Country Report

Zimbabwe

December 2008

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The Economist Intelligence Unit

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Executive summary

Highlights

December 2008

Outlook for 2009-10

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

Monthly review

- There has been no movement on the power-sharing agreement, with both sides remaining deadlocked over the allocation of key cabinet positions.
- Botswana's foreign affairs minister, Phandu Skelemani, has said that if the power-sharing talks fail his government will not recognise Mr Mugabe as president.
- Around 80 Zimbabwean army soldiers, frustrated over not being able to withdraw their wages from banks, rioted on November 28th and December 1st.
- Nearly 500 Zimbabweans have been killed by cholera since August and more than 11,000 have been infected, in the most severe outbreak for 15 years. A large number of people have fled across the border into South Africa, posing a major regional health threat.
- The government has criticised insurance companies and pension funds for preferring to invest in the stock exchange rather than the government.
- Large parts of the country remain unplanted, as small-scale farmers cannot afford seed or fertiliser. The Commercial Farmers' Union expects the 2009 harvest to be the worst ever.

Outlook for 2009-10

Political outlook

Domestic politics

After years of misrule, which have precipitated an economic and humanitarian catastrophe, the president of Zimbabwe, Robert Mugabe, is expected to leave office during the forecast period. There is no doubt that Mr Mugabe will attempt to continue to hold on to power, but his position is becoming increasingly untenable. He has enough influence to carry his rule on into 2009, possibly even 2010, but events are conspiring against him. Internally, the economic collapse will mean that nearly half of the population will require food aid during the next six months, increasing the tide of opposition against him. Compounding this is a cholera epidemic that has already killed more than 500 and threatens to spill over into neighbouring states. Although popular resentment against his rule has failed to worry Mr Mugabe in the past, his ability to keep his patronage networks intact is diminishing. Sources of financing for the government are decreasing in line with the economic collapse, and opposition to Mr Mugabe from within his party, the Zimbabwe African National Union-Patriotic Front (ZANU-PF), is understood to be increasing. The pressing need to find new sources of money was recently highlighted when soldiers from the army—the backbone of Mr Mugabe's rule—rampaged through the capital, Harare, looting because they could not withdraw their wages from banks.

In the meantime, the political scene will focus on the wrangling stemming from the September 15th power-sharing agreement between Mr Mugabe, his main rival, Morgan Tsvangirai, the leader of the main faction of the opposition Movement for Democratic Change (MDC), and Arthur Mutambara, the leader of a breakaway faction of the MDC. It is the dividing-up of the cabinet that has caused the agreement to become bogged down, with Mr Mugabe adamant that he and ZANU-PF should control the most powerful ministries, something that Mr Tsvangirai disagrees with, especially as the MDC has more seats in parliament than ZANU-PF. Regardless of this deadlock, the power-sharing deal is undoubtedly historic in that Mr Mugabe has relinquished some of his powers for the first time in nearly three decades of rule. It remains to be seen, however, whether the agreement will prove to be workable and whether it will do anything to reverse the country's steep economic decline. The indications so far are not positive; by early December there was still no agreement as to the make-up of the cabinet.

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

International relations

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

Economic policy outlook

Policy trends

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

Fiscal policy

Recent budgets predicting impressive economic recoveries have proved to be nothing more than forlorn hopes, with no basis in reality. The 2009 budget, even assuming that one can be agreed, is unlikely to be any different—with uncertainty over which party will control the Ministry of Finance under the power-sharing agreement, budget preparations have been severely hampered. The options for the budget are limited by the collapse of revenue in real terms—a result of the continuing economic disintegration. The only sector that might generate genuine revenue growth is minerals. Given the highly negative real interest rates paid on domestic debt and the lack of access to foreign lending, the Economist Intelligence Unit expects that the government will find it impossible to raise sufficient amounts from domestic debt markets to fund the budget deficit. Given the difficulty of raising revenue, we expect that the government will continue to rein in spending in real terms in an attempt to keep the deficit under control. As a result, government services, particularly healthcare and education, will continue to deteriorate. The government will finance the deficit through domestic borrowing and by simply printing money, adding further to inflation. The situation in 2010 will largely depend on who is in power. If Mr Mugabe has left by then, a large increase in donor support can be expected, the IMF will help to shape a prudent economic policy and the need to print money to cover the deficit will be removed. However, should Mr Mugabe's reign persist into 2010, little change in fiscal policy is to be expected.

