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## **Country Report**

# **Zimbabwe**

**September 2011**

Economist Intelligence Unit  
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United Kingdom

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# Zimbabwe

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# Executive summary

## Highlights

September 2011

- Outlook for 2011-12**
- The election timetable remains uncertain: polls are unlikely to be held before mid-2012 given the failure thus far to finalise a new constitution, but some politicians (and businesspeople) want them deferred to 2013 at least.
  - Tensions are set to rise within the Zimbabwe African National Union-Patriotic Front (ZANU-PF) following the death of Solomon Mujuru—the *de facto* leader of one of the main party factions.
  - The IMF has called on the government to undertake a land audit, improve labour market flexibility and reform the banking sector, but deep-rooted policy reforms are unlikely in the run-up to polls.
  - Growth in 2011 is being bolstered by strong international prices for some of Zimbabwe's key commodities, but the prospects for 2012 will be largely determined by the conduct and outcome of any elections.
  - Official figures continue to understate the rate of price rises, but inflationary pressures are set to increase strongly in 2011-12 because of rising food and fuel prices and increasing wage demands.
  - The current-account deficit is expected to shrink to 33.8% of GDP in 2011 and 29.9% of GDP in 2012, the rate of decline slowing in 2012 as export growth is hit by political and business uncertainty.
- Monthly review**
- The death of ZANU-PF kingmaker Solomon Mujuru has sparked accusations that he was killed by political opponents within the party.
  - The Movement for Democratic Change has been largely sidelined in the political debate following General Mujuru's death, while the potential role of the military is becoming increasingly important.
  - Progress towards the formulation of a new constitution remains slow. The Constitutional Select Committee claims that a referendum on a new measure will be possible before year-end, but this looks to be overoptimistic.
  - The administration is persisting with attempts to force foreign firms to comply with indigenisation legislation, causing tensions with the Reserve Bank of Zimbabwe, the central bank.
  - The government has appealed for US\$489m in humanitarian aid, primarily for water, food and sanitation projects.
  - Air Zimbabwe has reportedly bought two new passenger planes from France, despite being insolvent.
  - Tobacco sales have proved disappointing, with sales more than 25% below the official forecast of 177m kg.

# Outlook for 2011-12

## Political outlook

**Political stability** Political uncertainty is set to rise substantially in 2011-12 in the run-up to and aftermath of elections. Relations are poor between the two main parties in the power-sharing government, Robert Mugabe's Zimbabwe African National Union-Patriotic Front (ZANU-PF) and Morgan Tsvangirai's Movement for Democratic Change (MDC), and there has been little progress towards implementing the conditions of the Global Political Agreement signed in September 2008. In addition, existing tensions within ZANU-PF look likely to be exacerbated by the death in August 2011 of General Solomon Mujuru (retired), the husband of the senior vice-president, Joice Mujuru, and the effective leader of one of the main factions within Mr Mugabe's party. Some Mujuru supporters are in effect accusing adherents of the other main faction—led by the defence minister, Emmerson Mnangagwa—of General Mujuru's murder. The death of General Mujuru looks likely to bolster the influence of Mr Mnangagwa, a hardliner who is likely to receive substantial military support; this faction is perceived to be much less willing to countenance an MDC election victory, suggesting that the risks to political stability during and after any election campaign are set to increase.

**Election watch** Zimbabwe's electoral schedule remains in flux. The Constitutional Select Committee has said that it is seeking to finalise a new constitution by mid-October 2011 and to hold a referendum on the measure early in 2012, opening the way for polls in the middle of that year. However, the leader of the MDC's breakaway wing, Welshman Ncube, insists that a referendum will not be possible until late 2012, deferring elections until 2013, while ZANU-PF hardliners continue to state that polls will be held this year. A poll in 2011 or early 2012, with ZANU-PF led by Mr Mugabe (or Mr Mnangagwa, should the incumbent be forced to stand down because of ill health), would increase the likelihood of a violent and destabilising campaign. There is little sign that ZANU-PF could win free and fair polls at present, suggesting that the ruling party would resort to its previous tactics of violence, intimidation and electoral manipulation.

**International relations** Mr Mugabe and ZANU-PF continue to take an antagonistic approach towards Western states, threatening to nationalise companies based in Western nations that have imposed sanctions against Zimbabwe. Sanctions may well stay in place if, as seems likely, there are serious concerns about the conduct of the next elections. However, a new ZANU-PF government would increasingly turn its attention to Asia for trade and aid.

The MDC will continue to turn to regional powers to influence Mr Mugabe. It remains to be seen, however, whether the Southern African Development Community will persuade ZANU-PF to postpone elections until 2012 (or even 2013), whether regional powers will be able to guarantee that polls are free and fair, or whether they have the will or capacity to act should the electoral process prove violent. Sanctions (let alone armed intervention) are not on the

agenda while Mr Mugabe commands support among other members of the African Union.

## Economic policy outlook

**Policy trends** Economic policy will continue to be driven by political considerations, with the prospect of elections overshadowing policy reform. The government remains split on proposed indigenisation legislation under which firms would have to ensure that at least 51% of their shares are held by indigenous (black) Zimbabweans. The ZANU-PF indigenisation minister and the ZANU-supporting governor of the Reserve Bank of Zimbabwe (RBZ, the central bank) have clashed over its implementation in the banking sector, while there are currently few details of how the policy would work in practice. The Medium-Term Programme (MTP) suggests that mining will drive growth, with output more than doubling over the next five years. However, this is incompatible with plans to push through majority ownership of the mining industry by the fourth quarter of 2011—and, indeed, the MTP's own projections regarding electricity generation. The IMF has called on the government to undertake a land audit, entrench property rights, improve labour market flexibility and public-sector governance and reform the banking sector as part of a move towards a staff-monitored programme. However, broader reforms—including further restructuring of the RBZ, the enforcement of minimum equity capital requirements and, crucially, attempts to restrain public-sector pay—are unlikely to be implemented in the run-up to elections, as they would be politically controversial. After the polls, much will depend on the make-up of the new administration. If the MDC secures power, a large increase in donor support can be expected and the IMF will help to shape a prudent economic policy. If, however, the polls are violent or ZANU-PF continues to dominate, there is unlikely to be substantial progress on reform.

