Country Report

Zimbabwe

November 2008

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The Economist Intelligence Unit

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Executive summary

Highlights

November 2008

Outlook for 2009-10

- Zimbabwe's president, Robert Mugabe, is expected to leave power during the forecast period, as the economic 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 have great influence over the outcome.
- Economic policy will continue to be driven by political considerations and the economy will continue to contract, at a forecast rate of 4.5% 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 slump will reduce demand for Zimbabwe's metal exports in 2009-10, but a small recovery could occur in 2010 with rising prices and the possibility of greater production stemming from a more stable political scene.
- As a percentage of GDP, the current-account deficit will surpass 50% in 2009 and 60% in 2010 because of the ongoing collapse of the economy.

Monthly review

- The power-sharing agreement remains in limbo with the protagonists still unable to agree how the cabinet positions should be split.
- The opposition leader, Morgan Tsvangirai, has been on a regional trip to search for support. But, he was left disappointed by a meeting of regional leaders who supported a plan of Mr Mugabe with regards to the cabinet.
- There are growing calls for the UN to take a greater role in finding a solution to the deadlock.
- A group of white commercial farmers have complained that seizures of their property have increased in recent months in contradiction to a ruling that farm seizures should be halted by a regional tribunal.
- The government has paid US$6.5m back to the Geneva-based, Global Fund to Fight Aids, TB and Malaria, after revelations surfaced that the money had been diverted to fund non-health projects.
- The Chamber of Mines of Zimbabwe has warned that the gold mining industry is threatened with collapse because the government is failing to pay for the gold it buys from local miners.

Outlook for 2009-10

Political outlook

Domestic politics

After years of misrule, which has precipitated an economic catastrophe, the president of Zimbabwe, Robert Mugabe, is expected to leave office during the forecast period. On September 15th Mr Mugabe signed a power-sharing agreement with 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. The accord said that Mr Mugabe would continue as president and chair the cabinet, with Mr Tsvangirai becoming prime minister and heading a special council made up of cabinet members that was to initiate and implement policy and oversee the work of the cabinet.

The agreement stated that Mr Mugabe and Mr Tsvangirai would each be able to choose, and therefore control, one-half of the cabinet positions. It is the dividing-up of the cabinet that has caused the agreement to become bogged down, with Mr Mugabe adamant that he and his party, the Zimbabwe African National Union-Patriotic Front (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. However, 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—particularly as it is predicated on co-operation between political leaders who only weeks ago were accusing each other of treachery and terrorism—and whether it will do anything to reverse the country's long economic decline. The indications so far are not positive; by mid-November there was still no agreement on the make-up of the cabinet.

It is likely that Mr Mugabe will attempt to hold on to power, but his position is becoming more untenable. He has enough influence to carry his rule on into 2009, possibly even 2010, but both internal and external events are conspiring against him. Internally the economic collapse will mean that nearly one-half of the population will require food aid during the next six months, increasing the tide of opposition against him. Although popular resentment against his rule has failed to bother Mr Mugabe in the past—his violent crackdowns and widespread repression see to that—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 ZANU-PF is understood to be increasing.

The ousting of Thabo Mbeki as the South African president has been a blow to Mr Mugabe's rule. Mr Mbeki is likely to be replaced at the South African presidential election in April 2009 by Jacob Zuma, who is much less well disposed to Mr Mugabe. Therefore, 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 early in 2010, when he would step down. If the agreement collapses altogether, Mr Mugabe is likely to try to maintain 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.

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 Mr Zuma becomes the next South African president. The "quiet diplomacy" of the former South African president, Mr 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, who 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 be focused 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.

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. Assuming 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. However, 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
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)	49.6	12.8	-3.1	-12.8

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 and average of US$68/b in 2010.

