Country Report

Zimbabwe

January 2009

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The Economist Intelligence Unit

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Executive summary

Highlights

January 2009

Outlook for 2009-10

- Zimbabwe's president, Robert Mugabe, is expected to leave power during the forecast period, as the economic and humanitarian catastrophe that he has brought about makes his position untenable.
- Mr Mugabe is, however, unlikely to leave office without a struggle, and the actions of the next president of South Africa will be crucial, as he will be in an influential position to force a change.
- Economic policy will continue to be driven by political considerations, and the economy will continue to contract, at a forecast rate of 4.7% in 2009 and 3.7% in 2010.
- Hyperinflation will continue throughout the forecast period, although it may start to decline once a new government that will halt the printing of money to finance its activities is in place.
- Inflation will continue to undermine the value of the currency, with a widening gap expected between the official and parallel rates.
- The global economic slump will reduce demand for Zimbabwe's metal exports in 2009-10. However, the chronic shortage of foreign currency and a collapse in demand will lead to a fall in imports, reducing the trade deficit.

Monthly review

- Mr Mugabe reiterated his determination to hold on to power in a speech during the Christmas period.
- The leader of the opposition, Morgan Tsvangirai, declined an invitation from Mr Mugabe to take up the position of prime minister, claiming that other issues concerning the power-sharing agreement needed to be worked out first.
- The latest round of talks aimed at finding a solution to the deadlock failed in mid-January.
- With the power-sharing agreement deadlocked, Mr Mugabe has unilaterally appointed some new interim ministers, while sacking nine members of the cabinet who failed to win parliamentary seats in the March 2008 elections.
- A cholera epidemic has killed more than 2,000 Zimbabweans, despite Mr Mugabe's claim that the outbreak was under control.
- Zimbabwe went for the entire year of 2008 without a budget submitted to parliament and is starting 2009 with no budget even close to being presented.
- The Zimbabwe stock exchange has failed to resume trading after the Christmas break owing to new, onerous regulations applied by the government.

Outlook for 2009-10

Political outlook

Domestic politics

After years of misrule, which have precipitated an economic and humanitarian catastrophe, the president, Robert Mugabe, is expected to leave office during the forecast period. There is no doubt that Mr Mugabe will attempt to continue to hold on to power, but his position is becoming increasingly untenable. He has enough influence to carry his rule on into 2009, possibly even 2010, but events are conspiring against him. Internally, the economic collapse means that nearly half the population will require food aid during the next six months, increasing the tide of opposition against him. Compounding this is a cholera epidemic that has already killed more than 2,000 and spread to neighbouring states. Although popular resentment against his rule has failed to worry Mr Mugabe in the past, his ability to keep his patronage networks intact is diminishing. Sources of financing for the government are decreasing in line with the economic collapse, and opposition to Mr Mugabe from within his party, the Zimbabwe African National Union-Patriotic Front (ZANU-PF), is understood to be increasing. Pressure may eventually come from the army—traditionally the backbone of Mr Mugabe's rule—as the government cannot print money fast enough to pay soldiers in the prevailing hyperinflationary environment.

In the meantime, the political scene will focus on the wrangling stemming from the September 15th power-sharing agreement between Mr Mugabe, his main rival, Morgan Tsvangirai, the leader of the main faction of the opposition Movement for Democratic Change (MDC), and Arthur Mutambara, the leader of a breakaway faction of the MDC. It is the dividing-up of the cabinet that has caused the agreement to become bogged down. Regardless of this deadlock, the power-sharing deal is undoubtedly historic in that Mr Mugabe has relinquished some of his powers for the first time in nearly three decades of rule. It remains to be seen, however, whether the agreement will prove to be workable and whether it will do anything to reverse the country's steep economic decline. The indications so far are not positive; further talks between the opposing sides yielded no breakthrough in mid-January, and Mr Mugabe looks set to press ahead with a cabinet of his own choosing.

If the stalled power-sharing deal can be resuscitated, Mr Mugabe is expected to stay on as president pending his party's choice of a successor to take over the reins some time during the second half of 2009 or in early 2010, when he would step down. If the agreement collapses altogether, Mr Mugabe is likely to try to remain in power, but greater international pressure would be brought to bear. His exit from power would therefore be expected in a similar timeframe. Under either scenario his departure might be speeded up by a suitable "exit package", which would include an agreement from Western countries not to attempt to prosecute him for human-rights abuses. However, dealing with those other senior ZANU-PF and army members closely allied with Mr Mugabe would complicate matters. They would have much to lose were Mr Mugabe to leave power, and so may attempt to prolong his rule.

International relations

Although Mr Mugabe will never co-operate with Western powers, portraying Zimbabwe as the victim of colonialist oppression, the inability of regional powers to bring about any significant developments has been disappointing. This is expected to begin to change during 2009, assuming that Jacob Zuma becomes the next South African president. The "quiet diplomacy" of the former South African president, Thabo Mbeki, was largely ineffective, and there is hope that Mr Zuma will take a more proactive stance. Mr Zuma has a strong support base in the South African unions, which are keen to see change in their neighbour. Pressing for a positive political change in Zimbabwe would also provide an early boost to Mr Zuma's domestic, regional and international credibility. Mr Zuma is likely to focus on domestic matters in the months immediately following his ascension to power, but his attention will probably turn to Zimbabwe in the second half of the year, especially if the power-sharing deal breaks down or if Mr Mugabe's violent repression against the opposition continues. Mr Zuma will be backed by a gradually worsening regional sentiment towards Mr Mugabe, with numerous African leaders already calling for change in Zimbabwe.

Economic policy outlook

Policy trends

Economic policy will continue to be driven by political considerations. The Reserve Bank of Zimbabwe (RBZ, the central bank) will continue to be forced to finance government spending by printing money. Only once Mr Mugabe has left power is there any hope that economic policy will get back on track. However, even when he has left office, the country will still face the complications brought by the global economic downturn. Assuming that Mr Mugabe were to leave office, donors would try to get the government to follow a three- to six-month staff-monitored programme with the IMF, hoping to return Zimbabwe to an orthodox policy path. Other donors, particularly the UK and the EU, would be keen to assist with the financing of an economic reform programme. Yet, until Mr Mugabe does leave power, economic policy will remain chaotic and piecemeal.

