Country Report

Zimbabwe

June 2008

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The Economist Intelligence Unit

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Executive summary

Highlights

June 2008

Outlook for 2008-09

- With oppression and intimidation of the opposition increasing, the scene is set for Zimbabwe's president, Robert Mugabe, and his party to steal power, even though the March 2008 elections represented opposition victories.
- Mr Mugabe is likely to retain the presidency at a second round of voting; those who voted against him in the first round will continue to be persecuted.
- Although the opposition has gained a parliamentary majority, ZANU-PF is disputing a number of seats in an effort to regain the majority. Even if it fails, 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

- Zimbabwe has moved towards the June 27th presidential run-off amid escalating evidence of widespread state violence by Mr Mugabe's regime against suspected opposition supporters, especially in the rural areas.
- The opposition leader, Morgan Tsvangirai, has been repeatedly detained by police as the government attempts to restrict his ability to campaign.
- There has been a power shift within Mr Mugabe's regime, with Emmerson Mnangagwa rising to prominence and running Mr Mugabe's re-election campaign.
- The food crisis has been worsened by Mr Mugabe's decision to ban aid agencies from distributing food within the country.
- The float of the Zimbabwe dollar has not been a success and the majority of foreign currency transactions are still outside the reach of the central bank.

Outlook for 2008-09

Political outlook

Domestic politics

The president, Robert Mugabe, and the ruling Zimbabwe African National Union-Patriotic Front (ZANU-PF) are determined to remain in power and have demonstrated their willingness to use every means possible to win the run-off presidential election set for June 27th. An unprecedented wave of state-orchestrated violence has been unleashed upon many rural areas as Mr Mugabe and his Joint Operations Command (JOC), made up of top military leaders, have worked to reduce support for Morgan Tsvangirai, the leader of the main faction of the Movement for Democratic Change (MDC). Mr Mugabe has also banned food aid, leaving many Zimbabweans completely dependent upon the government for food. In addition, the army and state employees will again be responsible for administering the elections, giving ample opportunity for rigging. Faced with such repression, on June 22nd—as this report went to press—Mr Tsvangirai announced that he would not after all contest the second round of the presidential election, claiming that this was the only possible reaction to a "state-sponsored campaign of violence" that has led to the death of some 85 MDC supporters and the displacement of at least 200,000 people.

Assuming that Mr Mugabe remains in power he can be expected to continue his rule in its present form, with the JOC determining virtually all policies and carrying out what is, in effect, military rule of the country. There may 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 MDC members in his government, they will not be given any meaningful role that would permit them to change government policy in any 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 MPs. 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 have largely 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. South Africa and SADC are likely to continue to support Mr Mugabe, although they may encourage him 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 whilst continuing the violence against opposition supporters, they will have to consider formally denouncing his actions and declaring 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 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. This "improved" macroeconomic environment is projected to deliver revenue of Z$6,000trn in 2008, 21,000% higher than the estimated outturn in 2007. 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 is expected, 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	4.8	3.7	3.8
OECD	3.1	2.7	1.5	1.8
EU27	3.1	2.8	1.7	1.9
Exchange rates				
¥:US$	116.2	117.8	101.0	96.0
US$:€	1.256	1.369	1.548	1.500
SDR:US$	0.680	0.651	0.610	0.615
Financial indicators				
€ 3-month interbank rate	3.08	4.27	4.57	4.00
US$ 3-month Libor	5.19	5.30	2.16	2.66
Commodity prices				
Oil (Brent; US$/b)	65.3	72.7	106.5	106.5
Gold (US$/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	12.8	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 3.7% in 2008 before recovering slightly, to 3.8%, 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 March 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 estimated to be approaching 10m%. 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 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, we expect the slide of the dollar to continue. 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$5bn: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
Manufacturing production growth	6.0	-5.5	1.7	1.6
Gross agricultural production growth	-4.5	-5.0	-7.0	-4.0
Consumer price inflation (av)	1,033.5[c]	12,562.6	999,999.0[d]	999,999.0
Consumer price inflation (year-end)	1,281.1[c]	66,212.3	999,999.0	999,999.0
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	-51.5	-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]	16.313	5,306,677	12,000,000
Exchange rate Z$1,000:US$ (year-end)	0.250[c]	30.000	10,000,000	225,000
Exchange rate Z$1,000:€ (av)	0.204[c]	22.326	8,212,082	18,000,000
Exchange rate Z$1,000:US$ (av; parallel market)	1.028	990.750	18,739,583	60,000,000

