Country Report

Zimbabwe

May 2008

Economist Intelligence Unit
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United Kingdom

The Economist Intelligence Unit

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ISSN 1350-7095

Symbols for tables

“n/a” means not available; “–” means not applicable

Printed and distributed by Patersons Dartford, Questor Trade Park, 151 Avery Way, Dartford, Kent DA1 1JS, UK.

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Executive summary

Highlights

May 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.
- Inflation will average six figures in 2008, as food shortages continue and government spending increases. It should be lower in 2009, owing to slightly greater fiscal discipline after the elections.
- 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 contraction of the economy.

Monthly review

- Official results showed that opposition leader, Morgan Tsvangirai, won the presidential election vote. However, he lacked a clear majority and so must face Mr Mugabe in a second round, scheduled for June 27th.
- Mr Mugabe has launched a violent campaign against those who are believed to have voted against him and ZANU-PF. Many opposition supporters have been displaced, while others have been beaten and even killed.
- The president of South Africa, Thabo Mbeki, has remained reluctant to criticise Zimbabwe, but members of his political party have spoken out.
- The Reserve Bank Zimbabwe (RBZ, the central bank) has made a major reform and formally floated the Zimbabwe dollar.
- A drastic decline in mining exports and delays in opening the tobacco auction floors have caused export receipts to decline in the first quarter of 2008.

Outlook for 2008-09

Political outlook

Domestic politics

The president, Robert Mugabe, and the ruling Zimbabwe African National Union-Patriotic Front (ZANU-PF) were defeated at the presidential and parliamentary elections of March 29th, but they appear to be determined to cling on to power. In the presidential poll Morgan Tsvangirai of the Movement for Democratic Change (MDC) won 47.9% of the total vote, compared to 43.2% for Mr Mugabe. As Mr Tsvangirai failed to win an absolute majority, a second round run-off is necessary. Legally, the second round should take place three weeks after the announcement of the results, which would mean a poll on May 23rd, but as a result of the state exerting its control over the Zimbabwe Electoral Commission (ZEC), it has been delayed further, until June 27th, by which time Mr Mugabe will be more confident that he can win it, via a combination of rigging and intimidation. Since defeat at the polls, Mr Mugabe has unleashed a fierce crackdown on the opposition: beatings, displacement and even killings are apparently now commonplace. Although the parliamentary results initially gave control to the MDC, many of the seats won by it are being challenged in Zimbabwe's partisan courts. So far these challenges have failed, but more are in the pipeline, which means there is every chance that the judiciary will overturn the will of the people. Even if not, owing to the wide-ranging powers conferred on the presidency, Mr Mugabe will have little difficulty in bypassing parliament.

All of this means that Mr Mugabe is likely to remain president, while ZANU-PF may well regain its parliamentary majority. The violence already evident against opposition supporters reduces the likelihood of some kind of spontaneous uprising against the government by the general population. Meanwhile, Mr Mugabe appears to have maintained his tight grip on the army, reducing, but not eliminating, the threat of a coup. The most benign outcome now appears to be the least likely—that the inconclusive election results will lead to the establishment of a government of national unity involving various disaffected ZANU-PF factions and the opposition Movement for Democratic Change (MDC), with Mr Mugabe having been sidelined.

In the longer term, Mr Mugabe has undoubtedly been weakened. The fact 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 the 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 international community has largely failed in encouraging the Zimbabwean leadership to open up the political process and allow free and fair elections. While 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. There are some encouraging indications that Mr Mbeki's likely successor, Jacob Zuma, will take a harder line on Zimbabwe, but he will gain power too late to make any difference to the outcome of the 2008 elections. Furthermore, Mr Zuma is likely to face significant challenges domestically, so that Zimbabwe will decline in relative importance. The Zimbabwean government will continue to divide the international community by cultivating relations with East Asian countries, particularly China. This has brought some promises of investment and humanitarian aid, but relations have focused more on rhetoric about potential co-operation than on detailed programmes.

