Country Report

Zimbabwe

November 2009

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The Economist Intelligence Unit

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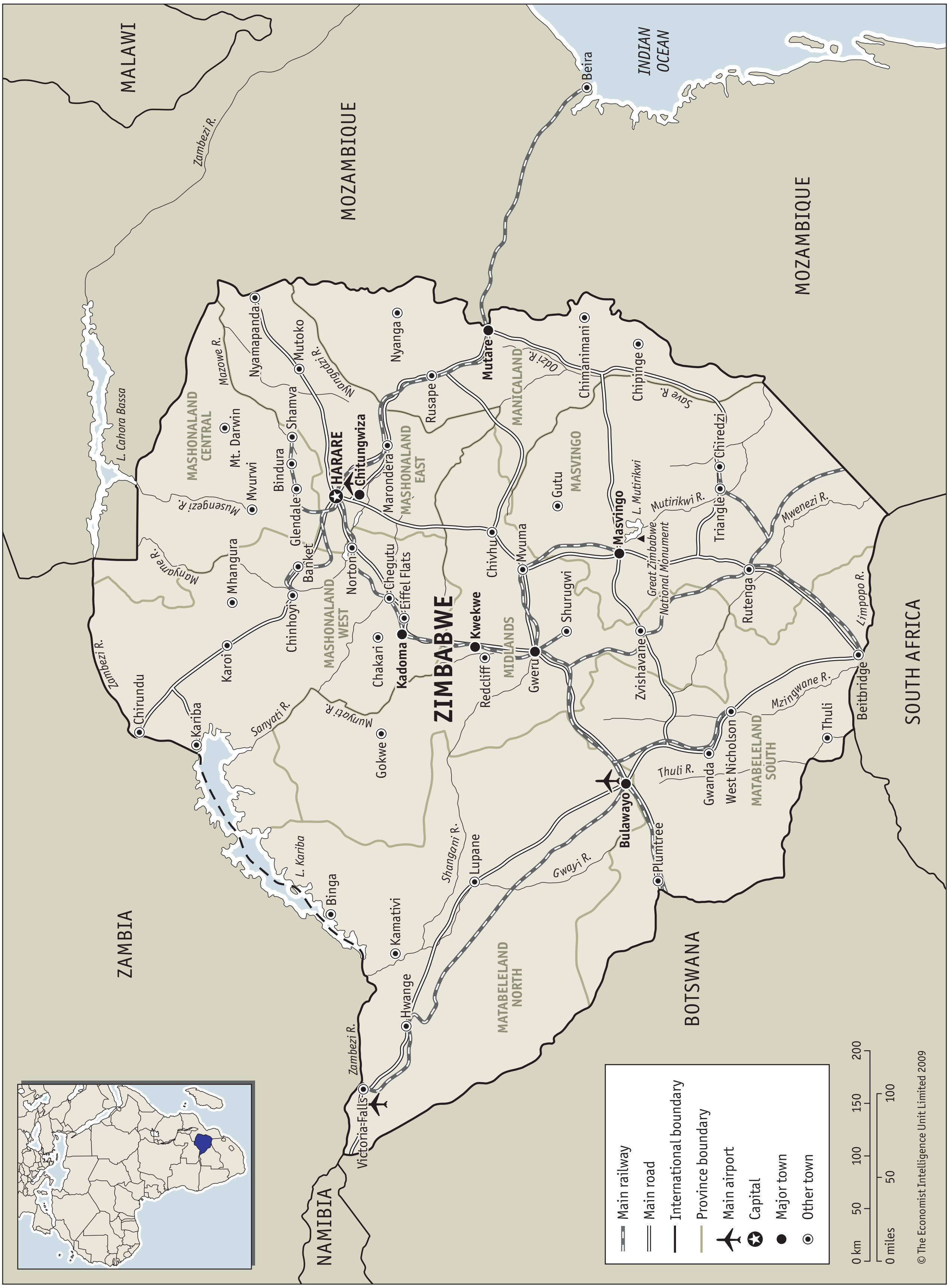
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Main railway
Main road
International boundary
Province boundary
Main airport
Capital
Major town
Other town
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Executive summary

Highlights

November 2009

Outlook for 2010-11

- The Movement for Democratic Change (MDC) will continue to threaten withdrawal from the government of national unity (GNU), but there are few signs as yet that it is prepared to follow through on this.
- The party may damage its credibility both with its own supporters (in the diaspora particularly) and regional governments.
- The timetable for drawing up a new constitution is likely to slip again, suggesting that elections will not be held before mid-2011 at the earliest.
- Economic policy is likely to remain chaotic for much of the forecast period, as the turf war between the central bank and the Ministry of Finance continues.
- The inflation rate is set to decline rapidly as the highs of 2008 drop out of the calculations. The 2010 rate is likely to be in single digits for the first time in two decades, therefore.
- Gold earnings will be boosted by higher production and international prices in 2010, before moderating again in 2011 as the price falls.

Monthly review

- The MDC announced its "disengagement" from the GNU—an apparent (and almost certainly doomed) attempt to persuade Southern African governments to put pressure on Robert Mugabe.
- Under a revised timetable, the new constitution is due to be put to a referendum in September 2010, leading to elections early in 2011.
- The business community is becoming increasingly disenchanted with the GNU's failure to improve the operating and investment environments.
- Zimbabwe has again been ranked as one of the worst-governed countries in Africa.
- Prices fell again in September, for the sixth time this year. The minister of finance now expects prices to fall by 5% in 2009 (using the US dollar index with a December 2008 base).
- Capacity utilisation rose in the first half of 2009, according to the Confederation of Zimbabwe Industries, but companies remain constrained by a lack of finance.
- A number of mining companies, including Rio Tinto and Mwana Africa, have announced plans to increase production.

