Country Report

Zimbabwe

October 2008

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The Economist Intelligence Unit

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Zimbabwe

Executive summary

2 Highlights

Outlook for 2009-10

3 Political outlook
4 Economic policy outlook
5 Economic forecast

Monthly review: October 2008

8 The political scene
10 Economic policy
10 Economic performance

Data and charts

12 Annual data and forecast
13 Quarterly data
14 Monthly data
15 Annual trends charts
16 Monthly trends charts

Country snapshot

17 Political structure

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Executive summary

Highlights

October 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 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, but a small recovery should occur in 2010 with rising prices and greater production stemming from a more stable political scene.
- As a percentage of GDP, the current-account deficit will surpass 50% in 2009-10 because of the ongoing contraction of the economy.

Monthly review

- A deal was agreed on September 15th that entailed the creation of a power-sharing government that divided authority between the president, Mr Mugabe, and the opposition leader, Morgan Tsvangirai.
- Much of the wrangling between the two sides has been over who would control the most important cabinet seats. Mr Mugabe insisted that he must control virtually all the important positions.
- On October 11th Mr Mugabe unilaterally declared that his Zimbabwe African National Union-Patriotic Front (ZANU-PF) party would get the most powerful positions. As a result, the power-sharing deal came close to collapse.
- After Thabo Mbeki was forced to step down as president of South Africa in late September, his role as mediator in Zimbabwe came into question.
- The Reserve Bank of Zimbabwe further hindered business when it banned electronic transfers between banks, claiming that they were being used for illicit deals.
- In early October the government's Central Statistical Office released figures that revealed that inflation in July had reached 231 million percent.

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, half 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.

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 half 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. Outside the country, 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. Although Mr Zuma is likely to be focused on domestic matters in the months immediately following his ascension to power, attention will 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 governor of the Reserve Bank of Zimbabwe (RBZ, the central bank), Gideon Gono, 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. If Mr Mugabe were to be forced out, 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 if Mr Mugabe were to depart. 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 dollar's continued collapse. Although the RBZ is allowing the official rate to depreciate, the parallel rate is declining at a much faster rate, 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	4.9	3.8	2.6	3.4
OECD	2.7	1.5	0.3	1.5
EU27	2.9	1.3	0.1	1.2
Exchange rates				
¥:US$	117.8	105.1	100.0	98.0
US$:€	1.369	1.485	1.360	1.315
SDR:US$	0.651	0.627	0.652	0.659
Financial indicators				
€ 3-month interbank rate	4.27	4.85	4.60	4.23
US$ 3-month Libor	5.30	2.54	2.66	3.44
Commodity prices				
Oil (Brent; US$/b)	72.7	105.0	75.0	82.0
Gold (US$/troy oz)	696.7	893.2	862.5	800.0
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	-25.3	5.5
Industrial raw materials (% change in US$ terms)	11.2	2.5	-15.3	-5.7

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 2.6% in 2009 as OECD markets slow and the US enters recession. Growth will rebound to 3.4% 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 US$75/barrel in 2009, to Zimbabwe's advantage as an importer, before edging up again to US$82/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. One sector that should be able to grow more rapidly will be mining, aided by the expected recovery in prices in 2010.

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 be due to the expected 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

Zimbabwe's hyperinflation and moribund economy have completely undermined the value of its currency. The sheer number of zeros involved in daily purchases has made transactions incredibly complicated. As a result, from

August 1st the RBZ redenominated the currency, knocking off ten zeros so that Z$10bn became Z$1. This will not be enough to halt the slide, however, as simply issuing new notes will be only cosmetic without fundamental reforms. The root problems are scarcity of foreign earnings, investment inflows and domestic production. The numerous zeros are likely to return to the currency in future months if inflation maintains its current trends.