**Fiscal policy** Fiscal policy will remain a source of conflict both within the MDC and between the MDC and ZANU-PF. Short-term spending cuts are crucial to compensate for "wage overruns", according to the IMF, which recommends a return to cash budgeting and moves to eliminate "ghost workers". However, politicians are extremely unlikely to countenance spending cuts or moves to tackle public-service wages in the run-up to polls. It is more likely that the administration will continue to run up domestic arrears, while also relying increasingly on loans from non-traditional sources like China. Concerns about the transparency of official data on the public finances will persist. The extent of off-budget expenditure is difficult to quantify, and the quality of data relating to government spending in particular is in doubt.

**Monetary policy** Severe foreign-exchange shortages have shaped monetary policy in recent years, undermining all economic activity. The *de facto* dollarisation recognised in 2009 added a new dimension to this, with monetary policy rendered even less effective. It is possible that a new administration dominated by ZANU-PF would return to use of the Zimbabwe dollar and earlier monetary policies such as printing money to fund deficits, despite their damaging economic impact.

Bank lending rates have fallen sharply with the decline in inflation, but the pace of the slowdown is likely to moderate given liquidity issues and continuing problems in the banking sector.

In his mid-year monetary policy statement, the RBZ governor, Gideon Gono, called on banks to reduce the spread between deposit and lending rates, primarily by reducing the latter. Political pressure for statutory control of interest rates is likely to intensify in the run-up to polls, putting pressure on bank earnings and profitability.

## Economic forecast

### International assumptions

### International assumptions summary

(% unless otherwise indicated)

	2009	2010	2011	2012
<b>Real GDP growth</b>				
World	-0.9	4.9	3.6	3.5
OECD	-3.8	3.0	1.8	1.7
EU27	-4.2	1.8	1.8	1.2
<b>Exchange rates</b>				
¥:US\$	93.6	87.8	82.1	81.0
US\$:€	1.393	1.328	1.407	1.363
SDR:US\$	0.646	0.652	0.628	0.635
<b>Financial indicators</b>				
€ 3-month interbank rate	1.23	0.81	1.50	2.00
US\$ 3-month Libor	0.69	0.34	0.35	0.51
<b>Commodity prices</b>				
Oil (Brent; US\$/b)	61.9	79.6	108.5	94.5
Gold (US\$/troy oz)	973.0	1,224.7	1,550.4	1,518.8
Platinum (US\$/oz)	1,204.8	1,610.1	1,750.2	1,637.5
Food, feedstuffs & beverages (% change in US\$ terms)	-20.4	11.7	30.2	-11.0
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.

### Economic growth

After a prolonged period of collapse the economy started to recover in 2009-10, albeit from a low base and with expansion largely confined to the mining and agriculture sectors. With the continuation of strong international prices for some of Zimbabwe's key commodities—notably platinum and gold—and the likelihood that polls will not be held until mid-2012 at the earliest, the Economist Intelligence Unit is forecasting GDP growth in 2011 at 5%. A reasonable cropping season will also help to underpin expansion, although structural problems persist in the agricultural sector. Other structural constraints, including power shortages and the cost of bank credit, as well as a sense of governmental drift, continued uncertainty over the election timetable and legislation requiring 51% local ownership of all enterprises, are likely to prevent more rapid GDP expansion, suggesting that official projections of annual average expansion of 7.1% over the next five years are highly overoptimistic.

Growth prospects for 2012 will be determined largely by the conduct and outcome of any elections. In a best-case scenario, polls would be conducted under international supervision and would reflect the will of the people—



which would probably equate to an MDC victory. This would open the way for substantial foreign aid and more business-friendly economic policies, thus fuelling more rapid economic growth. At the other end of the spectrum, elections that are—or are perceived to be—neither free nor fair would depress business and investor sentiment still further (outside site-specific sectors such as mining), macroeconomic policymaking would probably remain inadequate and Zimbabwe could well fall back into recession. We currently forecast growth of 2.5% in 2012, but, given such factors, this is subject to a significant margin of error on either side.

**Inflation** According to official data, prices rose by just 3.3% over the 12 months to July. However, this figure almost certainly understates the rate of price rises: money supply increased by 60% over the same period, while the US dollar (the *de facto* currency) lost 10% of its value against the currencies of key trading partners. Inflationary pressures are intensifying in 2011 because of rising food and fuel prices (global food prices have already risen by 25% this year, although the Zimbabwe National Statistics Agency claims that local food prices have risen by just 3.5%) and increasing wage demands—particularly if, as unions insist, civil servants and teachers receive a pay rise soon. As a result, average inflation will rise to 5.6% in 2011 before accelerating to 9.1% in 2012 as the authorities boost spending in the run-up to polls. However, inflation should remain low by historical standards, provided that the government does not revert to the disastrous policies used previously, such as printing money to finance deficits.

**Exchange rates** The exchange-rate regime is likely to become an increasingly contentious political issue. Full dollarisation, with the US dollar as sole legal tender, is probably the simplest option, but as the differential between inflation rates in the US and Zimbabwe widens, businesses will question Zimbabwe's ability to operate effectively with the US dollar as its currency, particularly as much of the country's trade is with its Southern African neighbours. Meanwhile, Mr Mugabe and Mr Gono have both called for a return to the Zimbabwe dollar. Should ZANU-PF come out on top in elections, renewed use of the currency—which contributed to the country's earlier disastrous inflation—cannot be ruled out.

**External sector** Ferro-alloys, platinum, gold and tobacco will continue to dominate export earnings, while diamonds could become an important source if, as seems likely, exports ramp up despite ongoing confusion over Kimberley Process authorisation for regular auctions. The strong performance of the tobacco sector in the 2010 season is likely to encourage farmers to seek to boost output in 2011-12, although the sector is increasingly dominated by smallholder producers, whose yields and quality of output are far lower. Expansion in the mining sector will be influenced by international mineral prices, the government's approach to international investment—specifically, mandated levels of local ownership—and the success of attempts to boost the power supply. Such problems are unlikely to be resolved in the near term and, given the lead time of 3-5 years to bring major mining projects on stream, will act as a constraint on export volumes over the medium term. Increased mining-sector activity and humanitarian assistance are helping to boost imports, which are dominated by consumer imports rather than investment goods or inputs for industry, but there is a risk

that the start-up of new mining projects (which is also funding import demand) will be affected by political developments, particularly if the election process becomes violent.

