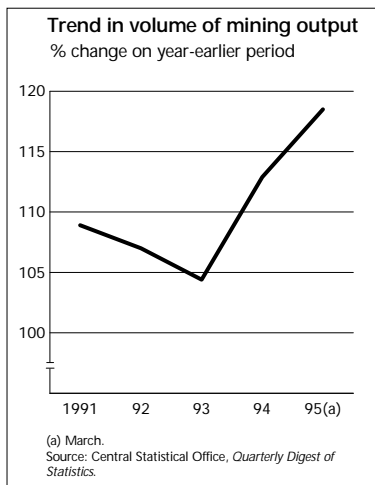
The former Dairy Marketing Board, now commercialised as Dairibord, raised operating profits by 29% to Z\$62m in 1994, while net profits rose by 69% to Z\$32.4m. Domestic sales increased to Z\$486m and exports surged by 50% to a record Z\$45m.

Ostrich exports to the EU are expected

A new abattoir at Norton, being built to strict EU standards with an annual capacity of 40,000 birds, is expected to begin exporting ostrich meat to Europe in February 1996. The industry is growing rapidly on the basis of the low fat and cholesterol content of its red meat.

Mining

The mining boom continues



Mineral output in the first quarter of 1995 was 10.9% higher than in the first quarter of 1994, following an 8.1% rise for 1994 as a whole. The volume index reached 118.5 (1980=100) in March 1995, well above the previous record level of 113.3 recorded in 1976. The result was due mainly to a rise of 18% in gold output, to a record index level of 194.3, and coal, whose output increased by 19.8% to 207.1.

Nickel and copper, however, fell back compared with the first quarter of 1994. Gold production is forecast by the Chamber of Mines to rise by 17% to 24 tons in 1995. The minister of mines, Eddison Zvobgo, estimated in October that the value of mineral production in 1995 would rise by 25%, from Z\$4.3bn (US\$530) in 1994 to more than Z\$5.3bn.

The Zimbabwe Stock Exchange (ZSE) mining index eased below 1,200 for a time in early October, following the record 1,349 set in August, but then rose sharply to stand at a new high of 1,354 on November 10, 1995. However, the mining index subsequently eased somewhat in the latter part of the year, ending at 1,334 on December 15.

Chrome mining is booming—

Michael Foreman, the managing director of Zimbabwe's largest chrome mining company, Zimasco, has forecast that it would earn Z\$1.5bn (US\$160m) from chrome in 1995 because of high world prices. In 1994 the total value of chrome production from Zimasco, Rio Tinto Zimbabwe, Anglo American Corporation and smaller producers was only Z\$136m (US\$17m), but exports were almost entirely in the form of ferrochrome and other alloys, valued at Z\$940m.

—a new copper-zinc mine begins production

The Sanyati copper mine, which has been developed by UK-based Reunion Mining (1st quarter 1995, page 23), started production in October using low-cost solvent extraction electro-won technology for leaching the oxide deposits at less than 50 cents/lb. Output is already at the rated capacity of 5,000 tons/year, which will raise Zimbabwe's production of copper by more than 50% and earn about Z\$80m (US\$8.6m) annually. The mine, which cost US\$14m to develop, has a life of 8-10 years on the oxide deposits and a further 20 years on sulphide deposits, and will produce zinc, cobalt and manganese as by-products (none of them hitherto prominent in the mining sector).

There are new initiatives in gold—

A US-based mining company, Casmyn Corporation, has purchased the local Muir Group's Matabeleland Minerals gold-mining subsidiary for Z\$38.5m

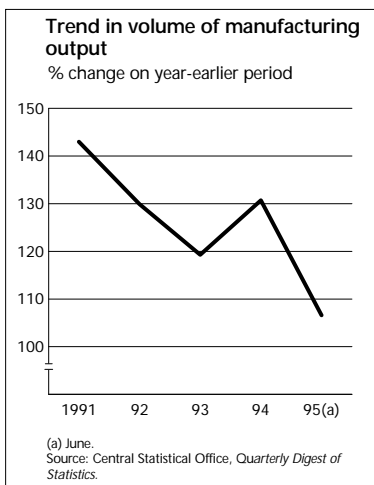
—and Ashanti Goldfields takes over Cluff Resources

(US\$4.4m). About six mines are involved, producing some 25,000 oz of gold per year, but Casmyn expects to quadruple this by 1999.

