Country Report

Zimbabwe

June 2009

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The Economist Intelligence Unit

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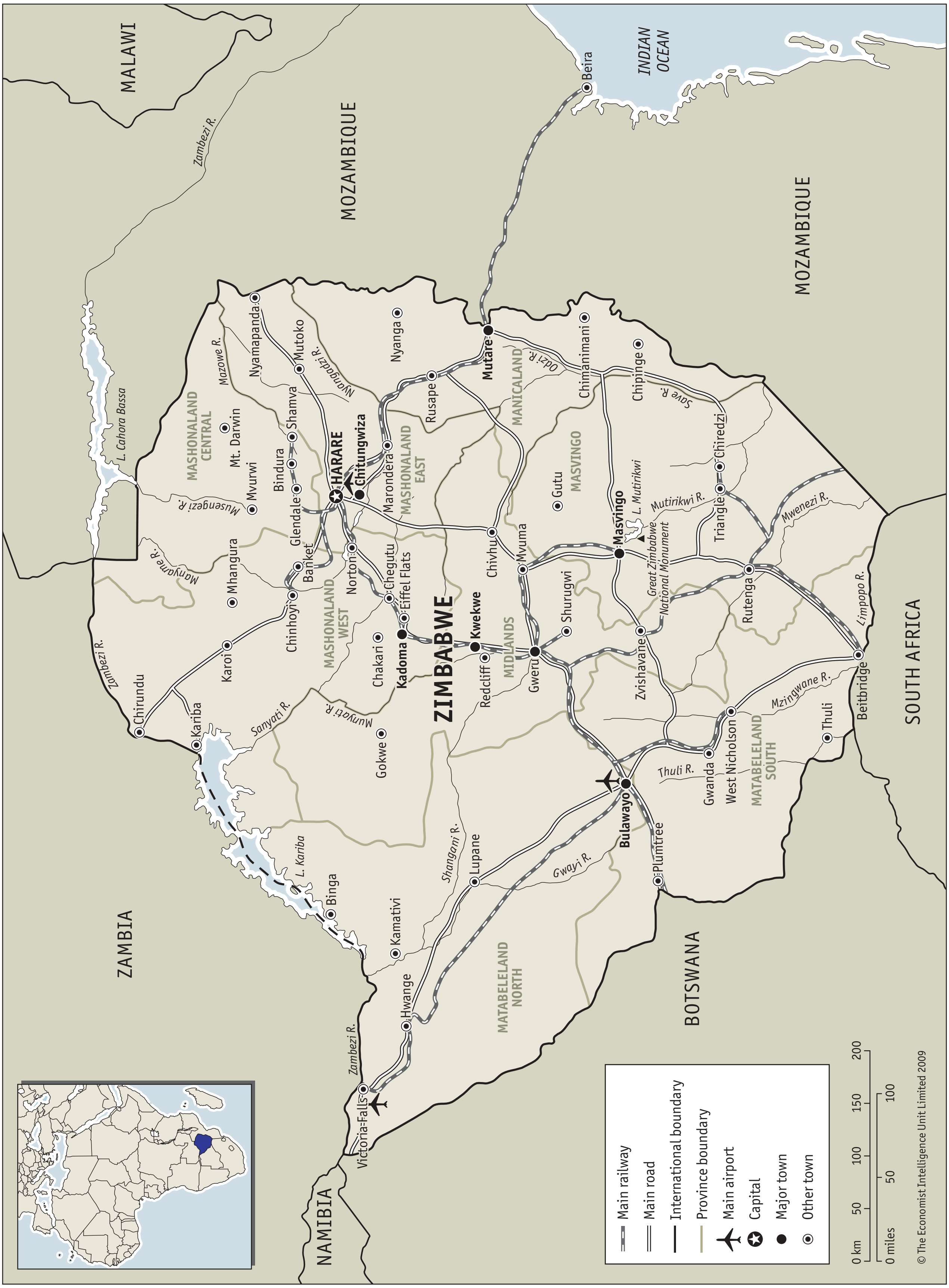
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Main railway
Main road
International boundary
Province boundary
Main airport
Capital
Major town
Other town
0 km 50 100 150 200
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Executive summary

Highlights

June 2009

Outlook for 2009-10

- The president, Robert Mugabe, looks increasingly likely to hang on to power over the forecast period as he continues to outmanoeuvre the opposition.
- The Movement for Democratic Change (MDC) is likely to try to persevere with the power-sharing agreement, not least because it fears that forcing an election could lead to widespread violence.
- The MDC will continue to seek the removal of the governor of the central bank, seeing his continued presence as an obstacle to its control over key economic ministries.
- Consumer prices have continued to fall, but the rate of decline is slowing.
- The government is studying the possibility of joining the Rand Monetary Area, but any formal link to the rand is unlikely before 2010 given the huge disparity between Zimbabwean and other Southern African inflation rates.
- With the reopening of some gold mines and of the ferrochrome producer, Zimasco, mining and manufacturing output will start to recover this year.
- Imports are set to increase slightly in 2009, reflecting a rise in foreign aid for humanitarian purposes and the US$1bn in foreign credit lines reportedly negotiated by the government.

Monthly review

- The MDC has referred a dispute over political appointments to regional groups, but this appeal is unlikely to succeed.
- A new opinion poll puts support for Mr Mugabe's Zimbabwe African National Union-Patriotic Front (ZANU-PF) at just 6%.
- The government says that it has secured US$1bn in credit lines from African banks and agencies, but Western donors remain cautious.
- Tax revenues are improving somewhat but remain well below budgeted levels.
- Provisional estimates from the Central Statistical Office (CSO) suggest that GDP declined by 17% in 2008, although CSO data suggest that there was very little deterioration in economic services.
- Credit remains scarce and very costly, according to local firms, but the Confederation of Zimbabwean Industries is upbeat.