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

Monthly review: June 2008

The political scene

Violence and intimidation mount ahead of vote

Zimbabwe has moved towards the June 27th presidential run-off race amid escalating evidence of widespread state-sponsored violence by the regime of the president, Robert Mugabe, against suspected opposition supporters, especially in the rural areas. By June 8th more than 60 opposition supporters had been killed in the waves of state violence and 30,000 had been displaced from their homes, according to opposition leader, Morgan Tsvangirai, and his wing of the Movement for Democratic Change (MDC). Police have repeatedly harassed Mr Tsvangirai himself by detaining him for hours at a time on numerous occasions when he has tried to campaign. Numerous independent observers have said that there is no possibility of a free and fair election, but Mr Tsvangirai is in a no-win situation, because if he denounces the election as a fraud and boycotts it, then Mr Mugabe will win unopposed.

On June 4th Mr Tsvangirai was detained for several hours near Tsholotsho, in Matabeleland North province. The South African president, Thabo Mbeki, later issued an announcement saying that he had personally intervened and urged Mr Mugabe to release Mr Tsvangirai. However, despite Mr Mbeki's intervention, the opposition leader was detained again on June 6th after police banned a rally that was to have been held that day in Bulawayo, whilst several rallies planned for the upcoming days in Harare were also cancelled by police. But, on June 7th, Zimbabwe's High Court ruled that Mr Tsvangirai should be allowed to hold rallies in several Harare townships including Glen Norah, Kambuzuma, Mufakose and Chitungwiza. It is important that Mr Tsvangirai should be able to hold rallies in Harare, his main area of support, but it is also critical that he and his supporters should be to be able to hold campaign rallies in the rural areas. In the past Mr Mugabe has been able to rely on votes in the rural areas, but at the March 29th elections many rural areas switched their support to Mr Tsvangirai, which was one of the main reasons why Mr Tsvangirai won more votes than Mr Mugabe in the first round. According to numerous accounts, Mr Mugabe is attempting to win back these areas through violence and intimidation inflicted by the army, war veterans and youth brigades.

NGO paints a picture of widespread violence

On June 9th New York-based Human Rights Watch issued a scathing report on the state-led violence in Zimbabwe. Entitled "Bullets for Each of You: State-Sponsored Violence since Zimbabwe's March 29th Elections", the 69-page report documented widespread violence and identified several top Zimbabwean army and air force officers who are leading and participating in the violence. According to the report, state-sponsored violence is so widespread that the possibility of free and fair elections is "dead on arrival". An incident was described that took place on May 5th in Chiweshe in Mashonaland Central: ZANU-PF officials and war veterans allegedly gathered people for a "re-education meeting" at which six men were beaten to death and 70 men and women were tortured, including a 76-year-old grandmother. The report urged the African Union (AU) and the Southern African Development Community

(SADC) to send large missions to observe the elections and to be prepared to hold government officials accountable for their violent crimes, which are in violation of AU and SADC charters.

Predictably, however, the Mugabe government has been slow to accredit election observers. The Zimbabwe Electoral Support Network (ZESN), a local group of observers supported by 38 Zimbabwean civic organisations, has not been able to deploy observers to the rural areas. ZESN observers were very active during the March 29th presidential election and have been the targets of state-sponsored violence because of their role in helping to ensure transparency at the polls. On June 10th a small delegation of observers from SADC arrived in Zimbabwe. SADC has announced that it intends to increase the number of its observers from the 163 who were present for the first polls to somewhere between 300 and 400 for the presidential run-off. In addition, the UN is expected to send a high-ranking official to Zimbabwe before the June 27th poll. Nevertheless, the low number of observers will be woefully inadequate to cover the entire country, giving supporters of Mr Mugabe virtually free rein to do as they wish in most places.