Fiscal policy

There was no budget approved by parliament in 2008 during the political upheaval, and the same may be the case in 2009 if the political deadlock remains. Even the budgets that have been approved in recent years have been rendered useless by escalating inflation and ridiculous predictions of impressive economic recoveries with no basis in reality. Agreeing a budget for 2009 will be an almost impossible task, especially with regard to the confusion over which party will control the Ministry of Finance under the power-sharing agreement. Even if a budget can be agreed, it is debatable how useful it can be given that the options available to the government are limited by the collapse of revenue in real terms—a result of the continuing economic disintegration. The only sector that might generate genuine revenue growth is minerals, although growth there will be constrained by the poor outlook for prices and demand on world markets. Owing to the highly negative real interest rates paid on domestic debt and the lack of access to foreign lending, the Economist Intelligence Unit expects that the government will find it impossible to raise sufficient amounts from domestic debt markets to fund the budget deficit. Given the difficulty of raising revenue, we expect that the government will continue to rein in spending in real terms in an attempt to keep the deficit under control. As a result, government services, particularly healthcare and education, will continue to deteriorate. The government will finance the deficit through domestic borrowing and by simply printing money, adding further to inflation. The situation in 2010 will largely depend on who is in power. If Mr Mugabe has left by then, a large increase in donor support can be expected, the IMF will help to shape a prudent economic policy and the need to print money to cover the deficit will be removed. However, should Mr Mugabe's reign persist into 2010, little change in fiscal policy is to be expected.

Monetary policy

Severe foreign-exchange shortages have shaped monetary policy in recent years, undermining all economic activity. Central to this has been the hugely overvalued official exchange rate. The RBZ made a major reform to monetary policy in May 2008 by allowing the Zimbabwe dollar to float in the hope of eliminating speculation on the black market and being better able to tackle the hyperinflation that is ruining the economy. However, the government's commitment to the float has broken in the face of the currency's continued collapse. Although the RBZ is allowing the official rate to depreciate, the parallel rate is declining at a much faster rate, once again opening up a large premium with the official rate. It may soon abandon the float altogether, as it has on previous occasions. Confusion in monetary policy is likely to continue as long as the political turbulence remains.

Economic forecast

International assumptions

International assumptions summary
(% unless otherwise indicated)

	2007	2008	2009	2010
Real GDP growth				
World	5.0	3.3	0.2	2.4
OECD	2.7	1.1	-1.9	0.5
EU27	2.8	1.0	-2.0	0.2
Exchange rates				
¥:US$	117.8	103.4	93.0	92.0
US$:€	1.369	1.470	1.345	1.385
SDR:US$	0.651	0.629	0.655	0.644
Financial indicators				
€ 3-month interbank rate	4.27	4.65	1.93	1.90
US$ 3-month Libor	5.30	2.41	0.54	0.94
Commodity prices				
Oil (Brent; US$/b)	72.7	97.0	35.0	50.0
Gold (US$/troy oz)	696.7	872.0	775.0	687.5
Platinum (US$/oz)	1,299.0	1,563.2	892.5	1,000.0
Food, feedstuffs & beverages (% change in US$ terms)	30.9	29.1	-26.6	1.3
Industrial raw materials (% change in US$ terms)	11.2	-5.3	-41.1	11.7

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

We expect world GDP growth (on a purchasing power parity basis) to ease sharply to 0.2% in 2009 as many Western economies enter recession. Growth will rebound slightly to 2.4% in 2010 as global activity recovers. The drop in growth will see demand for many commodities slacken, with prices falling significantly from the recent highs. However, the prices of some commodities, such as platinum, should begin to recover in 2010 in line with the global recovery. We expect international oil prices to slide sharply, to average US$35/barrel in 2009, to Zimbabwe's advantage as an importer, before edging up again to an average of US$50/b in 2010.

Economic growth

The economic collapse has been compounded by the violent troubles stemming from the March 2008 elections and subsequent political deadlock. These have all contributed to a large decline in economic activity in 2008, and real GDP is estimated to have fallen by 12.6%. The contraction of the Zimbabwean economy will continue over the forecast period, even if Mr Mugabe leaves office. Such is the destruction of the economy that any incoming government will face a mammoth task in turning things round, even with donor assistance. For example, any recovery in farming will be constrained by the displacement of many farmers as part of the government crackdown on opposition supporters, the limited availability of inputs, the destruction of the commercial sector and the impact of the HIV/AIDS pandemic. In addition, businesses are likely to remain cautious. Most have already scaled back their operations and developed techniques to survive the difficult operating environment; they will start to expand their operations only when they sense that the economy is on the mend and employment and consumption start to pick up.

As with most post-conflict states, once the recovery does begin it should be fairly rapid, although this is likely to take place outside the forecast period. Therefore, for the time being at least, the economic decline is set to continue, with the economy declining by 4.7% in 2009 and 3.7% in 2010. Although part of the slowdown in the pace of economic decline will reflect a slight improvement in political stability, it will also be accounted for by the fact that the formal economy has declined to the point where there is hardly anything left to shrink.

Inflation

Shortages of food and foreign exchange, the galloping devaluation of the currency and the ballooning money supply caused by the government's quasi-fiscal spending have continued to drive inflation to record highs. Year-on-year inflation surpassed 100,000% in January 2008, and official figures show that by July it had reached 231 million percent. It continued to increase throughout the year and is estimated to have averaged 15 billion percent for the year as a whole, although numbers of such magnitude are basically meaningless in a country that is becoming rapidly dollarised. Inflation could fall in 2009-10, especially if a post-Mugabe government were able to get donors on board, exert a degree of fiscal discipline and narrow the gap between the official and parallel-market rates of exchange, but it will remain at a level that will continue to cripple the country.