Outlook for 2009-10

Political outlook

Domestic politics

After years of misrule, which have precipitated an economic and humanitarian catastrophe, pressure is expected to mount on the president, Robert Mugabe. Internally, the economic collapse means that around 70% of the population require food aid, and support for Mr Mugabe's party, the Zimbabwe African National Union-Patriotic Front (ZANU-PF), is said to be running at below 10%. Popular resentment against his rule has failed to worry Mr Mugabe in the past, but much will depend on his ability to keep his patronage networks intact: the army has traditionally been the backbone of Mr Mugabe's rule, and the crucial role of the security forces is underscored by the fact that the president's two main potential successors, Joice Mujuru and Emmerson Mnangagwa, are manoeuvring to secure control of the military.

This is not to say that Mr Mugabe is going to leave his post soon. He appears to be winning the struggle for control of the new power-sharing government that was sworn in to office in February, refusing to allow the Movement for Democratic Change (MDC) to change key political appointments, for example. The power-sharing agreement gives the government 18 months to establish a new constitution and hold fresh elections, and it is possible that Mr Mugabe will now stay in power for the next 18 months, barring the agreement breaking down or any health problems for the leader, who recently turned 85. In fact, he may stay longer than that: although a parliamentary select committee has been appointed to "drive the process" of writing a new constitution, delays are likely, and in any event the president is a formidable political operator who remains adept at outmanoeuvring the political players both at home and internationally.

Although Morgan Tsvangirai, the prime minister and MDC leader, has reaffirmed his commitment to the power-sharing agreement, he concedes that the government of national unity (GNU) has made little progress, and the continued deadlock is leading to a "crisis of identity" for the MDC. Nonetheless, the party is likely to persist with the GNU, for the time being at least, since it fears that forcing an election would lead to bloodshed: with virtually no electoral support, ZANU-PF would be likely to resort to violence to retain power. Nonetheless, there is a possibility that the agreement could collapse altogether. Under such a scenario Mr Mugabe would try to remain in power but international pressure would be brought to bear to force him from office. It is also possible that a suitable "exit package", which would include an agreement from Western countries not to attempt to prosecute him for human rights abuses, could persuade Mr Mugabe to relinquish power. However, dealing with those other senior ZANU-PF and army members closely allied to Mr Mugabe would complicate matters. They would have much to lose were Mr Mugabe to leave office, 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 exert any significant influence over the Zimbabwean president has been disappointing. The power-sharing agreement has been a case in point, with members of the Southern African Development Community (SADC) apparently deciding that any agreement is better than nothing. Thus, the MDC's referral of a dispute over key political appointments to SADC and the African Union would seem to represent a victory of hope over experience.

This approach could begin to change during 2009, following the appointment of Jacob Zuma as South African president. The "quiet diplomacy" of the former president, Thabo Mbeki, was largely ineffective, and there has been speculation that Mr Zuma will take a more proactive stance. The new president has a strong support base in the South African unions, which are keen to see change in their neighbour, and pressing for a positive political change in Zimbabwe would provide an early boost to Mr Zuma's domestic, regional and international credibility. That said, Mr Zuma is likely to focus on domestic matters in the months immediately following his election, and officials of the new administration have already stated that the power-sharing government must be given a chance to succeed. Rapid progress is unlikely, therefore, unless the power-sharing deal breaks down or Mr Mugabe's violent repression against the opposition worsens.

Economic policy outlook

Policy trends

As part of the power-sharing agreement, the Ministry of Finance has been placed under the control 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 of the governor of the central bank, as his continued presence is seen as an obstacle to its control over key economic ministries—and only once Mr Mugabe has left office is there any hope that economic policy will get back on track. Despite this, the IMF is set to offer technical assistance to the country for the first time since 2003. This will focus on tax policy and administration, payments systems, banking supervision and central bank governance. However, more substantial lending programmes are unlikely until Mr Mugabe does relinquish power, suggesting that economic policy will remain chaotic and piecemeal over the forecast period.

Fiscal policy

Unlike in 2008, the government has actually managed to produce a budget for 2009—in fact, it has produced two. The January measure, announced by a ZANU-PF finance minister, tacitly accepted the worthlessness of the Zimbabwe dollar by formally allowing foreign exchange to be allowed for payment in Zimbabwe. The revised measure, produced in March by the new MDC minister, Tendai Biti, is somewhat more realistic in terms of spending and revenue targets, both of which have been reduced to US$1bn. Nonetheless, the assumption that revenue will rise as economic activity recovers and corporate profits and Pay As You Earn (PAYE) inflows grow looks over-optimistic—revenue in the first five months of the year is estimated at US$174m, or 17% of the budget requirement—and given the difficulty of raising revenue the Economist Intelligence Unit expects the government to 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 situation in 2010 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 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. 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 huge disparity between Zimbabwean and other Southern African inflation rates.

Economic forecast

International assumptions

International assumptions summary
(% unless otherwise indicated)

	2007	2008	2009	2010
Real GDP growth				
World	5.0	3.0	-1.8	2.1
OECD	2.7	0.9	-4.0	0.4
EU27	2.9	0.9	-4.4	-0.5
Exchange rates				
¥:US$	117.8	103.4	96.3	94.8
US$:€	1.369	1.470	1.328	1.385
SDR:US$	0.651	0.629	0.664	0.648
Financial indicators				
€ 3-month interbank rate	4.27	4.65	1.40	1.43
US$ 3-month Libor	5.30	2.91	1.05	1.04
Commodity prices				
Oil (Brent; US$/b)	72.7	97.7	47.5	53.3
Gold (US$/troy oz)	696.7	870.2	895.8	827.5
Platinum (US$/oz)	1,299.0	1,563.2	1,042.8	1,231.3
Food, feedstuffs & beverages (% change in US$ terms)	30.9	29.5	-22.4	3.1
Industrial raw materials (% change in US$ terms)	11.2	-5.1	-40.0	14.3

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

We expect world GDP (measured on a purchasing power parity basis) to decline by 1.8% in 2009 as many Western economies enter recession. Growth will be marginally better in 2010, at 2.1%. 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 in 2009, with Brent Blend averaging

US$47.5/barrel, which will benefit Zimbabwe as an oil importer, before edging up to an average of US$53.3/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. This situation contributed to a large decline in economic activity in 2008, and real GDP is estimated to have fallen by 17%. With the reopening of some gold mines and of the ferrochrome producer, Zimasco, mining and manufacturing output are starting to recover, but 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 destruction of the commercial sector and the impact of the HIV/AIDS pandemic. 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.