External sector

Falling commodity prices will adversely affect Zimbabwe's exports during 2009, as will continuing declines in production as the economic collapse worsens further. 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. As a percentage of GDP, the current-account deficit will reach 51.7% in 2009 and 54.8% 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
Manufacturing production growth	-5.5	-5.0	-5.3	-3.7
Gross agricultural production growth	-5.0	-7.0	-4.0	-3.0
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	-0.8	-0.8
Current-account balance (% of GDP)	-29.7	-37.1	-51.7	-54.8
External debt (year-end; US$ bn)	4.3	3.6	2.7	2.0
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)	22,326[d]	348	6,800	13,150
Exchange rate Z$1,000:US$ (av; parallel market)	990.75[d]	7,508.79	100,000	2,000,000

[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: October 2008

The political scene

A power-sharing deal is agreed

Zimbabwe's political stalemate appeared to have been broken by a flurry of negotiations brokered by the then South African president, Thabo Mbeki, which culminated on September 15th with the creation of a power-sharing government that divided authority between the president, Robert Mugabe, and the opposition leader, Morgan Tsvangirai. However, by the end of September the deadlock between the two sides had reappeared, as the formation of a new government was blocked by a disagreement over how to apportion the 32 cabinet positions between Mr Mugabe's Zimbabwe African National Union-Patriotic Front (ZANU-PF) and Mr Tsvangirai's wing of the Movement for Democratic Change (MDC-T). By then Mr Mbeki had resigned as South Africa's president, further complicating matters and raising major doubts as to whether he would succeed in persuading the two leaders to put aside their differences and co-operate in a new government.

The power-sharing agreement—hailed by Mr Mbeki—was signed amid much fanfare in the capital, Harare, by Mr Mugabe, Mr Tsvangirai and Arthur Mutambara, the leader of a MDC splinter group, the MDC-M. Following the signing of the agreement Mr Mugabe was to continue as president and chair the cabinet, while Mr Tsvangirai became prime minister and head of a special council, made up of cabinet members, that would initiate and implement policy and oversee the work of the cabinet. Both Mr Mugabe and Mr Tsvangirai would each be able to choose, and therefore control, half the cabinet positions. Much of the wrangling between the two sides has been over who is to control the most important cabinet seats. Mr Mugabe had insisted that he control virtually all the important positions, but Mr Tsvangirai disagreed, arguing that because his wing of the MDC held the most seats in parliament he should have a greater say in who gets what.

Mr Mugabe fights to control the most important portfolios

At the time of the signing it was widely reported that the agreement was that Mr Mugabe would control the defence and security portfolios, leaving him in control of the army and the domestic intelligence-gathering service, the Central Intelligence Organisation (CIO). Mr Tsvangirai would get the Ministry of Home Affairs, which is in charge of the national police force. Other cabinet posts would be shared out. However, as early as September 19th the disagreements between the two parties re-emerged. As soon as discussions began on the allocation of cabinet positions Mr Mugabe reverted to his earlier insistence that he control all significant portfolios, leaving Mr Tsvangirai with relatively minor posts; Mr Tsvangirai balked at this. Other reports claimed that Mr Tsvangirai was offered the Ministry of Finance and given the responsibility of bringing Western aid back to Zimbabwe. In any case, Mr Tsvangirai refused to agree.

Visiting New York to address the UN General Assembly in late September, Mr Mugabe gave a rare interview to the press in which he denied that there was any problem, saying that agreement had been reached on all but a few cabinet posts. However, by the beginning of October the impasse still persisted and the cabinet had not been announced. On October 1st the government-controlled media said that agreement had been reached on all but two cabinet posts. However, on the same day the MDC-T rejected the claim, saying that no agreement at all had been reached.

Mr Mugabe is under considerable pressure from senior ZANU-PF members, who do not want to give up any cabinet portfolios or other sources of power and patronage, according to many analysts in Harare. For his part, Mr Mutambara has not yet played a significant role in the negotiations to form a power-sharing cabinet despite attending most of the negotiations. His most significant action was to refuse to accept Mr Mugabe's invitation to side with ZANU-PF, thus creating a majority in parliament and the cabinet that would marginalise Mr Tsvangirai and the MDC-T.