Economic growth

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 around, 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. Assuming that the power-sharing agreement provides at least a slight increase in political stability, the rate of economic decline should slow, to a forecast 4.5% in 2009. A similar case should be true in 2010, especially if Mr Mugabe were to depart, with the economic decline slowing to 3.7%. 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 September 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 zeroes were taken from the currency—has failed. Zimbabwe's hyperinflation and moribund economy have once again completely undermined the value of its currency, rendering the redenomination useless. The premium between the official and parallel rates has reopened, with the parallel market rates now containing more zeroes than there were on the currency before the redenomination. This slide is expected to continue as simply issuing new notes will be 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. Imports will remain high, reflecting the substantial maize imports needed to offset the shortfall in domestic production, but should fall back a little in 2009 as oil prices recede. 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. As a percentage of GDP, the current-account deficit will reach 56.3% in 2009 and 60.5% in 2010. However, in US-dollar terms the deficit in 2010 actually falls, but as the economy is shrinking the current-account deficit widens as a share of GDP.

Forecast summary

(% unless otherwise indicated)

	2007[a]	2008[a]	2009[b]	2010[b]
Real GDP growth	-5.6	-6.2	-4.5	-3.7
Consumer price inflation (av)	12,562.6	999,999.0[c]	999,999.0[c]	999,999.0[c]
Consumer price inflation (year-end)	66,212.3	999,999.0[c]	999,999.0[c]	999,999.0[c]
Short-term interbank rate	579.0	455.0	467.5	533.1
Government balance (% of GDP)	-8.8	-5.7	-6.0	-3.1
Exports of goods fob (US$ bn)	1.7	1.8	1.6	1.6
Imports of goods fob (US$ bn)	2.2	2.3	2.3	2.4
Current-account balance (US$ bn)	-0.5	-0.6	-0.9	-0.9
Current-account balance (% of GDP)	-29.7	-38.1	-56.3	-60.5
External debt (year-end; US$ bn)	4.9	5.3	5.2	5.7
Exchange rate Z$:US$ (av)	16,313[d]	234	5,000	10,000
Exchange rate Z$:US$ (year-end)	30,000[d]	2,000	5,000	10,000
Exchange rate Z$:€ (av)	20,483[d]	321	7,700	15,200
Exchange rate Z$1,000:US$ (av; parallel market)	990.8[d]	7,508.8	100,000	2,000,000[e]

[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. [e] Will be significantly higher than this, but there is not enough room in the column.

Monthly review: November 2008

The political scene

The power-sharing agreement remains in limbo

Zimbabwe has remained locked in a political deadlock, preventing the formation of the power-sharing government that was agreed on September 15th (October 2008,The political scene). As the stalemate has continued, Zimbabwe's economic situation has worsened and hunger has increased in the general population. The central problem has been the inability of the president, Robert Mugabe and Prime Minister, Morgan Tsvangirai, to reach agreement over the division of cabinet seats each could appoint. On October 11th Mr Mugabe unilaterally allocated cabinet positions by publishing the division in the government gazette and the state-controlled *Herald* newspaper. According to the announcement Mr Mugabe's party, the Zimbabwe African National Union-Patriotic Front (ZANU-PF), will control the armed forces, security service, home affairs (which runs the national police force), justice and several other key ministries. Mr Tsvangirai and his party, the Movement for Democratic Change (MDC), were given control of the finance ministry and the responsibility for getting Zimbabwe's economy back on track, as well as several other portfolios of minor importance. Mr Tsvangirai refused to accept Mr Mugabe's division of cabinet posts.

Mr Tsvangirai was adamant that he could not agree to Mr Mugabe's allocation of ministries. If Mr Tsvangirai were to take control of the finance ministry, he would become responsible for Zimbabwe's continuing economic collapse without having the authority to order the thorough change in policies that is required to put Zimbabwe on a path towards economic growth. Nor is it likely that major Western donors would be convinced by Mr Tsvangirai's mere participation to release the large amounts of funds needed for the country's reconstruction. Mr Tsvangirai, and other top officials of his wing of the MDC, such as secretary-general, Tendai Biti, say the finance ministry alone is not enough to assure their party will have a fair share of power. They say that the mediator, South Africa's former president, Thabo Mbeki, had earlier suggested that if Mr Mugabe had the army and security portfolios then Mr Tsvangirai would get home affairs, which would put him in control of the police. If the opposition were to be in charge of the police then the MDC would, in theory, be able to stop attacks by Mr Mugabe's youth militia and war veterans on opposition supporters. Mr Mugabe is not willing to give up such strategic power and Mr Tsvangirai is resistant to accepting to enter into a government in which he has such restricted power. The deadlock, therefore, is set to continue for the foreseeable future.