Economic policy outlook

Policy trends

Economic policy will continue to be driven by political considerations. For example, government spending rose in the run-up to the March 2008 elections, while banks came under pressure to hold (or reduce) interest rates and increase lending to distressed businesses, and the administration will persist with efforts to treat the symptoms, rather than the root cause, of inflation. 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. This issue was discussed at the spring meetings of the IMF and World Bank in mid-April, with significant financing put in place should the institutions be able to renew their relations with the country. Other donors, particularly the UK and EU, are 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 increasingly difficult to raise sufficient amounts from domestic debt markets to fund its deficits. This will eventually force it to raise nominal interest rates, although an increase is unlikely until after the outcome of the elections is settled and Mr Mugabe is again entrenched in power. 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.

One deficiency in the government's fiscal data in recent years has been the absence of quasi-fiscal expenditure, which comprises various subsidies, mainly to parastatals, losses on foreign-exchange dealings and various interest payments. The 2008 budget was no different: the finance minister said nothing about the government's quasi-fiscal spending and made no attempt to explain how interest charges of some Z$13.5trn (US$450m) would be funded.

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 Reserve Bank of Zimbabwe (RBZ, the central bank) made a major reform to monetary policy in May 2008 by allowing the Zimbabwean 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 in six digits, 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	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, 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 the insecurity lessened, real GDP growth is expected to decline by 4.4%. 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

Food and foreign-exchange shortages, 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 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 should 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, averaging Z$185m:US$1 in 2008 and Z$250m:US$1 in 2009. It is also likely that the RBZ will at some point re-denominate the dollar 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	684,168.6	14,198.1
Consumer price inflation (year-end)	1,281.1[c]	66,212.3	186,124.2	213.8
Short-term interbank rate	496.5[c]	298.7	286.3	261.6
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	-53.3	-62.1
External debt (year-end; US$ bn)	4.7[c]	5.2	5.5	5.7
Exchange rate Z$:US$ (av)	162.1[c]	16,313	185,843,333	250,000,000
Exchange rate Z$:US$ (year-end)	250.0[c]	30,000	300,000,000	110,000
Exchange rate Z$:€ (av)	203.5[c]	22,326	287,592,558	375,000,000
Exchange rate Z$:US$ (av; parallel market)	1,027.8	990,750	222,083,333	321,666,667

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

Monthly review: May 2008

The political scene

Tsvangirai wins presidential poll, but Mugabe still in charge

Morgan Tsvangirai won Zimbabwe's March 29th presidential election with 47.9% of the total vote, compared to 43.2% for the president, Robert Mugabe, according to official results eventually released by the Zimbabwe Electoral Commission (ZEC) on May 2nd, more than a month after the polls. However, Mr Tsvangirai was not declared the next president because, according to electoral laws, the winning candidate must take more than 50% of the total vote, so a run-off election is required. Former finance minister, Simba Makoni, won 8.3% of the presidential vote and will not take part in the run-off.

The run-off should take place within 21 days of the May 2nd announcement of the election results, which would mean a poll on May 23rd. But on May 11th the electoral commission chief, George Chiweshe, said in the state media that more time is needed to prepare for the elections and that more funding is needed from the government. A date of June 27th was eventually set, by which time Mr Mugabe will be more confident that he can win the poll, via a probable combination of rigging and intimidation.

ZANU-PF orders a parliamentary recount

The governing Zimbabwe African National Union-Patriotic Front (ZANU-PF) objected to the result of the parliamentary election, which gave control of the legislative body to Mr Tsvangirai's wing of the Movement for Democratic Change (MDC) with 99 seats, compared to 97 for ZANU-PF and ten for the Arthur Mutambara side of the MDC and one seat to the independent Jonathan Moyo (April 2008, The political scene). Both factions of the MDC have said that they would co-operate in parliament, but their total of 109 seats does not give them the two-thirds majority needed to alter the constitution. ZANU-PF initially ordered recounts in 23 parliamentary constituencies, but these confirmed the original results. This was somewhat of surprise as, given the influence that ZANU-PF and Mr Mugabe have over the ZEC, it was expected that the commission would rule in their favour and so return the majority to ZANU-PF. This may well be a ploy by Mr Mugabe to appear to be respecting the rule of law whilst actually giving very little away, as he is well aware that because the constitution gives such wide powers to the president, he can easily bypass an opposition-controlled parliament and rule by decree. In addition, this may not be the end of the story as in early May ZANU-PF subsequently contested a further 53 seats, and so the state of confusion persists.