Outlook for 2010-11

Political outlook

Domestic politics

The two main parties in Zimbabwe's power-sharing government, Robert Mugabe's Zimbabwe African National Union-Patriotic Front (ZANU-PF) and Morgan Tsvangirai's Movement for Democratic Change (MDC), will continue to manoeuvre for power. This struggle is being played out on several levels, but the MDC appears to be losing ground in crucial areas, leading to growing frustrations within the party. It has repeatedly threatened to withdraw from the government of national unity (GNU), and has publicly announced its "disengagement" from the administration. As yet, however, there are few signs that the party is prepared to follow through on these threats—in part because senior MDC leaders remain convinced that forcing fresh elections under such circumstances would merely lead to a violent campaign against party supporters and the broader population. The risk for the MDC is that this will irreparably damage its credibility both with its own supporters (in the diaspora particularly) and regional governments. In the meantime, elements of ZANU-PF—and the MDC-M, the breakaway MDC movement led by Arthur Mutambara—will continue to seek to extend the life of the power-sharing government to a full five years, meaning that it would potentially stay in power until 2013. Their motivation for so doing is clear enough: in a free and fair election they would see their parliamentary representation slashed.

Tensions between the various parties are likely to increase as the process of drawing up a new constitution continues. The original timetable has already slipped; now, the measure is due to be put to a national referendum by September 2010, paving the way for fresh elections early in 2011. However, this revised timetable looks to be overly ambitious, both logistically—the power-sharing government's administrative record is poor—and politically, since there are fundamental disagreements between ZANU-PF and the MDC over the extent of presidential powers. Mr Mugabe has already stated that he will instruct ZANU-PF members of parliament to vote against any new constitutional agreement unless it is based on the so-called Kariba draft, drawn up in secret by the three political parties in 2007-08, although acceding to this would probably provoke a final split within the MDC (indeed, this may be Mr Mugabe's intention). It seems possible, therefore, that deadlock over the constitution will lead to the collapse of the GNU as currently constituted. Under such a scenario Mr Mugabe would try to remain in power, possibly seeking to co-opt those MDC politicians who believe that forcing an election would lead to an unacceptable wave of violence against party supporters. The president has proved highly adept at such manoeuvres in the past, and there is no guarantee that international pressure to force him from office would succeed. Nonetheless, the collapse of the GNU could still lead to Mr Mugabe's ejection, if—for example—it forced the MDC to take a more confrontational stance, prompting a wave of government violence that proved impossible for regional powers to ignore. Indeed, the balance of probabilities is that Mr Mugabe will not still be in office by end-2011, when he will be 87 years old.

International relations

Although Mr Tsvangirai is seeking to improve relations with donor nations and persuade them that the transition process is working, Mr Mugabe continues to take an antagonistic approach to Western states, while many donors remain sceptical about the extent of power sharing within the government. The president insists that there can be no return to normality until Western sanctions against individuals and ZANU-PF-controlled companies are lifted, and is seeking to link the lifting of sanctions to implementation of the so-called General Political Agreement (GPA). The EU and other Western powers will continue to resist this interpretation, but could find it harder to maintain this stance if the power-sharing administration struggles on, making some economic (if not necessarily political) progress.

The MDC will continue to turn to regional powers to influence the Zimbabwean president—despite the fact that it has been sorely disappointed thus far. Hopes that the appointment of Jacob Zuma as president of South Africa would change the dynamic seem to be fading, and the Southern African Development Community (SADC) continues to show no inclination to intervene against Mr Mugabe. Indeed, given that the SADC is now chaired by the Congolese president, Joseph Kabila—who is an avowed supporter of Robert Mugabe—the MDC's approach seems fanciful.

Economic policy outlook

Policy trends

As part of the power-sharing agreement, the Ministry of Finance has been placed under the control of Tendai Biti of the MDC—which means that the MDC is set to lose support as it makes only limited progress tackling the economy. Economic policy will continue to be driven by political considerations, with the struggle for influence between ZANU-PF and the MDC in the power-sharing government overshadowing policy reform. The MDC will continue to seek the removal or sidelining of Gideon Gono, the governor of the Reserve Bank of Zimbabwe (RBZ, the central bank), for example. Mr Biti is already involved in a dispute with the RBZ governor over the utilisation of more than US$800m of IMF funds and loans from the African Development Bank, and there are likely to be numerous similar examples in the coming months. However, only once Mr Mugabe has left office is there any hope that economic policy will get back on track or that there will be more substantial lending programmes. This suggests that economic policy will remain chaotic and piecemeal for much of the forecast period—and that there will be little sign of a sustained improvement in the operating or investment environments.

Fiscal policy

Fiscal policy in 2010-11 will largely depend on who is in power. If Mr Mugabe has left office 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, little change in fiscal policy is to be expected. In this eventuality, the government will have to rely on aid grants to fund much of its expenditure, since the budget deficit can be funded only from increased revenue or foreign aid and foreign borrowing—there is no local money market from which the state can borrow money, nor can it print money. There is little capacity to boost revenue—what increases there are are likely to come via value-added tax and customs duties—and the Economist Intelligence Unit expects the administration to continue to rein in spending in an attempt to keep the deficit under control. As a result, government services, particularly healthcare and education, will continue to deteriorate, while the government will face periodic confrontations with public-service workers seeking higher pay.

Monetary policy

Severe foreign-exchange shortages have shaped monetary policy in recent years, undermining all economic activity. The effective dollarisation recognised in the 2009 budget adds a new dimension to this, with monetary policy rendered even more ineffective. The government is studying the possibility of joining the Rand Monetary Area, but any formal link to the rand is unlikely before late 2010 given the previous disparity between Zimbabwean and other Southern African inflation rates.