Mr Tsvangirai searches for regional support

The Mugabe government had refused to issue Mr Tsvangirai with a new passport in recent months, but by the beginning of November he was able to travel on an emergency travel document and he used the opportunity to visit several African countries to lobby them to put pressure on Mr Mugabe. Mr Tsvangirai met with the president of Botswana, Ian Seretse Khama, who is one of Mr Mugabe's strongest critics and who—perhaps unrealistically—urged that the current crisis be solved by holding completely new elections. The Zimbabwe government reacted angrily, charging that Mr Khama's statement was an act of interference in Zimbabwe's internal affairs.

Mr Tsvangirai also visited the South African interim president, Kgaleme Motlanthe, who currently holds the chair of the Southern African Development Community (SADC) and the Tanzanian president Jakaya Kikwete, who is also the chairman of the African Union (AU). Other MDC officials went to Nigeria, Ghana, Senegal, Zambia and Mozambique to urge those governments to put pressure on Mr Mugabe. There were signs that regional leaders would take a tougher stance against Mr Mugabe, such as the warning by Mr Motlanthe that Zimbabwe's current political impasse is threatening regional stability, but nothing of any more substance was said ahead of a SADC meeting on November 9th.

SADC meeting angers Mr Tsvangirai

The stalemate over Zimbabwe's cabinet dominated an emergency summit of the 15-nation SADC in South Africa on November 9th. Only five heads of state attended the meeting, with the other 10 countries represented by lower-level officials. Mr Tsvangirai warned the group that an agreement is urgently needed as the country's economic collapse and food shortages are combining to worsen the humanitarian crisis. Mr Tsvangirai warned that one million Zimbabweans could die of starvation in the next year and also charged that state violence against opposition supporters has continued. However, Mr Tsvangirai was subsequently angered by the decision of the SADC leaders to endorse Mr Mugabe's proposal that the two leaders share the home affairs ministry by having two ministers on rotation. Mr Tsvangirai said he was "saddened and shocked" by SADC's position, and said that no form of sharing of the home affairs post would be acceptable. He is expected to appeal to the AU and the United Nations (UN) for their support.

Greater UN pressure could soon come

The UN may well move to put more pressure on Mr Mugabe. The Zimbabwe issue is certainly back on the agenda with the UN Secretary-General, Ban Ki-moon, commenting on October 29th that Mr Mugabe had disappointed the international community. Earlier this year, South Africa protected Mr Mugabe's regime from the scrutiny of the UN Security Council, but now that Mr Mbeki is no longer president, there are indications that the South African government may take a different view. Likewise, Russia and China could shift their stance to allow the Security Council to consider the Zimbabwean crisis given the longevity of the deadlock.

The UN is also under pressure to act from a number of human rights groups. The US-based non-governmental organisation, Human Rights Watch, has urged the southern African leaders to get tough on Mr Mugabe or to call the UN to step in to solve the ongoing crisis. In a new 47-page report, Human Rights Watch accused Mr Mugabe and his ZANU-PF party of using Zimbabwe's police and judicial system against the opposition and civil society despite the unity accord signed in September. The New York-based body estimates that 163 people have been killed in political violence since the country's disputed March elections. Meanwhile, Amnesty International, another international human rights group, issued a report on October 31st saying that Mr Mugabe, other leaders of ZANU-PF and members of the army and police must be held accountable for the beating, torture, raping and killing of opposition supporters.