Mr Mugabe launches a violent campaign against opponents

The MDC won control of parliament because many rural areas of Mashonaland—traditionally Mr Mugabe's main stronghold of support—shifted allegiance and voted for the opposition party. Apparently preparing for a run-off election and trying to wrest back control of those rural areas, Mr Mugabe launched a sweeping campaign of violent retribution throughout those areas. In an operation allegedly called "where did you put your X", 200 senior army officers were deployed across the country to co-ordinate Mr Mugabe's core supporters (known as "war veterans") and the police and army in punishing people suspected of voting for the MDC and in "convincing" them to vote for Mr Mugabe in the run-off. According to the MDC, by May 11th more than 25 deaths had occurred owing to state-sponsored violence, and the party warned that the toll could go higher. Similar death figures were given by doctors and human rights activists. The Zimbabwe Association of Doctors for Human Rights said that 22 people have died and 900 have been tortured in post-election violence, while 40,000 farm workers have been displaced in an effort to prevent them from voting in the run-off. But the association also noted that violence is now taking place on such a scale that it is impossible to properly document all cases. In addition, the Mugabe government has widened its crackdown with the arrests of journalists, union officials and lawyers.

Mr Tsvangirai does intend to stand in the run-off

The MDC announced that its calculations show that Mr Tsvangirai won the presidential race outright with more than 50% of the votes, based on the vote tallies posted outside each polling station. However, on May 10th Mr Tsvangirai announced from South Africa—he has remained outside Zimbabwe since the violent crackdown began—that he will stand in a run-off election but upon several conditions. He said that the run-off election must be held by May 23rd, that the electoral process must be open to international observers and journalists, and that Southern African peacekeepers should be used to enforce an end to all political violence. The opposition leader said that he would return to Zimbabwe to go on a "victory tour" of the country.

Mr Tsvangirai was speaking after a meeting in Luanda with the Angolan president, José Eduardo dos Santos, the current chairman of the political, defense and security committee of the Southern African Development Community (SADC). Mr Tsvangirai said that he had told Mr dos Santos—who is one of Mr Mugabe's strongest allies in the region—that if Mr Mugabe accepts defeat and steps down as president he would be given an honourable retirement and be accorded status as the father of Zimbabwe. This represents a significant softening of Mr Tsvangirai's stance, as just a few weeks earlier he said that Mr Mugabe should face trial for alleged human rights abuses. Nevertheless, on May 12th Mr Mugabe's deputy minister of information, Bright Matonga, flatly rejected Mr Tsvangirai's conditions. Mr Mugabe and ZANU-PF are well aware that if Mr Tsvangirai can be provoked into boycotting the run-off then victory will be handed to Mr Mugabe. It is therefore in their interests to be as obstinate as possible.

Mr Mbeki does not condemn the violence

The leader of South Africa, and the man best-placed to influence developments in Zimbabwe for the better—Thabo Mbeki—flew to Harare on May 9th and met with Mr Mugabe for four hours. However, in line with the previous lack of action from Mr Mbeki, the outcome was disappointing. Mr Mbeki did not speak to the press in Harare but a day later in Doha, Qatar, he said that "Zimbabwe's problems must be solved by Zimbabweans". He did not condemn the violence in Zimbabwe. Nor did he indicate that the South African government would press for an end to the violence or new measures to make sure that the run-off election is free and fair. He also dismissed the proposal that the UN should send an observer mission to the second round of the presidential poll, saying that a mission from SADC will be sufficient.

The ANC is more critical of events in Zimbabwe

Mr Mbeki no longer controls his party, the African National Congress (ANC), because the party's new leader is his rival, Jacob Zuma. On May 11th the ANC took a more critical stand on Zimbabwe, expressing "grave concern at the worsening situation". The ANC and its allied partners, the Confederation of South African Trade Unions (Cosatu) and the South African Communist Party (SACP), called "for an end to all violence and harassment of the civilian population". Meanwhile, the African Union (AU) sent an envoy, Jean Ping, a former foreign minister of Gabon, to meet with Mr Mugabe and with the ZEC, before a meeting of AU foreign ministers in Tanzania. There is widespread speculation throughout the Southern African region that SADC is encouraging both ZANU-PF and the MDC to agree to some kind of government of national unity. However, with little pressure coming from Mr Mbeki himself, Mr Mugabe will find such persuasion easy to ignore.

