Country Report

Zimbabwe

August 2008

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The Economist Intelligence Unit

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Executive summary

Highlights

August 2008

Outlook for 2008-09

- Zimbabwe's president, Robert Mugabe, is expected to cling on to power, supported by his security forces.
- 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, at a forecast rate of 6.2% in 2008 and 4.4% in 2009.
- 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 recent redenomination of the currency is likely to provide only short-lived relief, as inflation continues to undermine its value.
- 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 to 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

- The post-election stalemate has continued, as has state-sponsored violence against opposition supporters.
- In a historic meeting, Mr Mugabe and the leader of the opposition Movement for Democratic Change, Morgan Tsvangirai, came face to face. However, no breakthrough in the talks resulted, with both men wanting to assume power.
- Mr Mugabe has rewarded those who helped him to steal power at the recent elections, highlighting his lack of respect for the democratic process.
- The governor of the Reserve Bank of Zimbabwe (RBZ, the central bank), Gideon Gono, announced on July 30th that he would knock ten zeros off the currency, so that Z$10bn now becomes Z$1.
- As well as announcing the redenomination, Mr Gono urged a six-month price and salary freeze in order to control inflation.
- In late July Mr Gono announced that statistics from the Central Statistical Office (CSO) showed that inflation had reached 2.2 million percent. Then, in August, the CSO admitted that inflation was as high as 11.25 million percent.

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 themselves have dubious claims to power. 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 abandons previous indications that he would allow 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 is no more likely to be realised than previous overoptimistic 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	4.8	3.8	3.3
OECD	3.1	2.7	1.7	1.2
EU27	3.1	2.9	1.5	1.1
Exchange rates				
¥:US$	116.2	117.8	105.5	101.8
US$:€	1.256	1.369	1.540	1.520
SDR:US$	0.680	0.651	0.616	0.619
Financial indicators				
€ 3-month interbank rate	3.08	4.27	4.82	4.53
US$ 3-month Libor	5.19	5.30	2.84	2.99
Commodity prices				
Oil (Brent; US$/b)	65.4	72.7	110.0	91.0
Gold (US$/troy oz)	604.5	696.7	895.7	848.8
Platinum (US$/oz)	1,135.0	1,299.0	1,946.0	1,971.3
Food, feedstuffs & beverages (% change in US$ terms)	38.7	7.0	22.1	-9.4
Industrial raw materials (% change in US$ terms)	49.6	11.2	5.1	-8.5

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 3.3% 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 official figures show that it had reached 11.25 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, 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

Zimbabwe's hyperinflation and moribund economy has completely undermined the value of its currency. Attempts to fix the exchange rate have failed repeatedly; 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 was therefore forced to take drastic action, allowing the dollar to float in early May 2008. However, with inflation continuing to surge, and economic policy reform taking second place to political considerations, the slide of the dollar has continued, surpassing Z$900bn:US$1 in July. 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 becomes Z$1. However, this will not be enough to halt the slide, as simply issuing new notes will be only cosmetic without fundamental reforms. The root problems are the 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. 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 put policy back on track.

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]	579.0	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	-52.1	-64.2
External debt (year-end; US$ bn)	4.7[c]	5.2	5.5	5.7
Exchange rate Z$:US$ (av)	162.1[c]	16,312.5	186.7[e]	5,000.0[e]
Exchange rate Z$:US$ (year-end)	250.0[c]	30,000.0	2,000.0[e]	5,000.0[e]
Exchange rate Z$:€ (av)	203.5[c]	22,326.1	287.6[e]	7,600.0[e]

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual. [d] The super hyper inflationary environment has made forecasting inflation virtually impossible. [e] In August 2008 the authorities redenominated the currency by removing ten zeros.

Monthly review: August 2008

The political scene

The post-election stalemate continues

Zimbabwe's ongoing severe political and economic crisis has continued, with the country remaining locked in an uneasy stand-off between the president, Robert Mugabe, and the opposition Movement for Democratic Change (MDC), led by Morgan Tsvangirai. Mr Mugabe has continued to rule as president, claiming victory in the June 27th run-off election in which he was the only candidate (July 2008, The political scene). However, he has still failed to swear in to office the new parliament, elected in the March 29th polls, that would give the MDC a slight majority. As the new parliament has not been convened, Mr Mugabe rules using the sweeping powers of decree granted by the much-amended constitution.