Exchange rates

As expected, the redenomination carried out by the RBZ in August 2008—under which ten zeros were removed from the currency—has failed. Zimbabwe's hyperinflation and moribund economy have once again completely undermined the value of the currency, rendering the redenomination useless. The premium between the official and parallel rates has reopened, with the parallel market rates now containing more zeros than there were on the currency before the redenomination. This slide is expected to continue, as simply issuing new notes will only ever be cosmetic without fundamental reforms. The root problems include the scarcity of foreign earnings, investment inflows and the lack of domestic production.

External sector

Falling commodity prices will adversely affect Zimbabwe's exports during 2009, as will continuing declines in production as the economic collapse worsens. In 2010 a small recovery in exports is expected as some commodity prices, such as that of platinum, show signs of recovery. It will also be the mining sector that will be among the first sectors to benefit from a political change. We have made a significant downward revision to the forecast for imports, as the financing crisis in Zimbabwe means that there will simply not be enough foreign exchange available to keep imports at their current levels. This, coupled with falling world oil and food prices, will bring imports down by around 25% in 2009, with only a minor increase in 2010. Since there is little prospect of a recovery in tourism, we expect the services account to remain in deficit. 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: private transfers are expected to hold up as the 4m Zimbabweans living abroad continue to send money home to support their families. However, even this source of financing will suffer as the global slowdown causes Zimbabweans living abroad to lose their jobs. Even with the large fall now forecast in imports, the current-account deficit will remain heavily in deficit, equivalent to over 25% in 2009-10.

Forecast summary

(% unless otherwise indicated)

	2007[a]	2008[a]	2009[b]	2010[b]
Real GDP growth	-5.5	-12.6	-4.7	-3.7
Manufacturing production growth	-5.5	-13.3	-7.7	-6.3
Gross agricultural production growth	-5.0	-17.5	-4.0	-3.6
Consumer price inflation (av)	12,562.6	999,999.0[c]	999,999.0[c]	999,999.0[c]
Consumer price inflation (year-end)	66,212.3	999,999.0[c]	999,999.0[c]	999,999.0[c]
Short-term interbank rate	579.0	455.0	467.5	533.1
Government balance (% of GDP)	-8.8	-6.1	-6.5	-3.4
Exports of goods fob (US$ bn)	1.7	1.7	1.5	1.5
Imports of goods fob (US$ bn)	2.2	2.3	1.8	1.8
Current-account balance (US$ bn)	-0.5	-0.7	-0.4	-0.3
Current-account balance (% of GDP)	-29.7	-43.6	-26.5	-27.3
External debt (year-end; US$ bn)	4.9	5.3	5.4	5.9
Exchange rate Z$:US$ (av)[d]	16,313	17,551	93,333,333	250,000,000
Exchange rate Z$:US$ (year-end)[d]	30,000	200,000	100,000,000	250,000,000
Exchange rate Z$:€ (av)	22,326	25,800	125,533,333	346,350,000

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] The super-hyperinflationary environment has made forecasting these series virtually impossible. [d] In August 2008 the authorities redenominated the currency by removing ten zeros. Figures prior to 2008 are in the old currency denomination.

Monthly review: January 2009

The political scene

Mr Mugabe is determined to hold on to power

The Zimbabwean president, Robert Mugabe, has retained his grip on power over the Christmas period. By mid-January, more than nine months after the March elections (April 2008, The political scene), still no government had been formed. Far from being hampered by the lack of a permanent government, Mr Mugabe, 84, appears to thrive on the ongoing stalemate in a power-sharing agreement with both factions of the opposition Movement for Democratic Change (MDC). Mr Mugabe even felt confident enough in his grip on power to take his traditional annual leave in December, but unlike previous years he did not spend the entire month on holiday in Malaysia. Instead Mr Mugabe went for a shorter overseas visit and then returned to Zimbabwe where he went "on retreat".

Mr Mugabe's recent speeches indicate that he is not prepared to make significant compromises to his rule. At the Zimbabwe African National Union-Patriotic Front (ZANU-PF) annual congress in late December, Mr Mugabe said that he would "never surrender". Despite reports of significant resistance to Mr Mugabe within ZANU-PF, no challenges to his rule were made at the party conference. Furthermore, little progress has been made on the September 15th agreement to share power between ZANU-PF and both opposition factions, the side aligned with Morgan Tsvangirai (MDC-T) and the smaller group headed by Arthur Mutambara (MDC-M). The legal framework to set up the power-sharing government is not even in place, as Constitutional Amendment 19, to create the position of prime minister for Mr Tsvangirai, had, by early January, not been put before parliament. What did happen in early January, however, was that the state media announced that Mr Mugabe was making preparations to form a new government—with or without the MDC—by the end of February, nearly a year after the March elections.

Mr Tsvangirai rejects invitation to be interim prime minister

On Christmas Day officials of the Mugabe government delivered to Mr Tsvangirai his passport and an invitation to take up the post of prime minister. Mr Tsvangirai formally declined the invitation, saying that the post of prime minister had not been created by a constitutional amendment, and that all other issues about bringing the MDC into a power-sharing government needed to be worked out first. Similarly, the leader of the rival faction of the MDC, Arthur Mutambara, refused Mr Mugabe's invitation to become deputy prime minister until all details had been worked out. Mr Mutambara did meet with Mr Mugabe for discussions but reiterated his position that he would not be part of a government that did not include Mr Tsvangirai.

Mr Tsvangirai remains opposed to any agreement that would not give his party a fair share of influential cabinet posts, including the Ministry of Home Affairs, which controls the police. Mr Mugabe, however, has refused to negotiate, unilaterally taking the posts that he wanted and allocating the relatively unimportant leftovers to Mr Tsvangirai (October 2008, The political scene). The one exception is the Ministry of Finance, which would leave Mr Tsvangirai the Herculean task of resuscitating the economy without the authority to change fundamental policies. In other words, the opposition would become responsible for the economy but not have the power to change it.

The latest efforts to end the deadlock fail

Mr Tsvangirai began 2009 outside Zimbabwe, staying in Botswana and visiting Johannesburg, South Africa. In a press conference in Johannesburg on January 15th Mr Tsvangirai strongly criticised Mr Mugabe but left the door open for his continued participation in the formation of a power-sharing government. He returned to Zimbabwe to attend another round of talks with Mr Mugabe on January 19th, although once again no agreement was reached. Further talks are set for a Southern African Development Community (SADC) summit at the end of January, but the prospects remain bleak. The status quo suits Mr Mugabe, who continues to wield power in Zimbabwe.