As tourism will recover only slowly—arrivals increased by 11% in 2010, but this was relatively disappointing given attempts to capitalise on the holding of the football World Cup in neighbouring South Africa—we expect the services account to remain in deficit in 2011-12. 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, owing to continued remittances by the 3.5m-plus Zimbabweans living abroad. These totalled US\$78m in the first half of the year, according to official estimates, although the actual total is likely to be much higher, as diaspora funds tend to enter the country through informal channels. The current-account deficit as a percentage of GDP is set to shrink in both 2011 and 2012, to 33.8% and 29.9% respectively, owing largely to the impact on exports of the start-up or expansion of a number of mining projects. However, the rate of decline is set to diminish in 2012 as export growth is hit by political and business uncertainty in the wake of elections.

### Forecast summary

(% unless otherwise indicated)

	2009 <sup>a</sup>	2010 <sup>a</sup>	2011 <sup>b</sup>	2012 <sup>b</sup>
Real GDP growth	-1.3	6.8	5.0	2.5
Manufacturing production growth	-3.8	6.0	5.7	-10.7
Gross agricultural production growth	-4.0	11.0	7.8	2.0
Consumer price inflation (av)	4.5E+16	3.7	5.6	9.1
Consumer price inflation (end-period)	5.0E+01	5.9	8.2	9.2
Short-term interbank rate	352.0	41.0	36.0	25.0
Government balance (% of GDP)	-6.3	-4.7	-4.2	-4.2
Exports of goods fob (US\$ bn)	1.6	2.3	2.7	2.5
Imports of goods fob (US\$ bn)	3.1	3.7	4.2	4.0
Current-account balance (US\$ bn)	-1.1	-0.8	-0.7	-0.7
Current-account balance (% of GDP)	-84.1	-46.8	-33.8	-29.9
External debt (year-end; US\$ bn)	5.0 <sup>c</sup>	5.2	6.1	6.3

<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts. <sup>c</sup> Actual.

## Monthly review: September 2011

### The political scene

#### **Solomon Mujuru's death could have a substantial impact**

The death of General Solomon Mujuru (retired)—the deputy commander of the nationalist army during Zimbabwe's liberation war in the 1970s and the first black head of the Zimbabwe National Army—in a fire at his farm on August 16th is a politically significant event. The retired general was the kingmaker within the Zimbabwe African National Union-Patriotic Front (ZANU-PF), and the one man capable of influencing—although probably not determining—the successor to the 87-year-old president, Robert Mugabe.

His widow, Joice Mujuru, is senior vice-president and heir presumptive to the Mugabe throne. The Mujuru faction within ZANU-PF was favoured to win a coming intra-party clash with the faction led by the defence minister, Emmerson Mnangagwa. However, while Joice Mujuru is the titular head of the faction, it was General Mujuru who was the real leader. Following his death the Mujuru brand looks much less marketable, and many of its supporters are insisting that the retired general's death was not accidental, while some are suggesting that the Mnangagwa faction, which appeared to be running a poor second in the succession stakes, is responsible.

#### **Some accuse political or business rivals**

The conspiracy theorists point to a number of "suspicious" aspects of General Mujuru's death. His house had an fireproof asbestos roof and there were numerous clear escape routes, while his body was found in the lounge rather than the bedroom, despite the fact that the fire broke out in the early hours of the morning. Such suspicions are fuelled, in part, by Zimbabwe's long history of unexplained political deaths, mostly in motor accidents.

General Mujuru had many enemies—and not just in politics. His family is alleged to have taken between six and 16 white-owned farms; he has been accused of high-level involvement in Zimbabwe's diamond industry; he was the owner of the River Ranch diamond mine at Beit Bridge; and he was the largest non-corporate shareholder in ferrochrome manufacturer Zimasco, now majority-owned by China's Sino-Steel.

Whatever the circumstances of his death, it is clear that it will have a substantial impact on the political scene. Mr Mnangagwa would appear to be the chief beneficiary. Mr Mugabe, who seldom discusses the succession, has never expressed his preference, but he is believed to favour the defence minister, who is deemed more able than Joice Mujuru. However, Morgan Tsvangirai—the prime minister and leader of the Movement for Democratic Change (MDC)—reportedly much prefers Mrs Mujuru. Indeed, for months there have been rumours of informal contacts between the Mujuru faction and the mainstream MDC. This gave rise to a theory that the Mujuru team hoped to co-opt Mr Tsvangirai, who is seen as the man most likely to win an election, but also a weak and indecisive politician who could be easily manipulated. Mr Tsvangirai would give the faction an international respectability that it could not win without the MDC on its side.

### **The MDC fears co-option or marginalisation**

Elements of the MDC fear the prospect of being co-opted in this way, but would not be averse to some kind of informal alliance with the Mujuru faction against Mr Mnangagwa and—most importantly—the military, which is believed to be looking to the defence minister as its leader, especially following the death of General Mujuru.

In all of this, two key factors are apparent:

- The relative weakness of the MDC. The entire public and political debate following General Mujuru's death has sidelined the MDC—a fact that worries its leaders, with ministers expressing concern that it makes the party “look [like] irrelevant bystanders”.
- The role of the increasingly powerful military. As long as General Mujuru was politically active, albeit behind the scenes, the military leadership was split over whom to support. Now the signs are that the military will either back Mr Mnangagwa or perhaps nominate a third candidate, possibly from within its own ranks. Although this seems improbable, the man most likely to be the military's candidate is General Constantine Chiwenga (see box). However the internal struggle within ZANU-PF plays out and however Mr Tsvangirai responds, General Mujuru's death has changed the rules of the game.

#### **In Focus: Potential successors to Robert Mugabe**

##### **Joice Mujuru, 56**

Joice Mujuru's rise to the vice-presidency was engineered by her husband, Solomon Mujuru, who used his powerful military and business connections to propel her from political obscurity. She is not well-educated—in a party full of highly educated people—and is widely criticised as being unable to master a brief in political discussion. Her strengths are the unpopularity of her chief rival, Emmerson Mnangagwa, and her incumbency as senior vice-president.

##### **Emmerson Mnangagwa, 65**

The defence minister has served in the government of the president, Robert Mugabe, since independence in 1980, holding a variety of senior posts including state security, justice, finance and speaker of parliament. He is vastly more experienced than Mrs Mujuru, as well as being more politically astute. His weaknesses are his lack of popularity—he has struggled to win elections—and his closeness to Mr Mugabe.