Violence against opposition also continues

State-sponsored violence against the MDC has also continued, according to a report released by a New York-based non-governmental organisation, Human Rights Watch, in early August. At least 163 opposition supporters have been killed since May and more than 5,000 people have been tortured, with 32 of the murders having occurred since the June 27th run-off election, according to the report. Many newly elected MDC parliamentarians and their families, as well as hundreds of other MDC supporters, are in hiding because of the threat of state violence. Human Rights Watch urged the South African president, Thabo Mbeki, the Southern African Development Community (SADC) and the African Union (AU) to press Mr Mugabe to stop all human-rights abuses immediately. The report also called for all those responsible for the murders and torture to be held accountable under Zimbabwean law. This, however, appears to be a forlorn hope.

Mr Mugabe and Mr Tsvangirai come face to face

Although the international community has been unable to heed the requests of Human Rights Watch and stop the violence, there has been much effort given to finding a solution to the political deadlock, which, in time, it is hoped, will translate to an end to the violence. Mr Mbeki, acting as the mediator designated by SADC, has worked to break the deadlock by bringing Messrs Mugabe and Tsvangirai together. He finally succeeded in getting the two leaders to meet face to face on July 21st. This was a significant event, as it was the first time that the two rivals had met in ten years. Mr Tsvangirai refused to meet at Zimbabwe's State House, saying that this would suggest that he accepted that Mr Mugabe was the country's legitimately elected leader. Instead, the meeting was held at the neutral venue of a Harare hotel. The two leaders shook hands and signed a Memorandum of Understanding that their two parties would hold talks to form a power-sharing government. The statement said that an agreement would be reached by August 4th. Arthur Mutambara, the leader of a MDC splinter group, also attended the meeting and signed the agreement to be part of the talks. Although some hailed this meeting as a breakthrough that brought credit to Mr Mbeki's efforts, nothing of real substance was discussed, as negotiations were at an early stage.

Further talks are held in Pretoria and Harare

The three sides held a series of further talks in South Africa, in a state guesthouse outside Pretoria. Mr Mbeki imposed a media blackout in which the participants were forbidden to speak to the press. However, it was apparent that the sides were a very long way apart at the start of the discussions. Mr Mugabe was adamant that he be recognised as the legitimately elected leader of Zimbabwe who holds a five-year term of office until 2013 but Mr Tsvangirai maintained that any agreement must acknowledge that he won the March 29th presidential election and that he and the MDC should hold considerable power and responsibility.

Details of the talks seeped out, despite Mr Mbeki's media ban. After a few days the negotiators for Mr Mugabe's Zimbabwe African National Union-Patriotic Front (ZANU-PF) party—the justice minister, Patrick Chinamasa, and the public service minister, Nicholas Goche—flew back to Harare for instructions. Reportedly, they returned to the talks with the offer that Mr Mugabe would remain president and Mr Tsvangirai would become one of three vice-presidents. Mr Tsvangirai's representatives—the MDC secretary-general, Tendai Biti, and the economic affairs secretary, Elton Mangoma—are understood to have rejected this as unacceptable, as the two current vice-presidential posts are largely ceremonial, with little real power. Further negotiation led to a proposed structure under which Mr Mugabe would retain the presidency and Mr Tsvangirai would be prime minister. The talks also considered how the two sides would divide the cabinet positions. Mr Mugabe had proposed 36 cabinet posts, with ZANU-PF and the MDC each taking 15 positions and the splinter MDC having six posts, according to local reports. It was understood that ZANU-PF would choose the defence minister, who would hold control over the armed forces, and the MDC would choose the home affairs minister, who would be in charge of the police, and that the key position of finance minister would be held by a technocrat who was acceptable to both parties. The obvious choice would be the former finance minister, Simba Makoni, who ran for president in the March elections and came a distant third. Mr Mugabe would receive an amnesty for any alleged crimes committed during his time in office, and the talks considered how many in the army and police would also received amnesties. There was speculation that a blanket amnesty would be given to all government officials.