The IMF is predicting that GDP will grow by 2.8% this year and 6% in 2010; this is likely to prove over-optimistic, but given that the formal economy has declined to the point where there is hardly anything left to shrink, the contraction this year is likely to be minimal, at just 1.3%. As with most post-conflict states, once the recovery does begin it should be fairly rapid, and growth is likely to be positive in 2010, for the first time since 1999.

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 drove inflation to record highs in 2008. When the government halted official estimates, in August 2008, the monthly rate was estimated at 231 million percent. However, inflation has fallen dramatically with rapid dollarisation at the end of 2008: consumer prices fell by 9.3% (cumulative) in the first four months of 2009. Retail-level prices are expected to fall further until mid-year and possibly longer, although administered prices (such as electricity and rates) will rise. Although the high base set at the end of 2008 will mean that overall inflation will remain high in 2009, prices on the ground are expected to come down throughout the year, and once the highs of 2008 drop out of the calculations in 2010 overall inflation will fall quickly. Indeed, a period of deflation is a distinct possibility, especially if external financial assistance does not materialise, prompting a squeeze on liquidity.

Exchange rates

The Reserve Bank of Zimbabwe (RBZ, the central bank) redenominated the currency twice in six months, removing first ten and then 12 zeros. However, Zimbabwe's inflation and moribund economy continued to undermine the value of the currency, rendering any redenomination useless, and the government sanctioned the use of foreign currency for all payments in the 2009 budget. This has effectively led to the scrapping of the Zimbabwe dollar, with most transactions conducted in US dollars.

The government is currently considering three options: membership of the Rand Monetary Area (which will become more feasible as Zimbabwe's inflation rate moderates), continuation of the existing multicurrency system and a return to a local currency. Although there is no enthusiasm for reviving the Zimbabwe dollar, there are some concerns about the multicurrency system, as businesses tend to prefer using the US dollar while the government says that it has chosen the rand as its "reference" currency.

External sector

Falling commodity prices will adversely affect Zimbabwe's exports in 2009, as will continuing declines in production as the economic collapse worsens. However, one positive aspect is that gold prices will remain high. In 2010 a small recovery in exports is expected as other commodity prices, such as that of platinum, show signs of recovery. The mining industry will also be among the first sectors to benefit from any political change. Imports should increase slightly in 2009, reflecting the aid-financed importation of at least 500,000 tonnes of maize, an increase in foreign aid for humanitarian purposes and the US$1bn in foreign credit lines reportedly negotiated by the government.

Since tourism will recover only slowly, 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: remittances by the 3.5m-plus Zimbabweans living abroad are likely to be affected by the global recession, but substantial aid inflows via non-governmental organisations will be reflected as private transfers. Exports will fall slightly in 2009 while imports will rise, but the current-account deficit will remain unsustainably high, at more than 30% of GDP. Exports should rise again in 2010, but imports will also increase, meaning that the deficit will moderate only slightly, to 28%.

Forecast summary

(% unless otherwise indicated)

	2007[a]	2008[a]	2009[b]	2010[b]
Real GDP growth	-5.5	-14.1	-1.3	1.9
Manufacturing production growth	-5.5	-13.3	-3.8	6.0
Gross agricultural production growth	-5.0	-24.0	-4.0	-2.0
Consumer price inflation (av)	1.3E+04	1.5E+10	4.2E+16	-7.2
Consumer price inflation (year-end)	6.6E+04	2.2E+23	5.0E+01	3.5
Short-term interbank rate	579.0	450.3	461.6	470.7
Government balance (% of GDP)	-8.9	-6.3	-6.3	-6.2
Exports of goods fob (US$ bn)	1.5	1.3	1.2	1.3
Imports of goods fob (US$ bn)	2.0	1.9	2.0	2.3
Current-account balance (US$ bn)	-0.5	-0.7	-0.4	-0.4
Current-account balance (% of GDP)	-29.4	-44.6	-31.1	-28.0
External debt (year-end; US$ bn)	5.1	5.3	5.4	5.6
Exchange rate Z$:US$ (av)[c]	8.2E+04	5.7E+15	4.7E+34	5.0E+38
Exchange rate Z$:US$ (year-end)[c]	3.2E+05	6.8E+16	1.7E+35	5.0E+38
Exchange rate Z$:€ (av)[c]	1.1E+05	8.4E+15	6.3E+34	6.9E+38
Exchange rate Z$:US$ (av; parallel market)	9.9E+05	2.0E+25	4.0E+39	1.0E+42

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

Monthly review: June 2009

The political scene

Parties fight over appointments

Although theoretically joint partners in the government of national unity (GNU), the Zimbabwe African National Union-Patriotic Front (ZANU-PF), led by the president, Robert Mugabe, and the Movement for Democratic Change (MDC), led by the prime minister, Morgan Tsvangirai, continue to engage in a debilitating power struggle. ZANU-PF may be losing the battle nationally—according to a recent opinion poll, support for Robert Mugabe's party is running below 10%—but it is winning plenty of tactical skirmishes. In the area of political appointments, for example, the MDC secured a majority of governorships, but only because ZANU-PF was willing to let it take control of such largely ceremonial positions. When it came to the much more powerful posts of permanent secretaries Mr Mugabe's party won the argument, insisting that changes were not necessary because these were non-political appointments made legally over a number of years on the basis of promotion by merit.

