STATE OF THE ECONOMY Report

2020

An economic dashboard for Zimbabwe

Sponsored by

MIMOSA MINING COMPANY

Safety Technology Challenge Innovation

An economic dashboard for Zimbabwe

Produced by

AEDS
AFRICA ECONOMIC DEVELOPMENT STRATEGIES

in collaboration with

Associated Newspapers of Zimbabwe (Pvt) Ltd

Publishers of

dailynews dailynews on sunday

MAGAZINE EDITOR
Dakarai Mashava

PRODUCTION AND TECHNICAL DIRECTOR
Tinashe Nekati

DESIGN & LAYOUT
Jawet Chiguvare

PROOF READING
Bothwell Matambanadzo

Report prepared by
AEDS EXECUTIVE DIRECTOR
Gift Mugano

Contents

Foreword

Accurate information key for economic turnaround

DAKARAI MASHAVA
Magazine Editor

WELCOME to another edition of the State of the Economy Report which is increasingly becoming a trusted source of useful information for business people, decision-makers and policy-makers.

As the Associated Newspapers of Zimbabwe — the publishers of the iconic Daily News and the Daily News on Sunday — we are happy to be once again associated with the State of the Economy Report.

We are also proud of our continued partnership with the Africa Economic Development Strategies (AEDS) — a Zimbabwe-grown management consulting firm committed to driving the economic growth agenda of African economies to catch-up and lead economic growth in the 21st century.

AEDS has once again produced yet another economic dashboard anchored on evidence-based economic information. The fact that AEDS bases its reports on verified information gleaned from authentic sources was one of the reasons why we agreed to partner with them on this trailblazing project.

The State of the Economy Report is largely gathered from credible secondary data from key policy documents such as monetary and fiscal policies; international databases such as the World Bank's World Development Indicators, International Trade Centre, World Economic Outlook reports, competitiveness reports and country reports by organisations such as the World Bank, the International Monetary Fund, Africa Development Bank, the Doing Business reports, Global Competitiveness reports, etc.

The economic turnaround that Zimbabwe badly wants can only happen if our business people, decision-makers and policy-makers can readily access the important information they need to make decisions that will give an impetus to the country's economic revival efforts.

Beyond any shadow of doubt, the State of the Economy Report has filled a very important gap. Thanks to it, business people no longer have to plough through several documents such as fiscal and monetary policies to glean important details on local and international prices, exchange rates, productivity levels, unemployment, trade performance and the political environment, among other factors.

As their name rightly suggests, business people are "busy" people who don't have the time to dig for key information from all manner of sources. It is also true some of our important business people and entrepreneurs fail to bring to life some very good business ideas because they have neither the time nor capacity to accurately establish on their own dependable information due to the abundance of sources with unverified economic details.

It is therefore not surprising that many business people, decision-makers and policy-makers have endorsed the State of the Economy Report because it proffers practical solutions. This show of support from the business community is a big encouragement to us to remain part of this initiative.

'We champion a new form of economic reporting'

PROFESSOR GIFT MUGANO
Executive Director
Africa Economic Development Strategies

WHEN we — the Africa Economic Development Strategies (AEDS) — teamed up with the Associated Newspapers of Zimbabwe (ANZ) last year to produce the maiden State of the Economy Report, our motivation and aim was to create an economic dashboard on key economic indicators such as inflation, exchange rate, trade performance and budget performance which are useful tools for decision-making purposes.

We remain true to this noble objective of closing the glaring economic information gap that exists in Zimbabwe. We remain motivated and driven by the pursuit of providing practical economic advice based on verified information.

Since its launch during the first quarter of last year, we have championed new economic reporting in Zimbabwe that puts emphasis on discussions based on hard facts, rigour, pragmatism and objectiveness. Like the motto of the Daily News, our partner in this grand project — aptly says — our aim is to tell it like it is.

As has been the case since inception, the report was informed by data and critical literature which was sourced from reputable sources such as World Bank's World Development Indicators, World Bank's Ease of Doing Business reports, International Trade Centre, International Monetary Fund's World Economic Outlook reports, Africa Development Bank, World Economic Forum's Global competitiveness reports, United Nations Conference for Trade and Development investments report, etc.

Locally, researchers utilised data sourced from the ministry of Finance and Economic Development, Reserve Bank of Zimbabwe, Zimbabwe National Statistics (Zimstat), Consumer Council of Zimbabwe, etc.

When we launched the maiden report last year, the Zimbabwean economy was still reeling from the results of two decades of massive economic upheavals characterised by persistent company closures, unemployment, inflation, trade and fiscal imbalances as well as dwindling real incomes.

Since then, we have witnessed a modicum of economic stability largely due to a wide range of expenditure containment and revenue enhancement measures undertaken by the government as part of efforts to stabilise the economy.

