Country Report

Zimbabwe

July 2008

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The Economist Intelligence Unit

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Executive summary

Highlights

July 2008

Outlook for 2008-09

- Via oppression and intimidation of the opposition, Zimbabwe's president, Robert Mugabe, is expected to cling on to power.
- Although the opposition has gained a parliamentary majority, Mr Mugabe will simply bypass parliament and rule by decree.
- Economic policy will continue to be driven by political considerations, and the economy will continue to contract.
- Hyperinflation will continue throughout the forecast period as the government continues to print money to finance its activities. This will be compounded by high global food and fuel prices.
- The new float of the official exchange rate is likely to be short-lived, as the government will be unwilling to face the additional economic pain of it plummeting in line with the parallel rate.
- A rise in metal exports should push up export earnings in 2008-09. However, imports will remain high, owing both to high world oil prices and substantial food imports.
- As a percentage of GDP, the current-account deficit will surpass 60% by 2009 because of the ongoing contraction of the economy.

Monthly review

- An upsurge in violence ahead of the run-off vote for the presidency caused the opposition leader, Morgan Tsvangirai, to pull out of the race in an effort to end the persecution of his supporters.
- The election went ahead anyway, despite Mr Mugabe being the only candidate. Mr Mugabe was duly returned to power.
- There was much international criticism of the farce of an election, from both within and outside the African continent. However, the international community stopped short of imposing sanctions.
- The South African president, Thabo Mbeki, has launched an attempt to bring about a unity government despite the continuation of violence and intimidation of opposition supporters at the hands of the state.
- The German firm that provided paper for Zimbabwe's currency to be printed on has stopped its supply. This has presented a tough challenge to the monetary authorities.
- Hyperinflation has continued unabated, with many workers now having resorted to joining the informal sector to keep up with the cost of living.
- A UK supermarket, Tesco, has stopped purchasing produce from Zimbabwe.

Outlook for 2008-09

Political outlook

Domestic politics

The president, Robert Mugabe, backed by his party, the Zimbabwe African National Union-Patriotic Front (ZANU-PF), is expected to continue to cling on to power. An unprecedented wave of state-orchestrated violence was unleashed in order for him to steal victory in the run-off presidential election on June 27th. The opposition leader, Morgan Tsvangirai, chose to pull out of the presidential race—despite winning the first round of voting—in an attempt to halt the persecution of his supporters. However, the violence against opposition supporters is likely to continue as the oppressive regime of Mr Mugabe attempts to reassert its authority.

Mr Mugabe is expected to continue his rule in its present form, with the Joint Operations Command, made up of top military leaders, determining virtually all policies and carrying out what is, in effect, military rule of the country. There will be pressure from the Southern African Development Community (SADC), the African Union, the UN and others for Mr Mugabe to form a government of national unity, but although Mr Mugabe may well make a gesture to include some members of the opposition Movement for Democratic Change (MDC) in his government, they will not be given any role that would permit them to change government policy in a significant way. In addition, Mr Mugabe has a long history of manipulating and corrupting those who co-operate with him. Mr Mugabe will also take steps to reduce the MDC's current parliamentary majority, through arrests, trials and convictions of MDC members of parliament. The continuing repression of the opposition is expected to mount.

In the longer term Mr Mugabe has undoubtedly been weakened. Given that the MDC was able to secure a parliamentary majority—at least temporarily—despite the manipulation of the electoral roll and the partisan administration of the polling process and vote counting, many within ZANU-PF may now begin to question the future of their leader. Therefore, over the remainder of the forecast period, there is likely to be political manoeuvring within the party as its members attempt to position themselves to take advantage of any future change in power. This will contribute to further instability in the country.

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. In particular, the "quiet diplomacy" of the South African president, Thabo Mbeki, has all but failed. Although some African countries will maintain their criticism of Mr Mugabe, there is not enough support at present to declare his rule illegitimate, especially as numerous African leaders have dubious claims to power themselves. South Africa and SADC will encourage Mr Mugabe to go through the motions of working with the opposition in a government of national unity. If, however, Mr Mugabe refuses to entertain the idea of a national unity government, while continuing the violence against opposition supporters, they will have to consider whether to formally denounce his actions and declare his continued rule illegitimate. This will exacerbate tensions in the wider region, as political leaders will come under intense pressure to deal with the difficult question of how to handle the situation. Military action by regional states is unlikely, but some stiffer form of sanctions may be considered.