The chief dispute, however, is over the positions of the attorney-general, Johannes Tomana—who wields enormous power—and the governor of the Reserve Bank of Zimbabwe (RBZ), Gideon Gono. The MDC, and the finance minister, Tendai Biti, in particular, wants to remove Mr Gono because his continued presence is seen as an obstacle both to their control over the key economic ministries of finance and economic planning, and to increased financial support from donors and bankers. However, in recent public statements Mr Mugabe has insisted that neither man is "going anywhere", and the state media have swung behind the appointees. Accordingly, having failed to secure the departure of either man, the MDC has fallen back on the familiar—and not notably successful—stratagem of referring the matter to the Southern African Development Community (SADC) and the African Union (AU), in the hope that they will force Mr Mugabe to give way.

Farm invasions "worsen"

It is not clear how the MDC will proceed if—as seems likely—its appeal to SADC and the AU fails. There are some signs of tension within the MDC itself, with Mr Tsvangirai apparently more willing to compromise than Mr Biti and some of the other more radical ministers. Indeed, in recent weeks the prime minister has made a series of conciliatory speeches that have been interpreted as supportive of Mr Mugabe, seemingly in an effort to win international support for his statesmanlike approach. However, this stance is not playing well with the MDC's grassroots supporters in the unions and civil society.

It is not just MDC supporters who are perplexed by the party's stance: for the donors, the flagrant breaches of property rights that are represented by ongoing farm invasions are much more serious than two (admittedly vital) officials. However, in an interview to mark his first 100 days as prime minister, Mr Tsvangirai described the farm invasions as isolated incidents that had been "blown out of proportion". During the period more than 100 farmers have been charged with being on their farms—now redefined as state land—"illegally". An estimated 80 farms have been occupied by Mugabe loyalists, and thousands of farm workers have lost their jobs. The Commercial Farmers Union (CFU), representing the rump of Zimbabwe's once-powerful white farming community, accuses Mr Tsvangirai of trying to "gloss over the truth to encourage Western donors to loosen their purse strings," adding that farm attacks have increased dramatically since the prime minister's appointment in February 2009. The problem, according to the CFU vice-president, Deon Theron, is clear: if agriculture does not recover, Zimbabwe will not recover.

Speaking at a special MDC conference on May 30th, Mr Tsvangirai did not hide his frustration, admitting that the GNU had made little progress and that his party was suffering a crisis of identity. The prime minister commented, "Being in government does not necessarily mean we are the government.... It does not necessarily mean that we have the liberty to make the decisions you want." Despite this, he seems determined to try to make a success of the uncomfortable link-up with ZANU-PF, seemingly fearing that an enforced election would lead to bloodshed as ZANU-PF sought to retain power through violence.

Support for ZANU-PF is very low

Mr Mugabe's party certainly seems unlikely to keep power by straightforward means. A private opinion poll carried out by Zimbabwe's Mass Public Opinion Institute estimates public support for ZANU-PF at just 6% of the electorate. There is overwhelming support for Mr Tsvangirai's majority branch of the MDC and negligible enthusiasm for any other party, including the MDC faction led by Arthur Mutambara (MDC-M), which is being squeezed by the mainstream MDC and the re-born Zimbabwe African People's Union—the New ZAPU—in its Matabeleland heartland. Last month six senior MDC-M officials—including three sitting members of parliament (MPs)—were suspended for publicly criticising the leadership, and specifically Mr Mutambara. The reality is that the splinter group is heavily factional, and it is only a matter of time before party members, including MPs, defect to the main body of the MDC. When this happens the MDC-M's cabinet posts will be up for grabs—a situation that the party is desperate to avoid.

Meanwhile, ZANU-PF is locked into a bitter struggle over the succession issue. The party has never been able to agree on a successor to the 85-year-old president or even on the process by which he or she will be chosen—indeed, this is one of the reasons why Mr Mugabe remains in charge. The two main contenders are the vice-president, Joice Mujuru—whose power base arises from the strong military following for her husband, a former army commander, Solomon Mujuru—and the defence minister, Emmerson Mnangagwa, The fact that the battle is being fought over who controls the military, rather than who can win at the ballot box, is an ominous indicator of ZANU-PF's strategy to retain power.

Economic policy

Credit lines are secured, but not much aid

The government says that it has secured US$1bn in credit lines from African banks and agencies, with Africa Export-Import Bank providing US$250m and the PTA Bank US$185m, while a further US$400m has been pledged by SADC and the Common Market for Eastern and Southern Africa (Comesa). Most of the credit lines target exporters in specific sectors—including tobacco, gold and cotton—and fuel importers, while Comesa/PTA Bank funding is also designed to boost regional trade. In a separate development, the Development Bank of Southern Africa is considering a US$100m short-term loan to help to upgrade infrastructure.

Aid appeal is increased

Meanwhile, aid agencies have raised their appeal for assistance to US$719m, from US$550m in November 2008. By the end of May 2009 donors had promised 45% of the total. However, although there has been some softening of donor attitudes towards Zimbabwe—as reflected in the shift from "pure" humanitarian assistance to so-called humanitarian-plus aid—neither the EU nor the World Bank seems likely to pledge substantial amounts soon. Any resumption of EU co-operation will be progressive (and in all likelihood at least partially dependent on a crackdown on farm invasions), and Obiageli Ezekwesil, the Bank's vice-president for Africa, has stated that any resumption in lending is dependent on the government drawing up a "credible economic programme", building consensus and national support for the programme and clearing US$1.24bn of debt to international financial institutions. Of this, US$673m is owed to the World Bank, US$430m to the African Development Bank and US$140m to the IMF. At present, the Bank is providing assistance through non-governmental organisations and other aid agencies such as the UN Food and Agriculture Organisation, which is providing small-scale farmers with seed, fertiliser and other inputs.