There has been a power shift within the Mugabe regime

Mr Mugabe's campaign is currently being managed by Emmerson Mnangagwa, the rural housing minister, who has returned to favour since 2004 when he headed a group that challenged Mr Mugabe. Mr Mnangagwa is directing the Joint Operations Command (JOC), which has become more important than the cabinet in running the government. Members of the JOC include army commander, General Constantine Chiwenga; police chief, Augustine Chihuri; army chief of state, Major-General Martin Chedondo; and Brigadier-General David Sigauke. Ominously, the JOC has issued a statement saying that it will never accept orders from Mr Tsvangirai. Major-General Chedondo has ordered the army to vote for Mr Mugabe and Mr Chihuri has issued a similar order to his forces.

The ascendancy of Mr Mnangagwa represents a setback for the vice-president, Joyce Mujuru, and her husband, retired army commander-general, Solomon Mujuru. The Mujuru faction of ZANU-PF tried to block Mr Mugabe from running for president earlier this year and therefore fell from favour. In late May they allegedly confronted Mr Mugabe at a ZANU-PF politburo meeting over the violence in the rural areas, further cementing their fall from favour. However, Mr Mwnangagwa's period in favour may be limited as, in the event of Mr Mugabe being able to claim an election victory, the personalities who made that victory possible will switch from being the party's major assets to becoming its major liabilities as the rest of the party may find it expedient, if not essential, to dump them as it tries to win acceptability.

The food crisis has been worsened by Mr Mugabe

Despite the ongoing food crisis in Zimbabwe, on June 4th Mr Mugabe issued a decree that banned the work of all the non-governmental organisations that have been distributing food throughout the rural areas. Care International was the first agency ordered to halt its work, after which all charitable organisations were ordered to stop their work immediately. This has stopped the distribution of food provided by the UN's World Food Programme to an estimated 400,000 Zimbabweans as the UN agency uses several smaller aid agencies to distribute the food. The ban will leave thousands of poor rural Zimbabweans hungry, according to UN officials and other aid groups. UN sources said that 2m people could be at risk, including the poor, the elderly, the young and those affected by HIV/AIDS. The action will leave Mr Mugabe's government as the sole distributor of food, which will almost certainly be used as a political tool. The US ambassador to Zimbabwe, James McGee, has charged that rural people suspected of supporting the opposition have been forced to hand over voter-registration papers in order to get food from the government. Without these papers they will be unable to vote.

Economic policy

Economic policy takes a back seat to political considerations

Zimbabwe's economic policy continues to be driven by Mr Mugabe's political concerns. Indeed, the cost of the June 27th run-off election is posing new problems for Gideon Gono, the governor of the Reserve Bank of Zimbabwe (RBZ, the central bank). According to reports in the *Zimbabwe Independent* newspaper, Mr Gono allegedly wrote Mr Mugabe a letter in late May in which he stated that he was against the run-off presidential election on the grounds that it would be too expensive. Mr Gono estimated that the run-off would cost US$60m and would exacerbate Zimbabwe's economic problems. Instead, according to the report, Mr Gono suggested that a negotiated political settlement would be better for Zimbabwe's economy. However, Mr Mugabe decided to go ahead with the run-off election and Mr Gono was forced to finance it. As has been the case with previous elections and other government spending, the strategy adopted was to print more money. The Reserve Bank's Fidelity Printers have been producing new currency bills, but the rate at which the bills are printed has been outstripped by the speed at which the Zimbabwean currency has lost value. By early June the exchange rate was US$1:Z$3.5bn and still dropping. The issuing of a Z$1bn note in early June obviously came as no solution to the problem, as the new note would not buy even a loaf of bread or a cup of coffee.