Farm invasions continue

A group of 70 white commercial farmers have alleged that the Mugabe government is violating an interim ruling by the SADC Tribunal that called for an end to farm invasions. The SADC Tribunal order, granted in Windhoek, Namibia in December 2007, forbid further invasions of farms owned by the group of white commercial farmers, who took their case to the regional body for arbitration after they had exhausted all legal channels available locally. In early November the farmers said that for the past two months there had been an increase in cases of disruptions on the properties protected by the interim relief order. The farmers also alleged that they are being denied access to certain parts of their farms and homesteads, rendering meaningful agricultural activity impossible. But Zimbabwe's Minister of Lands, Land Reform and Resettlement, Didymus Mutasa, dismissed the claims by the farmers saying the SADC order had been set aside after government appealed to a summit of the regional body. Mr Mutasa said that a committee of justice ministers from the region was appointed to review the interim relief because it was unconstitutional and interfered with Zimbabwe's internal affairs. Given the lack of respect for domestic laws by the government, let alone regional decisions, the white farmers are unlikely to have much success with their case until Mr Mugabe has left office.

Economic policy

Some donor funds are repaid

On November 7th Mr Mugabe's government paid US$6.5m back to the Geneva-based, Global Fund to Fight Aids, TB and Malaria, after revelations surfaced that the money had been diverted by the Reserve Bank of Zimbabwe (RBZ, the central bank) to fund non-health projects. The Minister of Health, David Parirenyatwa, said the funds were repaid so that Zimbabwe could qualify for a larger grant of US$188m. Between 2004 and 2007 the fund disbursed US$39m in Zimbabwe which was used to provide life-saving antiretroviral drugs to 13,000 people. Of the 1.7m Zimbabweans estimated to be HIV positive, 320,000 need the antiretroviral drugs but only 100,000 get free drugs from the government. Both the Global Fund and the United States government said that they will no longer fund projects through the RBZ, because of evidence that foreign currency deposited in the bank has been diverted by Mr Mugabe's regime to be used for other purposes.

The US ambassador to Zimbabwe, James McGhee, said that he is pressing the Zimbabwe government to allow non-governmental agencies to access grants from offshore accounts, rather than from the RBZ. The US government is the largest donor to humanitarian agencies operating in Zimbabwe, but at the moment all of its support is channelled through the RBZ. It is doubtful whether the government will accede to the demands given the scarcity of foreign exchange afflicting Zimbabwe. The US government will then be left with a difficult decision of whether to suspend its support and possibly see Zimbabweans die as a result, or accept the fact that some of it will be used by the government for their own ends.

Economic performance

Another poor harvest is expected

Zimbabwe is facing another small cereal harvest in 2009 because of severe shortages of seed and fertilizer, according to the Famine Early Warning System network (Fewsnet). According to US funded organization, Zimbabwe only has 19% of the maize seed that it needs for the upcoming rainy season. Even if new seed is imported, it is unlikely that it will arrive in Zimbabwe early enough to catch the rains, which usually start in mid-November. Zimbabwe is also battling a fertilizer shortage, with current stocks estimated to be just 1% of requirements, according to Fewsnet. These shortages could cause Zimbabwe's food shortages to worsen. Already the UN's World Food Programme says that 3.1m Zimbabweans currently need food aid and it forecasts that up to 5.5m Zimbabweans will need food aid this year. Doctors and nurses across Zimbabwe say they are seeing more cases of severe malnutrition and even starvation, particularly amongst young children.

The gold mining sector nears collapse

Zimbabwe's gold mining industry, the third-largest in Africa in 2000, is now threatened with a total collapse because the RBZ is failing to pay for the gold it buys from local miners, according to the Chamber of Mines of Zimbabwe. In late October the Golden Valley, a medium-size mine in near the central city of Kadoma, closed after it was unable to pay its electricity bill to the state-owned Zimbabwe Electricity Supply Authority. The closure caused 600 miners to lose their jobs. Gold mining companies must, under Zimbabwean law, sell all gold to the RBZ, but the central bank has fallen behind on payments. It is estimated the Reserve Bank owes US$30m to large, predominantly foreign-owned, mining firms. Zimbabwe's annual gold production has fallen from 30 tonnes in 1999 to a estimate of less than 3 tonnes this year. Exploration for new gold deposits has completely ceased and many underground mines are flooded because firms cannot afford to pump out water seeping into shafts.