Tax revenues recover

Monthly revenue collections are improving as pay-as-you-earn and corporate tax revenues recover, according to the Ministry of Finance, but they remain well below targeted levels. In the first five months of the year revenue is estimated at US$174m—or 17% of the budget requirement of US$1bn. On the assumption that the government maintains its US$100-a-month allowance for all civil servants, regardless of rank, the IMF puts the public-sector wage bill at US$278m a year, or US$23m a month. Monthly revenue in the first five months of the year averaged US$35m, and although the average for the months of April and May rose to some US$60m this is not enough to finance government operations. Despite this, the finance minister insists that the government will be in a position to pay civil servants "proper" salaries from July.

Attracting mining investment

Speaking to the annual general meeting of the Zimbabwe Chamber of Mines in late May, the prime minister, Morgan Tsvangirai, stated that Zimbabwe could attract up to US$16bn in exploration and mining investment between 2011 and 2018—provided that it adopted the right policies. Although the country has the continent's second-largest platinum deposits (after South Africa), as well as reserves of gold, copper, coal, methane gas and nickel, there has been little mining exploration since 2002.

However, David Murangari, the president of the Chamber of Mines, told the prime minister that progress would require a revisiting of existing black-empowerment legislation, which stipulates that 51% of mining ventures be owned by indigenous (black) Zimbabweans. In addition, Mr Murangari, whose Bindura Nickel company is currently on a care-and-maintenance basis because of high operating costs and the depressed world price of nickel, said that mining employers should be exempt from paying full wages as a way of keeping miners in work and facilitating resumption once market conditions improved.

This is not the only issue worrying potential (and existing) investors. African Consolidated Resources (ACR), a mineral exploration company listed on the London Stock Exchange, is challenging the government's repossession of a 200-acre diamond claim at Chiadzwa, Manicaland, and awarding it to the state-owned Zimbabwe Mining Development Corporation. ACR wants the High Court to overturn the decision, but the Ministry of Mines and Mineral Development does not recognise the claim, adding, "We are speaking about national resources, which are resources of the entire nation." Whatever the rights and wrongs of the individual case—the government insists that the claim was pegged within an existing exclusive prospecting order area belonging to De Beers—the government's approach thus far has done little to reassure investors concerned about potential expropriation of their assets.

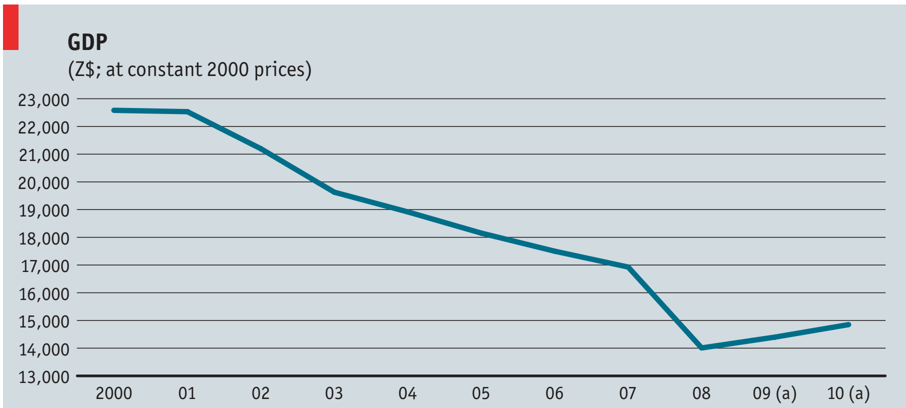
Economic performance

Prices fall again

Prices have continued their downward trend, falling by a further 1.1% in April. This takes their cumulative decline since dollarisation in December 2008 to 9.3%. The all-items consumer price index was 90.7 in April (December 2008=100). However, the fact that decline moderated to some 1% from an average of more than 3% a month in the first quarter of the year suggests that the slide in prices is likely to reverse by mid-year or during the third quarter. In its April 2009 report on the economy, the IMF forecast annual average inflation of 6.9% during 2009.

GDP "shrinks by 17%" in 2008

The Central Statistical Office (CSO) has released provisional estimates of Zimbabwe's GDP since 2000. These show a decline of 17% last year—even steeper than the 14.1% estimated by the IMF in April. The official figures show that agricultural output plunged by 36% in 2008, taking the cumulative decline since 2000 to 65%, while mining production was down by almost one-third, with a cumulative decline of 51%.



(a) Forecast.
Sources: Central Statistical Office; IMF forecasts.

The two most striking figures relate to economic services, including public administration—which showed virtually no decline over 2000-08—while the data suggest that the entire 37% decline in value-added in social services occurred in one year, 2008. Such anomalies suggest that the numbers will be radically different once the national accounts are revised.

Zimbabwe: sectoral performance
(% change in value-added)

Sector	2008	2000-08
Agriculture	-36	-65
Mining	-30	-51
Manufacturing	-12	-46
Distribution (including hotels & tourism)	9	-56
Finance & insurance	-24	-43
Services (including public administration)	-12	-0.5
Social services	-37	-37
GDP	-17	-38

Source: Central Statistical Office, Harare.