Mr Mugabe unilaterally appoints the cabinet

The deadlock in appointing the new cabinet was broken on October 11th, as Mr Mugabe unilaterally declared that his ZANU-PF party would get the most powerful positions, although this threatened to provoke a new crisis. Mr Mugabe announced in the state media and in the official government gazette that his party would get 14 ministries, including the key portfolios of defence, home affairs (in charge of the police), foreign affairs, justice, local government and information. Mr Tsvangirai's MDC-T would get 13 relatively non-strategic ministries, including labour, sport, arts and culture, science and technology, constitutional and parliamentary affairs, economic planning and investment promotion. Mr Tsvangirai reacted angrily, claiming that Mr Mugabe had violated the power-sharing agreement by taking the ministries without having reached agreement on them in negotiations. He refused to participate in the government on those terms.

Much will depend on the next South African president

After Mr Mbeki was forced to step down as president of South Africa in late September, his role as mediator in Zimbabwe came into question. Both the new South African president, Kgalema Motlanthe, and the regional body, the Southern African Development Community (SADC), stated that Mr Mbeki should continue his role as mediator in Zimbabwe. He seems willing to do this, but his authority has undoubtedly suffered. Furthermore, his future commitment to the talks could erode as domestic matters grow in importance, with rumours abounding in South Africa that the ruling African National Congress is on the verge of splitting.

With the power-sharing agreement near collapse, Mr Mbeki arrived in Harare on October 13th to try to revive it. However, it is considered to be unlikely that he now has enough influence to bring about a deal that is acceptable to both parties. Some compromises may be accepted by Mr Mugabe, such as allowing the MDC-T faction the Ministry of Finance, but this is unlikely to be enough to sway Mr Tsvangirai. In addition, Mr Mugabe has a long history of making promises in negotiations that he does not fulfil in implementation. The central scenario now is that the power-sharing agreement lurches on, but with Mr Mugabe in control. This is likely to change during 2009 in line with the South African presidential election in April, at which Jacob Zuma is expected to assume power. Mr Zuma is likely to take a much tougher line than his predecessor, backed by his support base in the South African unions. Pressing for a positive political change in Zimbabwe would provide an early boost to Mr Zuma's domestic, regional and international credibility.

Economic policy

The economic collapse shows no sign of abating

In addition to pressure from outside Zimbabwe (see The political scene), what will also eventually erode Mr Mugabe's grip on power is the dire economic situation, a disaster that worsens on a daily basis. Amid rampant inflation, on October 13th the Reserve Bank of Zimbabwe (RBZ, the central bank) issued a new banknote denomination of Z$50,000. The Zimbabwe dollar was redenominated in August, with ten zeros removed (August 2008, Economic policy). Therefore, the new banknote would be equal to Z$500 trillion in the old currency. The new Z$50,000 note was issued to combat the acute shortage of cash created by super-hyperinflation. When issued, the new note was worth US$294 at the official rate of exchange but only US$5 at the more realistic, but illegal, black-market rate. The new note would have been enough for three loaves of bread, if they could be found.

Just two weeks earlier, on September 29th, the RBZ had introduced new banknotes in denominations of Z$10,000 and Z$20,000, which highlights just how quickly matters are spiralling out of control. At the end of September the central bank also increased the daily limit on how much cash consumers can withdraw from bank accounts to Z$20,000, from Z$1,000. Inflation levels meant that Z$1,000 barely covered a round-trip bus ride for Harare commuters. Banks had been marked by lengthy queues as depositors waited to withdraw their daily allowances, which would not even meet the costs of a meal for that day. Many of the queues would form before sunrise. Zimbabwe's inflation will overtake the new banknotes and the new withdrawal limit within weeks

The RBZ further hinders business operations

On October 3rd the RBZ took a restrictive step, which hinders business, when it banned electronic transfers between banks on the grounds that the transactions were "being used for illicit foreign-exchange deals". Electronic transfers were one of the few aspects of banking that still functioned, allowing money to move rapidly from one business to another to settle bills. Companies do not like to receive payment by cheque because in the several days that it takes for the cheque to clear inflation dramatically reduces the value.