Economic forecast

International assumptions

International assumptions summary
(% unless otherwise indicated)

	2008	2009	2010	2011
Real GDP growth				
World	2.8	-1.3	3.2	3.4
OECD	0.6	-3.5	1.7	1.4
EU27	0.7	-4.2	0.7	1.2
Exchange rates				
¥:US$	103.4	93.8	90.0	89.0
US$:€	1.470	1.398	1.423	1.398
SDR:US$	0.629	0.645	0.637	0.640
Financial indicators				
€ 3-month interbank rate	4.65	1.22	1.08	2.50
US$ 3-month Libor	2.91	0.99	1.29	2.24
Commodity prices				
Oil (Brent; US$/b)	97.7	62.0	74.0	70.0
Gold (US$/troy oz)	870.2	960.2	1043.8	976.3
Platinum (US$/oz)	1,563.2	1,194.3	1,351.3	1,355.0
Food, feedstuffs & beverages (% change in US$ terms)	29.5	-20.0	6.0	1.3
Industrial raw materials (% change in US$ terms)	49.6	12.8	-3.1	-12.8

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

We expect world GDP (measured on a purchasing power parity basis) to expand by 3.2% in 2010 as many Western economies start to recover from recession. Growth will accelerate slightly in 2011, to 3.4%. The prices of some commodities, such as platinum, should also begin to recover in 2010 in line with the global recovery, while the gold price should also rise. We expect Brent Blend to average US$74/barrel in 2010—up by almost 20% on the 2009 average, which will increase Zimbabwe's oil import bill. Prices will moderate in 2011, however, to an average of US$70/b.

Economic growth

The economic collapse has been compounded by the country's political deadlock. This situation contributed to a large decline in economic activity in 2008, with real GDP shrinking at double-digit levels. The economy started to recover in late 2009, albeit from a low base, and this recovery is expected to accelerate in 2010. The IMF expects growth to exceed 5.9% in both 2010 and 2011. This assumes, however, that the political situation does not deteriorate, and that the government can reach consensus on economic policies including wage restraint, continued cash budgeting and resolution of central bank governance, as well as efforts to enforce property rights and maintain the rule of law. None of this is guaranteed, and such is the destruction of the economy that the GNU faces a mammoth task in turning things around, even with substantial 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 ongoing destruction of the commercial sector and the impact of HIV/AIDS, and such issues cannot be rectified in the short term. Businesses are also likely to remain cautious: most have already scaled back 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. All of this suggests that growth is likely to remain constrained to around 2% in 2010, before accelerating somewhat, to 5%, in 2011. Growth rates could be more substantial if there is a peaceful transition to a more representative administration that follows more orthodox economic policies.

Exchange rates

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 drove inflation to record highs in 2008. When the government halted official estimates, in August 2008, the monthly rate was estimated at 231m percent Inflation fell dramatically with rapid dollarisation at the end of 2008, but the high base set earlier in that year meant that overall inflation remained high in 2009. With the highs of 2008 now dropping out of the calculations the inflation rate is set to fall rapidly: indeed, according to the US dollar index that uses December 2008 as a base, prices were actually set to decline by 5% during 2009. The 2010 rate should be in single digits—at 4.6%—for the first time since 1988, and while price rises will accelerate thereafter, they should remain low by historical standards, at around 7.7%—assuming that the government does not revert to its disastrous previous policies, such as printing money to finance deficits.The exchange-rate regime is likely to remain a politically contentious issue. Although the minister of finance has ruled out any return to the Zimbabwe dollar—effectively abandoned in 2009 after repeated re-denominations failed to bolster the currency—in the foreseeable future some ZANU-PF politicians continue to regard restoration of the local currency as a matter of "national pride". For example, the central bank governor has called for the issue of "new" Zimbabwe dollars backed by "gold, platinum and diamonds", and as wage pressures intensify the "pro-Zimbabwe dollar" lobby is likely to become increasingly influential.

External sector

Falling commodity prices (and declining production) hit exports in 2009, but a slight recovery—to US$1.37bn—is likely in 2010, owing largely to a marginal improvement in prices of commodities, including platinum. The price of gold is also expected to rise, from US$923 to US$1,043 per troy oz, and earnings will be boosted further by an increase in production. In 2011 exports are likely to remain broadly stable, provided that the policy environment is acceptable, although gold earnings will fall by some 6% as the international price moderates. Imports should rise overall in 2010, reflecting continued increases in foreign aid for humanitarian purposes, the likely aid-financed importation of staple foodstuffs, and the use of foreign credit lines reportedly negotiated by the government.

Since tourism will recover only slowly, we expect the services account to remain in deficit in 2010-11. The income account is also set to remain in deficit, even though the repatriation of profits and debt-service payments will be limited. Only the current transfers account will be in surplus: remittances by the 3.5m-plus Zimbabweans living abroad are likely to improve as the global economy starts to recover, while substantial aid inflows via non-governmental organisations will be reflected as private transfers. The current-account deficit is set to moderate as a percentage of GDP, falling to around 15% in 2011 from almost 45% in 2009.

Forecast summary

(% unless otherwise indicated)

	2008[a]	2009[a]	2010[b]	2011[b]
Real GDP growth	-14.4	-1.3	1.9	5.0
Manufacturing production growth	-13.3	-3.8	6.0	5.7
Gross agricultural production growth	-24.0	-4.0	-2.0	0.0
Consumer price inflation (av)	1.5E+10	4.5E+16	4.6E+00	7.7E+00
Consumer price inflation (year-end)	2.2E+23	5.0E+01	3.5E+00	5.1E+01
Short-term interbank rate	450.3	461.6	470.7	481.9
Government balance (% of GDP)	-6.2	-6.3	-5.0	-4.5
Exports of goods fob (US$ bn)	1.4	1.1	1.4	1.4
Imports of goods fob (US$ bn)	1.9	2.0	2.3	2.5
Current-account balance (US$ bn)	-0.6	-0.6	-0.3	-0.3
Current-account balance (% of GDP)	-39.2	-44.4	-22.4	-15.4
External debt (year-end; US$ bn)	5.7[c]	5.8	6.2	6.0
Exchange rate Z$:US$ (av)[d]	5.7E+15	4.7E+34	5.0E+38	3.0E+27
Exchange rate Z$:US$ (year-end)[d]	6.8E+16	1.7E+35	5.0E+38	3.0E+27
Exchange rate Z$:€ (av)[d]	7.8E+15	6.9E+34	6.7E+38	4.2E+27

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual. [d] The currency redenominations carried out in 2008 and 2009 have not been applied in order to give a consistent data series.