A dispute has arisen over agricultural output

A row has broken out over likely farm production in 2009. The government has forecast a crop of 1.2m tonnes of maize this year, whereas USAID's Famine Early Warning Systems Network (Fewsnet) predicts a harvest of 450,000 tonnes and the Commercial Farmers Union (CFU) just 400,000 tonnes. The CFU's vice-president has described the official forecast as "a joke", saying that wheat production—forecast by the government at 100,000 tonnes—was likely to be close to 25,000 tonnes, while tobacco output would be some 40m kg, as against an official projection of 160m kg.

Credit shortages hit firms

The Confederation of Zimbabwean Industries (CZI) is more upbeat, seeing "solid evidence of economic recovery". In a report prepared for the government the CZI describes the policy environment as "very favourable", while admitting that recovery "will take time". It comments that many businesses are reporting improved capacity utilisation, although it gives no figures, and that banks now have US$350m in deposits (a figure disputed by bankers). Despite this recovery in banks' deposits, base lending is still very low, the CZI says, blaming a lack of confidence in the sector.

Industrialists are blunter than their organisation, saying that credit is not only scarce but very costly. Banks are only making very short-term loans—of up to 90 days—at interest rates of 12% for dollar loans, plus substantial commitment fees that take the annualised cost of borrowing to around 25% in some instances. In its policy recommendations to the government, the CZI calls for international assistance so that banks can lend more while maintaining stability in the financial sector. It does not suggest how this might be achieved, however. The CZI also calls for reform of the Reserve Bank of Zimbabwe and wants the South African rand to be "operationalised" as Zimbabwe's reference currency. The CZI describes wage expectations in Zimbabwe as "unrealistic" and has called on the tripartite negotiating forum that represents business, government and the unions to "reach a common understanding on wages".

Data and charts

Annual data and forecast

	2004[a]	2005[b]	2006[b]	2007[b]	2008[b]	2009[c]	2010[c]
GDP							
Nominal GDP (US$ bn)	2.0	1.9	1.8	1.7	1.5	1.4	1.5
Nominal GDP (Z$ bn)	2.39E+01	7.54E+01	8.84E+02	1.06E+05	1.36E+13	5.68E+27	5.38E+27
Real GDP growth (%)	-3.8	-6.5	-4.6	-5.5	-14.1	-1.3	1.9
Expenditure on GDP (% real change)							
Private consumption	-18.6	8.4	-4.5	-5.0	-13.9	-1.0	2.0
Government consumption	31.7	6.4	-6.0	-6.0	-10.0	5.0	5.0
Gross fixed investment	54.2	-63.4	-1.0	-5.0	-8.0	-2.0	1.0
Exports of goods & services	1.7	-4.3	-1.0	-0.8	-1.2	-0.5	2.0
Imports of goods & services	2.4	-3.1	-1.5	-1.0	-0.6	1.5	3.0
Origin of GDP (% real change)							
Agriculture	-2.9	-10.0	-4.5	-5.0	-24.0	-4.0	-2.0
Industry	-3.5	-11.7	-3.5	-5.0	-14.7	-2.0	3.0
Services	-4.2[b]	-3.4	-5.0	-5.8	-11.0	-0.3	2.5
Population and income							
Population (m)	13.0[b]	13.1	13.2	13.3	13.3	13.3	13.3
GDP per head (US$ at PPP)	182[b]	174	170	165	144	143	145
Fiscal indicators (% of GDP)							
Public-sector revenue	32.5	43.9	39.5	37.7	39.2	39.6	38.8
Public-sector expenditure	38.7	45.6	51.1	46.5	45.5	45.9	45.0
Public-sector balance	-6.1	-1.7	-11.6	-8.9	-6.3	-6.3	-6.2
Net public debt	193.2	195.9	212.2	216.0	259.4	272.3	280.9
Prices and financial indicators							
Exchange rate Z$:US$ (end-period)[d]	5.73E+00	7.80E+01[a]	2.50E+02[a]	3.23E+05	6.75E+16	1.72E+35	5.00E+38
Consumer prices (end-period; %)	1.33E+02	5.86E+02[a]	1.28E+03[a]	6.62E+04	2.16E+23	5.00E+01	3.45E+00
Stock of money M1 (% change)	2.29E+02	5.53E+02[a]	1.32E+03	6.67E+04	2.87E+09	4.20E+16	6.97E+01
Stock of money M2 (% change)	2.29E+02	5.33E+02[a]	1.45E+03	6.45E+04	2.97E+09	4.20E+16	8.45E+01
Lending interest rate (av; %)	278.9	235.7[a]	496.5[a]	579.0	450.3	461.6	470.7
Current account (US$ m)							
Trade balance	-309[b]	-607	-458	-509	-594	-791	-1,007
Goods: exports fob	1,680[b]	1,497	1,582	1,467	1,321	1,239	1,327
Goods: imports fob	-1,989[b]	-2,104	-2,040	-1,975	-1,915	-2,030	-2,334
Services balance	-107[b]	-97	-88	-108	-146	-180	-191
Income balance	-208[b]	-268	-151	-144	-189	-198	-180
Current transfers balance	228[b]	263	264	266	270	720	971
Current-account balance	-396[b]	-709	-433	-495	-659	-449	-408
External debt (US$ m)							
Debt stock	4,818	4,296[a]	4,677[a]	5,085	5,316	5,442	5,557
Debt service paid	100	225[a]	83[a]	78	85	75	63
Principal repayments	77	198[a]	31[a]	35	38	36	24
Interest	23	27[a]	53[a]	43	47	39	39
Debt service due	449	276[a]	406[a]	652	671	748	618
International reserves (US$ m)							
Total international reserves	255	160	139	117	96	91	81

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

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	5.86E+08
M2 (% change, year on year)	559	781	1,520	1,453	3,372	14,839.6	20,807.8	64,472.4
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	619.7	709.1	549.3	618.9
Imports cif	597.6	709.9	786.1	729.7	605.5	571.7	634.6	781.8
Trade balance	-390.1	-473.9	-542.8	-475.3	14.2	137.5	-85.3	-162.9