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	1.6	1.5	1.4
Nominal GDP (Z$ bn)	23.9[d]	75.4[d]	892.6[d]	106,741.1[d]	0.1	956.4	9,211,767
Real GDP growth (%)	6.2	-18.4	-4.4	-5.6	-6.2	-4.5	-3.7
Expenditure on GDP (% real change)							
Private consumption	-18.6	8.4	-4.5	-5.0	-5.5	-4.0	-3.0
Government consumption	31.7	6.4	-6.0	-6.0	-5.0	-4.5	-4.0
Gross fixed investment	54.2	-63.4	-1.0	-5.0	-6.0	-4.0	-3.5
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	-0.6	-0.4
Origin of GDP (% real change)							
Agriculture	-2.9	-10.0	-4.5	-5.0	-7.0	-4.0	-3.0
Industry	-3.5	-11.7	-3.5	-5.0	-6.0	-3.3	-2.0
Services	-4.2[b]	-3.4	-5.0	-5.8	-6.0	-5.0	-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	160	155	151
Fiscal indicators (% of GDP)							
Public-sector revenue	32.5	43.9	39.2	37.3	35.8	37.5	35.0
Public-sector expenditure	38.7	45.6	50.6	46.1	41.6	43.5	38.2
Public-sector balance	-6.1	-1.7	-11.5	-8.8	-5.7	-6.0	-3.1
Net public debt	193.2	195.9	212.1	217.2	241.2	293.7	304.4
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	999,999	999,999
Stock of money M1 (% change)	228.6	552.6[a]	1,323.1	66,709.9	192,418.2	1,000,070	1,000,070
Stock of money M2 (% change)	229.3	532.7[a]	1,453.1	64,472.4	17,270,026	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	-546	-761	-801
Goods: exports fob	1,680[b]	1,497	1,582	1,707	1,791	1,552	1,559
Goods: imports fob	-2,342[b]	-2,104	-2,040	-2,183	-2,337	-2,313	-2,360
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	-612	-868	-856
External debt (US$ m)							
Debt stock	4,818	4,296[a]	4,677[a]	4,901	5,252	5,221	5,681
Debt service paid	100	225[a]	83[a]	77	78	63	66
Principal repayments	77	198[a]	31[a]	35	38	36	24
Interest	23	27[a]	53[a]	42	40	27	42
Debt service due	449	276[a]	406[a]	613	527	341	344
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	773	1,147	1,071	1,164	1,883	5,394	n/a
Financial indicators								
Exchange rate Z$:US$ (av)	0.0	0.0	0.0	0.0	0.0	259.15	257.27	8,186.71
Exchange rate Z$:US$ (end-period)	80.78	102.78	104.84	259.58	258.92	259.12	255.55	30,000.00
Parallel exchange rate Z$:US$ (av)	90.00	156.95	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	604.2	687.4	533.0
Imports cif	434.0	597.6	709.9	786.0	729.7	604.7	570.3	628.4
Trade balance	-115.5	-390.1	-473.9	-542.8	-475.3	-0.5	117.2	-95.4

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

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

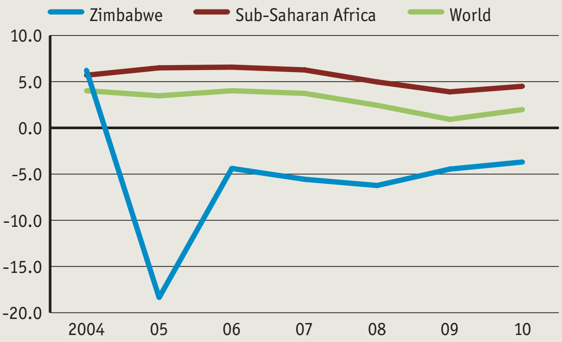
Monthly data

	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	30,000	30,000	30,000
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.