Monthly review: November 2009

The political scene

MDC "disengages" from government

Morgan Tsvangirai's Movement for Democratic Change (MDC) moved a step closer to withdrawal from Zimbabwe's fragile unity government on October 16th, when the party announced that it had "disengaged" from the coalition administration. The proximate cause was the indictment and re-arrest of Roy Bennett, the MDC's nominee for deputy minister of agriculture in the interim administration, on charges of treason. Mr Bennett will face trial in November, but this is far from the only source of tension in the coalition. Indeed, such are the strains in the government of national unity (GNU) that a growing number of Western diplomats and local businesspeople believe that it would be better to hold fresh elections. Somewhat surprisingly, however, this appears to be a minority view within Zimbabwe, with voters seemingly willing to give the coalition the benefit of the doubt.

In part this may be because the MDC appears weak and indecisive. Party leaders cannot agree on what disengagement means or is designed to achieve. A week after Mr Tsvangirai's announcement the party's chief spokesman, Nelson Chamisa, explained that "there is no pullout from government because we are government ourselves". Instead, he described disengagement as "a gesture of disenchantment" designed to prompt rapid intervention and adjudication by "the guarantors"—in other words, the Southern African Development Community (SADC).

Increased regional pressure sought

Previous attempts to get the SADC to put pressure on Robert Mugabe have had no obvious impact—and there is no reason to imagine that the current effort will be any more successful. In his efforts to win over key actors in the SADC Mr Tsvangirai visited the Democratic Republic of Congo (DRC), South Africa and Angola. The net result was a proposal that the SADC send a team to Harare to try to patch over the differences between the parties, and a statement by Mr Tsvangirai that the DRC's president, Joseph Kabila, had agreed to visit Harare "soon" to mediate in the dispute. It was subsequently announced that any SADC delegation would be a ministerial-level team, rather than heads of state, suggesting that regional leaders see little urgency in the MDC's pleas for greater involvement, while Mr Kabila is an avowed supporter of Mr Mugabe, suggesting that he will exert little pressure on the Zimbabwean president.

Meanwhile, the MDC is consulting party members on the future of the GNU. By late October the party had held more than 1,200 meetings with supporters, a process that Mr Chamisa describes as a referendum on the interim administration. The likelihood is that at the end of this consultative process the MDC will decide to stay in the coalition, both because of concerns about the ramifications of a forced election, and because many domestic supporters seem willing to give the GNU more time. There is, however, a real danger that by repeatedly threatening to withdraw the MDC is seriously damaging its own credibility, both with its supporters in the diaspora—who are increasingly disenchanted with what they perceive as weak and irresolute leadership—and with SADC governments, which are increasingly irritated with Mr Tsvangirai's attempts to re-involve them in a problem that they thought they had settled.

Constitutional timetable is slipping

In recent weeks both Mr Mugabe and Mr Tsvangirai have spoken about fresh elections in 2011, although the faltering progress towards designing a new constitution must be accelerated if this timetable is to be met. Under the original agreement an "outreach" programme conducted by a parliamentary select committee to consult the electorate should be completed in mid-November, but to date the select committee has made virtually no headway other than convening a chaotic July stakeholders meeting that was disrupted by supporters of Mr Mugabe's Zimbabwe African National Union-Patriotic Front (ZANU-PF).

In a revised timetable, consultations with stakeholders should be completed by January 2010, to be a followed by a three-month period during which 17 "thematic committees" will draw up a new constitution. The draft would be put to parliament for approval in May 2010, with a national referendum by September. This would pave the way for elections under the new constitution early in 2011. This timetable looks optimistic both on logistical and political grounds. The interim government's administrative record is dismal: little legislation has been brought to parliament, while on most issues the MDC and ZANU-PF are miles apart. Divisions are particularly stark on the constitution, and it seems likely that the process will extend well beyond the three-month deadline, and be characterised by bitter in-fighting both between and within the main parties. All of this is bad news because it means that the political and economic status quo will be extended for another 18 months at least—something that the country cannot afford.

Economic policy

Disbursement dispute

Gideon Gono, the governor of the Reserve Bank of Zimbabwe (RBZ, the central bank), and Tendai Biti, the minister of finance, continue to squabble over the direction of economic policy. In the latest dispute, Mr Gono has repeatedly claimed that more than US$800m of foreign exchange, mostly US$510m of funds from the IMF, but also loans from the African Development Bank, is lying idle because of Mr Biti's "indecision". The finance minister disputes this, insisting that disbursements of available funds are subject to due parliamentary process, which means that the money will become available only after approval by parliament.

Indigenisation confusion

Whatever the rights and wrongs of this particular situation, the business community is becoming increasingly disenchanted with the government's failure to improve the operating and investment environments. The problems are crystallised in the decision by Shoprite, one of South Africa's largest retail groups, to abandon plans to buy Zimbabwe's OK Bazaars supermarket group for a reported US$37m. Shoprite already has operations in Bulawayo, but although it attributes its decision to back away from further involvement to "socio-economic and political uncertainty", the firm appears to have been deterred by the ongoing uncertainty surrounding Zimbabwe's indigenisation legislation. Ministers have issued contradictory statements about plans to amend the law stipulating that indigenous (for which read black) investors must own a majority of the shares in any business operation. As a result, it is not clear whether the indigenisation requirement will be abolished altogether or whether MDC legislators will join ZANU-PF in insisting on some minimum level of black ownership.