Economic policy outlook

Policy trends

Economic policy will continue to be driven by political considerations. Indeed, the cost of the June 27th run-off election has posed new problems for the governor of the Reserve Bank of Zimbabwe (RBZ, the central bank), Gideon Gono, who has been forced to finance the estimated US$60m cost in the same way that he has financed previous elections and other government spending—by printing money. In the aftermath of the elections, with Mr Mugabe apparently set to cling on to power, little is expected to change. Economic policy will remain chaotic and piecemeal, with price and wage controls imposed and then lifted. 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.

Fiscal policy

In the 2008 budget the finance minister, Samuel Mumbengegwi, predicted a recovery of the Zimbabwean economy, claiming that the improved performance of the agricultural sector would lead to real GDP growth of 4% in 2008. However, this recovery is a forlorn hope and no more likely to be realised than previous over-optimistic projections. Another optimistic assumption is that inflation will fall to below 2,000% by end-2008. In reality, 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 in 2008-09 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 its deficits. 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.

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, there are doubts as to how long the float will last. In 2005 the RBZ partially floated the Zimbabwe dollar, only to fix the exchange rate again when the currency started depreciating faster than it had anticipated. With inflation out of control, another rapid depreciation has taken place, and the RBZ may well reverse its decision in the coming months. Confusion in monetary policy is likely to continue as long as the political turbulence remains, which is likely to be the case throughout 2009.

Economic forecast

International assumptions

International assumptions summary
(% unless otherwise indicated)

	2006	2007	2008	2009
Real GDP growth				
World	5.0	4.9	3.8	3.7
OECD	3.1	2.7	1.7	1.7
EU27	3.1	2.9	1.7	1.7
Exchange rates				
¥:US$	116.2	117.8	104.1	99.5
US$:€	1.256	1.369	1.545	1.510
SDR:US$	0.680	0.651	0.613	0.615
Financial indicators				
€ 3-month interbank rate	3.08	4.27	4.75	4.45
US$ 3-month Libor	5.19	5.30	2.41	2.76
Commodity prices				
Oil (Brent; US$/b)	65.3	72.7	120.0	110.0
Gold (US$/troy oz)	604.5	696.7	934.0	848.8
Platinum (US$/oz)	1,135.0	1,299.0	1,824.3	1,637.5
Food, feedstuffs & beverages (% change in US$ terms)	16.1	30.9	40.3	-4.0
Industrial raw materials (% change in US$ terms)	49.6	11.1	2.5	-16.3

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

Growth in the US economy is expected to slow in 2008, and world GDP growth is set to follow the same path, declining to 3.8% in 2008 and 3.7% in 2009 (calculated on a purchasing power parity basis). Nevertheless, commodity prices are expected to remain high, driven by continued strong demand from Asia. High oil prices will be a problem for an economy with an acute shortage of foreign exchange, but high prices for many of the country's key exports, particularly gold and platinum, will provide a boost. However, economic developments will be more strongly influenced by domestic economic policy, macroeconomic instability and the foreign-exchange crisis than by international economic developments.

Economic growth

The contraction of the Zimbabwean economy will continue over the forecast period. Given the political insecurities and renewed violence that has been sparked by the 2008 elections, we expect the downturn to intensify in 2008 and for real GDP to contract by 6.2%. Assuming that Mr Mugabe has reasserted his authority by 2009 and that the insecurity has lessened, real GDP growth is expected to decline by 4.4% in that year. Although the latter may appear to be a relative improvement, some of the slowdown in the decline can be accounted for by the fact that the formal economy has declined to the point where there is hardly anything left to shrink. Continued strong international prices and changes to the exchange-rate regime should drive some recovery in gold and platinum mining and base-metal production. That said, food production remains well below national demand, and any recovery in farming will be constrained by the displacement of many farmers as part of the ongoing government crackdown on opposition supporters, the limited availability of inputs, the destruction of the commercial sector and the impact of the HIV/AIDS pandemic.

Economic recovery will also be held back by the collapse of private and government consumption. 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. The services sector will be constrained by the foreign-exchange shortage, the deliberate destruction of a large number of informal businesses and dwellings in urban areas, and the collapse of tourism.

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 by June was well on the way to ten million percent. It is expected to increase throughout most of the year as a whole, in line with surging government spending during the election period—including the period after the elections, as Mr Mugabe attempts to maintain power. Inflation could fall in 2009, owing to a degree of fiscal discipline after the elections and the narrower gap between the official and parallel-market rates of exchange, although it will remain at a level that will continue to cripple the country.