Chinese ship is unable to offload arms in Durban

Another group of South Africans who have taken a more pro-active stance than Mr Mbeki are the workers at Durban harbour. A Chinese ship, the *An Yue Jiang*, docked in Durban in mid-April loaded with arms destined for Zimbabwe. Mr Mbeki said that as there was no arms embargo on Zimbabwe, there was nothing he could do to prevent their shipment through South Africa. However, South African trade unions refused to unload the shipment. The International Transport Workers' Federation also made sure that the Chinese ship was unable to unload its goods for Zimbabwe in ports in Tanzania, Mozambique and Namibia. The ship did stop in Angola to refuel after being recalled to China, and rumours spread that some or all of the weapons had been unloaded, although this was denied by the Angolan authorities.

Economic policy

RBZ floats the Zimbabwe dollar

On May 5th the Reserve Bank Zimbabwe (RBZ, the central bank) made a major reform and floated the Zimbabwe dollar in an attempt to eliminate speculation on the black market and be better able to tackle the hyperinflation that is ruining the economy. The official exchange rate in Zimbabwe had been kept at Z$30,000:US$1 since September 2007, but on the thriving black market the rate had reached Z$130m:US$1. The Zimbabwe dollar ended the first day under the float at close to US$1:Z$200m, down from the starting rate of US$1:Z$160m set by the RBZ. 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.

Economic performance

Export receipts decline

A drastic decline in mining exports and delays in opening the tobacco auction floors saw the country's net export receipts decline by 8% for the first quarter of 2008 compared to the same period of 2007. This decline in export trade comes at a time when the country is already experiencing a severe economic crisis on the back of reduced productivity levels in industry and a weakening local currency. In his first quarter monetary policy statement on April 30th, the RBZ governor, Gideon Gono, said that recorded export proceeds for the first quarter of 2008 were US$250m, compared with US$273m during the same period of 2007. However, an increase in inflows from the diaspora pushed foreign currency receipts from money transfer agencies (MTAs) to US$22m from about US$3m during the same period in 2007. This represents a 616% increase as Zimbabweans living abroad attempt to support friends and family who have been left behind and are baring the brunt of the economic collapse.

Mining exports drop

Although the mining sector has continued to top the export contributors in 2008, receipts dropped to about US$182m in the first quarter of 2008 compared to US$850m in the same period last year. Total foreign currency receipts from the gold sector slumped by 49% because of the decline in gold production. Most mines have been struggling to remain viable because of foreign currency shortages and power outages. A low support price and delays by the central bank in paying for gold deliveries have also badly affected production. According to mining experts, many small-scale producers are suspected of smuggling gold out of the country to fetch higher prices in much-prized foreign currency. Zimbabwe is expected to produce 3.6 tonnes of gold in 2008, down from 6.7 tonnes in 2007. At its peak, Zimbabwe produced 27 tonnes in 2000.

Tobacco farmers protest at prices

The decision to allow Zimbabwe's foreign-exchange rates be set by the market should help Zimbabwe's tobacco farmers in the long run if it can be used as part of measures to bring down inflation and increase the availability of foreign exchange. Nevertheless, the tobacco auctions opened badly on April 22nd when not a single bale was sold because farmers withheld their crop to protest at the low exchange rate offered and depressed prices. Tobacco farmers are paid 80% of their earnings in Zimbabwe dollars and the remainder in US dollars, as part of the RBZ's complicated subsidy system designed to prop up the Zimbabwe dollar. This system is expected to change as a result of the floating of the Zimbabwe dollar. At its peak, tobacco used to rake in some 30% of the country's foreign currency, making it the country's second export product after gold. Tobacco production has slumped from a record high of 236m kg in 2000 to just 68m kg in 2007, which earned US$160m. Officials predict that the 2008 crop could reach 70m kg.