Shoprite and other foreign and local investors have also been reportedly dismayed by the attempts of Mugabe supporters to force Switzerland-based multinational, Nestlé, to continue purchasing milk from a farm expropriated by the president's wife, Grace Mugabe, and the damaging—although now resolved—corporate dispute over the ownership of the Kingdom Meikles Africa Ltd (KMAL) group in the wake of an unhappy merger between the Kingdom Banking and Meikles' conglomerate groups. KMAL's main shareholder, John Moxon, was accused by the company's chief executive, Nigel Chanakira, of siphoning funds out of the business and the country and investing them in South Africa. Mr Moxon and other members of the Meikles family and shareholders were subsequently "specified" by the government—a process that involves giving state-appointed administrators the power to operate the business. After lengthy and difficult negotiations the two sides eventually agreed to de-merge, but businesspeople and investors were disconcerted by the government's intervention in a corporate dispute. Worse, this was not party political, in the sense that both home affairs ministers—the portfolio is shared between the MDC and ZANU-PF—signed the specification order, heightening fears that the MDC is just as prone to egregious political interventions in the economy as Mr Mugabe's party.

Given this dismal track record it is no surprise that Zimbabwe has again been ranked as one of the worst-governed countries in Africa. In the 2009 Ibrahim Index of African Governance, Zimbabwe is listed 51st out of 53 states, ahead of Chad and Somalia. MDC officials have dismissed this, saying that the rankings are based on 2008 data—ie, prior to the formation of the GNU—but on current evidence there is little to suggest that the country's ranking will improve substantially.

Economic performance

Prices decline again

The IMF has left its forecasts for Zimbabwe's economic growth unchanged at 3.7% in 2009, accelerating to 6% next year. This is in line with the Fund's revised forecast for the Sub-Saharan region of 1.1% growth this year and 4.1% in 2010. For the region as a whole, incomes per head will fall by 1% in 2009 before increasing by some 2% next year. In Zimbabwe income per head is forecast to rise by 3.7% this year and by 6% in 2010 because population levels are assumed to be static. However, the finance minister continues to claim that GDP will grow by 6-7% this year and at a double-digit rate in 2010, while the Economist Intelligence Unit believes that continued business caution and ongoing problems in the agricultural sector mean that growth is unlikely to exceed 2%.

Prices fell again in September, with the Central Statistical Office reporting a 0.5% decline in the consumer price index (CPI)—the sixth so far this year—primarily because of lower food prices. This took the cumulative decline in CPI, as measured by the US dollar index that uses December 2008 as a base, to 8.8%. The official forecast for the year was for prices to rise by 5% by December, but the finance minister has recently revised this to a 5% decline, meaning that the index would end the year at around 95. This looks realistic despite the strength of the rand against the US dollar, which is pushing up the price of consumer imports, most of which come from South Africa. The year-on-year 2009 rate, which we use, will remain vastly higher, because of the extremely high base set earlier in the year. However, once the highs of 2008-09 drop out of the calculations, this rate too will fall sharply.

Capacity utilisation rises

According to the Confederation of Zimbabwe Industries (CZI), capacity utilisation in manufacturing increased from 10% in 2008 to 32.3% in the first half of 2009. In the CZI's annual Manufacturing Sector Survey, some 89% of companies said that production increased in the first half of 2009 while 10% reported a decline. However, 28% said that they were unable to export because prices were uncompetitive following dollarisation of the economy at the start of 2009, while 83% of respondents said that they had been unable to invest in new equipment because of a lack of finance. The minister of industry has been forced to admit that the official target of increasing industrial capacity utilisation to 60% by year-end is “unrealistic” and has been abandoned.

Miners seek to boost output

There are continued signs of slow recovery in the mining sector. Mwana Africa Plc, owner of the Freda Rebecca gold mine and the Bindura Nickel Mining group, is seeking funding to double annual gold output at Rebecca from the current 30,000-35,000 oz to 75,000-80,000 oz. Cash costs are projected at US$700/oz for the first stage of the mine’s reopening, which started in September, declining to between US$500/oz and US$550/oz when production doubles. At its peak in 2002 the mine produced more than 100,000 oz/year. Mwana's chief executive is confident that rapid finalisation of the financing for expansion at Rebecca will pave the way for the reopening of Bindura Nickel’s two mines, at a cost of US$150m. The mines closed late in 2008 because of poor world market prices and mounting operational problems. Mwana owns 53% of Bindura while the government owns 20% and the rest is held by shareholders on the Zimbabwe Stock Exchange.

Two other gold producers have announced plans to increase production, with Rio Tinto saying that it will raise output at its Renco gold mine from the current 60 kg to 80 kg a month, while New Dawn plans to increase production at the Turk Mine, near Bulawayo, from 32 kg in September to 37 kg a month.