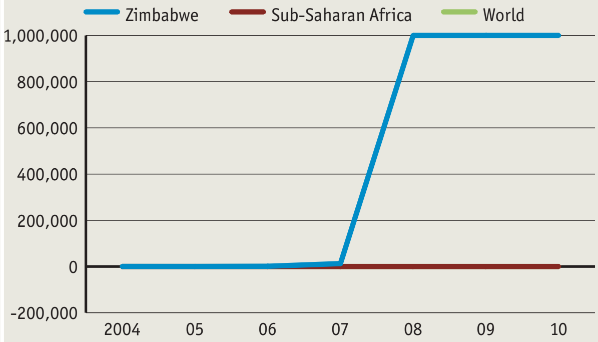
Annual trends charts

Real GDP growth
(% change)



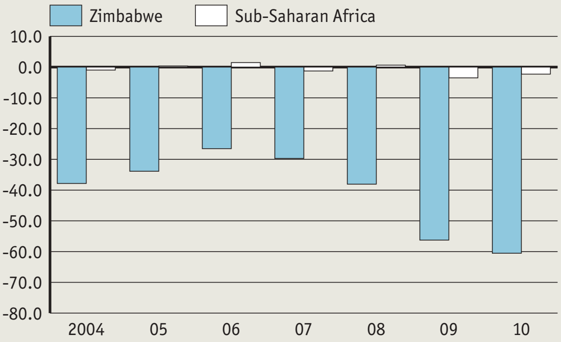
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



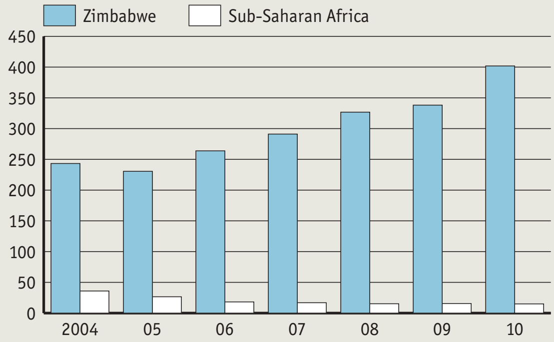
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



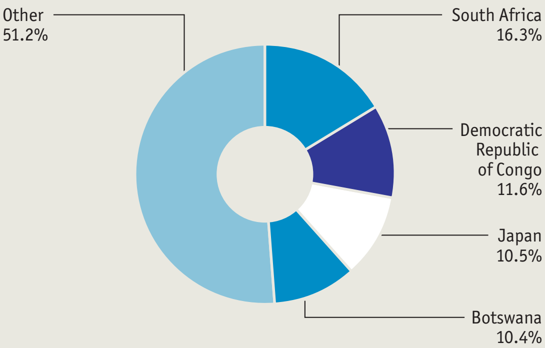
Source: Economist Intelligence Unit.

Total external debt
(% of GDP)



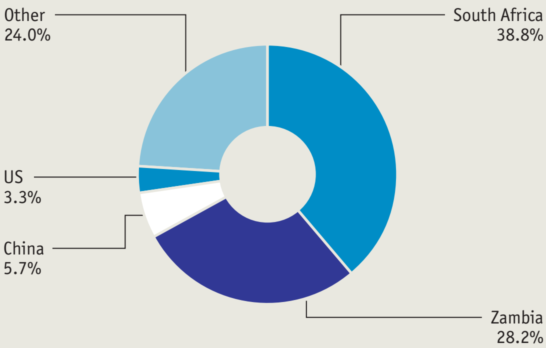
Source: Economist Intelligence Unit.

Main destinations of exports, 2007
(share of total)



Source: Economist Intelligence Unit.

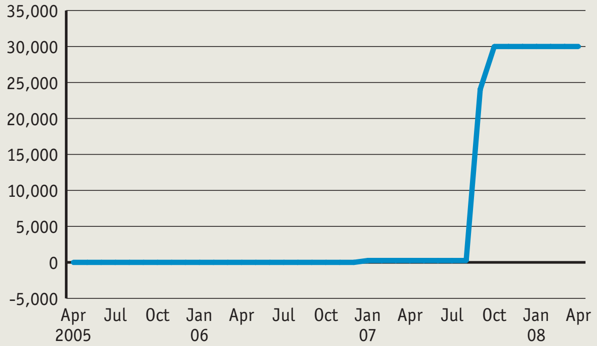
Main origins of imports, 2007
(share of total)



Source: Economist Intelligence Unit.