The contradictory policy regarding the exchange rate for foreign currency was highlighted in mid-September, when the central bank gave a few shops licences to sell goods in foreign currency. The move was seen as an acknowledgement that the South African rand, the US dollar and the UK pound were becoming the most viable currencies in which to purchase goods.

Economic performance

Inflation hits a staggering 231 million percent

In early October the government's Central Statistical Office released figures that revealed that inflation in July had reached 231 million percent, up from 11.2 million percent in June. To keep pace with the world's highest inflation, shops often increase prices two or three times a day. The government-controlled *Herald* newspaper stated that "while several measures have been put in place to calm inflation, most were ill-fated. The Government blames this on illegal sanctions imposed by Britain and its allies." It admitted that Zimbabwe "is suffering from foreign currency, fuel and food shortages. Economists are hoping the economy could recover on the formation of an inclusive Government." The implicit criticism is indicative of differences over economic policy, and possibly more, within the ZANU-PF machine. Indeed, were Mr Mugabe's rule tighter, such comments would never have been made in the state-controlled media.

Further food shortages are looming

Although Zimbabwe's rainy season starts in mid-November, severe shortages of seed and fertiliser have restricted the preparations of fields for the staple maize crop and other foods. There is little expectation that the upcoming crop will be any better than the 2008 harvest, which was far below the country's domestic requirements. In early October the UN World Food Programme (WFP) appealed to the international community for US$140m for urgent food supplies for Zimbabwe for the next six months. The WFP said that it expected that 5m Zimbabweans, about 45% of the population, would need food assistance at the peak of the "hunger season" in January. The WFP and other UN officials described the situation as already critical in many of Zimbabwe's rural areas, where farmers have exhausted their resources and coping mechanisms and have sold all their cattle and goats in order to obtain grain to eat. Many families are already foraging for wild berries, leaves and seeds to survive.

Tobacco sales continue to slump

The volume of tobacco sold at Zimbabwe's auctions had dropped by 40% from the previous year, when the auctions closed at the end of September. Farmers brought 45m kg of tobacco to the auctions, compared with 75m kg in 2007. The tobacco exports brought in US$145m, down from US$185m in 2007. This continues the downward slide of tobacco production since 2000, when Zimbabwe exported 236m kg of tobacco. Agricultural experts say that more tobacco was produced than reached the auctions, with farmers reporting that a diesel shortage hindered their deliveries. However, many tobacco farmers did not take their crops to the auctions because they were unhappy with the fixed exchange rate of Z$129:US$1 set by the government, which determined how much they would get for their tobacco. The government rate was completely unrealistic compared with the illegal but viable parallel-market rate of Z$1m:US$1. Farmers complained that they had to pay for inputs in foreign currency and that they should be paid for tobacco in foreign exchange or at a more favourable exchange rate.

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	9,211,767.0
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)	0[b]	0	0	0	0	0	0
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	11.9	21.2	17.6	1.1	0.2	47.6	6.3
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	-531	-691	-720
Goods: exports fob	1,680[b]	1,497	1,582	1,707	1,806	1,622	1,640
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	-597	-799	-775
External debt (US$ m)							
Debt stock	4,818	4,296[a]	4,677[a]	4,901	5,255	5,306	5,624
Debt service paid	100	225[a]	83[a]	77	80	87	97
Principal repayments	77	198[a]	31[a]	35	38	36	24
Interest	23	27[a]	53[a]	42	43	51	74
Debt service due	449	276[a]	406[a]	613	529	365	375
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. Figures prior to 2008 are in the old currency denomination.