Data and charts

Annual data and forecast

	2005[a]	2006[a]	2007[b]	2008[b]	2009[b]	2010[c]	2011[c]
GDP							
Nominal GDP (US$ bn)	1.9	1.8	1.7	1.5	1.3	1.5	1.9
Real GDP growth (%)	-5.4	-4.6	-5.6	-14.4	-1.3	1.9	5.0
Expenditure on GDP (% real change)							
Private consumption	9.0	-4.5	-5.0	-13.9	-1.0	2.0	5.0
Government consumption	7.7	-6.0	-6.0	-10.0	5.0	5.0	5.0
Gross fixed investment	-63.4	-1.0	-5.0	-8.0	-2.0	1.0	4.0
Exports of goods & services	-3.4	-1.0	-0.8	-1.2	-0.5	2.0	4.5
Imports of goods & services	-2.6	-1.5	-1.0	-0.6	1.5	3.0	4.5
Origin of GDP (% real change)							
Agriculture	-10.0	-4.5	-5.0	-24.0	-4.0	-2.0	0.0
Industry	-11.7	-3.5	-5.0	-14.7	-2.0	3.0	8.0
Services	-3.4[b]	-5.0[b]	-5.8	-11.0	-0.3	2.5	5.3
Population and income							
Population (m)	12.5[b]	12.5[b]	12.5	12.5	12.5	12.6	12.6
GDP per head (US$ at PPP)	185[b]	183[b]	177	155	154	159	169
Fiscal indicators (% of GDP)							
Public-sector revenue	43.3	38.8	37.1	38.9	39.5	40.0	38.4
Public-sector expenditure	45.0	50.2	45.8	45.1	45.8	45.0	42.9
Public-sector balance	-1.7	-11.4	-8.7	-6.2	-6.3	-5.0	-4.5
Net public debt	191.2	205.9[b]	219.1	265.6	304.3	288.2	226.6
Prices and financial indicators							
Consumer prices (end-period; %)	5.86E+02	1.28E+03	6.62E+04[a]	2.16E+23	5.00E+01	3.45E+00	5.10E+01
Current account (US$ m)							
Trade balance	-509[b]	-365[b]	-421	-519	-935	-935	-1,114
Goods: exports fob	1,595[b]	1,675[b]	1,555	1,396	1,095	1,399	1,360
Goods: imports fob	-2,104[b]	-2,040[b]	-1,975	-1,915	-2,030	-2,334	-2,474
Services balance	-97[b]	-88[b]	-108	-146	-180	-202	-249
Income balance	-268[b]	-151[b]	-144	-189	-198	-180	-156
Current transfers balance	263[b]	264[b]	266	270	720	971	1,222
Current-account balance	-611[b]	-340[b]	-407	-585	-592	-347	-297
External debt (US$ m)							
Debt stock	4,255	4,652	5,293[a]	5,669[a]	5,826	6,227	5,990
Debt service paid	236	85	80[a]	96[a]	78	69	96
Principal repayments	210	33	39[a]	38[a]	36	26	36
Interest	27	53	41[a]	58[a]	42	44	60
Debt service due	288	441	447[a]	896[a]	351	344	371
International reserves (US$ m)							
Total international reserves	160	139[b]	117	96	111	152	228

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

Source: IMF, *International Financial Statistics*.

Quarterly data

	2006				2007			
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
Central government finance (Z$ m)								
Revenue & grants	45,594	162,579	n/a	n/a	n/a	n/a	n/a	n/a
Expenditure & net lending	49,850	188,148	n/a	n/a	n/a	n/a	n/a	n/a
Balance	-4,256	-25,569	n/a	n/a	n/a	n/a	n/a	n/a
Total domestic debt (end-period)	15,021	46,213	119,401	175,666	1,283,404	n/a	n/a	n/a
Output								
Manufacturing index (1990=100)	56	58	69	73	n/a	n/a	n/a	n/a
Manufacturing index (% change, year on year)	-9	-5	12	30	n/a	n/a	n/a	n/a
Prices								
Consumer prices (2000=100)	72,480	133,258	249,903	509,953	1,437,264	7,321,732	n/a	n/a
Consumer prices (% change, year on year)	773	1,147	1,071	1,164	1,883	5,394	n/a	n/a
Financial indicators								
Exchange rate Z$:US$ (av)	97.4	100.5	200.4	250.0	259.2	257.3	8,187	30,000
Exchange rate Z$:US$ (end-period)	102.8	104.8	259.6	258.9	259.1	255.6	30,000	30,000
Parallel exchange rate Z$:US$ (av)	156.9	320.0	1,068	2,567	10,333	79,333	293,333	n/a
Bank rate (end-period; %)	750.0	850.0	300.0	500.0	500.0	600.0	600.0	975.0
Lending rate (av; %)	488.3	665.8	431.7	400.0	529.2	537.5	590.8	658.3
Treasury bill rate (av;%)	455.0	509.4	258.8	66.3	66.3	248.8	340.0	340.0
M1 (end-period; Z$ bn)	6.04E+04	1.15E+05	3.32E+05	6.37E+05	2.22E+06	1.89E+07	7.09E+07	4.25E+08
M1 (% change, year on year)	521	771	1,510	1,323	3,584	16,323.8	21,255.8	66,709.9
M2 (end-period; Z$ bn)	8.22E+04	1.58E+05	4.34E+05	9.07E+05	2.85E+06	2.36E+07	9.07E+07	5.49E+08
M2 (% change, year on year)	559	781	1,520	1,453	3,372	14,839.6	20,807.8	60,376.2
ZSE Industrial index (end-period)	28,565	61,764	184,839	310,459	548,730	3,696,286	5,460,688	n/a
Sectoral trends								
Tobacco auctions (annual totals; '000 tonnes)[a]	n/a	53	n/a	n/a	n/a	0	n/a	n/a
Gold production (kg)	2,788	2,556	2,990	2,904	2,334	n/a	n/a	n/a
Gold production (Z$ bn)	4,854	6,286	13,035	29,569	27,735	n/a	n/a	n/a
Chrome ore production ('000 tonnes)	174	173	177	176	176	n/a	n/a	n/a
Chrome ore production (Z$ bn)	1,047	1,662	4,019	8,541	19,643	n/a	n/a	n/a
Platinum production (kg)	1,172	1,183	1,434	1,210	1,367	n/a	n/a	n/a
Platinum production (Z$ bn)	3,519	4,016	10,400	10,377	11,761	n/a	n/a	n/a
Foreign trade (Z$ m)[b]								
Exports fob	207.5	236.0	243.3	254.4	621.0	711.4	551.3	621.5
Imports cif	597.6	709.9	786.1	729.7	626.9	593.1	656.6	804.1
Trade balance	-390.1	-473.9	-542.8	-475.3	-5.9	118.4	-105.3	-182.7

