COUNTRY PROFILE
Quarterly update

July 2016

United Nations
Economic Commission for Africa

ZIMBABWE

Introduction

The main objective of this document is to provide an update to the 2015 Zimbabwe Country Profile, with a particular focus on the recently released annual data for 2015.

Recent developments: Key highlights

- The economy of Zimbabwe continues to be on track to grow by the estimated rate of 1.2 per cent in 2016, up from 1.1 per cent growth in 2015, driven mainly by mining and services notwithstanding the liquidity challenges bedevilling the economy and also being weighed down by agriculture, which is expected to decline by 4.2 per cent during the year due to the El Niño effect (Reserve Bank of Zimbabwe, 2016a, Ministry of Finance and Economic Development, 2016). The mining sector showed positive signs during the first quarter with the production of most minerals higher than in the last quarter of 2015. However, manufacturing remained depressed and capacity utilization declined by 2.2 per cent between 2014 and 2015. Furthermore, market capitalization on the Zimbabwe Stock Exchange declined from 3.07 billion United States dollars to US$ 2.65 billion and the index shed 17.24 points during the quarter due to depressed business activities (Reserve Bank of Zimbabwe, 2016b).

- Total merchandise trade during the quarter amounted to US$ 1,954.3 million compared to US$ 2,209.6 million during the first quarter of 2015. The trade deficit amounted to US$ 702.3 million in the first quarter of 2016 from a deficit of US$ 583 million registered in the fourth quarter of 2015. Export earnings declined from US$ 716.2 million in 2015 to US$ 626 million in the first quarter of 2016 on account of declines in gold and tobacco exports. Commodities dominated exports, with the major ones being ferrochrome, flue-cured tobacco, gold, nickel, diamonds and granite, which together accounted for 35.1 per cent of export earnings during the quarter. Total merchandise imports amounted to US$ 1,328.3 million a decline of 11.1 per cent compared to the same period in 2015. The main imports were fuel, maize and medicine. South Africa remained Zimbabwe's major trading partner, accounting for 77.8 per cent of exports and 35.8 per cent of imports during the quarter. The strong United States dollar continues to undermine the competiveness of locally produced products both domestically and internationally and especially against South African products (Reserve Bank of Zimbabwe, 2016a). The United States dollar strengthened against the South African rand in 2015 from 11.55 rand per dollar in January 2015 to 15.56 in December 2015 and continued to strengthen to 16.09 rand per dollar in January 2016 but weakened marginally to 15.3 in May 2016 (Reserve Bank of Zimbabwe, 2016b).

- The inflation rate in Zimbabwe continues to be the lowest in the Southern African Development Community region. Annual inflation decelerated to -2.31 in March 2016 from -2.19 in January 2016, driven by declining food and non-food prices and underpinned by the depreciating South African rand, low international oil prices and generally declining domestic demand due to low disposable incomes in Zimbabwe (Reserve Bank of Zimbabwe, 2016a). Furthermore, falling housing, water, gas and fuel prices also exerted downward pressure on inflation, leading to a further deceleration to -1.69 by May 2016 from -1.64 the previous month. On the money market, the average corporate lending rates declined from 8.52 per cent in 2015 to 7.35 per cent in May 2016 (Reserve Bank of Zimbabwe, 2016b).

- Revenue collection targets continue to be missed in Zimbabwe due to lower tax revenues as the tax base continues to shrink due to depressed economic activities (Ministry of Finance and Economic Development 2016, Reserve Bank of Zimbabwe, 2016a). Taxes are the principal source of gross government revenue and a total of US$ 726 million was collected during the quarter from taxes alone from total gross revenues of US$ 808.36 million. However, the revenue was 12 per cent below the quarterly target of US$ 920.7 million. Total expenditure during the quarter was US$ 1,118.9 million and thus the resultant fiscal deficit for the quarter amounted to US$ 310.54 million. Recurrent expenditure accounts for 88 per cent of total government expenditure, an unsustainable situation for future growth and development. Gross revenue collection improved during the second quarter to US$ 866.96 million. However, the total gross revenue for the first half of 2016 of US$ 1.69 billion was still below the target of US$ 1.75 billion and was also 9.31 per cent below the gross revenue for the same period last year. According to the Zimbabwe Revenue Authority's performance report for the first half of 2016, the gross revenue was mainly realized from individual taxes (21 per cent), excise duty (18 per cent) and value added tax (VAT) (26 per cent). The shrinking revenue base coupled with limited access to international financial support is forcing the Government to stagger the payment of civil service salaries as well as to postpone other commitments and this has adverse implications on economic growth and liquidity.

- Poverty levels remain high in Zimbabwe compared with other countries in the region. The recent analysis of levels of poverty in Zimbabwe shows that the poverty datum line per capita was US$ 30.37 in 2015, the total consumption poverty line was US$ 96.17 and the total consumption poverty line for an average household was US$ 480 (Zimbabwe National Statistics Agency, 2016a).

- Zimbabwe's monetary policy is currently focused on addressing the shortage of cash (especially the shortage of United States dollars) experienced since the last quarter of 2015. The Reserve Bank has announced a raft of measures to address the challenge, including promoting the use and acceptance of credit and debit cards, cheques and the electronic transfer settlement system to minimize the need for cash. Other measures include encouraging the use of other currencies in the multi-currency basket, especially the South African rand, and stemming the outflow of United States dollars (Reserve Bank of Zimbabwe, 2016a).

Economic performance

Macroeconomic performance

	Value	Year
GDP, current prices (US$ million)	13,953.00	2015
Inflation rate (%)	-2.2	2015
Current account (excluding transfers, projections, US$ million)	-2,052.00	2015
Long-term external debt (US$ million)	5,223.00	2015
Total external debt (US$ million)	7,064.00	2015

Source*:* Zimbabwe National Statistics Agency (2016b, 2016c). Zimbabwe Debt Management Office (2016)

Fiscal policy

(% of GDP)	Value	Year
Current account (excluding official transfers, projections)	19.79	2015
Non factor service (net, projections)	6.37	2015
Income (net, projections)	8.34	2015
Transfers (net, projections)	12.74	2015
Capital account (including official transfers, projections)	18.49	2015

Source: Zimbabwe National Statistics Agency (2016b, 2016c).

Monetary policy

(%)	Value	Year
Corporate lending rates (year average)	8.52	2015

Source: Zimbabwe National Statistics Agency (2016b, 2016c).

Current account

(US$ million)	Value	Year
Imports of goods (fob, projections)	6,175.00	2015
Exports of goods (fob, projections)	3,682.00	2015
Trade balance (projections)	-2,492.62	2015
Current account (excluding transfers, projections)	-2,052.00	2015

Source: Zimbabwe National Statistics Agency (2016b, 2016c).

Capital and financial accounts

(US$ million)	Value	Year
Capital account (including official transfer, projections)	2,569.00	2015
Grants (projections)	513.00	2015
Direct investment (net, projections)	591.00	2015
Portfolio investment (net, projections)	147.43	2015

Source: Zimbabwe National Statistics Agency (2016b, 2016c).

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