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)	0.0000	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)	90.00	156.95	320.00	1,068.00	2,567.00	10,333.00	79,333.00	293,333.00
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.

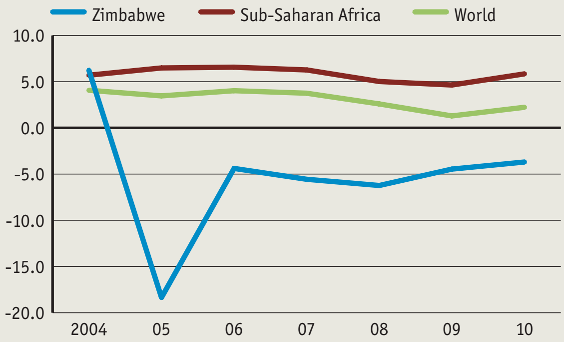
Monthly data

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

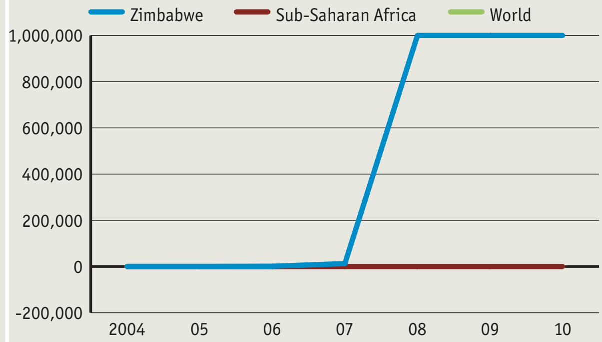
Annual trends charts

Real GDP growth
(% change)



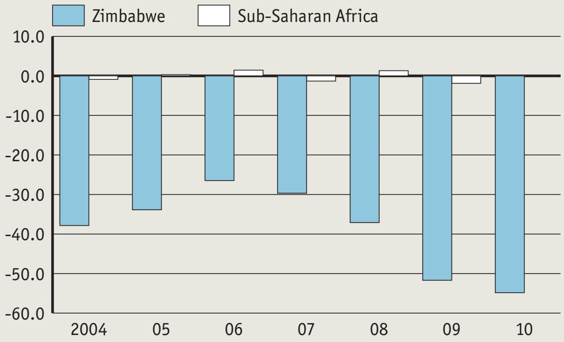
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



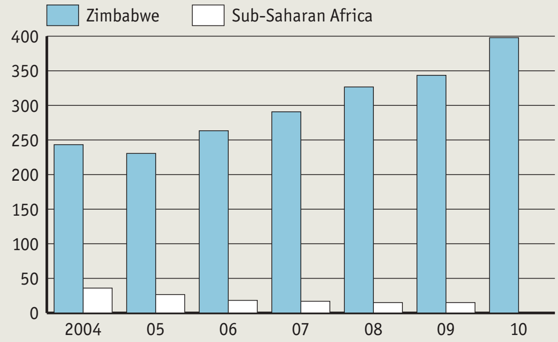
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



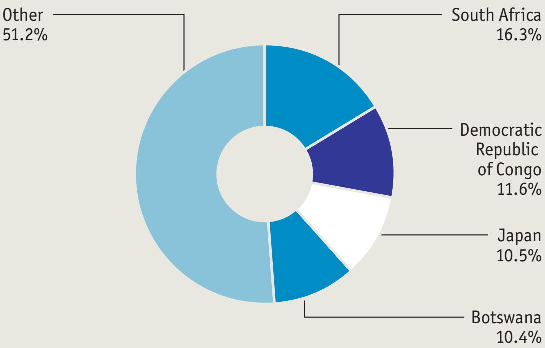
Source: Economist Intelligence Unit.