##### **Constantine Chiwenga, 55**

General Constantine Chiwenga, a liberation war veteran, is the current commander of the Zimbabwe Defence Forces. He has never declared any ambition to go into politics, but is currently studying for a masters' degree in politics at the University of Zimbabwe. He is likely to make himself available for the top job should there be a movement to draft him into office.

##### **Morgan Tsvangirai, 59**

Morgan Tsvangirai, the prime minister and leader of the Movement for Democratic Change, is seen increasingly as a crowd-pleaser rather than as an astute politician, and has been criticised for tending to agree with the person to whom he last spoke. Relations with some of his advisers, such as the finance minister, Tendai Biti, are said

to have deteriorated recently, but he is still probably the politician with the greatest countrywide popularity (although he is also likely to face the greatest disadvantages in terms of potential electoral manipulation and intimidation of his supporters).

### **There is little sign of progress at the Luanda summit**

The long-running attempts by the Southern African Development Community to accelerate Zimbabwe's progress to new elections continue to make only slow progress. After yet another abortive summit in the Angolan capital, Luanda, on August 17-18th, all the regional leaders could muster was a communiqué re-iterating what had been agreed a month earlier in Johannesburg (South Africa). This called for the appointment of a three-member team to work with the facilitation team headed by the South African president, Jacob Zuma, and Zimbabwe's Joint Monitoring and Implementation Committee to move forward the implementation of the September 2008 General Political Agreement between ZANU-PF and the two wings of the MDC; however, the team had not been appointed. Indeed, Mr Mugabe says it will not be allowed to "interfere" in Zimbabwe's internal affairs, suggesting that it will be some time before an election date is definitively announced.

### **The constitutional referendum is yet to be scheduled**

Nor are there many signs of progress at meetings of the country's Constitutional Select Committee (Copac). While the finance minister, Tendai Biti, says he is confident that a new constitution will be agreed in time for a referendum to be held before the end of the year, the Copac committee said it was working to try to finalise the constitution by mid-October and hold a referendum early in 2012. The leader of the MDC's breakaway wing, Welshman Ncube, continues to insist that these timelines are unworkable and that a referendum will not be possible until late 2012. The reality is that the Select Committee is not going to agree a constitution and there will have to be tripartite negotiations within the coalition to agree a draft once Copac finishes its work, probably not until 2012.

## **Economic policy**

### **Disagreements over indigenisation continue**

The Mugabe administration is persisting with efforts to force foreign firms to comply with indigenisation legislation, under which companies must ensure that at least 51% of their shares are held by indigenous (black) Zimbabweans. In August the indigenisation minister, Saviour Kasukuwere, sent letters to major multinationals giving them 14 days in which to comply with the law or risk losing their operating licences. Multinationals targeted included Murowa Diamonds, owned by Rio Tinto (UK), Zimplats and Mimosa platinum mines (both South African), Nestlé (Switzerland), BAT (UK), Cargill (US) and two UK banks, Barclays and Standard Chartered.

Publication of the indigenisation minister's demand caused serious concern in the banking sector, and prompted the governor of the Reserve Bank of Zimbabwe (the central bank, RBZ), Gideon Gono, to issue a press statement saying that the RBZ retained the sole authority to issue and withdraw bank licences and had no intention of taking action against the foreign-owned banks. Mr Gono added that Mr Kasukuwere's letters risked derailing the country's fragile economic recovery. Mr Kasukuwere retorted that the RBZ governor should resign—or could be removed—if he did not implement the law.

Mr Kasukuwere has already rejected 175 empowerment plans submitted by mining companies, most of which had proposed selling 25% of their shares and making social investments in infrastructure, health and education to obtain credits for another 26%. Mr Tsvangirai had been expected to take the side of the companies against Mr Mugabe and Mr Kasukuwere, but angered business-people by failing to comment. It appears that the debate over indigenisation will continue for some time, with policy pronouncements being undermined by squabbling between politicians within ZANU-PF, as well as between ZANU-PF and the MDC. This lack of policy predictability is undermining business confidence, and suggests that there will be little substantial foreign investment while disputes continue.

### **The government appeals for humanitarian aid**

The government has appealed for US\$489m in humanitarian aid for various programmes, including health, nutrition, water and food, according to the Consolidated Appeal (CAP) 2011 mid-year review, published by the UN. The CAP report judges the humanitarian situation in Zimbabwe as "stable", but adds that there are ongoing "elements of fragility" in sectors such as health and nutrition, food security and water, sanitation and hygiene; it judges that an extra US\$73m is needed for water, food, sanitation and hygiene. Thus far US\$141.8m in funding has been pledged, leaving unmet requirements of US\$347m.

## **Economic performance**

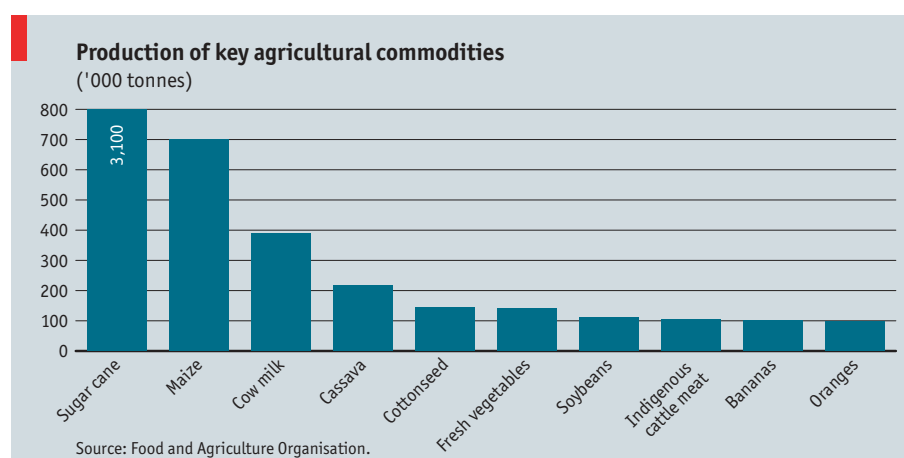
### **Air Zimbabwe buys two new planes**

The national airline, Air Zimbabwe, which is insolvent, has reportedly bought two new A340-200 Airbus passenger planes from France in a deal financed by South Africa-based Mbada Diamonds. Mbada is managed by Mr Mugabe's former helicopter pilot and produces diamonds at the controversial Marange diamond fields, which have been subject to investigation by the Kimberley Process, which seeks to prevent the sale of conflict diamonds. The two aircraft are said to have been purchased at a cost of more than US\$400m, with delivery expected by the end of August. Air Zimbabwe has been forced to cancel many of its flights in recent months, and its pilots have been taking strike action since early August because they have not been paid. To make matters worse, the Civil Aviation Authority of Zimbabwe has banned the use of some of the airline's existing Boeing passenger aircraft as they exceeded their 20-year lifespan. South African Airways and SA Airlink have stepped into the breach and are reported to have taken 60% of Air Zimbabwe's passenger traffic.