Negotiations falter at the last hurdle

When the negotiations went beyond the two-week deadline of August 4th, Mr Mbeki said that more time was needed for the talks to succeed. It seems that considerable progress was made after the deadline, and on August 10th Messrs Mugabe, Tsvangirai and Mutambara met for talks in Harare, at the Rainbow Towers Hotel, with Mr Mbeki present to mediate. Many thought that a deal had been hammered out and that the leaders would simply meet to sign the agreement. However, the meeting went on for 14 hours, until 3 am, with no agreement being reached. Efforts to resolve the differences continued on subsequent days, but Mr Mbeki finally left without an agreement in hand.

The differences remained substantial. Mr Mugabe insisted that he would retain executive powers and would appoint Mr Tsvangirai and all cabinet ministers. Mr Tsvangirai maintained that he had the support of the majority of

Zimbabweans and that, as prime minister, he must be head of government; he would be appointed by parliament and would then appoint the cabinet himself. Mr Mugabe would be relegated to a purely ceremonial role as a non-executive head of state. All sides said that the talks had not broken down but would continue until an agreement had been reached. However, when Mr Mbeki left for South Africa he did not say when the talks would resume. He was reported to be frustrated because he wanted to bring a signed deal to the SADC summit to be held in South Africa on August 16th. In addition, the Zimbabwean state media has reported that if no deal were agreed by the end of August, Mr Mugabe would convene the new parliament and form a new government from his ZANU-PF party.

Zimbabwe is discussed by SADC

The SADC summit was itself boycotted by Botswana, which said that Mr Mugabe had not been elected legitimately and should not be seated as a head of government. Zambia's foreign minister delivered a scathing attack on the situation in Zimbabwe and urged SADC leaders to take decisive action. Against this, the Angolan delegation claimed that much progress had been made in the talks but added that large differences remained over the question of who should have power. No breakthrough was achieved; instead, Mr Mbeki was charged with continuing his efforts. For his part, Mr Mugabe said that he would convene parliament and form a new government whether or not a deal was reached. Although Mr Mbeki did not specifically endorse this plan, neither did he oppose it. Following the SADC summit, Mr Tsvangirai said that he was under pressure to accept the current offer that would leave Mr Mugabe in power, but also said, "No deal is better than a bad deal".

Mr Mugabe rewards those who helped him stay in power

August 11th was the Heroes' Day public holiday in Zimbabwe, and Mr Mugabe used the occasion to give special awards to key figures who had helped to keep him in power. Those receiving awards or promotions included George Chiweshe, the head of the Zimbabwe Electoral Commission, which withheld the election results for five weeks and announced highly contested figures that denied Mr Tsvangirai an outright majority and forced the run-off election in June; and Happyton Bonyongwe, the head of the Central Intelligence Organisation, which stands accused of orchestrating a great deal of the state campaign of torture and murder of opposition supporters both before and after the elections. Mr Mugabe also promised the military better pay and housing. Rather than show any regret for the conduct of his allies in recent months, Mr Mugabe has instead rewarded them. This is a further indication of his contempt for the ongoing power negotiations and, with his strongest allies firmly in place, Mr Mugabe seems unlikely to relinquish power in the foreseeable future.

Economic policy

The currency is redenominated

Just a week after issuing a Z$100bn note—which was not enough to buy a loaf of bread in Zimbabwe's hyperinflationary economy—the governor of the Reserve Bank of Zimbabwe (RBZ, the central bank), Gideon Gono, announced on July 30th that he would knock ten zeros off the currency so that Z$10bn became Z$1. In his half-year monetary policy statement, Mr Gono said that the redenomination of the currency was necessary because the country's computers, calculators and ATMs could not handle transactions in billions, trillions and quadrillions of dollars.

New currency notes were issued on August 1st, with the largest bill marked Z$500, the equivalent of Z$5 trillion in the old currency. The previous notes, with all their zeros, will be valid until the end of the year. The revaluation comes two years after the last exercise, when three zeros were removed from the currency. However, that did not succeed in reducing Zimbabwe's inflation, and neither is the latest revaluation expected to do so. Simply issuing new notes will only be cosmetic without fundamental reforms. The root problems are the 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.