Indeed, the US and the UK have become convinced that the power-sharing agreement is doomed to failure. In late December they withdrew their support for the power-sharing government, saying that Mr Mugabe had broken the basic points of the agreement by refusing to negotiate an equitable share of the cabinet posts and by continuing state violence against opposition members and civic leaders. However, in many ways this plays into Mr Mugabe's hands, as he will find it easier to hold on to power the more divisions that there are in the international community over how best to deal with the problems in Zimbabwe.

Violence against the opposition continues

As the wrangling over the power-sharing agreement continues, opponents of the regime of Robert Mugabe continue to be persecuted. Throughout December at least 32 opposition Movement for Democratic Change (MDC) supporters, journalists and civic activists were abducted and reported missing for several weeks. The most prominent of these was Jestina Mukoko, a former television news presenter with the state Zimbabwe Broadcasting Corporation, who several years ago joined the Voice of the People, an independent short-wave radio station that reported news critical of the Mugabe government. Ms Mukoko also became the director of the Zimbabwe Peace Project, which issues reports on human-rights abuses. In early December Ms Mukoko was taken by armed men from her home in the early hours of the morning in her nightdress. Two days later two other Peace Project staff members were also arrested. They were not seen until the end of December, when they appeared in court to face charges of recruiting people to receive military training to overthrow the Mugabe government. All denied the charges and asked for medical attention because they said that they had been tortured while in state custody. They were denied bail and independent medical care.

Turmoil in South Africa's politics creates complications

Part of the problem preventing a power-sharing agreement from being enforced has been a lack of pressure from regional leaders, in particular from South Africa, on Mr Mugabe to co-operate. Complicating matters has been the unsettled domestic political scene in South Africa, with an influential part of the ruling party, the African National Congress (ANC), breaking away to form a new party, the Congress of the People (Cope). The interim president, Kgalema Motlanthe, is running the country until new national elections are held, in April or May, but he lacks the authority to compel Mr Mugabe to relent and accept the power-sharing deal. In the meantime, both sides in the South African political wrangle have done little aside from reaffirming their support for the power-sharing agreement.

Mr Mugabe implements a cabinet reshuffle

With the power-sharing agreement deadlocked, on January 7th Mr Mugabe unilaterally appointed a number of new interim ministers. Mr Mugabe terminated the appointments of nine ministers because they did not win parliamentary seats in the March 2008 elections and he had not appointed them to any legislative seat. The dismissals were long overdue, as the ministers had been ineligible to hold their posts since parliament first met after the elections on August 26th. Pending the formation of a new government, Mr Mugabe appointed sitting cabinet ministers to take over six of the vacated posts in addition to their other duties.

Mr Mugabe's cabinet reshuffle

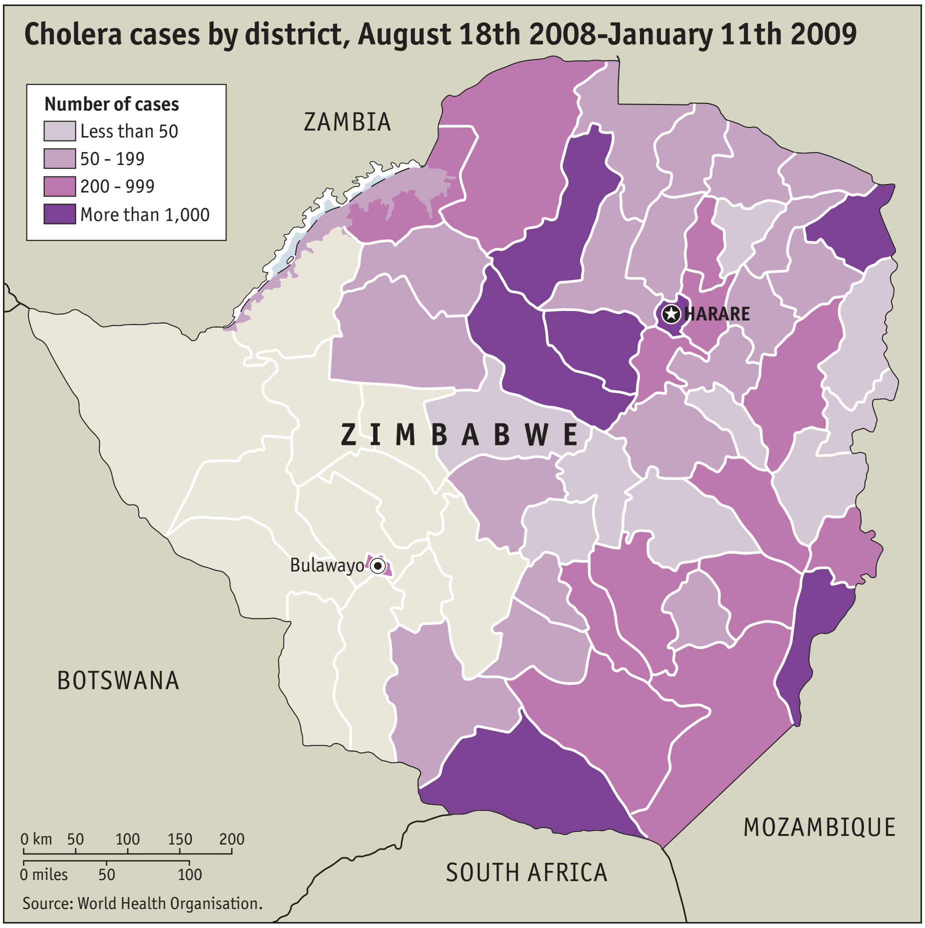
Outgoing minister	Ministry	Incoming minister
Samuel Mumbengegwi	Finance	Patrick Chinamasa
Sikhanyiso Ndlovu	Information and Publicity	Paul Mangwana
Oppah Muchinguri	Gender, Women's Affairs and Community Development	Sithembiso Nyoni
Munacho Mutezo	Water Resources and Infrastructure Development	Joseph Made
Michael Nyambuya	Energy and Power Development	-
Amos Midzi	Mines and Mining Development	Sydney Sekeramayi
Chen Chimutengwende	Public and Interactive Affairs	-
Sithembiso Nyoni	Small and Medium Enterprises Development	-
Rugare Gumbo	Agriculture and Rural Resettlement	Sylvester Nguni

Source: Local press.