### **Farm production declines**

New agricultural production data detail the decline of farm production. According to figures compiled by the Commercial Farmers' Union, total production, excluding beef, halved to an estimated 2.1m tonnes in 2011 from 4.2m tonnes in 2000. Most of this reflects the collapse of commercial production as white farmers were evicted from their properties, but smallholder crops—generally grown by black farmers—are also well below their earlier peaks. Maize production, 85% of it grown by smallholders, is down by 56% from its peak of just over 2m tonnes in 2000; cotton (almost exclusively grown by smallholders) has slumped by 45%, from 353,000 tonnes to 195,000 tonnes; and another smallholder crop, groundnuts, has fallen by 27% to 138,000 tonnes.

Output of large-scale plantation crops such as sugar, tea, coffee, flowers, citrus fruit and fresh produce is down by one-quarter, while beef slaughter has collapsed to 220,000 head of livestock in 2011 from 720,000 in 2002—a decline of 70%. All of this suggests that frequent government comments about the recovery of the agriculture sector are misplaced.



### The year's tobacco sales prove disappointing

The 2011 tobacco sales have closed with deliveries of 130m kg—27% below the official forecast of 177m kg. The state-owned Tobacco Industries Marketing Board has blamed on-farm harvest losses, which it says are responsible for 31% of the shortfall, while the balance was due to losses incurred during handling. Prices were 6% lower than in 2010, at 274 US cents/kg, although the total value of the crop, at US\$360m, was little changed from last year, as a result of slightly higher output. The figures may well be adjusted upwards over the next few weeks as late deliveries are marketed. Nonetheless, the final total is likely to remain well below the level of 175m-200m kg previously sought by ministers. Equally, the latest estimate of maize production, 900,000 tonnes, is well below earlier official estimate of 1.3m tonnes.

# Data and charts

## Annual data and forecast

	2006 <sup>a</sup>	2007 <sup>b</sup>	2008 <sup>b</sup>	2009 <sup>b</sup>	2010 <sup>b</sup>	2011 <sup>c</sup>	2012 <sup>c</sup>
<b>GDP</b>							
Nominal GDP (US\$ bn)	1.8	1.7	1.5	1.4	1.6	2.0	2.2
Nominal GDP (Z\$ bn)	9.11E+02	1.09E+05	1.39E+13	6.13E+27	6.82E+27	7.56E+27	8.44E+27
Real GDP growth (%)	-1.6	-5.5	-14.2	-1.3	6.8	5.0	2.5
<b>Expenditure on GDP (% real change)</b>							
Private consumption	-4.5	-5.0	-13.9	-1.0	4.5	4.6	3.3
Government consumption	-6.0	-6.0	-10.0	5.0	7.8	5.5	5.4
Gross fixed investment	-1.0	-5.0	-8.0	-2.0	6.6	3.4	2.9
Exports of goods & services	-1.0	-0.8	-1.2	-0.5	4.6	4.4	3.5
Imports of goods & services	-1.5	-1.0	-0.6	1.5	3.0	4.0	5.2
<b>Origin of GDP (% real change)</b>							
Agriculture	-4.5	-5.0	-24.0	-4.0	11.0	7.8	2.0
Industry	-3.5	-5.0	-14.7	-2.0	8.8	5.8	3.5
Services	-5.0 <sup>b</sup>	-5.8	-11.0	-0.3	4.5	3.2	2.0
<b>Population and income</b>							
Population (m)	12.5 <sup>b</sup>	12.5	12.5	12.5	12.6	12.6	12.6
GDP per head (US\$ at PPP)	188 <sup>b</sup>	183	160	159	172	183	191
<b>Fiscal indicators (% of GDP)</b>							
Public-sector revenue	38.4	36.6	38.4	39.0	37.5	36.0	35.1
Public-sector expenditure	49.6	45.3	44.6	45.3	42.2	40.2	39.3
Public-sector balance	-11.3	-8.6	-6.2	-6.3	-4.7	-4.2	-4.2
Net public debt	202.5 <sup>b</sup>	215.4	242.6	277.0	233.2	230.8	209.3
<b>Prices and financial indicators</b>							
Exchange rate Z\$:US\$ (end-period) <sup>d</sup>	2.50E+02	3.23E+05 <sup>a</sup>	6.75E+16	1.72E+35	5.00E+38	3.00E+27	3.00E+27
Consumer prices (end-period; %)	1.28E+03	6.62E+04 <sup>a</sup>	2.16E+23	5.00E+01	5.9	8.2	9.20
Stock of money M1 (% change)	1.32E+03	6.67E+04	3.01E+09	4.47E+16	8.55E+01	8.56E+01	8.66E+01
Stock of money M2 (% change)	1.45E+03	6.04E+04	3.30E+09	4.47E+16	1.00E+02	1.03E+02	1.07E+02
Lending interest rate (av; %)	496.5	579.0 <sup>a</sup>	546.0	352.0	41.0	36.0	25.0
<b>Current account (US\$ m)</b>							
Trade balance	-651 <sup>b</sup>	-542	-611	-1,529	-1,356	-1,492	-1,490
Goods: exports fob	1,502 <sup>b</sup>	1,432	1,303	1,610	2,317	2,731	2,526
Goods: imports fob	-2,153 <sup>b</sup>	-1,975	-1,914	-3,139	-3,673	-4,223	-4,016
Services balance	-88 <sup>b</sup>	-108	-146	-130	-202	-249	-259
Income balance	-151 <sup>b</sup>	-144	-189	-198	-180	-156	-143
Current transfers balance	264 <sup>b</sup>	266	270	720	971	1,222	1,224
Current-account balance	-626 <sup>b</sup>	-528	-676	-1,137	-767	-676	-668
<b>External debt (US\$ m)</b>							
Debt stock	4,636	5,365 <sup>a</sup>	5,266 <sup>a</sup>	5,015 <sup>a</sup>	5,204	6,081	6,250
Debt service paid	92	96 <sup>a</sup>	82 <sup>a</sup>	101	83	82	87
Principal repayments	39	55 <sup>a</sup>	57 <sup>a</sup>	66 <sup>a</sup>	64	60	63
Interest	54	41 <sup>a</sup>	26 <sup>a</sup>	35	19	21	25
Debt service due	446	540 <sup>a</sup>	238 <sup>a</sup>	439	774	550	582
<b>International reserves (US\$ m)</b>							
Total international reserves	139 <sup>b</sup>	117	96	351	376	462	464