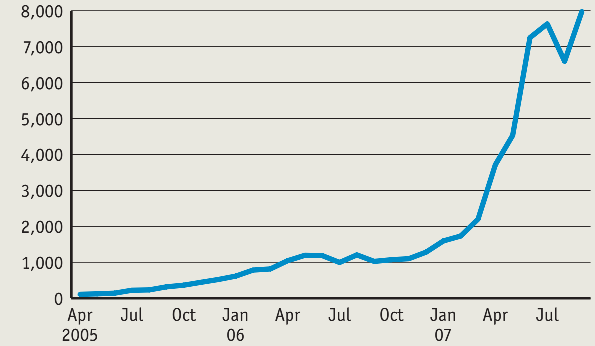
Monthly trends charts

Exchange rate
(Z$:US$; av)



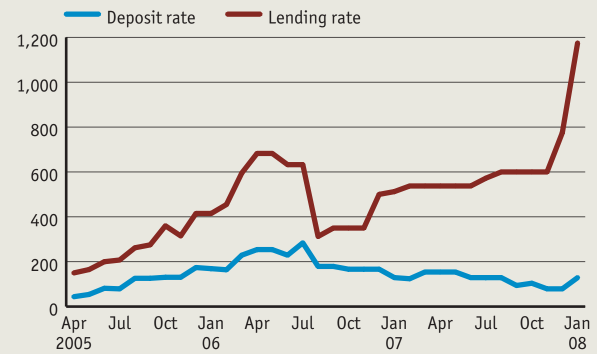
Source: Economist Intelligence Unit.

Consumer price inflation
(% change, year on year)



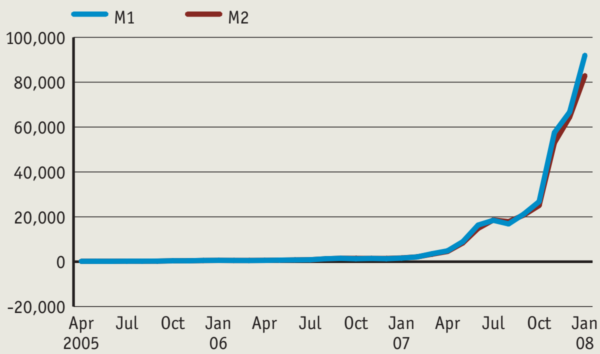
Source: Economist Intelligence Unit.

Interest rates
(av; %)



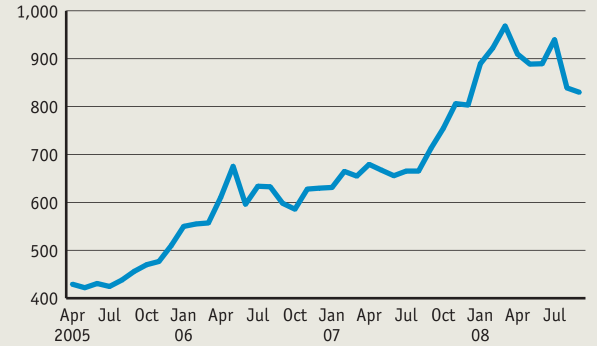
Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



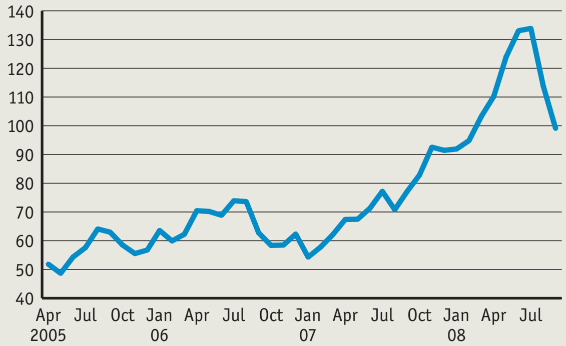
Source: Economist Intelligence Unit.

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, emerged as the main opposition party following the June 2000 election; 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	