The takeover of UK Cluff Resources plc by Ashanti Goldfields is seen by analysts as a positive development for Cluff Resources Zimbabwe, whose share price on the ZSE rose by 50% to 180 cents when the news broke in early December. Indeed, Ashanti commands the finance to develop all the small claims that Cluff Resources Zimbabwe has had to sit on due to cash constraints.

Manufacturing

Output remains depressed, as employment falls—



The production volume index of manufacturing industries in the first half of 1995 fell to 106.6 (1980=100), which is 15.9% lower than in the first half of 1994 and 1.7% below the depressed level of the first half of 1993. Although industry as a whole is producing at more than 25% below its peak output in 1991, and some 35% below what would have been expected had the trend of the pre-reform 1980s continued, no sustained process of deindustrialisation seems to be occurring, with output close to the 105-110 range between the period from December 1994 and June 1995. Most of the decline in activity has been in textiles, whose output in the first half of 1995 was 63.6% down on the first half of 1994 at 85.9. Drinks and tobacco were down 19.5% at 84.4, but metals and metal products were only 3.8% lower at 86.4. Foodstuffs (including stockfeeds), however, were 18.9% higher at 141.8, a rise attributed to the need to buy processed foods because of the loss of many crops that would otherwise have been consumed.

There is little evidence that the shake-out in manufacturing industry is favouring more labour-intensive employment. Although some analysts made much of the rise in employment in the sector to a record level of 206,900 in June 1994, this figure has since been revised downwards to 203,100, which is below the average level for 1991. In fact, the March 1995 total of 187,600 is barely at the 1988 level, with the fall mainly attributable to job losses in the textile industry.

Dunwell Products, a Bulawayo-based engineering subsidiary of Apex Corporation producing a wide range of goods including hand-tools, agricultural implements, domestic electrical appliances, water pumps and water-cooling towers, closed in October 1995 with the loss of 60 jobs, blaming competition from cheap imports. Monarch Travel Goods, a member of the Treger Group, also retrenched 400 workers in October because of poor business. The president of the Matabeleland Chamber of Industries, Eugene Matikiti, acknowledged that about ten large companies and many small ones in Bulawayo had closed or downsized because of the drought and competition from imports.

—but there is a speculative boom on the stock market

Prospects of a good rainy season, improved fundamentals and a further decline in the value of the Zimbabwean dollar have all been advanced as reasons for the unexpected speculative surge on the Zimbabwe Stock Exchange (ZSE), beginning in October 1995 when the industrial index exceeded its record high of 3,832 in March 1994. By the end of the month the 4,000 level was breached, with a new high of 4,043 set on November 3. The industrial index subsequently

eased marginally below the 4,000 mark in December and ended at 3,982 on January 5, 1996. Most of the improved sentiment derived from domestic buyers, with foreign interest much lower than in recent quarters. The total foreign turnover on the market since trading began on June 23, 1993, rose by only 9% in local terms, from Z\$1.88bn (US\$217m) on September 1, 1995, to Z\$2.05bn on December 15, 1995. The net inflow rose by 2% from Z\$1.09bn to Z\$1.11bn over the same period, but declined in US dollar terms.

Company results lack lustre

Few companies were able to report turnover or pre-tax profit rises significantly above the rate of inflation in the last quarter. For the seven companies reporting final results the weighted average rise in turnover was 29.6%, while pre-tax profits rose by 27.9%. The weighted average rise in turnover for the 14 companies reporting interim results was 27.3%, while pre-tax profits rose by 24.4%.