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

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

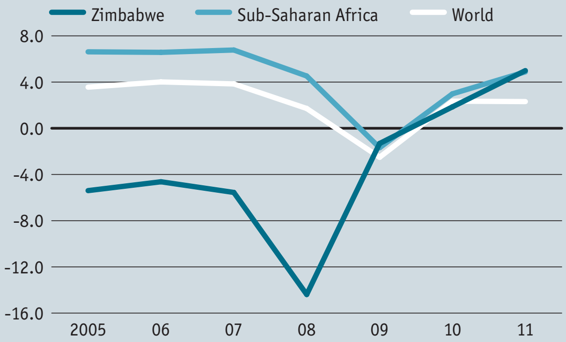
Monthly data

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

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

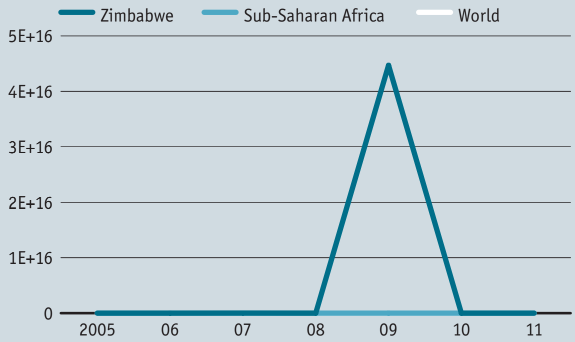
Annual trends charts

Real GDP growth
(% change)



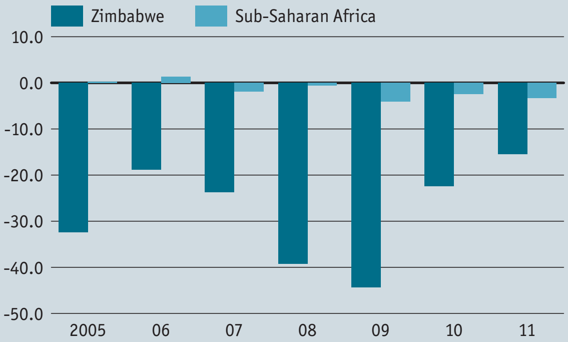
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



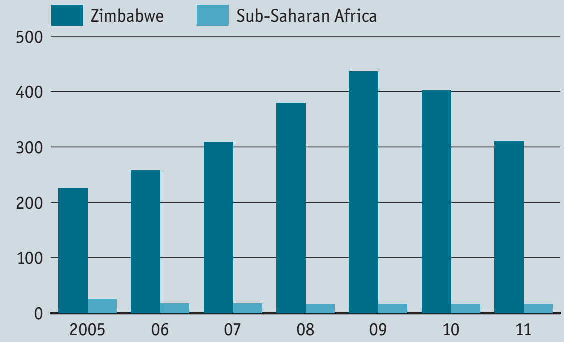
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



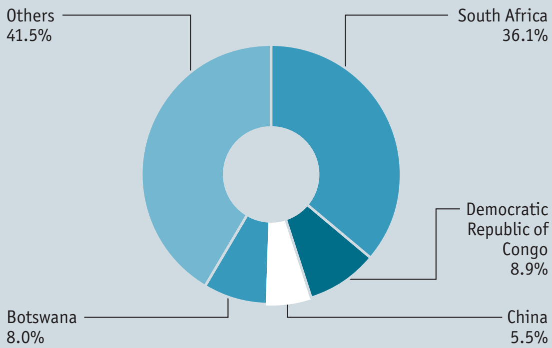
Source: Economist Intelligence Unit.

Total external debt
(% of GDP)



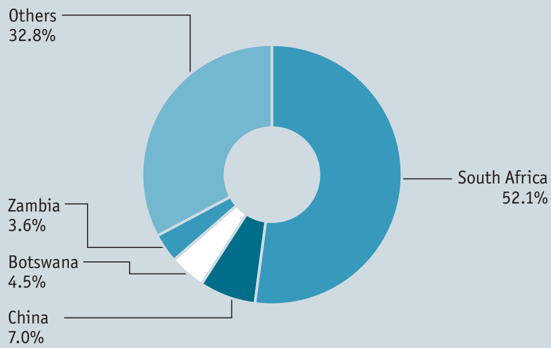
Source: Economist Intelligence Unit.

Main destinations of exports, 2008
(share of total)



Source: Economist Intelligence Unit.

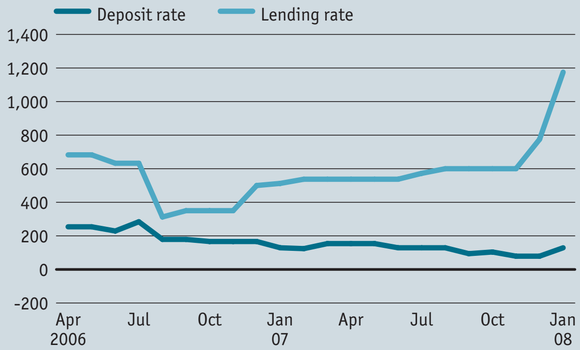
Main origins of imports, 2008
(share of total)



Source: Economist Intelligence Unit.

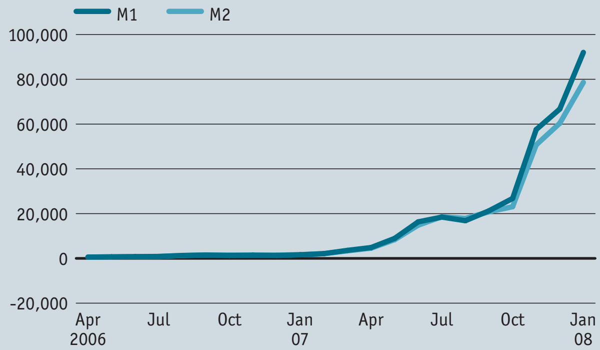
Monthly trends charts

Interest rates
(av; %)



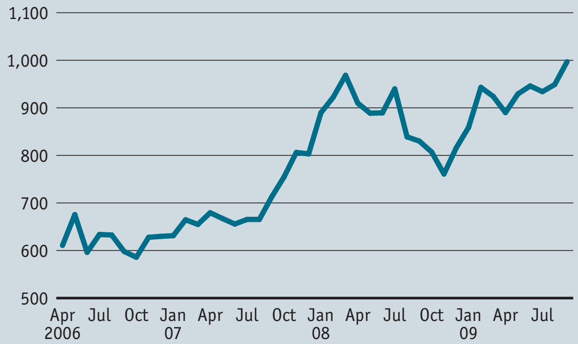
Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



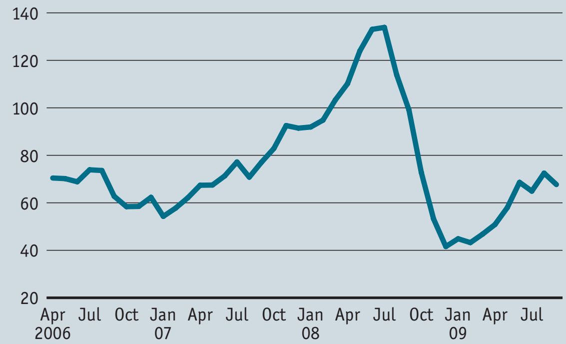
Source: Economist Intelligence Unit.