Monetary policy

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

Economic forecast

International assumptions

International assumptions summary
(% unless otherwise indicated)

	2007	2008	2009	2010
Real GDP growth				
World	4.8	3.6	2.0	3.0
OECD	2.6	1.4	-0.1	1.1
EU27	2.9	1.3	-0.3	0.8
Exchange rates				
¥:US$	117.8	103.6	97.0	96.0
US$:€	1.369	1.463	1.285	1.300
SDR:US$	0.651	0.630	0.666	0.660
Financial indicators				
€ 3-month interbank rate	4.27	4.77	3.95	3.60
US$ 3-month Libor	5.30	2.51	2.36	3.03

International assumptions summary
(% unless otherwise indicated)

	2007	2008	2009	2010
Commodity prices				
Oil (Brent; US$/b)	72.7	98.4	65.0	68.3
Gold (US$/troy oz)	696.7	863.2	707.5	625.0
Platinum (US$/oz)	1,299.0	1,585.0	1,075.0	1,200.0
Food, feedstuffs & beverages (% change in US$ terms)	30.9	30.2	-26.4	0.8
Industrial raw materials (% change in US$ terms)	11.2	-1.0	-20.4	-0.5

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

We expect world GDP growth (on a purchasing power parity basis) to ease sharply to 2% in 2009 as OECD markets slow and the US enters recession. Growth will rebound slightly to 3% in 2010 as global activity recovers. Although most commodity prices will trend down, they are expected to remain high by historical standards, driven by continued strong demand from Asia. In addition, the prices of some commodities, such as platinum, should begin to recover in 2010 in line with the global recovery. We expect international oil prices to slide sharply, to average US$65/barrel in 2009, to Zimbabwe's advantage as an importer, before edging up again to an average of US$68/b in 2010.

Economic growth

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

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

Inflation

Shortages of food and foreign exchange, the galloping devaluation of the currency and the ballooning money supply caused by the government's quasi-fiscal spending have continued to drive inflation to record highs. Year-on-year inflation surpassed 100,000% in January 2008, and official figures show that by

July it had reached 231 million percent. It is expected to continue to increase throughout most of the year as a whole as Mr Mugabe attempts to maintain his grip on power. Inflation could fall in 2009-10, especially if a post-Mugabe government were able to get donors on board, exert a degree of fiscal discipline and narrow the gap between the official and parallel-market rates of exchange, but it will remain at a level that will continue to cripple the country.

Exchange rates

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

External sector

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

Forecast summary

(% unless otherwise indicated)

	2007[a]	2008[a]	2009[b]	2010[b]
Real GDP growth	-5.5	-12.6	-4.7	-3.7
Consumer price inflation (av)	12,562.6	999,999.0[c]	999,999.0	999,999.0
Consumer price inflation (year-end)	66,212.3	999,999.0	999,999.0	999,999.0
Short-term interbank rate	579.0	455.0	467.5	533.1
Government balance (% of GDP)	-8.8	-6.1	-6.5	-3.4
Exports of goods fob (US$ bn)	1.7	1.7	1.5	1.5
Imports of goods fob (US$ bn)	2.2	2.3	1.8	1.8
Current-account balance (US$ bn)	-0.5	-0.7	-0.4	-0.3
Current-account balance (% of GDP)	-29.7	-43.6	-25.2	-26.3
External debt (year-end; US$ bn)	4.9	5.3	5.3	5.9
Exchange rate Z$:US$ (av)[d]	16,313	234	5,000	10,000
Exchange rate Z$:US$ (year-end)[d]	30,000	2,000	5,000	10,000
Exchange rate Z$:€ (av)[d]	22,326.1	343	6,425	13,000

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

Monthly review: December 2008

The political scene

There is still no movement on the power-sharing agreement

At the end of November, eight months after the March elections, no government has yet been formed. The stalemate has continued as Zimbabwe's humanitarian situation has worsened dramatically, with cholera breaking out across the country and hunger gripping large segments of the population. There was a meeting in South Africa at the end of the month between representatives of the Zimbabwe African National Union-Patriotic Front (ZANU-PF) and the Movement for Democratic Change (MDC). Both sides agreed that their parties would pass a constitutional amendment to create the post of prime minister, which would be taken by the MDC leader, Morgan Tsvangirai, who would share power with the president, Robert Mugabe. However, the meeting failed to break new ground over the issue of the division of cabinet posts between the two rival leaders. The discussions focused on the Ministry of Home Affairs, which controls the police. No conclusive decision was reached over who should control this key ministry. Mr Mugabe has already awarded his party control of the military and the domestic intelligence-gathering agency, the Central Intelligence Organisation (CIO). At the meeting, held in late November, Mr Mugabe stuck to a proposal from the former South African president, Thabo Mbeki, that the home affairs ministry be shared between Mr Mugabe's ZANU-PF and Mr Tsvangirai's MDC. However, Mr Tsvangirai has insisted that he should have full control of home affairs because he won the most votes in the presidential poll and because his party won control of parliament.