Cholera epidemic kills more than 2,000

Cholera swept through Zimbabwe in December, reaching all ten provinces. By January 15th the death toll was more than 2,200, and more than 40,000 people had been infected with the disease. The main reservoir for the capital, Harare, was contaminated with cholera bacteria, as well as the Limpopo River, which forms the border between Zimbabwe and South Africa. Cholera has spread to South Africa and other neighbouring countries, meaning that the failure of the Zimbabwean government to adequately deal with the problem has led to a regional health crisis. In late December Mr Mugabe tried to assert that the epidemic had been "arrested" but the World Health Organisation (WHO) contradicted him, saying in January that the disease had not been brought under control.

A US-based group, Physicians for Human Rights, investigated the public health conditions during a trip to Zimbabwe in late December. The group issued a report on January 13th in which it blamed the Mugabe government for creating the conditions for the cholera outbreak by allowing the nation's water, sanitation and health services to break down. The physicians charged that Mr Mugabe's negligence amounted to crimes against humanity and urged the UN Security Council to authorise an investigation into the situation in Zimbabwe.



SADC tribunal ruling on white farmers is ignored

The Zimbabwean government in early January pressed ahead with the prosecution of four white commercial farmers for continuing to occupy farms that the government claims to have acquired compulsorily. This occurred despite the fact that the four are among the 78 farmers protected by the December ruling by a SADC special tribunal in Namibia, which ordered the Mugabe government to allow the 78 farmers to remain on their properties (December 2008, The political scene). The prosecutions were ordered by the new attorney-general, Johannes Tomana, who was appointed by Mr Mugabe and sworn in to office on December 14th. The latest turn of events is not surprising given that a senior ZANU-PF member, Didymus Mutasa, had previously stated that the government would not comply with the SADC tribunal's ruling.

Economic policy

There is still no budget as the government prints money

The severity of the economic breakdown in Zimbabwe is highlighted by the fact that Zimbabwe went for the entire year of 2008 without a budget having been submitted to parliament, and is starting 2009 with no budget in sight. Of course, with the prevailing levels of hyperinflation reaching new records every month, any budget in the Zimbabwe currency is virtually meaningless. The lack of a budget, however, also reflects the fact that the government is simply printing as much money as it can to pay its bills.

Indeed, on January 12th the Reserve Bank of Zimbabwe (RBZ, the central bank) launched new notes for Z$20bn and Z$50bn. On the day of issue the Z$50bn note was worth US$1.25 on the thriving parallel market. The new note could purchase two loaves of bread or three newspapers. Three weeks earlier, when the Mugabe government introduced a Z$10bn note, the equivalent Z$50bn would have been worth US$3.30, illustrating the currency's severe decline in value. The government had previously issued Z$50bn notes last year, but then revalued the currency by removing ten zeros in August 2008, turning the Z$50bn note into Z$5. That the currency has regained all of the zeros that were previously cut is of little surprise in a country where fiscal and monetary management is so poor.

Economic performance

Zimbabwe stock exchange fails to resume trading

Zimbabwe's stock exchange reopened after the holiday break on January 5th but did not succeed in resuming trading, according to the bourse's chief executive officer, Emmanuel Munyukwi. Mr Munyukwi said that he did not know when trading would resume. Trading on the Zimbabwe Stock Exchange initially ground to a halt on November 20th, after the Securities Commission ordered stockbrokers to submit audited financial reports of their net worth by the end of December 2008. The commission on December 16th warned broking firms that they would be closed if they failed to meet the deadline.

Investors with cash in Zimbabwe had preferred to buy shares to avoid their money being eroded by inflation, helping some individual stocks on the Harare-based exchange to post increases of as much as 100,000% a day last year, according to Imara Holdings, a Botswana-based brokerage. This was something that the government resented—the stock exchange represented a much more attractive prospect for investors compared with government securities—and it accused the banks of using fraudulent checks to artificially inflate share prices. Trades on the bourse are now required to be backed by a letter of confirmation from bank chief executive officers (CEOs), something that will prove difficult to implement, as the CEOs say that they are already busy. This, coupled with the requirement for the financial reports, means that activity on the bourse is expected to remain depressed even if it does reopen.

South Africa delivers aid to Zimbabwean government

In early January the South African government donated R300m (US$32m) in aid to the Zimbabwean government, despite earlier assurances that the assistance would go to a non-partisan body. The aid was in the form of maize seed, fertiliser and chemicals. The agricultural inputs package was initially supposed to have been released in cash on condition of the formation of a power-sharing government. When it became clear that no progress was being made for the power-sharing agreement, the South African government and SADC decided that the aid should be distributed in the form of agricultural inputs, and the distribution was to have been overseen by the Zimbabwe Humanitarian and Development Assistance Framework (ZHDAF), a non-partisan body set up in Harare on December 21st. The ZHDAF was to have included representatives of the Zimbabwean government, UN agencies, religious groups, donors and farmers' organisations.

However, South Africa's presidential spokesman, Thabo Masebe, confirmed that the aid package had in fact been delivered to the Grain Marketing Board (GMB). The GMB is Zimbabwe's state-owned monopoly for the purchase and distribution of all grain in Zimbabwe, and it has long been accused of denying access to food deliveries to those suspected of supporting the opposition. In addition, the planting packs are probably too late for Zimbabwe's growing season, which started in November.