Mr Gono proposes another pay and price freeze

As well as announcing the redenomination, Mr Gono urged a six-month price and salary freeze to control inflation. Mr Gono has called for a price and wage freeze several times before, but this has never been implemented. In the 50-page monetary policy statement Mr Gono blamed international sanctions for Zimbabwe's economic problems. In fact, the only sanctions imposed by the EU and the US are targeted measures against Mr Mugabe and 120 of his top officials and associates. What Mr Gono describes as sanctions are the decisions by the IMF, the World Bank and Western governments not to lend Zimbabwe any further funds because the government is behind on its payments.

Economic performance

Inflation hits new highs

In late July Mr Gono announced that figures from the Central Statistical Office (CSO) showed that inflation had reached 2.2 million percent. This is the first official inflation figure since February, when it was put at 165,000%. The head of the CSO confirmed the figure but said that it was only a "rough barometer" because it was based on limited data owing to the scarcity of basic items. Independent economists point out that inflation was fuelled by the election period, when the government campaigned by spending money on tractors and combine harvesters donated to rural areas. The equipment is unlikely to be used productively because seeds and fertiliser are not available. As high as the 2.2 million percent inflation is, economic experts say that inflation is actually higher, as the figure does not include the spending splurges ahead of the June 27th presidential run-off poll. The actual inflation figure is probably ten-to-15 million percent. This suspicion was confirmed in mid-August, when the CSO stated that inflation in June had reached 11.25 million percent.

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	1.5	1.4
Nominal GDP (Z$ bn)	5.5	23.9	75.4	884.4	105,758	0.1[d]	950.8[d]
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	157	153
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	251.6	285.7
Prices and financial indicators							
Exchange rate Z$:US$ (end-period)	0.82	5.73	77.97[a]	250.00[a]	30,000.00	2,000.00[d]	5,000.00[d]
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]	1,323.1	12,758.4	1,000,068.0	1,000,070.0
Stock of money M2 (% change)	430.1	229.3	532.7[a]	1,453.1	12,726.5	1,000,083.0	1,000,084.0
Lending interest rate (av; %)	97.3	278.9	235.7[a]	496.5[a]	579.0	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	5,465	5,690
Debt service paid	54	100	225[a]	83[a]	77	101	104
Principal repayments	41	77	198[a]	31[a]	35	38	36
Interest	14	23	27[a]	53[a]	42	63	68
Debt service due	619	449	276[a]	406[a]	613	550	382
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. [d] In August 2008 the authorities redenominated the currency by removingten zeros.

Source: IMF, *International Financial Statistics*.

Quarterly data

	2005	2006				2007		
	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
Central government finance (Z$ m)								
Revenue & grants	16,858	45,594	162,579	n/a	n/a	n/a	n/a	n/a
Expenditure & net lending	12,969	49,850	188,148	n/a	n/a	n/a	n/a	n/a
Balance	3,889	-4,256	-25,569	n/a	n/a	n/a	n/a	n/a
Total domestic debt (end-period)	15,886	15,021	46,213	119,401	175,666	1,283,404	n/a	n/a
Output								
Manufacturing index (1990=100)	56	56	58	69	73	n/a	n/a	n/a
Manufacturing index (% change, year on year)	-10	-9	-5	12	30	n/a	n/a	n/a
Prices								
Consumer prices (2000=100)	40,350	72,480	133,258	249,903	509,953	1,437,264	7,321,732	n/a
Consumer prices (% change, year on year)	503	773	1,147	1,071	1,164	1,883	5,394	n/a
Financial indicators								
Exchange rate Z$:US$ (av)	67.9007	97.360	100.534	200.400	250.000	259.153	257.27	n/a
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)	90.0000	156.947	320.000	1,068.000	2,567.000	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	n/a
M1 (% change, year on year)	553	521	771	1,510	1,323	3,584.0	16,323.8	n/a
M2 (end-period; Z$ bn)	58,424	82,151	158,005	434,002	907,355	2,851,923	23,605,270	n/a
M2 (% change, year on year)	533	559	781	1,520	1,453	3,371.6	14,839.6	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	318.6	207.5	236.0	243.3	254.4	604.6	688.6	530.2
Imports cif	434.0	597.6	709.9	786.0	729.7	607.9	574.2	633.2
Trade balance	-115.5	-390.1	-473.9	-542.8	-475.3	-3.4	114.3	-103.0