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



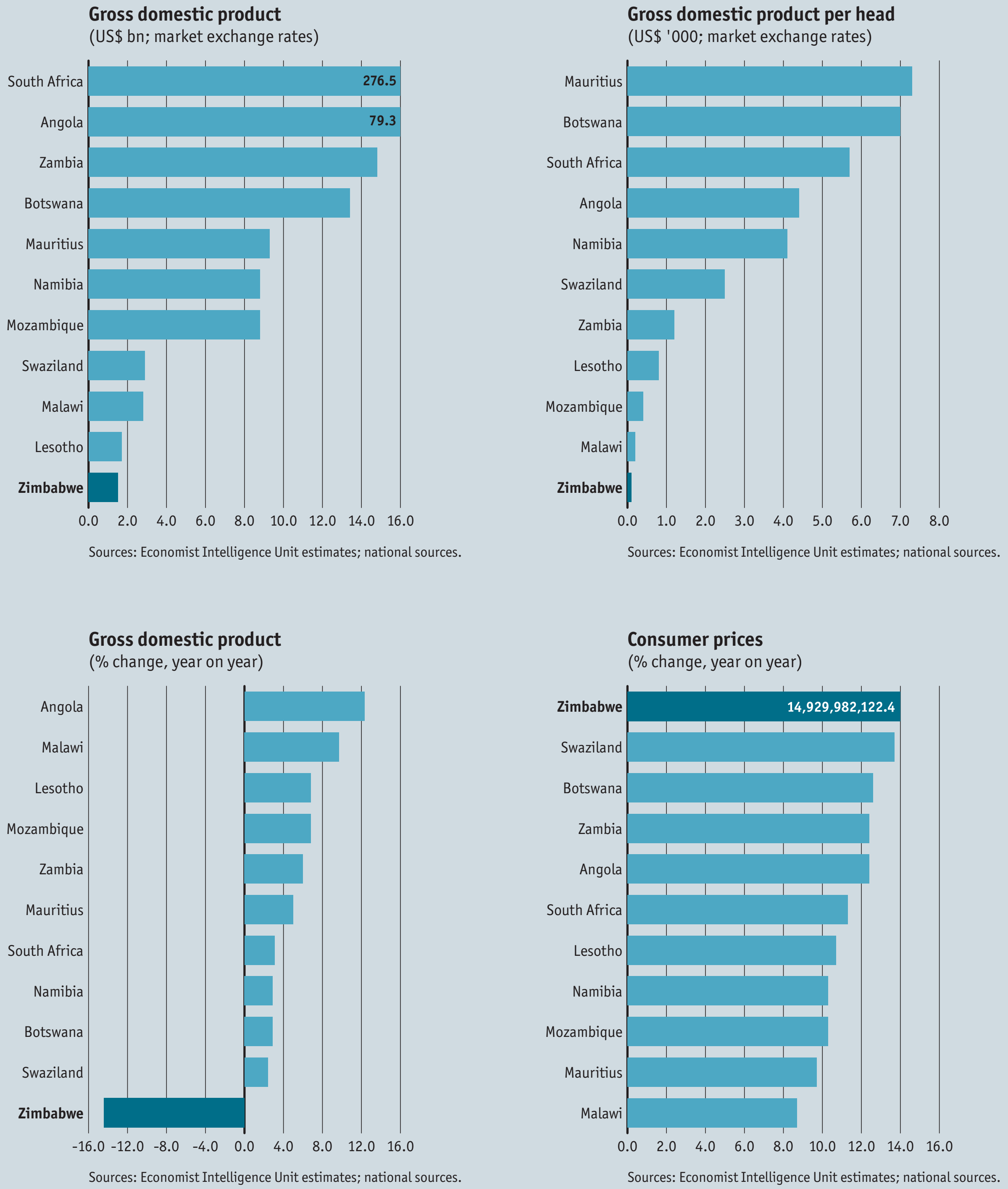
Source: Economist Intelligence Unit.

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



Source: Economist Intelligence Unit.

Comparative economic indicators, 2008



Country snapshot

Basic data

Land area	390,580 sq km
Population	13.2m[a] (2006, IMF mid-year estimate)
Main towns	Population in '000, 2002 (independent estimates)

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

Climate	Subtropical
Weather in Harare (altitude 1,472 metres)	Hottest months, October and November, 16-27°C; coldest months, June and July, 7-21°C (average daily minimum and maximum); driest month, July, 1 mm average rainfall; wettest month, January, 196 mm average rainfall
Languages	English (official), Shona, Ndebele and local dialects
Measures	Metric system
Currency	Zimbabwe dollar (Z$) = 100 cents; rampant inflation in recent years has meant that the Reserve Bank of Zimbabwe has periodically been forced to re-denominate the dollar, removing zeros
Time	2 hours ahead of GMT
Public holidays	January 1st (New Year's Day), Good Friday, Easter Monday, April 18th (Independence Day), May 1st (Workers' Day), May 25th (Africa Day), August 11th (Heroes' Day), August 12th (Defence Forces' National Day), December 22nd (Unity Day), December 25th and 26th (Christmas Day and Boxing Day); many firms close for a summer break of one to two weeks over the Christmas and New Year period

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

Political structure

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