Economic performance

The float of the Zimbabwe dollar has not been a success

Since the Zimbabwe dollar was floated on May 5th (May 2008, Economic policy), the banks have been able to offer more competitive rates for foreign currency. However, clients have complained that they must fill out lengthy forms and wait in long queues. Meanwhile, the illegal street market is quick and offers a higher rate, so many foreign-exchange transactions still take place outside the legal, and taxable, framework. Businesses seeking foreign exchange have complained that the banks make them fill out cumbersome forms and wait for a long time. Also, they must use foreign currency accounts that have twice been drained of their foreign currency by the government in the past two years. Consequently it is of little surprise that many still prefer the illegal trade. This means that the majority of foreign currency transactions are still outside the reach of the RBZ, which remains chronically short of foreign exchange.

Tobacco auctions pick up

By June 6th Zimbabwe had earned US$44m from both contract and auction tobacco sales at all three floors since the tobacco selling season began in late April. The state-owned *Herald* newspaper reported that 75m kg of tobacco are expected to be delivered to the auction floors this season, but independent agricultural experts say that the crop is more likely to be about 65m kg. Tobacco deliveries to the country's three auction floors have improved as a result of the liberalisation of the foreign-exchange market and firming prices. Average prices have continued to firm to above US$3/kg as the quality of tobacco improves.

Mining production falls

Contrary to the situation in the tobacco markets, mineral production figures for the first quarter of 2008 show sharply reduced output for gold, nickel and phosphate rock, compared to the first quarter of 2007. Production of gold dropped from 2,334 kg in the first quarter of 2007 to 1,067 kg in the first quarter of 2008. This was the result of the unattractive price offered by the RBZ, to which all producers must sell the precious metal. Other negative factors included repeated power cuts, the shortage of foreign currency to buy needed inputs, hyperinflation and the loss of skilled personnel. Meanwhile, the volume of production remained relatively stable for platinum, which is mined under special conditions that allow producers to retain most of the foreign exchange earned from its sales.

Maize crop is one of the smallest on record

Zimbabwe's 2008 maize crop is one of the smallest on record, 60% lower than the five-year average, according to figures from the regional Famine Early Warning Systems Network (FEWS NET), which issued a report on June 5th. June should be the height of Zimbabwe's harvest but the maize crop looks very small, at 470,700 tonnes, which represents less than half of the 2007 harvest. According to FEWS NET, Zimbabwe's total cereal production will meet only 28% of the country's consumption requirements. The report warned that because of the large deficit and Zimbabwe's weaker economy, the country will be more dependent upon humanitarian aid, something which has now been banned by the government (see The political scene). Sales to the Grain Marketing Board (GMB) are expected to fall, as most households will retain whatever maize they have grown to sustain their families. To encourage sales, the GMB has raised the producer price but the GMB has a record of late payment and, given rampant hyperinflation, farmers know that grain is more valuable than the Zimbabwe dollar. The drastic reduction in Zimbabwe's maize crop is attributed to several factors including incessant heavy rainfall in December and January, a dry spell in February and March, the late availability of maize seed, and shortages of fuel, fertiliser, labour and financial loans. FEWS NET has reported that the 2008 maize yield, at 0.27 tonnes per hectare, is the lowest on record in Zimbabwe.