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit estimates. <sup>c</sup> Economist Intelligence Unit forecasts. <sup>d</sup> 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			2008	
	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr
<b>Central government finance (Z\$ m)</b>								
Revenue & grants	162,579	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expenditure & net lending	188,148	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Balance	-25,569	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total domestic debt (end-period)	46,213	119,401	175,666	1,283,404	n/a	n/a	n/a	n/a
<b>Output</b>								
Manufacturing index (1990=100)	58	69	73	n/a	n/a	n/a	n/a	n/a
Manufacturing index (% change, year on year)	-5	12	30	n/a	n/a	n/a	n/a	n/a
<b>Prices</b>								
Consumer prices (2000=100)	133,258	249,903	509,953	1,437,264	7,321,732	n/a	n/a	n/a
Consumer prices (% change, year on year)	1,147	1,071	1,164	1,883	5,394	n/a	n/a	n/a
<b>Financial indicators</b>								
Exchange rate Z\$:US\$ (av)	100.7	200.0	259.2	259.2	257.3	8,186.7	n/a	n/a
Exchange rate Z\$:US\$ (end-period)	104.8	259.6	258.9	259.1	255.6	30,000.0	n/a	n/a
Parallel exchange rate Z\$:US\$ (av)	320.0	1,068.0	2,567	10,333	79,333	293,333	n/a	n/a
Bank rate (end-period; %)	850.0	300.0	500.0	500.0	600.0	600.0	975.0	n/a
Lending rate (av; %)	665.8	431.7	400.0	529.2	537.5	590.8	658.3	n/a
Treasury bill rate (av;%)	509.4	258.8	66.3	66.3	248.8	340.0	340.0	n/a
M1 (end-period; Z\$ bn)	1.15E+05	3.32E+05	6.37E+05	2.22E+06	1.89E+07	7.09E+07	4.25E+08	8.05E+08
M1 (% change, year on year)	771	1,510	1,323	3,584	16,324	21,255.8	66,709.9	36,096.3
M2 (end-period; Z\$ bn)	1.58E+05	4.34E+05	9.07E+05	2.85E+06	2.36E+07	9.07E+07	5.49E+08	1.72E+09
M2 (% change, year on year)	781	1,520	1,453	3,372	14,840	20,807.8	60,376.2	60,197.1
ZSE Industrial index (end-period)	61,764	184,839	310,459	548,730	3,696,286	5,460,688	n/a	n/a
<b>Sectoral trends</b>								
Tobacco auctions (annual totals; '000 tonnes) <sup>a</sup>	53	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gold production (kg)	2,556	2,990	2,904	2,334	n/a	n/a	n/a	n/a
Gold production (Z\$ bn)	6,286	13,035	29,569	27,735	n/a	n/a	n/a	n/a
Chrome ore production ('000 tonnes)	173	177	176	176	n/a	n/a	n/a	n/a
Chrome ore production (Z\$ bn)	1,662	4,019	8,541	19,643	n/a	n/a	n/a	n/a
Platinum production (kg)	1,183	1,434	1,210	1,367	n/a	n/a	n/a	n/a
Platinum production (Z\$ bn)	4,016	10,400	10,377	11,761	n/a	n/a	n/a	n/a
<b>Foreign trade (Z\$ m)<sup>b</sup></b>								
Exports fob	235.7	243.0	254.1	620.8	711.4	551.2	621.4	588.6
Imports cif	709.1	785.2	728.9	627.0	593.0	656.2	803.8	640.7
Trade balance	-473.4	-542.2	-474.8	-6.1	118.4	-105.0	-182.5	-52.2

<sup>a</sup> Provisional data for 2006. <sup>b</sup> DOTs estimates.

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

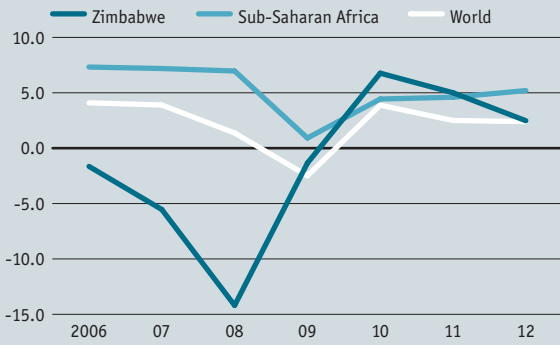
## Monthly data

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Exchange rate Z\$:US\$ (av)</b>												
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
<b>M1 (% change, year on year)</b>												
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
<b>M2 (% change, year on year)</b>												
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
<b>Deposit rate (%)</b>												
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
<b>Lending rate (%)</b>												
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
<b>Industrial share prices (% change, year on year)</b>												
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.

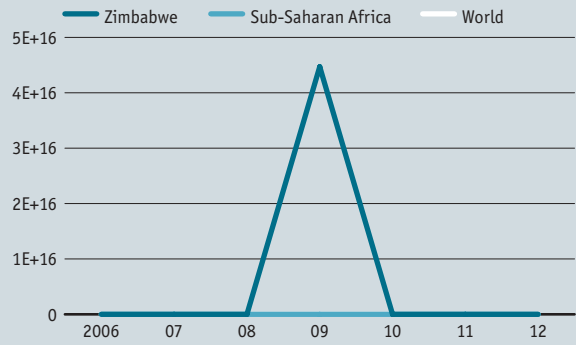
### Annual trends charts

**Real GDP growth**  
(% change)



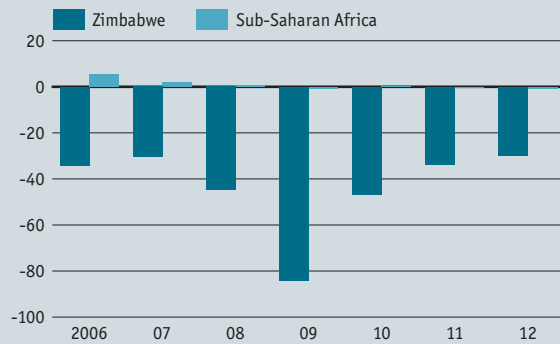
Source: Economist Intelligence Unit.