But all this is being undermined by the Coronavirus (Covid-19) pandemic which Zimbabwe has been grappling with since March 2020.

As part of measures to contain the Covid-19 pandemic, the government instituted lockdowns which resulted in disruption of supply chains, trade as well as general economic activity. We are clearly in uncharted waters.

This report therefore seeks to provide an explanation as well as setting of the economic outlook for various economic players. In addition to unpacking the main causes of the various challenges confronting the Zimbabwean economy, we try our best to offer solutions and to predict the future.

We are hopeful that our collaboration with Daily News will go a long way in championing a new form of economic reporting in Zimbabwe based on rigour and hard facts.

> . . . we have witnessed a modicum of economic stability largely due to a wide range of expenditure containment and revenue enhancement measures undertaken by the government as part of efforts to stabilise the economy.

Zimbabwe economic outlook update

Prepared by
Africa Economic Development Strategies (AEDS)

1.Introduction

ZIMBABWE has been grappling with the Coronavirus (Covid-19) pandemic since March 2020. Covid-19 was announced as a global pandemic on March 19, 2020 by the World Health Organisation (WHO). Since then, the number of infections and deaths continue to rise sharply across the world. As at October 28, 2020, there were 44 million confirmed cases with 30 million recoveries and 1,16 million deaths (World Health Organisation, 2020).

On the same date, according to Zimbabwe's Health ministry, 242 deaths had been recorded out of 8 315 positive cases while 7 804 had recovered.

Countries, including Zimbabwe, responded to the pandemic by instituting lockdowns which resulted in disruption of global supply chains and subsequent plummeting of global trade and prices (Mugano, 2020) .

Of the major commodities, the most affected was oil. As a result of the dramatic fall in air travel caused by the coronavirus pandemic, there was an unprecedented collapse in demand and the steepest one-month decline in oil prices on record. Metals prices have also fallen, albeit less than oil, while agricultural prices have much less affected so far given their indirect relationship with economic activity. In addition to weaker demand, disruptions to supply chains could cause dislocations in commodity markets, with food security a key concern in the short term. Long term impacts will depend on its severity and duration, but it is likely to have lasting implications. Overall, the effect will depend on the duration, measures taken to control it, its impact to productive sectors, change in consumer demands and behaviour and other determinant indicators. The pandemic has already caused a structural shift in work patterns, reducing travel and demand for fuel. Global value chains may be changed, which could reduce commodity demand.

The long term impact is harder to predict, but if history is anything to go by, well, the country is in for another wild economic ride.

2.Domestic Developments

The period between 2018 – 20 was characterised by both endogenous and exogenous shocks which inter alia include macroeconomic instability, droughts and Covid-19 pandemic which resulted in the country entering into a recession in 2019 and 2020 of -8,5 percent and -4,5 percent, respectively (Finance and Economic Development ministry, 2020).

(a) Fiscal Developments

The Second Republic, through a wide range of expenditure containment and revenue enhancement measures, undertook radical measures to rein in fiscal deficits with a view to stabilising the economy. These measures, inter alia, include:

- Introduction of the two percent intermediated money transfer tax, effective October 13, 2018;
- Maintaining balanced budgeting by placing emphasis on living within means;
- Rationalising expenditures in order to create additional financial capacity for funding developmental programmes and enhancing delivery of public services;
- Reining in off-budget expenditures by scrapping unsustainable distortionary subsidies, leaving those which protect vulnerable groups and these include agricultural inputs, maize meal, public transport, health, education and other social services;
- Containing excessive borrowing by ensuring zero recourse to RBZ financing; and
- Restructuring of domestic debt into long term marketable instruments.

Based on the foregoing, fiscal deficit as a percentage of GDP declined from -10,5 percent in 2017 to a surplus in 2019; creating an almost balanced budget in 2020 (Finance and Economic Development ministry, 2020).

In as much as we appreciate the efforts and progress made towards reducing budget deficits, our view is that the issue of budget surpluses is still contestable because of lack of transparency by the Finance and Economic Development ministry in accounting for the expenditures such as:

- The ZWL$18 billion (US$221 million at official exchange rate of $81,4) bail-out was not provided for in the mid term budget review since there was no supplementary budget. Ironically, the bail-out package is equivalent to about nine percent of Zimbabwe's GDP, and about 29 percent of the 2020 national budget. Therefore such an omission in the mid-term national budget raises questions on the practicality of the existence of the budget surpluses.
- The US$75 Covid-19 allowance for civil servants , the US$30 allowance for pensioners as well as the subsequent increase of salaries for civil servants threaten the drive for budget surpluses since these expenditures were not provided for in the mid term review.