Exchange rates

In September 2007 the RBZ devalued the official exchange rate of the Zimbabwe dollar by 99%, from Z$250:US$1 to Z$30,000:US$1. However, the rapid depreciation of the parallel rate meant that by April 2008 the official rate was equivalent to just 0.08% of the parallel-market rate. The RBZ has, therefore, been forced to take more drastic action, allowing the dollar to float in early May 2008. The Zimbabwe dollar ended the first day under the float at close to Z$200m:US$1, down from the starting rate of Z$160m:US$1 set by the RBZ. With inflation continuing to surge, and economic policy reform taking second place to political considerations, the slide of the dollar has continued, surpassing Z$17bn:US$1 in July. Such will be the extent of the slide that the RBZ, possibly under instruction from Mr Mugabe, is likely to abandon the float later in the year, as the government will lack the appetite for the painful correction needed to get policy back on track. Falls in the official exchange rate, therefore, are likely to remain behind those on the parallel market, and the official exchange rate is forecast to average Z$9bn:US$1 in 2008 and Z$12bn:US$1 in 2009. It is also likely that the RBZ will at some point re-denominate the dollar once again to remove the numerous zeroes from the end of it.

External sector

High world prices should boost the recovery of gold exports in 2008-09, although this may be adversely affected by the government's interference in the sector's ownership structures through its indigenisation legislation. Coupled with a rise in other metal exports, this should push export earnings to US$1.6bn in 2008-09, although the outlook is poor for tobacco and non-commodity exports. Imports will remain high, reflecting high world oil prices and substantial maize imports to offset the shortfall in domestic production. As a result, the trade deficit will average around US$775m in 2008-09.

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. In US-dollar terms, the current-account deficit will rise to US$916m in 2009. As a percentage of GDP, it will exceed 60% by 2009—compared with 30% in 2006—because of the contraction of the economy.

Forecast summary

(% unless otherwise indicated)

	2006[a]	2007[a]	2008[b]	2009[b]
Real GDP growth	-4.6	-5.5	-6.2	-4.4
Consumer price inflation (av)	1,033.5[c]	12,562.6	999,999.0[d]	999,999.0[d]
Consumer price inflation (year-end)	1,281.1[c]	66,212.3	999,999.0[d]	999,999.0[d]
Short-term interbank rate	496.5[c]	298.7	455.0	467.5
Government balance (% of GDP)	-11.6	-8.9	-5.8	-6.0
Exports of goods fob (US$ bn)	1.5	1.5	1.6	1.6
Imports of goods fob (US$ bn)	2.0	2.2	2.3	2.4
Current-account balance (US$ bn)	-0.5	-0.6	-0.8	-0.9
Current-account balance (% of GDP)	-30.3	-38.7	-51.8	-62.6
External debt (year-end; US$ bn)	4.7[c]	5.2	5.5	5.7
Exchange rate Z$1,000:US$ (av)	0.162[c]	16.31	9,140,010	12,000,000
Exchange rate Z$1,000:US$ (year-end)	250.0[c]	30.0	20,000,000	10,000,000
Exchange rate Z$1,000:€ (av)	0.2[c]	22.3	14,121,315	18,120,000

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual. [d] The super-hyperinflationary environment has made forecasting inflation virtually impossible.

Monthly review: July 2008

The political scene

Mr Tsvangirai pulls out of election owing to violence

A drastic increase in political violence against the opposition by the regime of the president, Robert Mugabe, marked the weeks before the June 27th presidential run-off election. Morgan Tsvangirai, the leader of the opposition Movement for Democratic Change (MDC), alleged that more than 110 opposition supporters had been killed by Mr Mugabe's agents since the March 29th elections. In addition to those killed, hundreds more were tortured. The violence was accompanied by threats from Mr Mugabe's agents that, if areas voted for Mr Tsvangirai, Mr Mugabe's supporters would return and inflict more violence. The violence continued even after the arrival of observer missions from the Southern African Development Community (SADC). Although Mr Mugabe claimed that the violence was planned by the MDC, the evidence compiled by doctors and lawyers points convincingly towards a state campaign against the opposition.

Mr Tsvangirai attempted to campaign for the run-off election but was detained several times by police, and several of his rallies were banned by the authorities (June 2008, The political scene). On June 23rd, when the violence reached a peak, Mr Tsvangirai withdrew from the race, saying that he could not in good conscience ask his supporters to vote for him and risk violence, torture and death. Mr Tsvangirai claimed that his own life was in danger and sought refuge in the Dutch embassy.