**Consumer price inflation**  
(av; %)



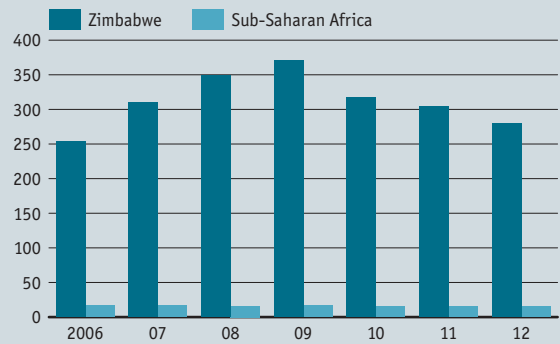
Source: Economist Intelligence Unit.

**Current-account balance**  
(% of GDP)



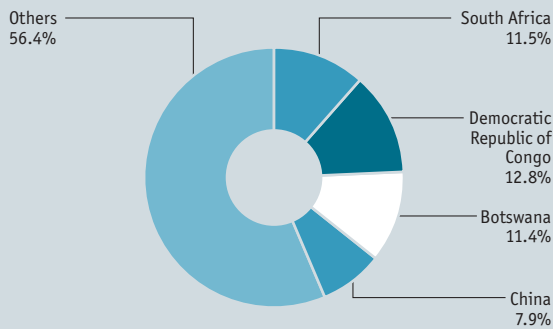
Source: Economist Intelligence Unit.

**Total external debt**  
(% of GDP)



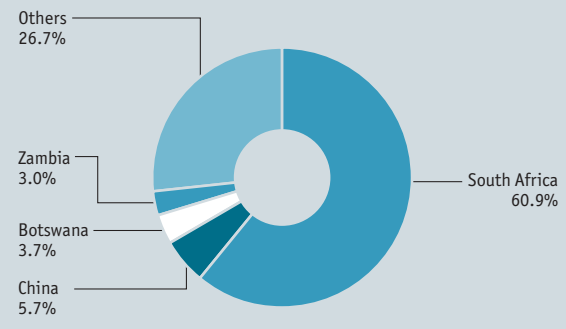
Source: Economist Intelligence Unit.

**Main destinations of exports, 2009**  
(share of total)



Source: Economist Intelligence Unit.

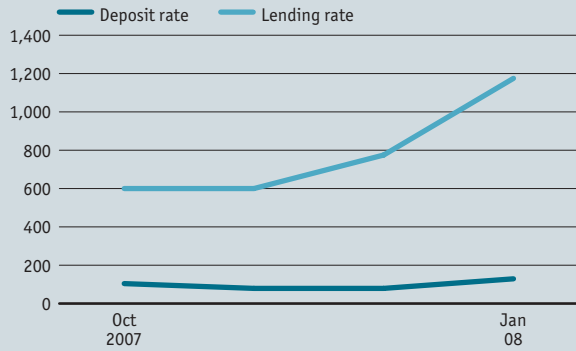
**Main origins of imports, 2009**  
(share of total)



Source: Economist Intelligence Unit.

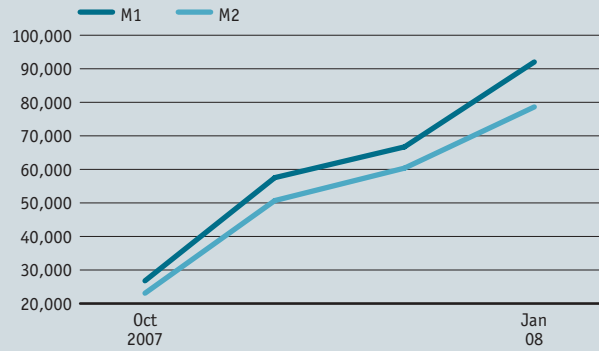
### Monthly trends charts

**Interest rates**  
(av; %)



Source: Economist Intelligence Unit.

**Monetary aggregates**  
(% change, year on year)



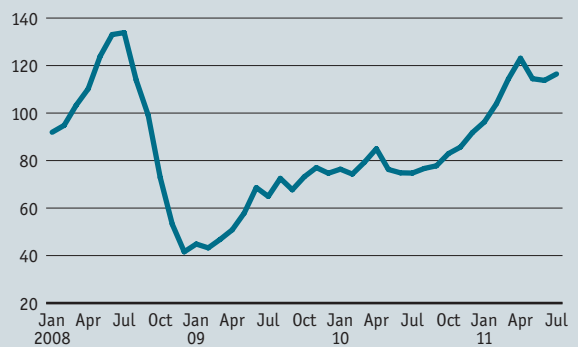
Source: Economist Intelligence Unit.

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



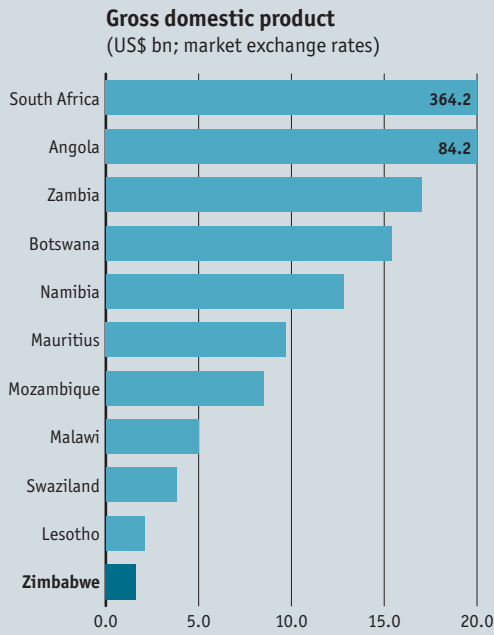
Source: Economist Intelligence Unit.