Three "Elders" are refused entry

Mr Mugabe became further isolated in the international community in late November when his government blocked the visit of a delegation from the "Elders", a group of senior figures chosen by Nelson Mandela to work to resolve the world's crises. The Zimbabwean authorities refused entry to a former US president, Jimmy Carter; the former UN secretary-general, Kofi Annan; and Graça Machel, the wife of Mr Mandela. They had announced that they would go to Zimbabwe to evaluate what the international community could do to assist in Zimbabwe's humanitarian crisis.

Unable to go to Zimbabwe, the trio held three days of meetings in Johannesburg, after which they said that Zimbabwe's humanitarian crisis was worse than they had ever expected and now so urgent that a resolution of the political deadlock was imperative, as the two go hand-in-hand. The trio met with both Mr Tsvangirai and the leader of a minority MDC faction, Arthur Mutambara, and urged them to agree to a power-sharing government. However, the opposition insisted that no deal was better than a bad deal, and said that several issues remained obstacles to equitable power-sharing. The delegation of Elders condemned Mr Mugabe and also the Southern African Development Community (SADC), for failing to be more assertive in the past. However, it is unlikely that such criticism will make any difference, especially as SADC remains unable to agree on how best to proceed with Zimbabwe.

SADC is divided over Zimbabwe

The MDC has appealed to SADC to end Mr Mbeki's involvement in the negotiation process, after the former South African president wrote a letter in which he reportedly suggested that Mr Tsvangirai was taking direction from Western powers and criticised the Zimbabwean opposition leader for calling the regional leaders cowards. It is the second time this year that the MDC has officially written to SADC seeking Mr Mbeki's replacement. However, there are growing indications that SADC is becoming impatient with both Mr Mugabe and Mr Mbeki. The government of Botswana remains the most outspoken critic of the Mugabe regime. In mid-November, after a SADC summit in South Africa, Botswana's foreign affairs minister, Phandu Skelemani, said that if the power-sharing talks failed his government would "go back to square one" by not recognising Mr Mugabe as president. Some other countries that are critical of Mr Mugabe may follow the same route—recently Raila Odinga, the Kenyan prime minister, also criticised Mr Mugabe's rule and called for change—but many will not, compounding Zimbabwe's suffering with regional dithering.

Soldiers riot over pay

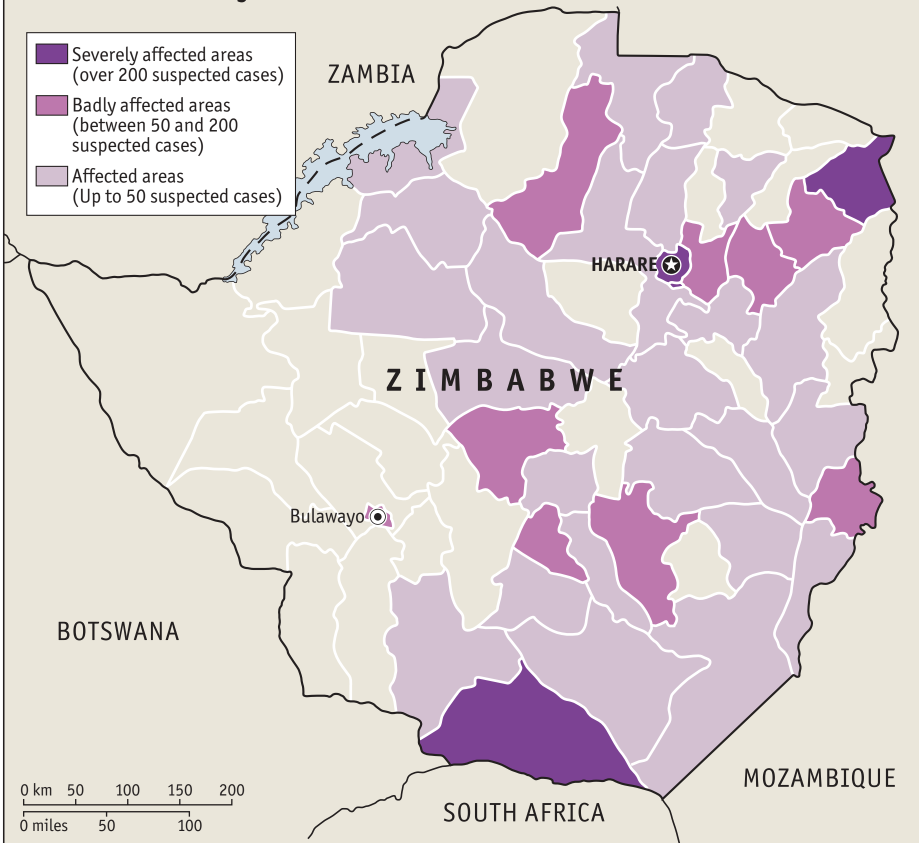
Zimbabwean army soldiers, frustrated over not being able to get at their pay, rioted on November 28th and December 1st. On both occasions about 40 soldiers became angry when they were not able to withdraw adequate amounts of their pay from the banks. The soldiers shot at shop windows and looted them, as well as robbing money-changers of their cash. Both were small-scale incidents but they are a noteworthy development, as Mr Mugabe has long relied on the army to enforce his rule. If the rank and file were to challenge his orders, it would dramatically change the situation and make it difficult for Mr Mugabe to continue in power.