The election goes ahead anyway

Despite Mr Tsvangirai pulling out, the government insisted that the run-off election would go ahead as planned, and voting took place on June 27th in relative peace. Large groups of voters went to the polls en masse, led by local Zimbabwe African National Union-Patriotic Front (ZANU-PF) officials, according to observers and journalists. After the March 29th elections, in which Mr Tsvangirai received the largest number of votes (May 2008, The political scene), there was a delay of five weeks before the results were announced. However, after the June 27th run-off election the results were announced within two days. Mr Mugabe won the run-off by a wide margin, getting 2.1m votes to the 233,000 for Mr Tsvangirai, whose name was still on the ballot papers despite his absence from the election.

SADC rules elections "not the will of the people"

The violence and the rigging were so blatant in the run-up to the run-off election that even previously friendly African observer missions judged the election to be illegitimate. The observer mission from SADC judged that the election results "did not reflect the will of the Zimbabwean people" and that the polling was not carried out according to SADC standards. Delegations from the Pan-African Parliament delegation and the African Union (AU) also said that the election results were not credible. Credible or not, Mr Mugabe was sworn in to office on July 29th.

AU stops short of declaring Mr Mugabe illegitimate

On July 1st AU members attending a summit at Sharm el-Sheikh, Egypt, called for a national unity government in Zimbabwe, an implicit acknowledgement that Mr Mugabe's government is not legitimate. However, the AU leaders' final communiqué stopped short of directly criticising Mr Mugabe or assigning mediators to help with the crisis. After two days of angry debate at the AU summit in Egypt, the African leaders put together a joint statement that ignored appeals to get directly involved in Zimbabwe's political conflict, leaving the task of mediation to Zimbabwe's neighbours. However, the summit gave no guidance on how negotiations towards a unity government should proceed. European diplomats acting as observers in Sharm el-Sheikh expressed disappointment at the AU's conclusions. In contrast to the AU, the European Union said that it would not accept a Zimbabwean government if it was not led by the opposition leader, Morgan Tsvangirai.

Botswana leads the charge against Mugabe

Not all members of the AU were meek in their criticism of Mr Mugabe, however. The final resolution emerged as a compromise between leaders at the summit who challenged Mr Mugabe's legitimacy and others who supported him. Those tensions came to a head with an extraordinary call from Zimbabwe's neighbour, Botswana, for Mr Mugabe to be thrown out of African institutions. Botswana's vice-president, Lieutenant-General Mompati Merafhe, declared that the outcome of the June 27th elections "does not confer legitimacy on the government of President Mugabe". The Botswana official said that representatives of the Mugabe regime should be excluded from attending SADC and AU meetings and that Botswana did not consider Mr Mugabe to be legitimately elected. Other African governments that refused to accept Mr Mugabe as the legitimate ruler included Kenya, Liberia, Rwanda and Tanzania. This is further evidence that, despite clinging to power for now, Mr Mugabe has been unquestionably weakened by recent events. Never previously have so many other African leaders taken such a stance against him, despite the considerable opportunities in the past presented by previous flawed elections, violence and economic mismanagement.

World leaders call for tough action

The tone from world leaders from outside the region was even more critical. On July 8th leaders at the G8 summit of the world's leading industrialised countries, held in Japan, delivered a scathing attack on Mr Mugabe in which they asserted that he was not the legitimate leader of the country. The G8 went on to support a motion to censure Mr Mugabe at the UN Security Council. It also called on the UN to send a high-level envoy to Zimbabwe to negotiate a solution, an action that would diminish the role of the South African president, Thabo Mbeki, as chief mediator.

Hard on the heels of the G8 summit, on July 10th the UN Security Council considered a proposal from the US to censure the Mugabe government. The US proposed declaring an arms embargo on Zimbabwe, as well as imposing a travel ban and freezing the assets of Mr Mugabe and 13 other officials judged to be responsible for election-related abuses. The proposal called for a political solution that would allow the results of the first round of the presidential election on March 29th, which was won by Mr Tsvangirai, to stand.

UN Security Council decides against imposing sanctions

The efforts of the US, the UK and others came to nought, however, when the UN rejected the proposals. China and Russia vetoed the draft resolution in the UN Security Council, along with South Africa, Libya and Vietnam, which also voted against it. These countries argued that Zimbabwe's crisis did not pose a threat to international security and that the censure would stall Mr Mbeki's efforts to negotiate a solution. Zimbabwe itself argued that the harsh measure would push the country towards civil war.