Recently declared company results

	Period		Turnover		Pre-tax profit	
	Months	To end	Z\$ m	% change	Z\$ m	% change ^a
Final results						
Cairns Holdings	12	Aug 1995	305.7	30.5	37.6	45.2
Edgars	12	Aug 1995	348.9	43.8	62.6	41.0
FP Holdings	12	Aug 1995	140.4	21.5	5.2	-53.6
National Tyre Services	12	25 Jun 1995	203.3	17.9	28.6	-4.9
Northchart Investments	12	Sep 1995	6.6	-37.0	5.8	417.9
Radar Holdings	12	Jun 1995	199.8	29.0	14.9	41.9
Truworths	12	8 Jul 1995	138.0	30.4	20.3	49.3
Interim results						
African Distillers	6	Sep 1995	103.5	13.9	n/a	n/a
Less excise duty			72.4	5.2	15.7	9.8
Delta Corporation	6	Sep 1995	2,144	28.6	226.9	14.3
Eastern Highlands Plantations	6	Jun 1995	21.3	4.9	9.3	34.8
Mashonaland Holdings	6	Sep 1995	210.0	18.6	29.2	23.4
PG Industries	6	Sep 1995	278.8	19.1	46.3	14.3
Portland Holdings	6	Jul 1995	405.5	27.2	128.4	23.3
Rothmans of Pall Mall (Zim)	6	Sep 1995	111.4	18.4	n/a	n/a
Less excise duty			72.4	3.6	18.2	3.1
Tabex Holdings	6	Sep 1995	135.0	-10.0	-6.1 ^b	54.1 ^c
Wankie Colliery Company	6	Aug 1995	327.3	34.5	58.1	46.6
Zimbabwe Alloys	6	Sep 1995	289.0	63.3	39.0	62.5
Zimbabwe Newspapers (1980)	6	Jun 1995	152.2	21.0	10.5	-6.9
Zimbabwe Sun	6	Sep 1995	250.6	28.6	49.1	14.5
Zimplow	6	Sep 1995	7.7	-22.6	1.4	-40.6
ZRS Corporation	6	Sep 1995	633.4	34.6	36.3	54.5

^a On previously comparable period. ^b Post tax and interest payments. ^c Improvement from a loss of Z\$13.3m.

Sources: Published company results; *Financial Gazette*.

The CZI launches a small industries project

The Confederation of Zimbabwe Industries (CZI) established the CZI Zimbabwe Enterprise Development Centre in November 1995 using funding from the US Agency for International Development (USAID) as part of its Zimbabwe Equity Development Programme. The main strategy of the project is to encourage larger industries to concentrate on their core business while increasing the extent of their subcontracting to smaller companies.

- Top companies are led by Anglo American—
- The annual “Top Companies” survey by the *Financial Gazette* was published in October 1995. All three top places in the new “Top Quoted Company Award” sponsored by the Zimbabwe Development Bank (ZDB) went to subsidiaries of the Anglo American Corporation of South Africa, namely Bindura Nickel Corporation, Hippo Valley Estates and Border Timbers. The award, which was introduced in 1994, is made on the basis of a range of objective factors, such as increased turnover and profits, and more subjective factors, such as quality of reporting and management skills.
- and Delta Corporation
- Total net earnings of the 64 companies quoted on the stock exchange rose by 102.1% to Z\$2.58bn (US\$278m) in their last financial year, led by Delta Corporation, whose earnings surged by 44.3% to Z\$332.6m. Bindura Nickel’s earnings rose by 351.5% to Z\$263.6m and Hippo Valley Estates swung from a loss of Z\$35.3m to a profit of Z\$240.4m. A dozen companies earned between Z\$50m and Z\$100m, 15 made less than Z\$10m and three made losses. There are no tables showing pre-tax profits, but the EIU’s statistics, collated from previous reports, show that 11 companies made pre-tax profits above Z\$100m and none made losses. Among the fastest growers were three newly quoted companies that have not yet made it into the “Top Companies” lists, namely the Rainbow Tourism Group, Trans Zambezi Industries and Eastern Highlands Plantations. They were among 11 companies to more than double their pre-tax profits.