Data and charts

Annual data and forecast

	2004[a]	2005[a]	2006[b]	2007[b]	2008[b]	2009[c]	2010[c]
GDP							
Nominal GDP (US$ bn)	2.0[b]	1.9[b]	1.8	1.7	1.5	1.3	1.3
Nominal GDP (Z$ bn)	23.9	75.4	892.6	106,741.1	0.094	886.3	8,529,242
Real GDP growth (%)	-3.8	-6.5	-4.6	-5.5	-12.6	-4.7	-3.7
Expenditure on GDP (% real change)							
Private consumption	-18.6	8.4	-4.5	-5.0	-12.0	-12.0	-5.0
Government consumption	31.7	6.4	-6.0	-6.0	-10.0	-7.0	-4.0
Gross fixed investment	54.2	-63.4	-1.0	-5.0	-8.0	-8.0	-3.0
Exports of goods & services	1.7	-4.3	-1.0	-0.8	-1.2	-0.5	-0.5
Imports of goods & services	2.4	-3.1	-1.5	-1.0	-0.6	-10.0	-2.0
Origin of GDP (% real change)							
Agriculture	-2.9	-10.0	-4.5	-5.0	-17.5	-4.0	-3.6
Industry	-3.5	-11.7	-3.5	-5.0	-13.0	-4.0	-2.0
Services	-4.2[b]	-3.4[b]	-5.0	-5.8	-11.0	-5.2	-4.4
Population and income							
Population (m)	13.0[b]	13.1[b]	13.2	13.3	13.3	13.3	13.3
GDP per head (US$ at PPP)	182[b]	174[b]	170	165	148	143	139
Fiscal indicators (% of GDP)							
Public-sector revenue	32.5	43.9	39.2	37.3	38.3	40.5	37.8
Public-sector expenditure	38.7	45.6	50.6	46.1	44.4	46.9	41.2
Public-sector balance	-6.1	-1.7	-11.5	-8.8	-6.1	-6.5	-3.4
Net public debt	193.2	195.9[b]	212.1	217.2	258.2	341.6	342.9
Prices and financial indicators							
Exchange rate Z$:US$ (end-period)[d]	5.1	78.0	250[a]	30000	200,000	100,000,000	250,000,000
Consumer prices (end-period, %)	132.7	585.8	1,281.1[a]	66,212.3	999,999.0[e]	999,999.0[e]	999,999.0[e]
Stock of money M1 (% change)	228.6	552.6	1,323.1	66,709.9	192,393.5	1,000,069	1,000,070
Stock of money M2 (% change)	229.3	532.7	1,453.1	64,472.4	17,269,893	1,000,119	1,000,120
Current account (US$ m)							
Trade balance	-663[b]	-607[b]	-458	-477	-589	-245	-288
Goods: exports fob	1,680[b]	1,497[b]	1,582	1,707	1,748	1,508	1,499
Goods: imports fob	-2,342[b]	-2,104[b]	-2,040	-2,183	-2,337	-1,753	-1,788
Services balance	-107[b]	-97[b]	-88	-108	-146	-180	-212
Income balance	-208[b]	-190[b]	-188	-182	-189	-198	-113
Current transfers balance	228[b]	263[b]	264	266	270	270	270
Current-account balance	-750[b]	-631[b]	-470	-500	-654	-352	-343
External debt (US$ m)							
Debt stock	4,818	4,296	4,677[a]	4,901	5,253	5,396	5,897
Debt service paid	100	225	83[a]	77	74	-24	-14
Principal repayments	77	198	31[a]	35	38	36	24
Interest	23	27	53[a]	42	37	-60	-38
Debt service due	449	276	406[a]	651	660	649	541
International reserves (US$ m)							
Total international reserves	255	160[b]	140	120	100	90	85

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts. [d] In August 2008 the authorities redenominated the currency by removing ten zeros. Figures prior to 2008 are in the old currency denomination. [e] The super-hyperinflationary environment has made forecasting these series virtually impossible.

Source: IMF, *International Financial Statistics*.

Quarterly data

	2005	2006				2007		
	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
Central government finance (Z$ m)								
Revenue & grants	16,858	45,594	162,579	n/a	n/a	n/a	n/a	n/a
Expenditure & net lending	12,969	49,850	188,148	n/a	n/a	n/a	n/a	n/a
Balance	3,889	-4,256	-25,569	n/a	n/a	n/a	n/a	n/a
Total domestic debt (end-period)	15,886	15,021	46,213	119,401	175,666	1,283,404	n/a	n/a
Output								
Manufacturing index (1990=100)	56	56	58	69	73	n/a	n/a	n/a
Manufacturing index (% change, year on year)	-10	-9	-5	12	30	n/a	n/a	n/a
Prices								
Consumer prices (2000=100)	40,350	72,480	133,258	249,903	509,953	1,437,264	7,321,732	n/a
Consumer prices (% change, year on year)	503	773	1,147	1,071	1,164	1,883	5,394	n/a
Financial indicators								
Exchange rate Z$:US$ (av)	0	0	0	0	0	259	257	8,187
Exchange rate Z$:US$ (end-period)	80.77	102.78	104.84	259.58	258.92	259.12	255.55	30,000.00
Parallel exchange rate Z$:US$ (av)	90	157	320	1,068	2,567	10,333	79,333	293,333
Bank rate (end-period; %)	540	750	850	300	500	500	600	600
Lending rate (av; %)	363.3	488.3	665.8	431.7	400.0	529.2	537.5	590.8
Treasury bill rate (av;%)	296.8	455.0	509.4	258.8	66.3	66.3	248.8	340.0
M1 (end-period; Z$ bn)	44,746	60,355	115,115	331,984	636,799	2,223,460	18,906,200	70,897,800
M1 (% change, year on year)	553	521	771	1,510	1,323	3,584	16,324	21,254
M2 (end-period; Z$ bn)	58,424	82,151	158,005	434,002	907,355	2,851,923	23,605,270	90,740,400
M2 (% change, year on year)	533	559	781	1,520	1,453	3,372	14,840	20,808
ZSE Industrial index (end-period)	24,840	28,565	61,764	184,839	310,459	548,730	3,696,286	5,460,688
Sectoral trends								
Tobacco auctions (annual totals; '000 tonnes)[a]	n/a	n/a	53	n/a	n/a	n/a	n/a	n/a
Gold production (kg)	3,058	2,788	2,556	2,990	2,904	2,334	n/a	n/a
Gold production (Z$ bn)	2,895	4,854	6,286	13,035	29,569	27,735	n/a	n/a
Chrome ore production ('000 tonnes)	n/a	174	173	177	176	176	n/a	n/a
Chrome ore production (Z$ bn)	n/a	1,047	1,662	4,019	8,541	19,643	n/a	n/a
Platinum production (kg)	1,270	1,172	1,183	1,434	1,210	1,367	n/a	n/a
Platinum production (Z$ bn)	2,140	3,519	4,016	10,400	10,377	11,761	n/a	n/a
Foreign trade (Z$ m)[b]								
Exports fob	318.6	207.5	236.0	243.3	254.4	619.7	709.1	549.3
Imports cif	434.0	597.6	709.9	786.0	729.7	605.6	571.7	634.5
Trade balance	-115.5	-390.1	-473.9	-542.8	-475.3	14.1	137.4	-85.2