Cholera hits Zimbabwe and spreads to South Africa

Cholera has killed more than 425 Zimbabweans and has made more than 11,000 ill, the government announced on November 30th. The minister of health, David Parirenyatwa, has declared a national emergency and has warned that the death toll may climb higher, as the rainy season has started and the run-off may contaminate greater amounts of water, including the piped water system, which is no longer treated, as well as the shallow wells and rivers that many Zimbabweans rely on. Cholera is a treatable disease but Zimbabwean hospitals and clinics do not have the appropriate antibiotic drugs. Many government hospitals have shut down for lack of supplies and staff, and the country is relying increasingly on international aid groups. Meanwhile, the government has appealed to the UN for body bags and medical supplies worth US$117,000 to cope with the outbreak.

The independent Zimbabwe Association of Doctors for Human Rights charged that the government had tried to minimise the real death toll, which they put at nearly 1,000. The disease has spread to nearly all ten of Zimbabwe's provinces, as well as to the neighbouring countries of South Africa and Botswana. The World Health Organisation (WHO) blamed the cholera outbreak on a lack of clean drinking water and adequate toilet facilities. The WHO spokesperson said that there were very few places where people infected with cholera in Zimbabwe could seek medical care, and that the clinics that were open had far too few health workers to contain the outbreak. Privately, international aid workers said that the government had at first refused to co-operate with them and had said that the situation was under control. South Africa is expected to send a delegation to Zimbabwe to assess the deteriorating humanitarian crisis.

Areas affected by outbreak of cholera as at 3rd December 2008



Source: International Federation of Red Cross and Red Crescent Societies (IFRC).

Regional court rules in favour of 78 white farmers

A SADC tribunal ruled on November 28th that 78 white Zimbabweans may keep their farms because Mr Mugabe's land seizures illegally discriminated against them (November 2008, The political scene). Judge Luis Mondlane, the president of the SADC tribunal, said that Zimbabwe had violated the treaty governing the 15-nation regional bloc by trying to seize the white-owned farms. He said that the 78 applicants had a clear legal title for their farms and were denied access to the local judiciary. Three of the 78 farmers have already been forced from their land, and the court ruled that Zimbabwe had also violated the treaty by failing to pay them fair compensation. For the remaining 75 farmers, Judge Mondlane ordered Zimbabwe's government to "take all measures to protect the possessions and ownership" of their land.

The verdict is the first major ruling by the court since it convened in April last year. According to the SADC treaty, the court's rulings are binding, but the Mugabe regime did not immediately say whether it would comply. Zimbabwe's ambassador to Namibia, Chipo Zindoga, said that the government did not yet have a formal response to the ruling, but warned that the verdict could interfere with the country's controversial land reforms. The group of white farmers was led by William Michael Campbell, who called on all SADC leaders to see to it that the rule of law was respected in SADC and that peace prevailed in Zimbabwe to allow all farmers to farm. At the current time, this appears to be a forlorn hope and the Zimbabwean government is considered to be unlikely to abide by the ruling.

Economic policy

Mr Gono gets another five-year term as head of RBZ

Gideon Gono, the governor of the Reserve Bank of Zimbabwe (RBZ, the central bank), was reappointed to a second five-year term at the end of November by the finance minister, Samuel Mumbengegwi. From its start in December 2003, Mr Gono's term has been marked by the accelerated decline of Zimbabwe's once-prosperous economy. Mr Gono has performed a number of financial sleights of hand to allow Mr Mugabe to continue spending and to maintain a grossly unrealistic exchange rate. In an effort to deal with hyperinflation Mr Gono has introduced higher-denomination notes and lopped a total of 13 zeros off the currency—three zeros in August 2006 and ten in August 2008—but the Zimbabwe currency has still continued to lose value.

New regulations are introduced for stock exchange

Early in November the government criticised insurance companies and pension funds, which make up more than 80% of the stock market's investors, for preferring to invest in the stock exchange rather than the government. The government introduced a statutory requirement that, from the end of November, they would have to invest between 30% and 35% of their assets in prescribed government assets. Failure to comply would result in "very serious remedial measures". Mr Gono charged that the Zimbabwe Stock Exchange had become a "weapon of economic genocide". Its crime was to allow stockbrokers to bid up share prices, accusing them of a variety of fraudulent dealings, which he maintained were designed to undermine the state by fuelling foreign-exchange trading on the black market.