Construction and water

- The construction sector remains subdued—
- No major new construction projects were started in July to September, and only ongoing public projects were accounted for in the 1995/96 budget. Private projects, in the meantime, continue to be inhibited by the country’s high interest rates.
- but the large Eastgate complex is set for completion
- The largest commercial complex ever to be built in Zimbabwe, the Eastgate complex in Harare, is due for completion in early 1996. It will provide 26,000 cu metres of office space (more than the total built in 1993), 5,650 cu metres of shops and parking for 463 cars. A special feature will be its natural ventilation and cooling system using 32 “chimneys” which will allow the building to dispense with conventional air-conditioning. The project, which was costed at Z\$196m (then US\$38m) in early 1993, was designed by local architects Pearce Partnership and engineers Ove Arup.
- The Zambezi water project is moving again
- The launch in October 1995 of the Matabeleland Zambezi Water Trust, which sold 62,000 20-cent shares in its first week, has revived attention in the project to construct a pipeline from the Zambezi river to Bulawayo. A draft report by a Swedish consultancy firm, Sweco, estimates that the cost would amount to Z\$2bn (US\$215m), but some other estimates run to Z\$5bn.

Transport and communications

The PTC shows improved financial results

The annual report of the Posts and Telecommunications Corporation (PTC) for the year to end-June 1994 records a 97% rise in surplus to Z\$264m (US\$32m), while the return on total net assets rose from 13.1% to 16.1%, the highest since 1989. Total income was 47.9% higher at Z\$1.2m (US\$165m), but expenditure rose by only 38% to Z\$925m; capital expenditure was 28.9% higher at Z\$400m. Telecommunications traffic increased by 20.5%, and the volume of mail was 8.5% higher. The results, however, do not yet reflect the improvement in performance now coming through following the digitalisation programme, new exchanges and replacement of cables.

Meanwhile, the PTC has put a national paging system out to tender in a contract worth Z\$200m (US\$23m). This is expected to be the Pocsag system for which Glanayer Electronics of Canada, Sumitomo of Japan and Hasco Skypage have tendered. Analysts think that a joint venture with the Zimbabwe Broadcasting Corporation, involving use of the latter's transmitters, is a likely outcome.

South Africa proposes punitive transit duties

In late November the South African customs authority proposed a new system of "provisional payments" of 125% duty on all removals in transit and removals in bond transported by road or rail. The move is expected to lead to a greater reliance on Mozambican ports, which already take a high proportion of Zimbabwe's export traffic.

Foreign trade and payments

There was a massive rise in exports in 1994—

Preliminary figures to be published in the Central Statistical Office (CSO)'s *Quarterly Digest of Statistics* show that Zimbabwe took full advantage of the favourable (if temporary) swing in the terms of trade in its favour in 1994, with the value of exports rising by a massive 77.2% in local currency terms, or 37.4% in US dollar terms. Most of the rise in exports came in primary commodities, with a 75% increase in US dollar terms for tobacco and a 53% rise for nickel, while exports of maize, sugar and copper (which had been minimal in 1993 following the 1992 drought) earned US\$138m, US\$94m and US\$59m respectively. Manufactured exports rose by 16% to exceed the level of 1990 exports for the first time. These figures are the first hard evidence that the country's economic reforms have had a positive impact on export capacity.

—as well as a huge increase in imports—

Imports cif also grew strongly in 1994, by nearly 55% in local currency terms or by 23% in US dollar terms, with the share of capital goods rising from 33% in 1993 to 40% of the total bill. Likewise, the share of consumer goods continued to rise from 13.4% in 1993 to 16.3%, compared with the ratio of less than 10% registered in the 1980s.