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



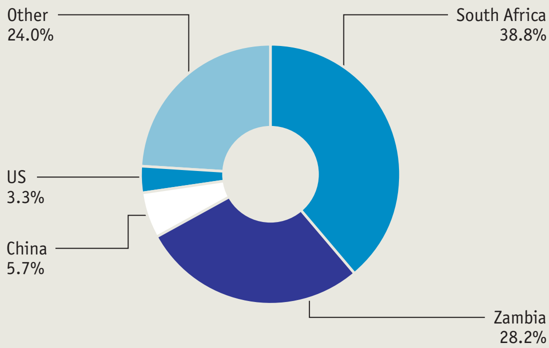
Source: Economist Intelligence Unit.

Main destinations of exports, 2007
(share of total)



Source: Economist Intelligence Unit.

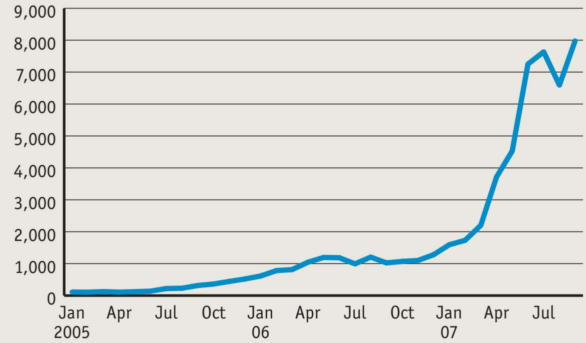
Main origins of imports, 2007
(share of total)



Source: Economist Intelligence Unit.

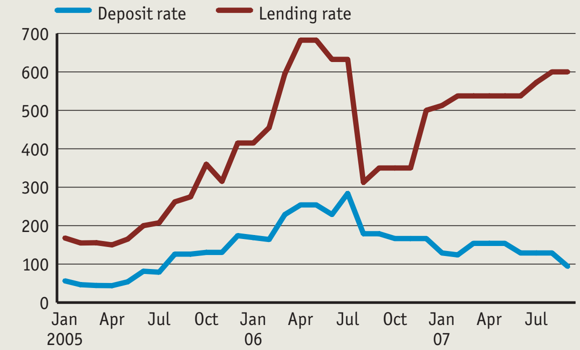
Monthly trends charts

Consumer price inflation
(% change, year on year)



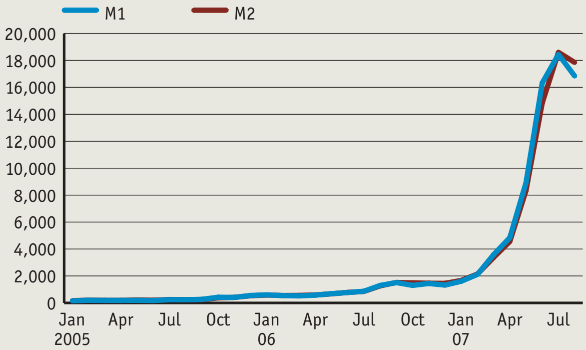
Source: Economist Intelligence Unit.

Interest rates
(av; %)



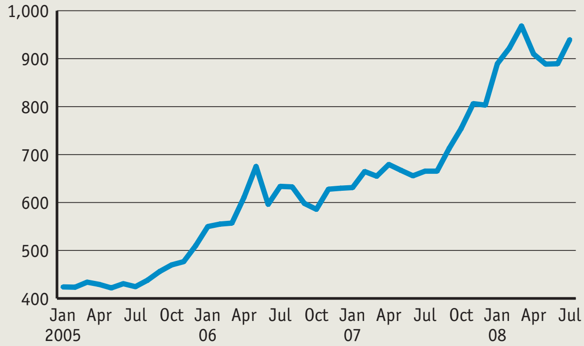
Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



Source: Economist Intelligence Unit.

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



Source: Economist Intelligence Unit.

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	