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

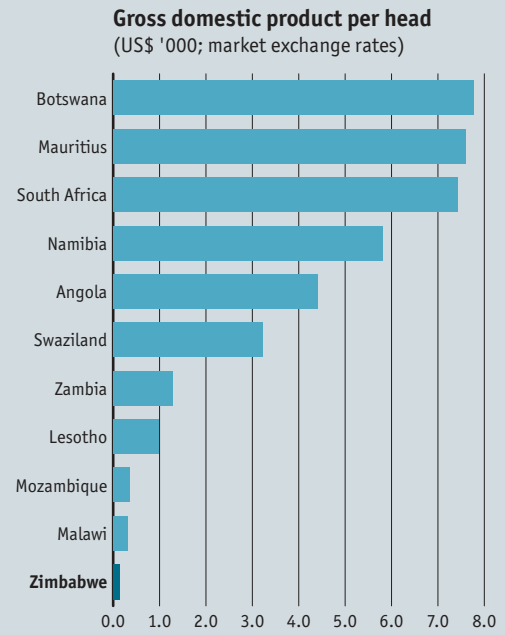


Source: Economist Intelligence Unit.

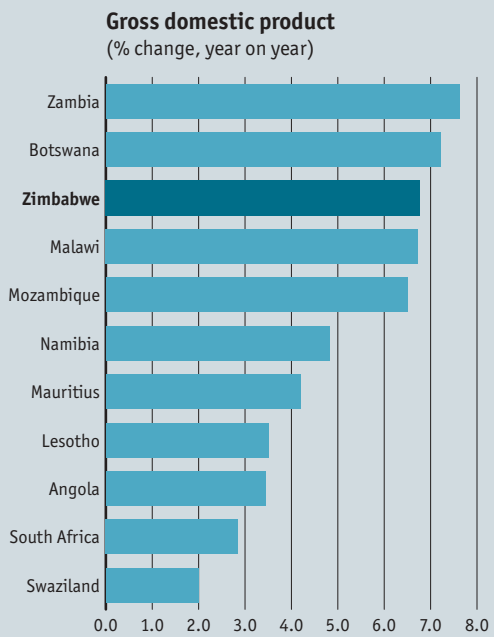
### Comparative economic indicators, 2010



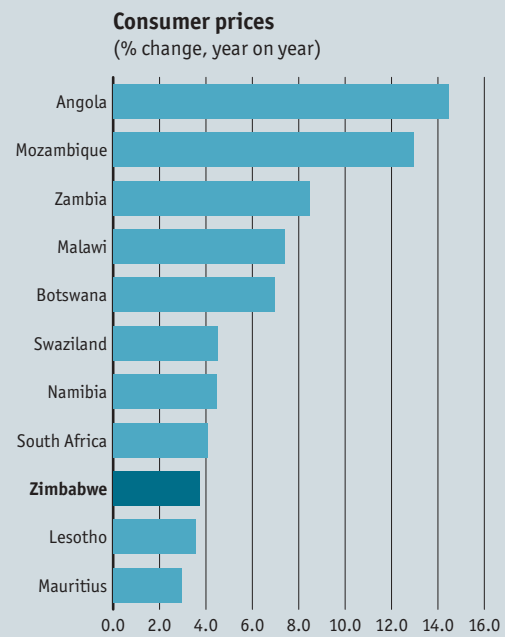
Sources: Economist Intelligence Unit estimates; national sources.



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# Country snapshot

## Basic data

<b>Land area</b>	390,580 sq km
<b>Population</b>	12.5m <sup>a</sup> (2009, IMF mid-year estimate)
<b>Main towns</b>	Population in '000, 2002 (independent estimates)
	Harare (capital) 1,444
	Bulawayo 676
	Chitungwiza <sup>b</sup> 321
	Gweru 137
<b>Climate</b>	Subtropical
<b>Weather in Harare (altitude 1,472 metres)</b>	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
<b>Languages</b>	English (official), Shona, Ndebele and local dialects
<b>Measures</b>	Metric system
<b>Currency</b>	Zimbabwe dollar (Z\$) = 100 cents; however, because of rampant inflation the government has moved to a multi-currency system, using the US dollar and South African rand in preference to the Zimbabwe dollar
<b>Time</b>	2 hours ahead of GMT
<b>Public holidays</b>	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

<sup>a</sup> Estimates of Zimbabwe's population vary considerably depending on how they account for the impact of AIDS. The most recent census was in 2002, which showed a population of 11.6m—about 2m below earlier projections.

<sup>b</sup> Harare's former township.

## Political structure

<b>Official name</b>	Republic of Zimbabwe	
<b>Form of state</b>	Unitary republic	
<b>Legal system</b>	Based on Roman-Dutch law and the 1979 constitution	
<b>National legislature</b>	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	
<b>National elections</b>	March 2008 (presidential, legislative and Senate); the timing of the next elections is politically controversial, and polls could be held in 2011, 2012 or even 2013	
<b>Head of state</b>	President, elected by universal suffrage for a six-year term	
<b>National government</b>	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	
<b>Main political parties</b>	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 breakaway MDC movement, the MDC-N, is in the government of national unity, while a number of smaller parties and independent candidates also contest elections	
	<b>President</b>	Robert Mugabe
	<b>Prime minister</b>	Morgan Tsvangirai
<b>Key ZANU-PF ministers</b>	<b>Agriculture, mechanisation &amp; irrigation</b>	Joseph Made
	<b>Defence</b>	Emmerson Mnangagwa
	<b>Energy &amp; water development</b>	Kenneth Konga
	<b>Environment &amp; natural resources management</b>	Francis Nhema
	<b>Foreign affairs</b>	Simbarashe Mumbengegwi
	<b>Justice &amp; legal affairs</b>	Patrick Chinamasa
	<b>Lands &amp; rural resettlement</b>	Herbert Murerwa
	<b>Media, information &amp; publicity</b>	Webster Shamu
	<b>Mines &amp; minerals development</b>	Obert Mpofu
	<b>Transport &amp; infrastructural development</b>	Nicholas Goche
<b>Key MDC ministers</b>	<b>Economic planning &amp; investment promotion</b>	Tapiwa Mashakada
	<b>Education, sport, art &amp; culture</b>	David Coltart
	<b>Energy &amp; power development</b>	Elton Mangoma
	<b>Finance</b>	Tendai Biti
	<b>Health &amp; child welfare</b>	Henry Madzorera
	<b>Home affairs</b>	Theresa Makone
	<b>Housing &amp; social amenities</b>	Giles Mutsekwa
	<b>Industry &amp; commerce</b>	Welshman Ncube
	<b>Labour &amp; social security</b>	Paurina Gwanyanya
	<b>Public works</b>	Joel Gabuza
<b>Reserve Bank governor</b>	Gideon Gono	