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

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

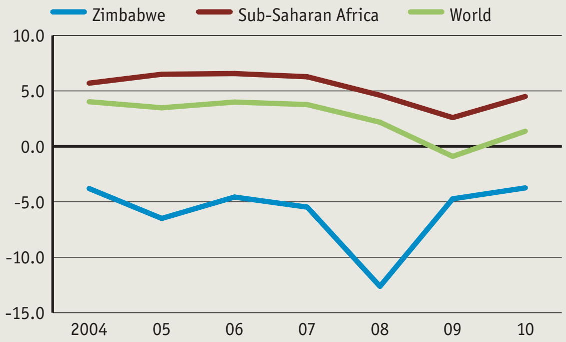
Monthly data

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate Z$:US$ (av)												
2006	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a	n/a	n/a
2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M1 (% change, year on year)												
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
2008	92,024	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M2 (% change, year on year)												
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	25,046	53,013	64,472
2008	82,937	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Deposit rate (%)												
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
2008	129.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lending rate (%)												
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
2008	1175.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Industrial share prices (% change, year on year)												
2006	2,100	1,657	1,125	1,053	1,417	1,828	2,348	4,679	6,195	2,402	2,925	2,977
2007	2,044	3,700	12,878	16,432	27,486	78,427	37,113	21,665	22,157	91,996	221,176	335,336
2008	168,618	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

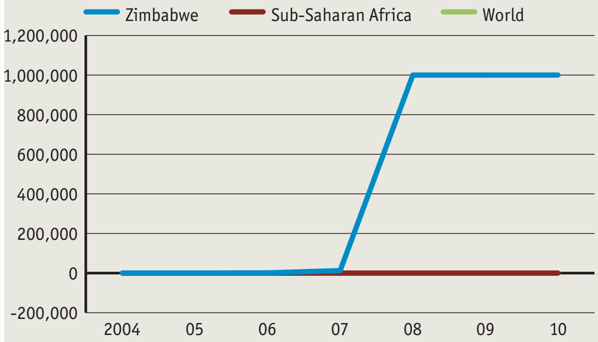
Annual trends charts

Real GDP growth
(% change)



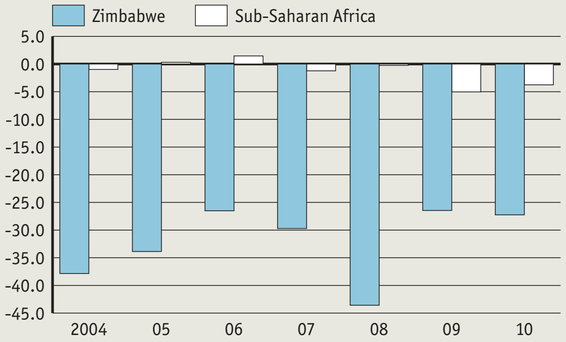
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



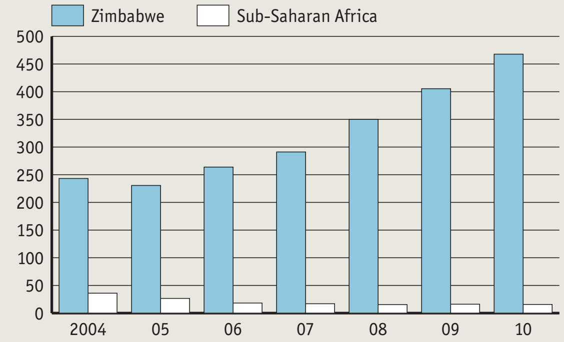
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



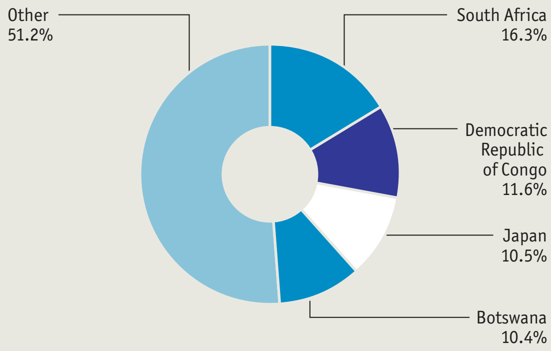
Source: Economist Intelligence Unit.

Total external debt
(% of GDP)



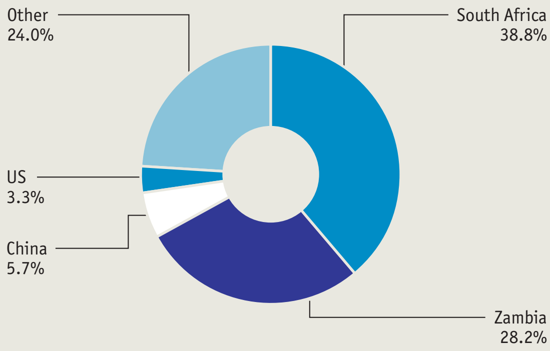
Source: Economist Intelligence Unit.

Main destinations of exports, 2007
(share of total)



Source: Economist Intelligence Unit.