Trade data

(Z\$ m unless otherwise indicated)

	Jan-Dec		% change
	1993	1994	
Total exports fob	10,164.2	18,009.4	77.2
Gold	1,539.7	1,846.3	19.9
Re-exports	55.4	99.4	79.4
Domestic exports	8,569.1	16,063.2	87.5
of which:			
tobacco	2,396.0	4,994.8	108.5
ferro-alloys	648.9	940.2	44.9
nickel	346.0	657.5	90.0
Total imports cif	11,798.4	18,270.6	54.9
of which:			
fuels & electricity	1,723.6	1,810.0	5.0
chemicals	1,639.9	2,986.0	82.1
manufactured goods	1,724.3	2,979.0	72.8
machinery & transport equipment	4,139.0	7,559.0	82.6
Exchange rate (av) Z\$:US\$	6.48	8.15	

Source: CSO, *Quarterly Digest of Statistics*, June 1995 and preliminary data for October 1995.

—leading to important changes in the direction of trade

A feature of the increase in exports was the doubling in local currency terms of sales to the UK, which overtook South Africa as the most important market, and to Germany. South Africa, however, consolidated its position as the most important supplier, rising to 32.6% of the total, while imports from the USA fell slightly. Although Australia is barely in the top 20 of Zimbabwe's trading partners, it is rising rapidly in importance, with exports from Zimbabwe rising more than threefold in 1994.

Direction of trade

(Z\$ m unless otherwise indicated)

	Jan-Dec		% change
	1993	1994	
Exports to:			
UK	946.5	2,076.7	119.4
South Africa	1,221.7	1,900.6	-55.6
Germany	512.9	1,145.1	123.3
USA	612.1	1,016.0	66.0
Japan	564.2	915.8	62.3
Imports from:			
South Africa	3,186.4	5,953.6	86.8
UK	1,190.0	1,878.3	57.8
Germany	574.2	1,073.1	86.9
USA	1,049.2	967.5	-7.8
Japan	713.3	1,045.4	46.6
Exchange rate (av) Z\$:US\$	6.48	8.15	

Source: CSO, *Quarterly Digest of Statistics*, June 1995 and preliminary data for October 1995; import figures are cif and export figures are fob.

The currency declines again

After a period of stability in the nominal exchange rate, which implied a strengthening of the local currency vis-à-vis the US dollar in real terms, the value of the Zimbabwe dollar declined in October and November 1995 from Z\$8.825:US\$1 at the end of September to Z\$9.319:US\$1 by the end of the year,

a fall of 5.6%. However, this still leaves the Zimbabwean dollar stronger than the US dollar in real terms than after the devaluation of January 1994.

The textile industry's problems are still not solved—

The agreement in principle to restore Zimbabwe's preferential access into the South African market for textiles (4th quarter 1995, page 22) has not yet borne fruit, but it has met with an angry reaction from South African producers. The South African Textile Federation warned in September 1995 that preferences for Zimbabwe could result in re-routed dumped goods from east Asia flooding the market in South Africa. In November a meeting in Harare failed to reach an agreement on local content requirements, levels of preference or quota levels, so that implementation of the agreement was postponed until February 1, 1996. In the meantime, Zimbabwe's textile and clothing exports to the European Union (EU) are said to be increasingly threatened by competing exports from South Africa, which has been mounting an aggressive export drive.

—and South Africa puts new obstacles into trade negotiations

The wider bilateral trade agreement renegotiations are also making little progress, as Pretoria is demanding that social labour provisions be added to any treaty on the grounds that the Zimbabwe government had weakened its trade unions to an unacceptable degree. Indeed, the real value of Zimbabwean wages and salaries has fallen by 30% since 1990, according to official statistics.

An aid agreement is signed with Kuwait

In October 1995 the Kuwaiti Fund for Rapid Economic Development signed an agreement to finance the upgrading and rehabilitation of the Rutenga-Buchwa and Bulawayo-Nkayi roads at a cost of Z\$93m (US\$10m).