The dollarisation of the economy continues

There are suggestions from some segments that the Zimbabwe Stock Exchange should operate in US dollars, in line with many other parts of the rapidly dollarising economy. With the introduction of foreign-currency shops and fuel stations, the move towards doing business in hard currency is spreading. Employees are increasingly asking for salaries to be paid in hard currency, as they are unable easily to access Zimbabwe dollars from the banking system and most goods are available only in foreign-currency shops (October 2008, Economic policy) and on the black market, both of which require real money. The partial dollarisation has provided some breathing space for Zimbabweans with access to foreign currency, with remittances having enabled many people at the lower end of the economic scale to access it. However, there are concerns that remittances will fall as the economic troubles in the West intensify and Zimbabwean ex-pats lose their jobs.

Economic performance

Inflation could be as high as 89.7 sextillion percent

The government has not released official inflation figures through the Central Statistical Office for several months, after it announced that the inflation rate for July was 231m percent. Independent economists in Harare estimate that the inflation rate for November was 5.7 billion percent. The Washington-based Cato Institute goes as far as estimating Zimbabwe's inflation at 89.7 sextillion percent. Because most goods in Zimbabwe must now be paid for in foreign currency, the inflation rate is roughly equal to the rate of depreciation on the black market of the Zimbabwe dollar against the US dollar. However, the increasing number of shops pricing in US dollars means that demand for the US dollar is increasing and so the Zimbabwe dollar's value is plummeting further.

"Worst-ever" maize harvest is expected in 2009

Maize planting, which should have been completed by the middle of November, had barely started by the end of the month, according to agricultural experts in Zimbabwe. Large parts of the country will remain unplanted as small-scale farmers cannot afford seed or fertiliser. The Commercial Farmers' Union expects the 2009 harvest to be the worst ever, at no more than 300,000 tonnes. Zimbabwe needs at least 1m tonnes of maize to meet domestic demand. International aid agencies expect to cover this deficit by feeding 5m Zimbabweans. With the economic crisis deepening and a growing humanitarian crisis, malnutrition is now expected to afflict 45-50% of the population, and life expectancy is now one of the lowest in the world.

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	1.3
Nominal GDP (Z$ bn)	23.9[d]	75.4[d]	892.6[d]	106,741.1[d]	0.094	886.3	8,529,242
Real GDP growth (%)	-3.8	-6.5	-4.6	-5.5	-12.6	-4.7	-3.7
Expenditure on GDP (% real change)							
Private consumption	-18.6	8.4	-4.5	-5.0	-12.0	-12.0	-5.0
Government consumption	31.7	6.4	-6.0	-6.0	-10.0	-7.0	-4.0
Gross fixed investment	54.2	-63.4	-1.0	-5.0	-8.0	-8.0	-3.0
Exports of goods & services	1.7	-4.3	-1.0	-0.8	-1.2	-0.5	-0.5
Imports of goods & services	2.4	-3.1	-1.5	-1.0	-0.6	-10.0	-2.0
Origin of GDP (% real change)							
Agriculture	-2.9	-10.0	-4.5	-5.0	-17.5	-4.0	-3.6
Industry	-3.5	-11.7	-3.5	-5.0	-13.0	-4.0	-2.0
Services	-4.2[b]	-3.4	-5.0	-5.8	-11.0	-5.2	-4.4
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	149	144	140
Fiscal indicators (% of GDP)							
Public-sector revenue	32.5	43.9	39.2	37.3	38.3	40.5	37.8
Public-sector expenditure	38.7	45.6	50.6	46.1	44.4	46.9	41.2
Public-sector balance	-6.1	-1.7	-11.5	-8.8	-6.1	-6.5	-3.4
Net public debt	193.2	195.9	212.1	217.2	257.7	317.0	328.7
Prices and financial indicators							
Exchange rate Z$:US$ (end-period)	5.1[d]	78.0[d]	250[d]	30,000[d]	2,000	5,000	10,000
Consumer prices (end-period, %)	132.7	585.8[a]	1,281.1[a]	66,212.3	999,999.0	999,999.0	999,999.0
Stock of money M1 (% change)	228.6	552.6[a]	1,323.1	66,709.9	192,393.5	1,000,069	1,000,070
Stock of money M2 (% change)	229.3	532.7[a]	1,453.1	64,472.4	17,269,893	1,000,119	1,000,120
Lending interest rate (av; %)	278.9	235.7[a]	496.5[a]	579.0	455.0	467.5	533.1
Current account (US$ m)							
Trade balance	-663[b]	-607	-458	-477	-590	-252	-289
Goods: exports fob	1,680[b]	1,497	1,582	1,707	1,747	1,500	1,498
Goods: imports fob	-2,342[b]	-2,104	-2,040	-2,183	-2,337	-1,753	-1,788
Services balance	-107[b]	-97	-88	-108	-146	-180	-212
Income balance	-208[b]	-190	-188	-182	-189	-198	-113
Current transfers balance	228[b]	263	264	266	270	270	270
Current-account balance	-750[b]	-631	-470	-500	-655	-360	-345
External debt (US$ m)							
Debt stock	4,818	4,296[a]	4,677[a]	4,901	5,252	5,331	5,872
Debt service paid	100	225[a]	83[a]	77	78	63	72
Principal repayments	77	198[a]	31[a]	35	38	36	24
Interest	23	27[a]	53[a]	42	40	27	48
Debt service due	449	276[a]	406[a]	651	664	736	627
International reserves (US$ m)							
Total international reserves	255	160	140	120	100	90	85