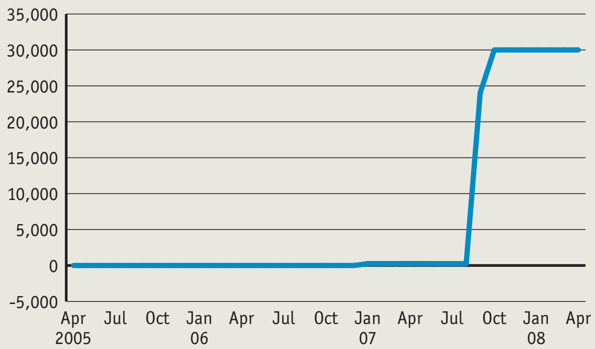
Main origins of imports, 2007
(share of total)



Source: Economist Intelligence Unit.

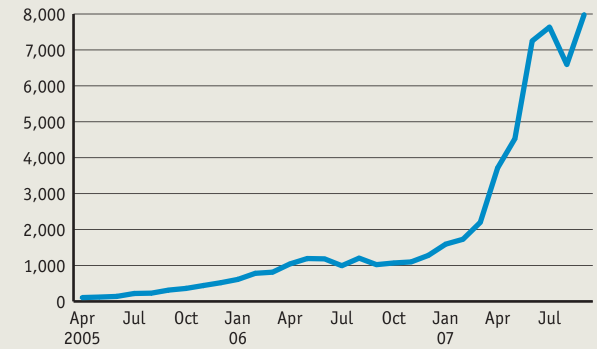
Monthly trends charts

Exchange rate
(Z$:US$; av)



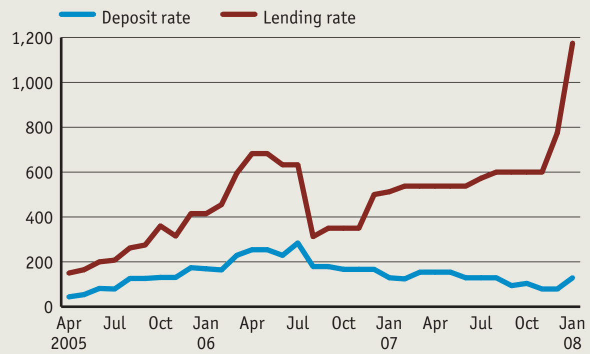
Source: Economist Intelligence Unit.

Consumer price inflation
(% change, year on year)



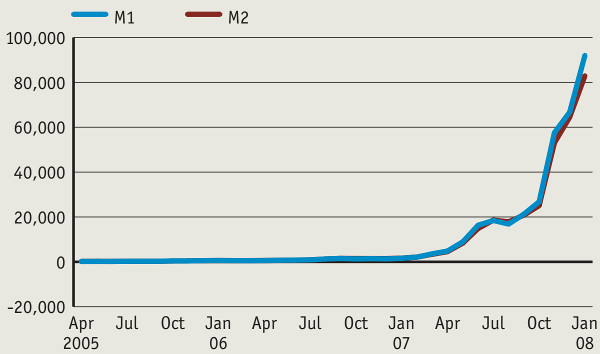
Source: Economist Intelligence Unit.

Interest rates
(av; %)



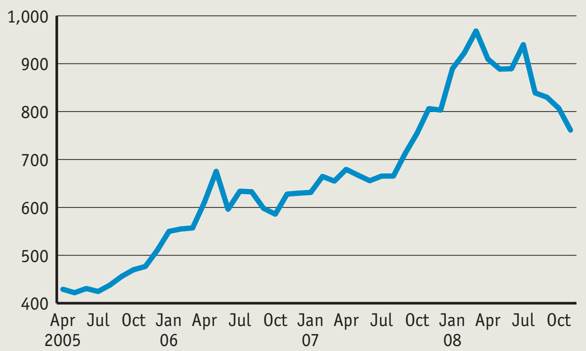
Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



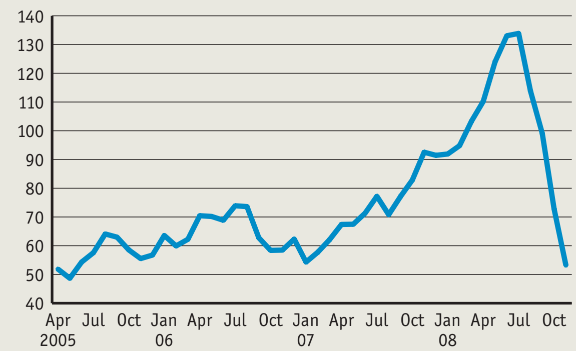
Source: Economist Intelligence Unit.

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



Source: Economist Intelligence Unit.

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



Source: Economist Intelligence Unit.

Country snapshot

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 of whom represent geographical constituencies and are elected by universal adult suffrage every five years; eight are provincial governors, ten are customary chiefs and 12 others are appointed by the president; a Senate of 66 members was established in November 2005
National elections	March 2008 (presidential, legislative and Senate)
Head of state	President, elected by universal suffrage for a six-year term
National government	The president and his appointed cabinet; last major reshuffle February 2004
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; the Zimbabwe African National Union-Ndonga (ZANU-Ndonga) has one seat; a number of smaller parties and independent candidates also contest elections

	President	Robert Mugabe
	Vice-presidents	Joseph Msika & Joice Mujuru
Key ministers	**Agricultural engineering & mechanisation**	Joseph Made
	Agriculture & rural resettlement	Sylvester Nguni
	Defence	Sydney Sekeramayi
	Economic development	Sylvester Nguni
	Education, sports & culture	Aeneas Chigwedere
	Energy & power development	Vacant
	Finance	Patrick Chinamasa
	Foreign affairs	Simbarashe Mumbengegwi
	Health	David Parirenyatwa
	Higher & tertiary education	Stanislas Mudenge
	Home affairs	Kembo Mohadi
	Indigenisation & empowerment	Paul Mangwana
	Industry & international trade	Obert Mpofu
	Information & publicity	Paul Mangwana
	Justice, legal & parliamentary affairs	Patrick Chinamasa
	Local government	Ignatius Chombo
	Mines & mining development	Sydney Sekeramayi
	National security	Didymus Mutasa
	Public service, labour & social welfare	Nicholas Goche
	Tourism	Francis Nhema
	Transport & communications	Chris Mushowe
	Water resources & infrastructure development	Joseph Made
Reserve Bank governor	Gideon Gono	