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	1.5
Nominal GDP (Z$ bn)	6	24	75	884	105,758	678,412,805	93,010,295,597
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	257.5	278.6
Prices and financial indicators							
Exchange rate Z$:US$ (end-period)	0.82	5.73	77.97[a]	250[a]	30,000	300,000,000	110,000
Consumer prices (end-period, %)	598.7	132.7	585.8[a]	1,281.1[a]	66,212.3	186,124.2	213.8
Stock of money M1 (% change)	484.6	228.6	552.6[a]	1,333.9	12,662.1	684,237.4	14,268.7
Stock of money M2 (% change)	430.1	229.3	532.7[a]	1,459.1	12,676.5	684,252.2	14,283.6
Lending interest rate (av; %)	97.3	278.9	235.7[a]	496.5[a]	298.7	286.3	261.6
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.

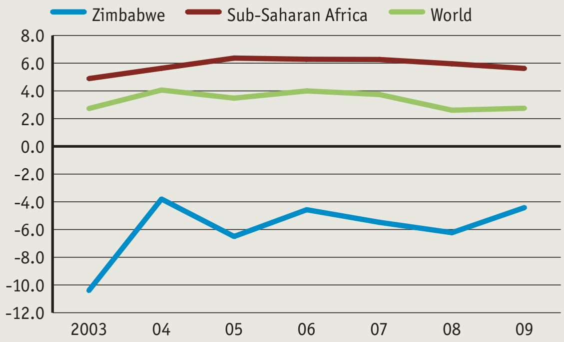
Monthly data

	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	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.

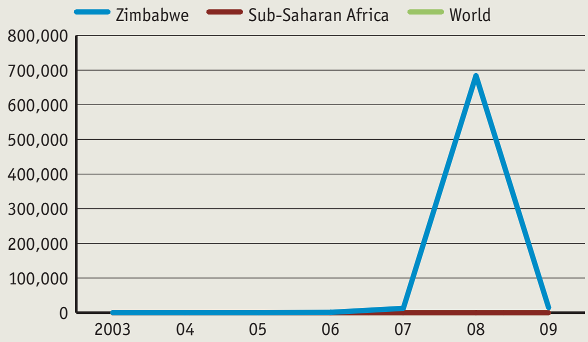
Annual trends charts

Real GDP growth
(% change)



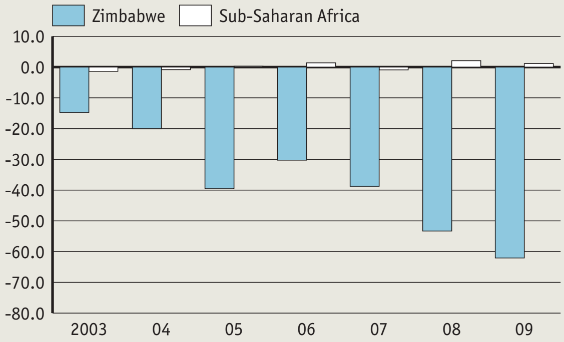
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



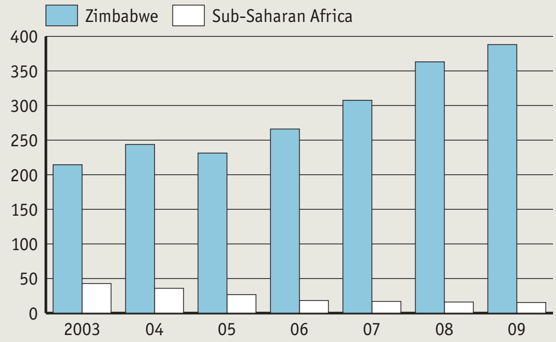
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



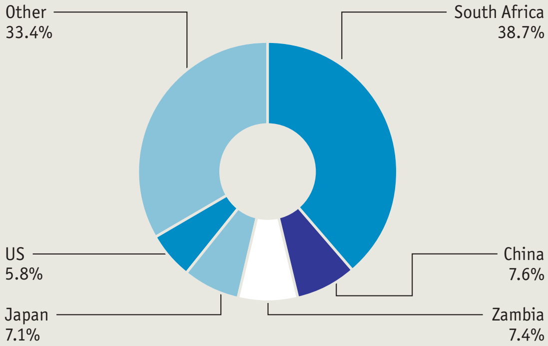
Source: Economist Intelligence Unit.