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	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	281.2
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	5,727
Debt service paid	54	100	225[a]	83[a]	77	81	84
Principal repayments	41	77	198[a]	31[a]	35	38	36
Interest	14	23	27[a]	53[a]	42	44	48
Debt service due	619	449	276[a]	406[a]	613	530	362
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$:US$ (av)	68	97	101	200	250	250	15,000	20,000
Exchange rate Z$:US$ (end-period)	81	103	105	260	259	259	256	30,000
Parallel exchange rate Z$:US$ (av)	90	157	320	1,068	2,567	10,333	79,333	293,333
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	(		53	)	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	409.2	493.5	421.5
Imports cif	506.0	703.4	683.1	688.9	747.9	845.5	837.4	866.2
Trade balance	-187.7	-492.0	-447.6	-443.0	-499.5	-436.3	-344.0	-444.6

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

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

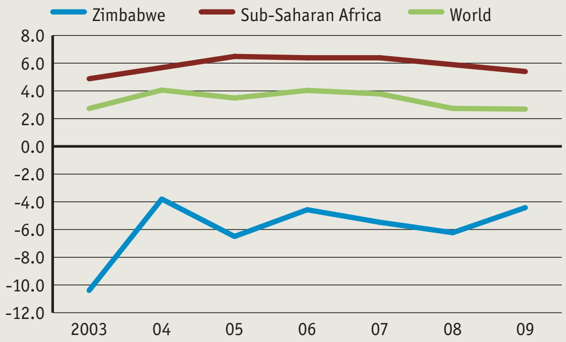
Monthly data

	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	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.

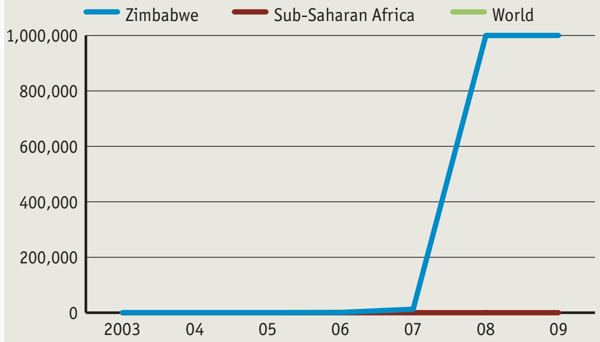
Annual trends charts

Real GDP growth
(% change)



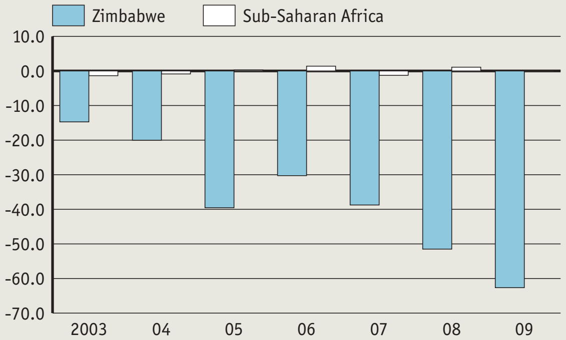
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



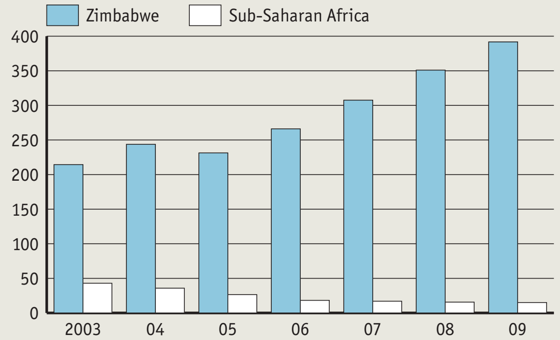
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



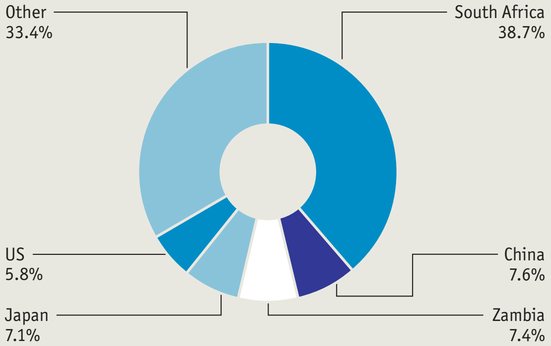
Source: Economist Intelligence Unit.