Appendix 1

Quarterly indicators of economic activity in Zimbabwe

		1993		1994				1995			
		3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
Industrial production	Monthly av										
Manufacturing	1980=100	126.9	133.5	122.8	130.6	135.7	133.6	105.0	106.5 ^a	n/a	n/a
Electricity	m kwh		(637 ^b)	606	664	704	660	626 ^c	n/a	n/a	n/a
Mining production											
Asbestos:											
volume	'000 tons	12.6	13.0	11.5	13.1	9.7 ^d	n/a	n/a	n/a	n/a	n/a
value	Z\$'000	39,587	41,054	37,987	45,989	29,467	58,433	41,867	n/a	n/a	n/a
Chrome ore:											
volume	'000 tons	31.3	37.1	33.8	47.8	49.5 ^d	n/a	n/a	n/a	n/a	n/a
value	Z\$'000	6,690	7,805	9,167	13,067	12,300	10,867	14,667	n/a	n/a	n/a
Gold:											
volume	'000 fine oz	50.7	53.0	50.7	55.0	54.5 ^d	n/a	n/a	n/a	n/a	n/a
value	Z\$'000	124,095	133,390	155,590	163,167	178,400	182,600	188,667	n/a	n/a	n/a
Prices											
Consumer prices:											
all items	1990=100	228.1	240.0	251.8	269.4	281.1	291.1	307.8	324.1	n/a	n/a
food	"	274.8	290.8	307.6	325.7	348.3	365.4	388.2	409.4	n/a	n/a
Change year on year											
all items	%	23.8	21.6	20.4	24.1	23.2	21.3	22.2	20.3	n/a	n/a
Producer prices	1988=100	364.3	368.3	387.2	431.0	437.8	444.2	480.0	507.5	n/a	n/a
Share prices	1967=100	(2,325 ^b)		3,357	3,476	3,394	3,382	3,109	3,367	n/a	n/a
Money											
End-Qtr											
M1, seasonally adj:	Z\$ m	4,696.5	6,076.3	6,231.6	6,627.7	6,964.2	7,194.6	7,875.6	8,639.0	9,673.9	n/a
change year on year	%	48.1	95.7	71.2	59.1	48.3	18.4	26.4	30.3	38.9	n/a
Foreign trade ^e											
Qtrly totals											
Exports fob incl gold	Z\$ m	2,641.5	3,052.7	4,263.8	3,313.4	n/a	n/a	n/a	n/a	n/a	n/a
Imports cif	"	3,489.4	2,779.5	4,026.3	4,679.4	n/a	n/a	n/a	n/a	n/a	n/a
Exchange holdings											
End-Qtr											
Gold ^f	US\$ m	140.7	129.1	150.0	171.7	133.2	135.6	93.8	119.3	193.2	201.1 ^g
Foreign exchange	"	545.7	431.1	499.5	532.6	630.3	405.1	540.5	580.9	708.2	624.0 ^g
Exchange rate											
Market rate	Z\$:US\$	6.506	6.935	7.955	8.104	8.319	8.389	8.446	8.547	8.803	9.268 ^g

Note. Annual figures of most of the series above will be found in the Country Profile.

^a Average for April-May. ^b Average for 1993. ^c Average for January-February. ^d Average for July-August. ^e Including NCI's. ^f End-quarter holdings at quarter's average of London daily price less 25%. ^g End-October.

Appendix 2

Foreign trade of Zimbabwe

(\$ m)

	Total		South Africa		UK		Germany		Japan	
	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1991	Jan-Dec 1992
Exports fob										
Food	163.0	86.4	39.1	26.7	32.8	17.3	18.9	8.3	1.1	1.7
Tobacco, unmanufactured	424.2	433.5	37.3	58.8	73.8	53.3	46.4	27.3	25.5	25.0
Cotton, raw	58.3	27.2	13.2	10.1	0.4	0.0	16.6	5.0	1.2	0.3
Chemicals	24.9	37.1	3.8	6.8	0.5	0.4	0.2	0.7	0.0	0.0
Ferroalloys	111.9	112.5	2.0	1.8	12.5	12.4	19.4	19.3	23.7	21.2
Nickel	85.5	71.0	0.4	0.0	5.7	5.9	13.5	0.0	27.3	20.0
Machinery & transport equipment	26.6	38.0	8.7	12.2	0.9	0.5	0.2	0.2	0.0	0.0
Clothing	38.0	50.6	8.5	13.3	10.0	12.1	6.2	7.7	0.0	0.0
Total incl others	1,251.0	1,248.9	213.2	238.7	172.5	141.9	132.2	86.1	90.3	80.1