Mr Mbeki attempts to bring about a unity government

For his part, Mr Mbeki flew to the capital, Harare, on July 5th to hold a meeting with Mr Mugabe and Mr Tsvangirai in order to start his attempt to broker the formation of a government of national unity, in which both sides would be represented. However, Mr Tsvangirai reversed his initial agreement to attend the meeting at State House. Instead, Mr Mbeki met with Mr Mugabe and Arthur Mutambara, the leader of a smaller faction of the MDC. Mr Tsvangirai objected to holding the meeting at the non-neutral venue and to Mr Mbeki's suggestion that Mr Mugabe would remain head of state in the national unity government.

On July 9th, however, Mr Tsvangirai's deputy, the MDC secretary-general, Tendai Biti, flew to South Africa, where he began talks with representatives of Mr Mugabe's ZANU-PF party that were mediated by South African government officials. The talks were held in a secret venue near Pretoria. Mr Tsvangirai announced that the meetings in South Africa were not the start of negotiations to form a government of national unity. He said that they were to determine the pre-conditions for holding such talks, and listed a number of conditions to be satisfied, including the ending of all state violence and harassment of MDC members, and for all 1,500 MDC members in jail to be released. However, with Mr Mugabe back in power and with no real international pressure on him to step down, there is little incentive for him to bow to the MDC's conditions, and it is considered to be unlikely that the talks will progress much further.

Meanwhile, the violence continues

The MDC, together with local doctors and lawyers, reported in mid-July that the level of political violence had continued after the June 27th election. They claimed that Mr Mugabe's forces were continuing to target the MDC, particularly its officials. Meanwhile, increasing numbers of people have fled Zimbabwe since the second round of the presidential election, with many showing signs of beating or torture, the office of the UN Refugee Agency (UNHCR) revealed on July 11th. Zimbabwean refugees are traditionally single men, but the UNHCR said that it was seeing more and more families fleeing to South Africa as the political violence at home intensified. Between 3,000 and 4,000 refugees turn up at a centre for refugee registration in Johannesburg each Thursday and Friday, but it is difficult to establish the total number of Zimbabwean refugees in South Africa because many hide from the authorities for fear of being sent back.

Economic policy

German firm to stop providing paper for currency notes

The challenges facing the monetary authorities in Zimbabwe became even more problematic in early July, when the Munich-based Giesecke & Devrient announced that it would stop delivering banknote paper to the Reserve Bank of Zimbabwe (RBZ, the central bank) with immediate effect. The company took the step in response to an official request from the German government as the international community attempted to put pressure on the regime of Mr Mugabe. The company's decision will make it more difficult for the RBZ to provide adequate amounts of banknotes in the face of rocketing inflation.

With the cancellation of supplies of banknote paper from Germany, the RBZ will have to look for other suppliers. However, the chronic shortage of hard currency in Zimbabwe will mean that the RBZ will need cheaper paper, which is likely to be of poorer quality. This should not be of great concern, as such is the worthlessness of the Zimbabwe dollar that the risk of falsification would be close to zero. Another option would be for the central bank to stop printing Zimbabwe dollars altogether, which makes sense, as the population is moving away from using the currency, preferring to trade in goods or foreign currencies. However, as the government relies on the RBZ printing money to cover its deficits, this option is likely to be unpopular with the political hierarchy.

Economic performance

Hyperinflation shows no signs of abating

The Zimbabwe government's Central Statistical Office (CSO) estimates the annual inflation rate at between four million and five million percent for June, according to reports in the *Zimbabwe Independent*. Formally, however, the CSO has given up publishing measures of inflation, arguing that there are no products to measure. The latest inflation figures came in early July as the Zimbabwe dollar continued to crash against major currencies. The Zimbabwe dollar was, on July 9th, trading at Z$17bn:US$1. Wages are simply not keeping up with the ravages of inflation. For example, a teacher who is paid Z$66bn a month can afford to buy only two litres of cooking oil and a bar of soap with that. Pressure is also mounting on workers, as they are now being forced to pay rentals in foreign currency. A room in the working-class suburb of Tynwald was renting for 150 South African rand a month in mid-July as people battled to hedge against inflation. Most workers have resorted to joining the informal sector to keep up with the cost of living.