Total external debt
(% of GDP)



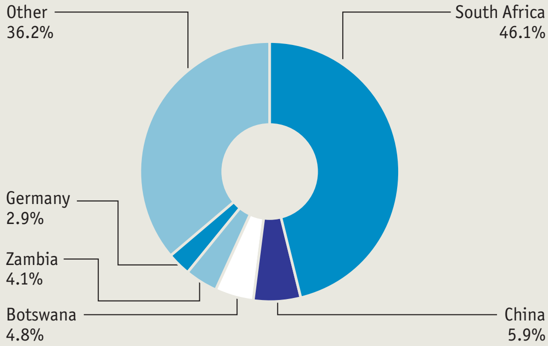
Source: Economist Intelligence Unit.

Main destinations of exports 2006
(share of total)



Source: Economist Intelligence Unit.

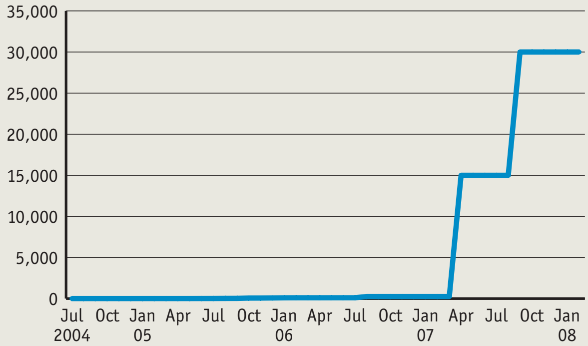
Main origins of imports 2006
(share of total)



Source: Economist Intelligence Unit.

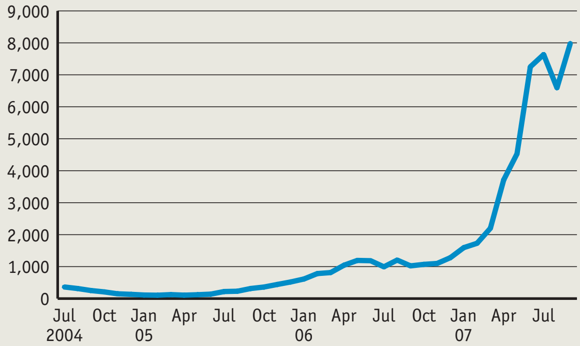
Monthly trends charts

Exchange rate
(Z$:US$; av)



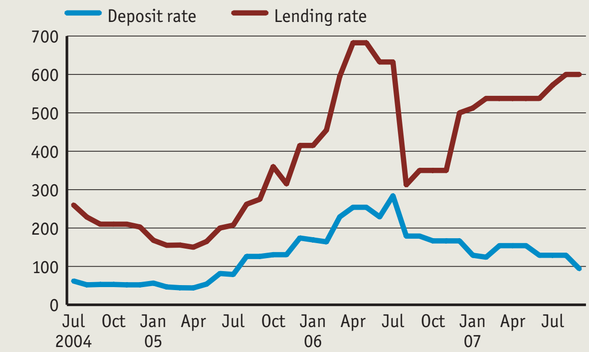
Source: Economist Intelligence Unit.

Consumer price inflation
(% change, year on year)



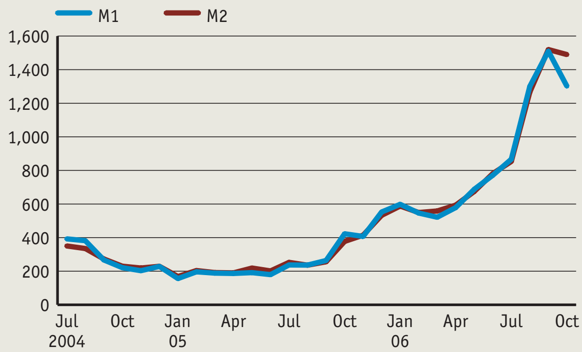
Source: Economist Intelligence Unit.

Interest rates
(av; %)



Source: Economist Intelligence Unit.

Monetary aggregates
(% change, year on year)



Source: Economist Intelligence Unit.

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, holds 62 seats in parliament; 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 and has 57 seats; 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