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts. [d] In August 2008 the authorities redenominated the currency by removing ten zeros.

Source: IMF, *International Financial Statistics*.

Quarterly data

	2005	2006				2007		
	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
Central government finance (Z$ m)								
Revenue & grants	16,858	45,594	162,579	n/a	n/a	n/a	n/a	n/a
Expenditure & net lending	12,969	49,850	188,148	n/a	n/a	n/a	n/a	n/a
Balance	3,889	-4,256	-25,569	n/a	n/a	n/a	n/a	n/a
Total domestic debt (end-period)	15,886	15,021	46,213	119,401	175,666	1,283,404	n/a	n/a
Output								
Manufacturing index (1990=100)	56	56	58	69	73	n/a	n/a	n/a
Manufacturing index (% change, year on year)	-10	-9	-5	12	30	n/a	n/a	n/a
Prices								
Consumer prices (2000=100)	40,350	72,480	133,258	249,903	509,953	1,437,264	7,321,732	n/a
Consumer prices (% change, year on year)	503	797	1,140	1,074	1,150	1,841	5,166	782,799
Financial indicators								
Exchange rate Z$:US$ (av)	0.0000	0.000	0.000	0.000	0.000	259.153	257.27	8,186.71
Exchange rate Z$:US$ (end-period)	80.7700	102.780	104.840	259.580	258.920	259.120	255.55	30,000.00
Parallel exchange rate Z$:US$ (av)	90.000	156.947	320.0	1,068.0	2,567.0	10,333.0	79,333.0	293,333.0
Bank rate (end-period; %)	540.0	750.0	850.0	300.0	500.0	500.0	600.0	600.0
Lending rate (av; %)	363.3	488.3	665.8	431.7	400.0	529.2	537.5	590.8
Treasury-bill rate (av;%)	296.8	455.0	509.4	258.8	66.3	66.3	248.8	340.0
M1 (end-period; Z$ bn)	44,746	60,355	115,115	331,984	636,799	2,223,460	18,906,200	70,897,800
M1 (% change, year on year)	553	521	771	1,510	1,323	3,584.0	16,323.8	21,255.8
M2 (end-period; Z$ bn)	58,424	82,151	158,005	434,002	907,355	2,851,923	23,605,270	90,740,400
M2 (% change, year on year)	533	559	781	1,520	1,453	3,371.6	14,839.6	20,807.8
ZSE industrial index (end-period)	24,840	28,565	61,764	184,839	310,459	548,730	3,696,286	5,460,688
Sectoral trends								
Tobacco auctions (annual totals; '000 tonnes)[a]	n/a	n/a	53	n/a	n/a	n/a	n/a	n/a
Gold production (kg)	3,058	2,788	2,556	2,990	2,904	2,334	n/a	n/a
Gold production (Z$ bn)	2,895	4,854	6,286	13,035	29,569	27,735	n/a	n/a
Chrome ore production ('000 tonnes)	n/a	174	173	177	176	176	n/a	n/a
Chrome ore production (Z$ bn)	n/a	1,047	1,662	4,019	8,541	19,643	n/a	n/a
Platinum production (kg)	1,270	1,172	1,183	1,434	1,210	1,367	n/a	n/a
Platinum production (Z$ bn)	2,140	3,519	4,016	10,400	10,377	11,761	n/a	n/a
Foreign trade (Z$ m)[b]								
Exports fob	318.6	207.5	236.0	243.3	254.4	619.7	709.1	549.3
Imports cif	434.0	597.6	709.9	786.0	729.7	605.6	571.7	634.5
Trade balance	-115.5	-390.1	-473.9	-542.8	-475.3	14.1	137.4	-85.2