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

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

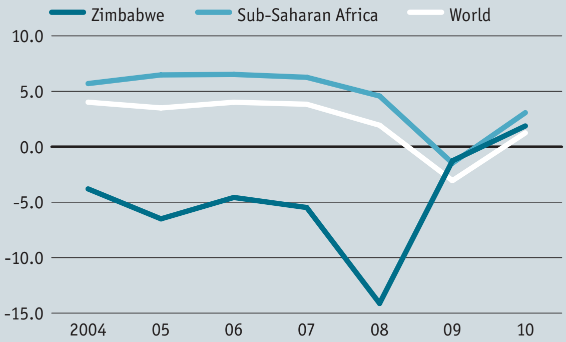
Monthly data

	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	25,046	53,013	64,472
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	333	367	700	533	500	350	317	300	550	1,350	1,633	1,571
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

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

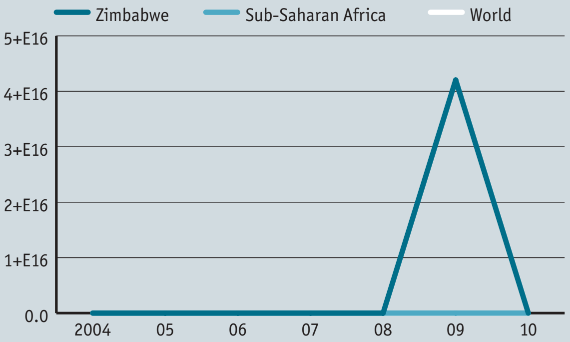
Annual trends charts

Real GDP growth
(% change)



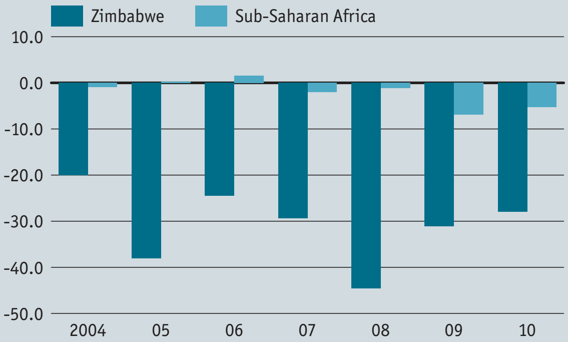
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



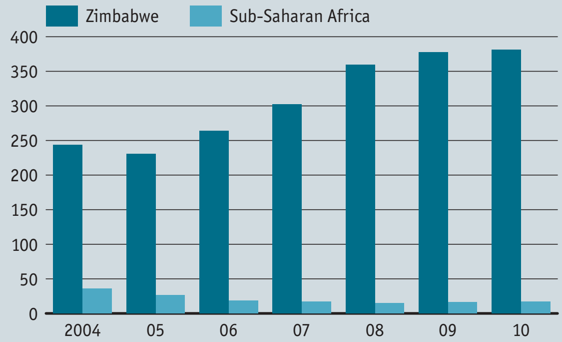
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



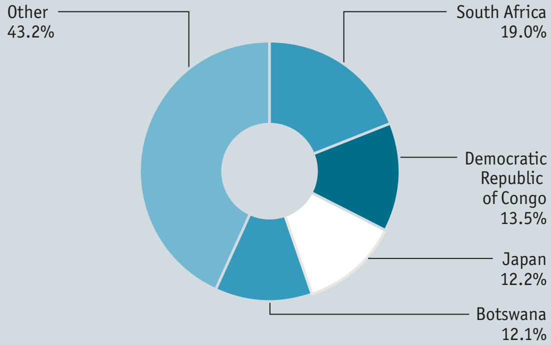
Source: Economist Intelligence Unit.

Total external debt
(% of GDP)



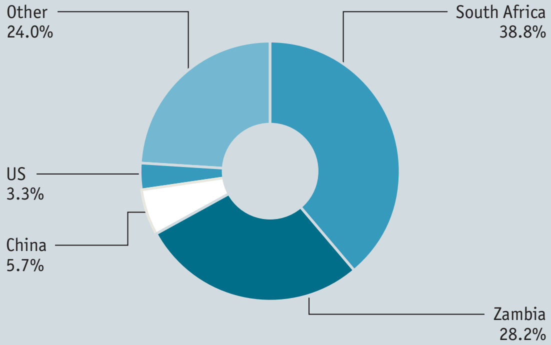
Source: Economist Intelligence Unit.

Main destinations of exports, 2007
(share of total)



Source: Economist Intelligence Unit.

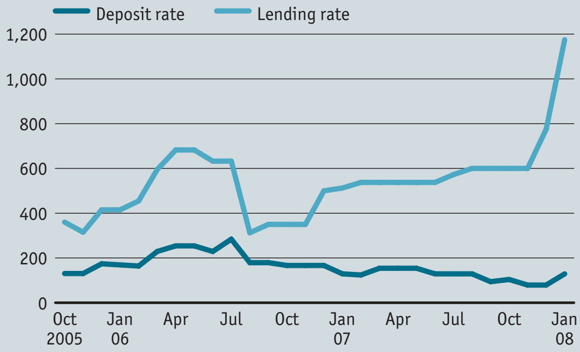
Main origins of imports, 2007
(share of total)



Source: Economist Intelligence Unit.