Tesco pulls out of the country

A British supermarket chain, Tesco, announced on July 1st that it would stop buying any horticultural products from Zimbabwe as a result of the continuing political crisis in the country. Tesco purchases produce worth an estimated £1m (US$2m) per year from Zimbabwe. In its statement, Tesco said that this was a difficult decision because the company wanted to support the workers who depend on that trade for their livelihoods. However, it could not ignore the escalating political crisis in Zimbabwe and the growing consensus in the international community that further action must be taken to maximise the pressure for change. Tesco said that it would try to support workers and their dependents and that it aimed to re-engage with its suppliers once stability and an internationally recognised regime had returned to the country.

Data and charts

Annual data and forecast

	2003[a]	2004[a]	2005[b]	2006[b]	2007[b]	2008[c]	2009[c]
GDP							
Nominal GDP (US$ bn)	2.1	2.0	1.9	1.8	1.7	1.6	1.5
Nominal GDP (Z$ bn; quadrillion in 2008 & 2009)	5.5	23.9	75.4	884.4	105,758.0	991.5	9,508,469
Real GDP growth (%)	-10.4	-3.8	-6.5	-4.6	-5.5	-6.2	-4.4
Expenditure on GDP (% real change)							
Private consumption	-4.4	-18.6	8.4	-4.5	-5.0	-5.5	-4.0
Government consumption	-15.5	31.7	6.4	-6.0	-6.0	-5.0	-4.5
Gross fixed investment	-27.7	54.2	-63.4	-1.0	-5.0	-6.0	0.0
Exports of goods & services	-12.6	1.7	-4.3	-1.0	-0.8	-0.5	0.2
Imports of goods & services	-10.6	2.4	-3.1	-1.5	-1.0	0.0	0.5
Origin of GDP (% real change)							
Agriculture	-1.0	-2.9	-10.0	-4.5	-5.0	-7.0	-4.0
Industry	-14.5	-3.5	-11.7	-3.5	-5.0	-6.0	-3.3
Services	-11.3[b]	-4.2[b]	-3.4	-5.0	-5.8	-6.0	-5.0
Population and income							
Population (m)	12.9[b]	13.0[b]	13.1	13.2	13.3	13.3	13.3
GDP per head (US$ at PPP)	185[b]	182[b]	174	170	164	158	154
Fiscal indicators (% of GDP)							
Public-sector revenue	25.0	32.5	43.9	39.5	37.7	36.2	37.7
Public-sector expenditure	26.2	38.7	45.6	51.1	46.5	42.0	43.8
Public-sector balance	-1.2	-6.1	-1.7	-11.6	-8.9	-5.8	-6.0
Net public debt	172.8	193.5	196.5	213.9	218.2	248.9	280.5
Prices and financial indicators							
Exchange rate Z$1,000:US$ (end-period)	0.0008	0.0057	0.0780[a]	0.250[a]	30.00	10,000,000	225,000
Consumer prices (end-period, %)	598.7	132.7	585.8[a]	1,281.1[a]	66,212.3	999,999.0	999,999.0
Stock of money M1 (% change)	484.6	228.6	552.6[a]	1,333.9	12,662.1	1,000,068	1,000,070
Stock of money M2 (% change)	430.1	229.3	532.7[a]	1,459.1	12,676.5	1,000,083	1,000,084
Lending interest rate (av; %)	97.3	278.9	235.7[a]	496.5[a]	298.7	455.0	467.5
Current account (US$ m)							
Trade balance	-108[b]	-309[b]	-632	-557	-663	-737	-809
Goods: exports fob	1,670[b]	1,680[b]	1,472	1,483	1,520	1,600	1,598
Goods: imports fob	-1,778[b]	-1,989[b]	-2,104	-2,040	-2,183	-2,337	-2,407
Services balance	-216[b]	-107[b]	-97	-88	-108	-146	-180
Income balance	-191[b]	-208[b]	-268	-151	-144	-189	-198
Current transfers balance	207[b]	228[b]	263	264	266	270	270
Current-account balance	-308[b]	-396[b]	-734	-532	-649	-802	-916
External debt (US$ m)							
Debt stock	4,483	4,818	4,296[a]	4,677[a]	5,155	5,466	5,716
Debt service paid	54	100	225[a]	83[a]	77	90	97
Principal repayments	41	77	198[a]	31[a]	35	38	36
Interest	14	23	27[a]	53[a]	42	53	61
Debt service due	619	449	276[a]	406[a]	613	539	375
International reserves (US$ m)							
Total international reserves	131	255	160	140	120	100	101