Total external debt
(% of GDP)



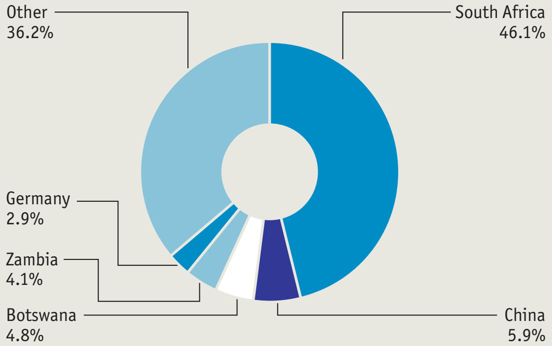
Source: Economist Intelligence Unit.

Main destinations of exports 2006
(share of total)



Source: Economist Intelligence Unit.

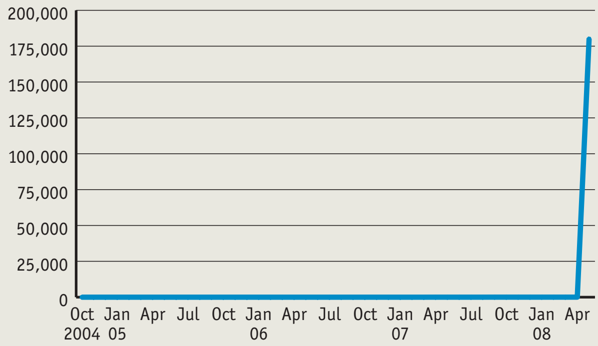
Main origins of imports 2006
(share of total)



Source: Economist Intelligence Unit.

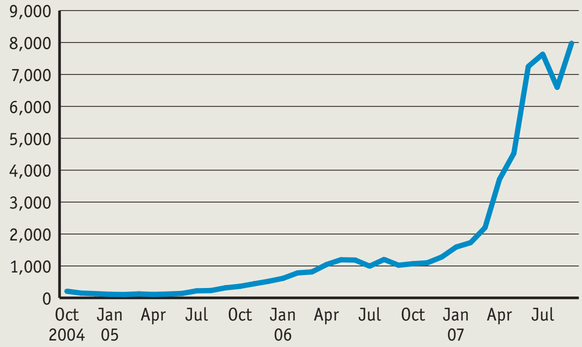
Monthly trends charts

Exchange rate
(Z$ '000:US$; av)



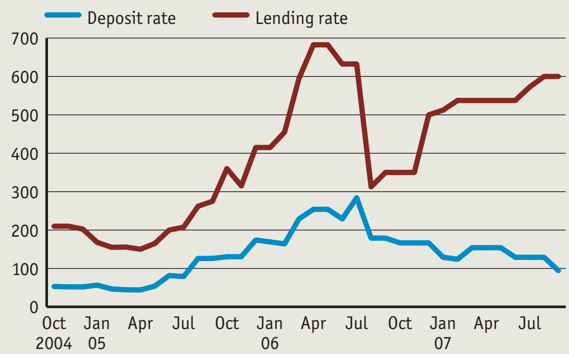
Source: Economist Intelligence Unit.

Consumer price inflation
(% change, year on year)



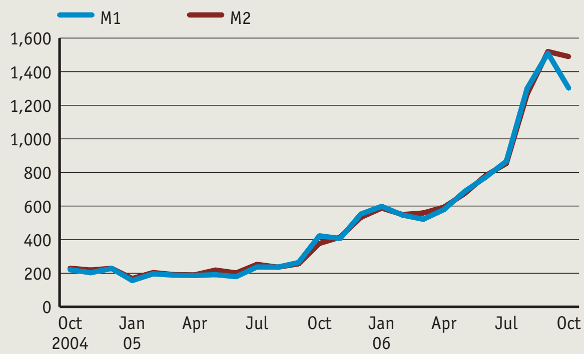
Source: Economist Intelligence Unit.

Interest rates
(av; %)



Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



Source: Economist Intelligence Unit.

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	