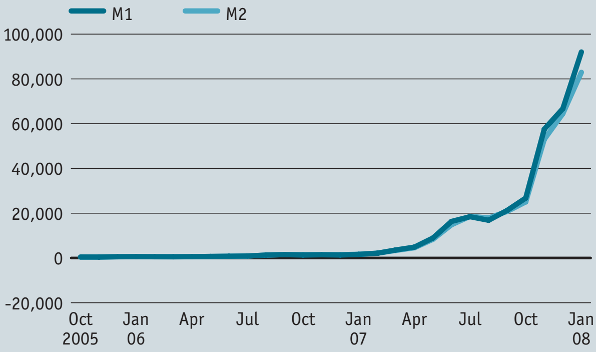
Monthly trends charts

Interest rates
(av; %)



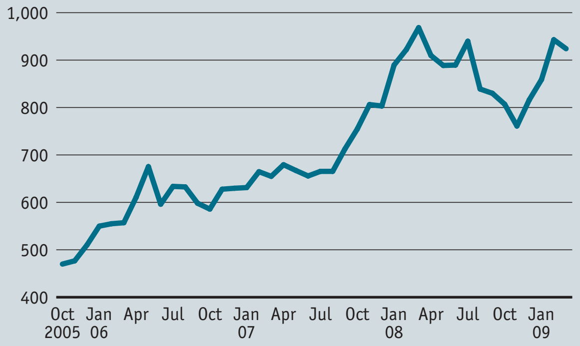
Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



Source: Economist Intelligence Unit.

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



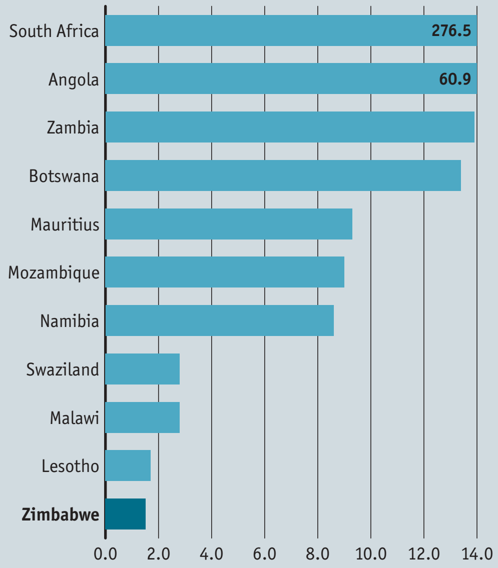
Source: Economist Intelligence Unit.

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

Source: Economist Intelligence Unit.

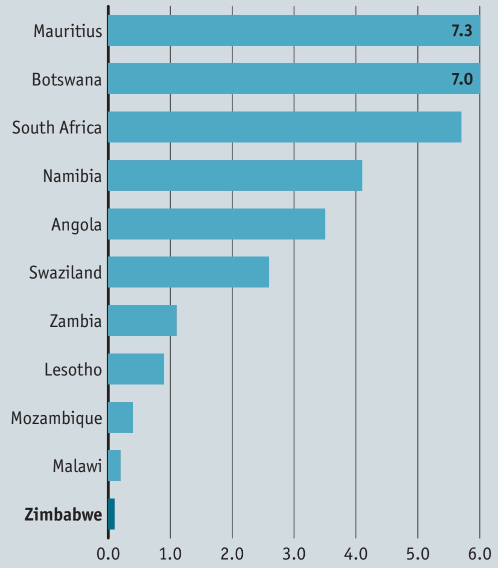
Comparative economic indicators, 2008

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



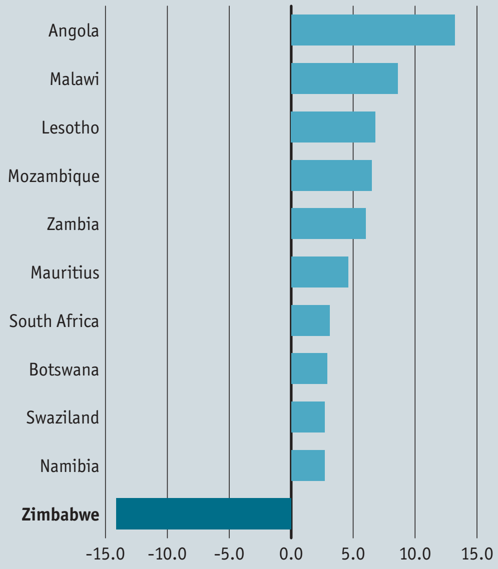
Sources: Economist Intelligence Unit estimates; national sources.

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



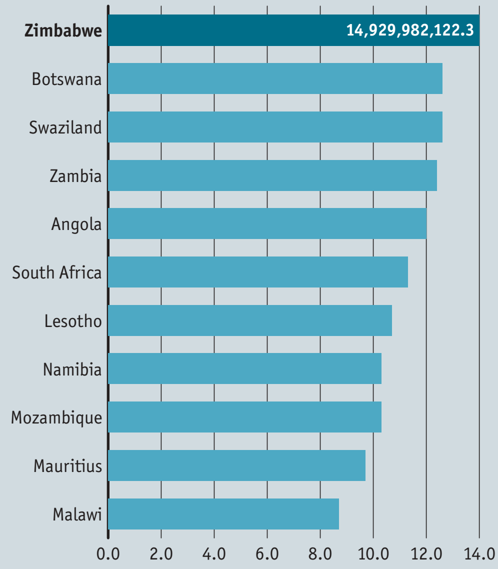
Sources: Economist Intelligence Unit estimates; national sources.

Gross domestic product
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

Consumer prices
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

Country snapshot

Basic data

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

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

Climate	Subtropical
Weather in Harare (altitude 1,472 metres)	Hottest months, October and November, 16-27°C; coldest months, June and July, 7-21°C (average daily minimum and maximum); driest month, July, 1 mm average rainfall; wettest month, January, 196 mm average rainfall
Languages	English (official), Shona, Ndebele and local dialects
Measures	Metric system
Currency	Zimbabwe dollar (Z$) = 100 cents; 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 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; 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	