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

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$1000:US$ (av)	0.0679	0.097	0.101	0.200	0.250	0.259	0.26	n/a
Exchange rate Z$1000:US$ (end-period)	0.0808	0.103	0.105	0.260	0.259	0.259	0.26	30.00
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	n/a	n/a	n/a	n/a
M1 (% change, year on year)	553	521	771	1,510	n/a	n/a	n/a	n/a
M2 (end-period; Z$ bn)	58,424	82,151	158,005	434,002	n/a	n/a	n/a	n/a
M2 (% change, year on year)	533	559	781	1,520	n/a	n/a	n/a	n/a
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	318.3	211.4	235.6	245.9	248.4	416.1	500.8	430.0
Imports cif	506.0	703.4	683.1	688.9	747.9	874.0	866.7	895.4
Trade balance	-187.7	-492.0	-447.6	-443.0	-499.5	-457.8	-365.8	-465.4

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

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

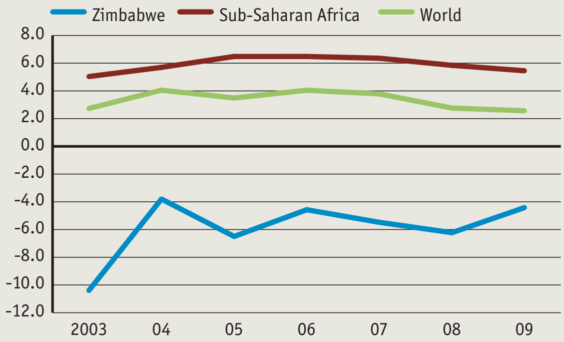
Monthly data

	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	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	n/a	n/a
2007	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
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	n/a	n/a
2007	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
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	n/a	n/a	n/a
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	n/a	n/a	n/a
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	n/a	n/a	n/a

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

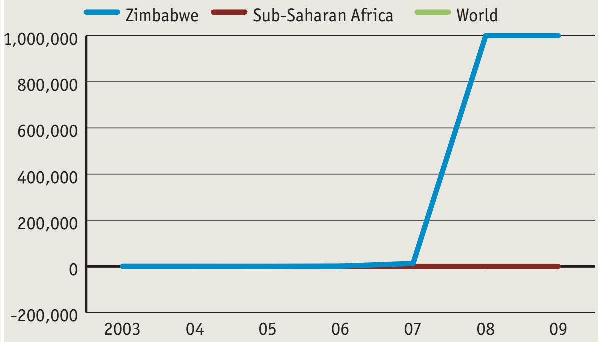
Annual trends charts

Real GDP growth
(% change)



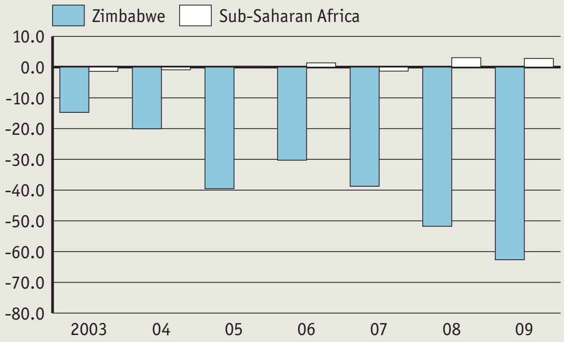
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



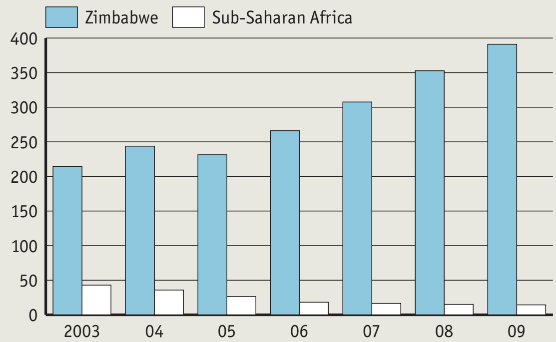
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



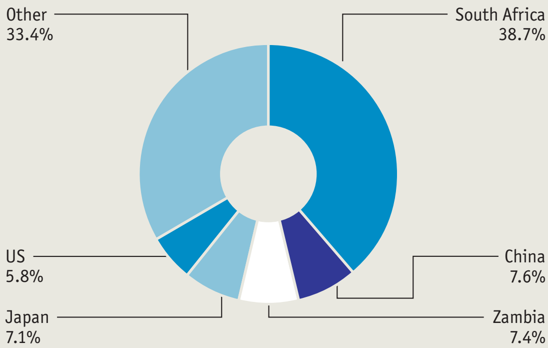
Source: Economist Intelligence Unit.