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

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

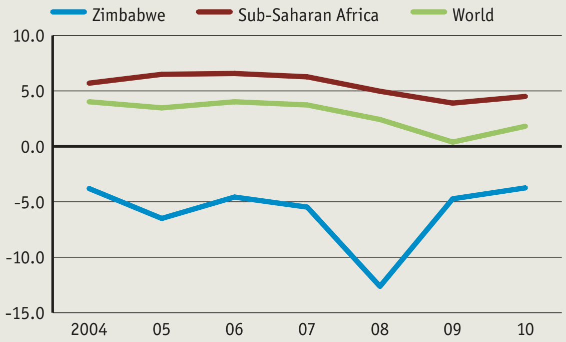
Monthly data

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate Z$:US$ (av)												
2005	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2006	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007	0.0	0.0	0.0	0	0	0	0	0	0	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.

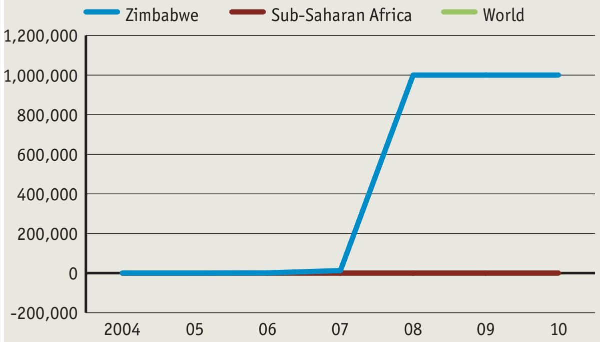
Annual trends charts

Real GDP growth
(% change)



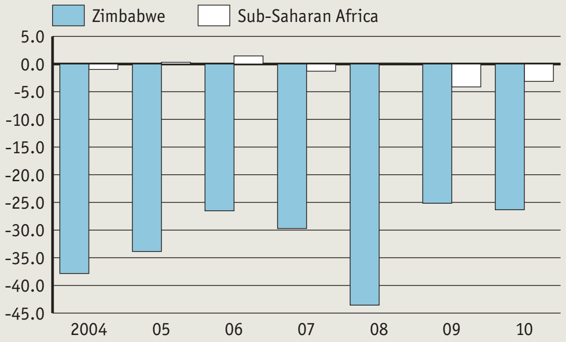
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



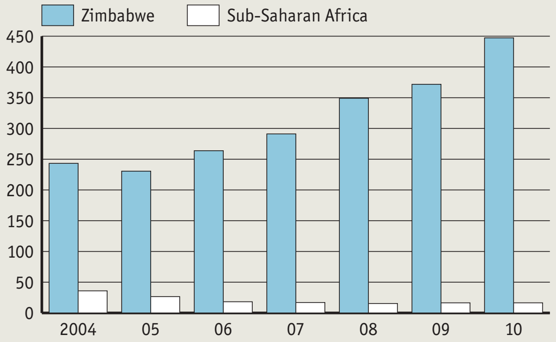
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



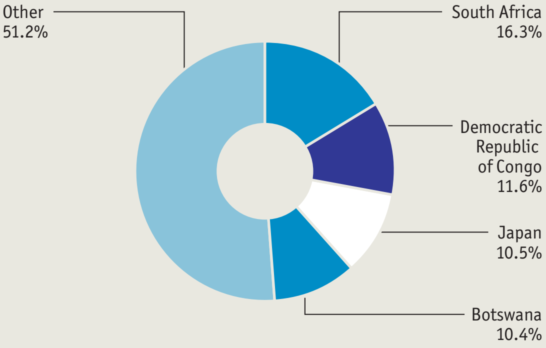
Source: Economist Intelligence Unit.

Total external debt
(% of GDP)



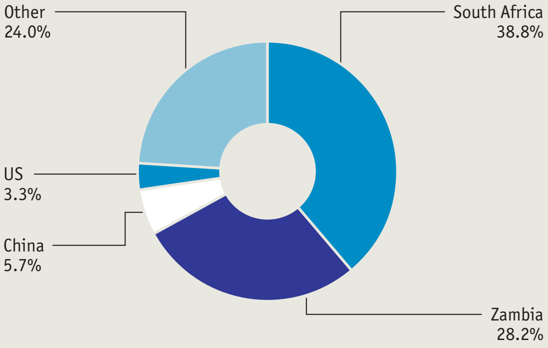
Source: Economist Intelligence Unit.

Main destinations of exports, 2007
(share of total)



Source: Economist Intelligence Unit.