	Total		South Africa		UK		USA		Germany	
	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1991	Jan-Dec 1992
Imports fob										
Food	18.4	317.1	5.9	48.5	0.3	0.6	1.1	72.9	0.3	0.3
of which:										
cereals & preparations	10.8	257.2	1.7	26.7	0.0	0.0	1.1	62.7	0.0	0.0
Mineral fuels	250.3	260.3	45.1	33.6	2.3	2.0	0.3	14.6	1.0	0.5
Chemicals	327.6	258.4	127.5	122.3	35.0	20.0	24.2	13.6	43.8	28.4
Manufactured goods	340.2	315.2	187.0	167.6	24.4	25.1	8.3	7.4	18.1	24.1
of which:										
textile yarn, cloth & manufactures	90.7	64.5	37.1	23.1	6.4	5.8	1.1	1.3	5.3	3.6
iron & steel	74.3	93.9	58.5	70.0	4.8	7.7	0.4	0.4	2.7	5.6
metal manufactures	45.2	39.0	18.9	15.1	5.4	4.0	2.5	2.0	2.7	6.2
Machinery & transport equipment	823.3	806.3	128.8	138.7	217.4	193.6	60.9	75.5	109.0	73.3
of which:										
road vehicles	278.6	161.0	37.8	32.0	126.8	17.9	5.0	2.4	14.2	7.9
other transport	16.8	69.7	1.7	1.2	5.3	33.3	3.0	25.6	0.4	0.0
Total incl others	2,007.1	2,213.3	578.6	583.8	306.4	265.6	109.7	198.2	189.5	141.6

continued

Foreign trade of Zimbabwe (continued)

(Z\$ m)

	Jan-Dec 1992	Jan-Dec 1993	Jan-Dec 1994 ^b		Jan-Dec 1992	Jan-Dec 1993	Jan-Dec 1994 ^b
Domestic exports fob ^a				Imports cif			
Food	401.8	933.8	3,188.8	Fuels	1,331.1	1,723.6	1,810.0
Tobacco, unmanufactured	2,205.5	2,396.0	4,994.8	Chemicals	1,321.4	1,639.9	2,986.0
Cotton lint	137.5	153.5	480.3	Manufactured goods	1,611.6	1,724.3	2,979.0
Textiles & clothing	591.2	785.6	1,213.3	Machinery & transport equipment	4,122.8	4,139.0	7,559.0
Ferro-alloys	577.6	648.9	940.2	Total incl others	11,232.3	11,798.4	18,270.7
Nickel	364.5	346.0	657.5				
Asbestos	285.7	364.2	460.6				
Total incl others	6,409.2	8,569.1	16,063.2				
Main markets				Main suppliers			
UK	728.2	946.5	2,076.7	South Africa	2,737.0	3,186.4	5,953.6
South Africa	872.8	1,221.7	1,900.6	USA	1,013.5	1,049.2	967.5
Germany	441.8	512.9	1,145.1	UK	1,272.7	1,190.0	1,878.3
USA	410.9	612.1	1,016.0	Germany	724.0	574.2	1,073.1
Japan	392.9	564.2	915.8	Japan	599.3	713.3	1,045.4
Botswana	332.6	478.9	800.8	Switzerland	198.5	226.5	536.1
Netherlands	207.1	300.7	725.8	France	191.5	289.8	373.7
Malawi	206.6	277.5	639.1	Italy	236.4	178.1	354.4
Total incl others	6,409.2	8,569.1	16,063.2	Total incl others	11,232.3	11,798.4	18,270.7

^a Excluding gold. ^b Provisional.