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

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

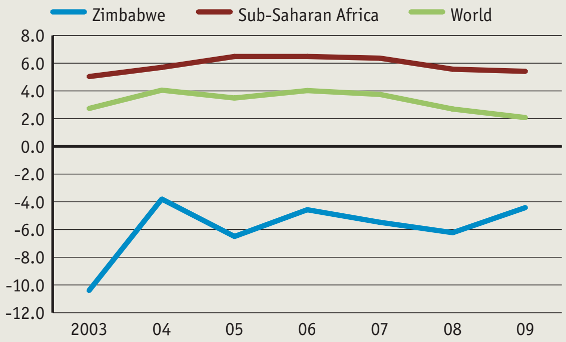
Monthly data

	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	1,442	1,323
2007	1,607	2,114	3,584	4,844	8,928	16,324	18,441	16,837	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	1,462	1,453
2007	1,668	2,142	3,372	4,559	8,344	14,840	18,599	17,845	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.

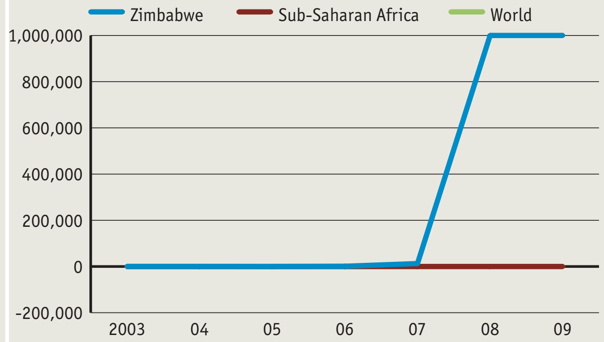
Annual trends charts

Real GDP growth
(% change)



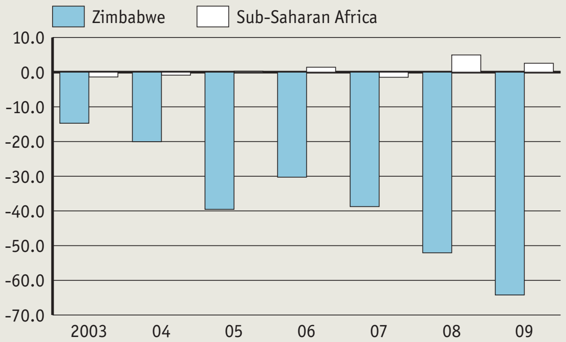
Source: Economist Intelligence Unit.

Consumer price inflation
(% change, year on year; av)



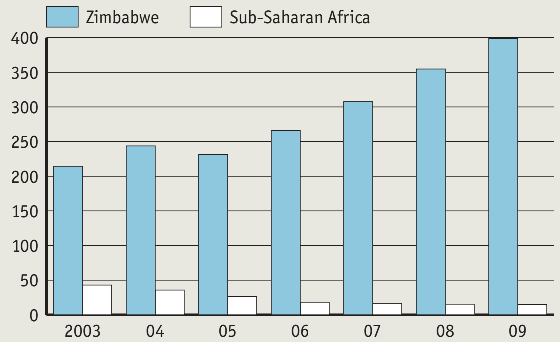
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



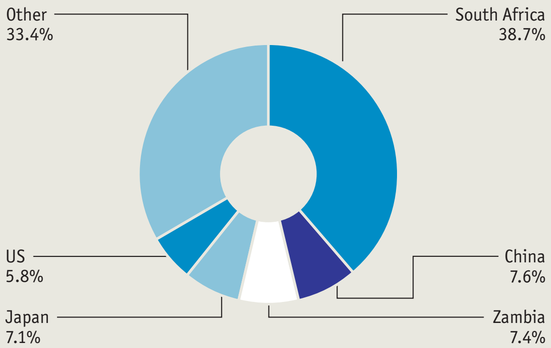
Source: Economist Intelligence Unit.