Total external debt
(% of GDP)



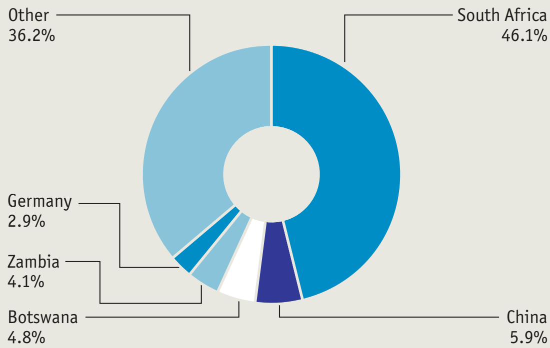
Source: Economist Intelligence Unit.

Main destinations of exports 2006
(share of total)



Source: Economist Intelligence Unit.

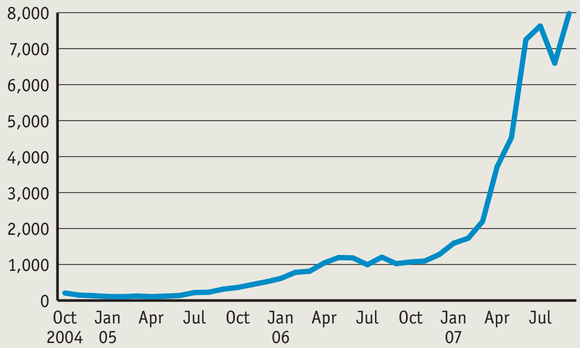
Main origins of imports 2006
(share of total)



Source: Economist Intelligence Unit.

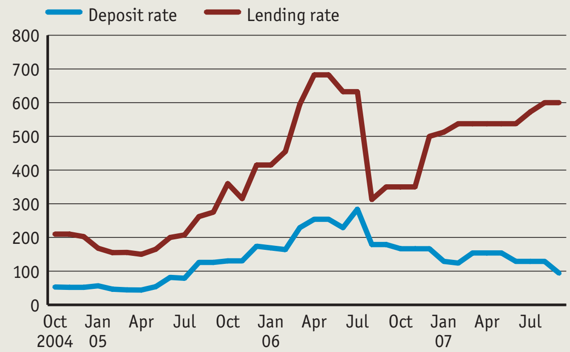
Monthly trends charts

Consumer price inflation
(% change, year on year)



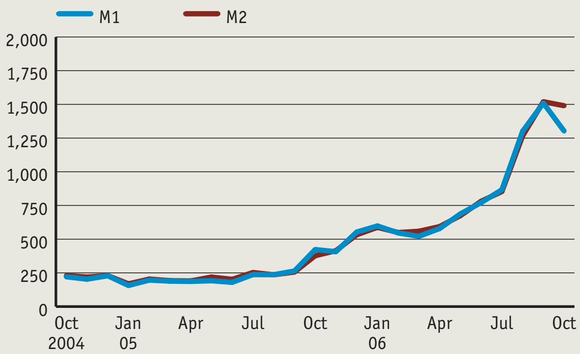
Source: Economist Intelligence Unit.

Interest rates
(av; %)



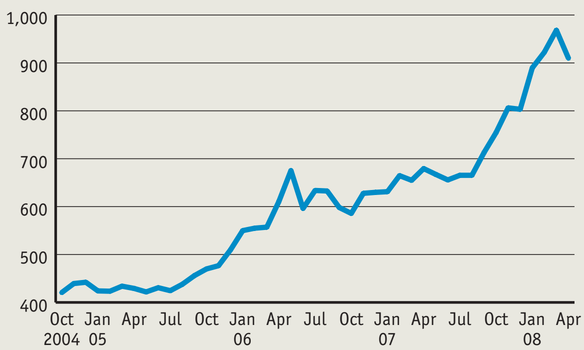
Source: Economist Intelligence Unit.

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 & Joyce 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
	Legal & parliamentary affairs	Patrick Chinamasa
	Local government	Ignatius Chombo
	Mines	Amos Midzi
	National security	Didymus Mutasa
	Tourism	Francis Nhema
	Transport & communications	Chris Mushowe
	Water resources & infrastructure development	Munacho Mutezo
Reserve Bank governor	Gideon Gono	