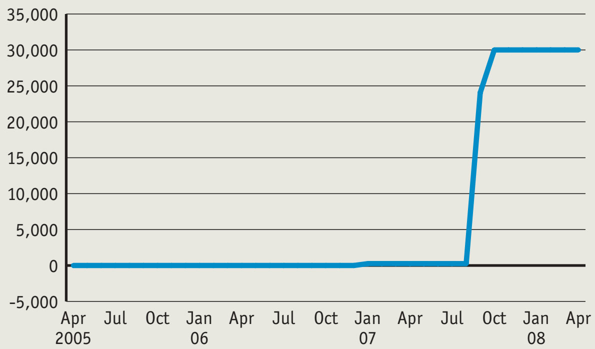
Main origins of imports, 2007
(share of total)



Source: Economist Intelligence Unit.

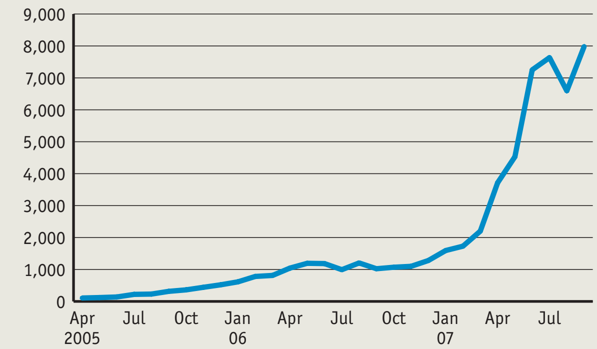
Monthly trends charts

Exchange rate
(Z$:US$; av)



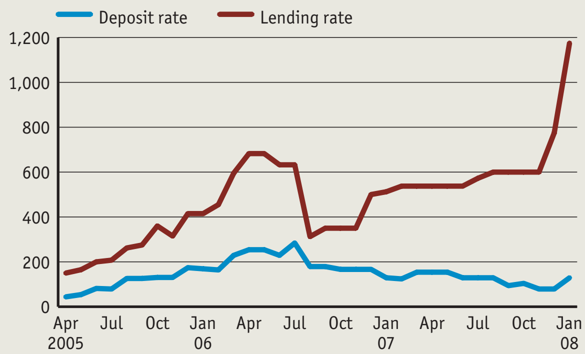
Source: Economist Intelligence Unit.

Consumer price inflation
(% change, year on year)



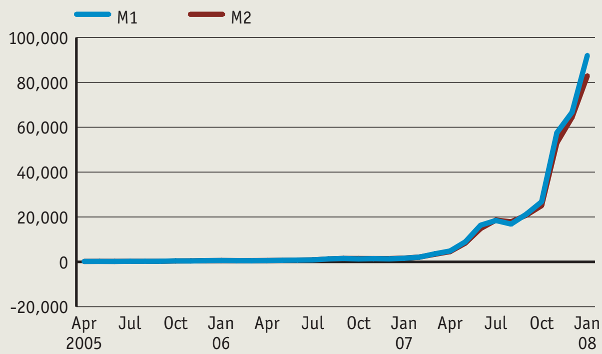
Source: Economist Intelligence Unit.

Interest rates
(av; %)



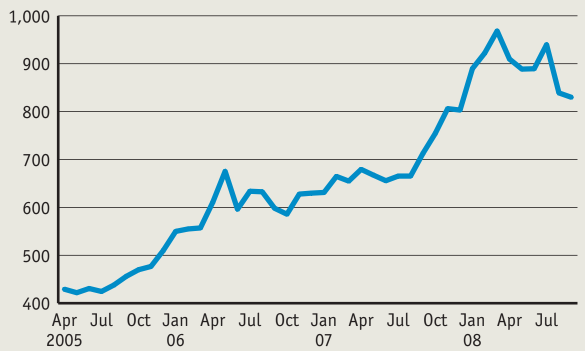
Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



Source: Economist Intelligence Unit.

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



Source: Economist Intelligence Unit.

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

Source: Economist Intelligence Unit.

Country snapshot

Political structure

Official name	Republic of Zimbabwe
Form of state	Unitary republic
Legal system	Based on Roman-Dutch law and the 1979 constitution
National legislature	House of Assembly with 150 members, 120 of whom represent geographical constituencies and are elected by universal adult suffrage every five years; eight are provincial governors, ten are customary chiefs and 12 others are appointed by the president; a Senate of 66 members was established in November 2005
National elections	March 2008 (presidential), March 2008 (legislative) and March 2008 (Senate)
Head of state	President, elected by universal suffrage for a six-year term
National government	The president and his appointed cabinet; last major reshuffle February 2004
Main political parties	Zimbabwe African National Union-Patriotic Front (ZANU-PF), the ruling party since 1980; the Movement for Democratic Change (MDC), formed by the trade union movement in September 1999; the Zimbabwe African National Union-Ndonga (ZANU-Ndonga) has one seat; a number of smaller parties and independent candidates also contest elections

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