Total external debt
(% of GDP)



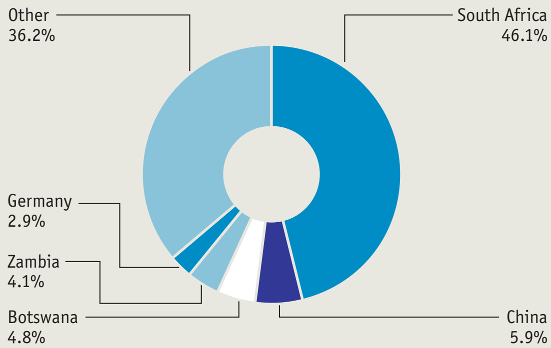
Source: Economist Intelligence Unit.

Main destinations of exports 2006
(share of total)



Source: Economist Intelligence Unit.

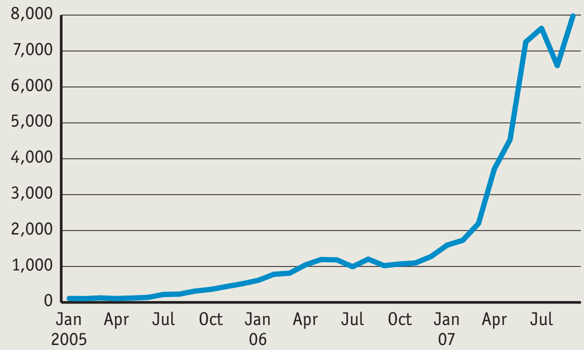
Main origins of imports 2006
(share of total)



Source: Economist Intelligence Unit.

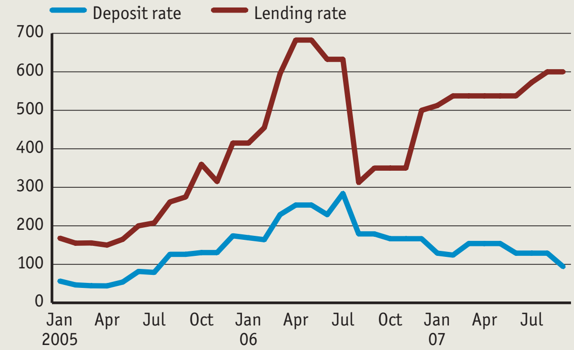
Monthly trends charts

Consumer price inflation
(% change, year on year)



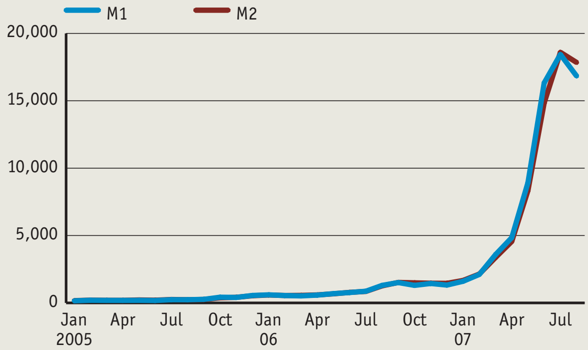
Source: Economist Intelligence Unit.

Interest rates
(av; %)



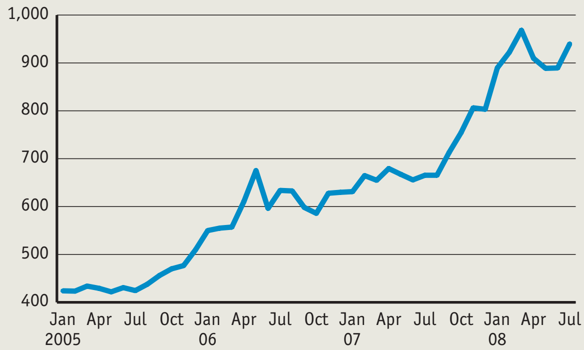
Source: Economist Intelligence Unit.

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 & 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 and social welfare	Nicholas Goche
	Tourism	Francis Nhema
	Transport & communications	Chris Mushowe
	Water resources & infrastructure development	Munacho Mutezo
Reserve Bank governor	Gideon Gono	