Interestingly, we also understand that the revenue inflows into government has surged rapidly because of inflation gains, a situation which may result in revenue collected exceeding the 2020 budget expenditure of ZWL$63 billion. In the same vein, it is our understanding that whilst there is increase in revenue as a result of inflation gain while costs have also increased on the back of inflation and exchange rate spikes. This will certainly result in the 2020 budget being irrelevant. At the time of review in November 2020, we anticipate to see a completely new budget structure hence our call for full transparency on budgetary matters.

(b)Monetary Developments

The monetary policy is not clear. On one side there is use of local currency and on the other businesses can quote prices in both local currency and USD. This has caused a lot of confusion in the market with many businesses preferring use of USD. Some businesses have been refusing to accept local currency. In fact, a significant number of business people have been fined for refusing to accept the local currency. The reserve money in the country consists of both USD and local currency notes and bond notes and coins. >>>Page 8

Table 2.1: Reserve Money Developments (ZW$ Billions)

	Dec -19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Preliminary Estimates Week Ending 25 Sept 20	Week Ending 9 Oct 20	Week Ending 16 Oct 20
Currency' in Circulation	1.11	1.14	1.22	1.31	1.34	1.46	1.67	1.90	2.06	2.12	2.21	2.14
Banking System Reserves	8.40	7.30	7.10	8.80	10.22	12.08	10.42	11.46	10.06	12.47	13.09	15.34
Required (Statutory) Reserves	0.91	1.04	1.08	1.21	1.21	1.39	0.89	1.05	1.24	1.34	1.38	1.49
Excess Reserve (RTGS balances)	7.434	6.21	6.01	7.58	8.90	10.70	9.53	10.41	8.83	11.13	11.71	13.85
Other Deposits	0.91	0.85	1.08	1.61	0.92	0.28	0.58	2.79	0.26	0.40	0.08	0.08
Reserve Money	10.34	9.24	9.39	11.71	12.46	13.82	12.65	16.15	12.38	14.99	15.38	17.55
Memorandum Items												
Reserve Money Ratio	10.4%	12.3%	13.0%	11.2%	10.8%	10.5%	13.2%	11.8%	16.6%	14.1%	14.4%	12.2%
Currency/Deposit Ratio	2.7%	2.7%	2.5%	2.2%	2.1%	1.9%	1.2%	0.9%	0.7%	1.4%	1.3%	1.3%
Changes in RTGS balances	38.8%	-16.4%	-3.2%	26.3%	18.5%	19.0%	-10.9%	-9.2%	-15.2%	9.4%	13.2%	18.3%
Charges in Reserve Money	27.3%	-10.4%	1.4%	24.8%	6.6%	10.9%	-8.4%	27.6%	-23.3%	5.8%	7.6%	14.1%
Government Deposits at RBZ	1.39	3.16	3.36	2.97	3.00	2.09	7.46	6.02	9.52	7.94	8.45	7.08
Monthly inflation	16.7%	2.25%	13.5%	26.7%	17.6%	15.1%	31.7%	35.5%	1.4%	-0.5%	N/A	N/A
Inter-Bank Exchange Rate	16.77	17.35	17.95	25.00	25.00	25.00	57.36	76.76	83.40	81.50	81.35	81.35

Source: Reserve Bank of Zimbabwe, October 26, 2020

>>>Page 6

The Reserve Bank of Zimbabwe maintained a tight monetary policy stance which saw reserve money locked at $17,6 billion as of October 16, 2020 (see table 2.1).

The RBZ adopted a foreign-exchange auction system, with effect from June 23, 2020 abandoning the currency peg of Z$25: US$1 that was introduced in March 2020. Currency auctions are designed to narrow the gap with the unofficial market rate. The RBZ will seek to manage depreciation through restrictions on access, meaning that the parallel market will continue to operate at a major discount to the official rate.

The market will remain extremely illiquid. However, with hard currency in short supply, closing the currency peg will be impossible as the money demand base has expanded rapidly largely because people are using hard currency as a store of value while businesses are charging in both hard and local currencies.

To date, the Auction System exchange rates taken a day after the Auction Market are reflected in the following table 2.2.

Table 2.2: Auction System Exchange Rates since Inception on June 23, 2020

Date	Mid-Rate ZWL
23 June 2020	57.35820
01 July 2020	63.74420
08 July 2020	65.27650
15 July 2020	68.8879
22 July 2020	72.14700
29 July 2020	76.7596
05 August 2020	80.4663
14 August 2020	82.5608
19 August 2020	82.9184
26 August 2020	83.3994
02 September 2020	83.3209
09 September 2020	82.6993
16 September 2020	81.70760
...	...
26 October 2020	81.345

Source: Reserve Bank of Zimbabwe

(c) External Account Developments

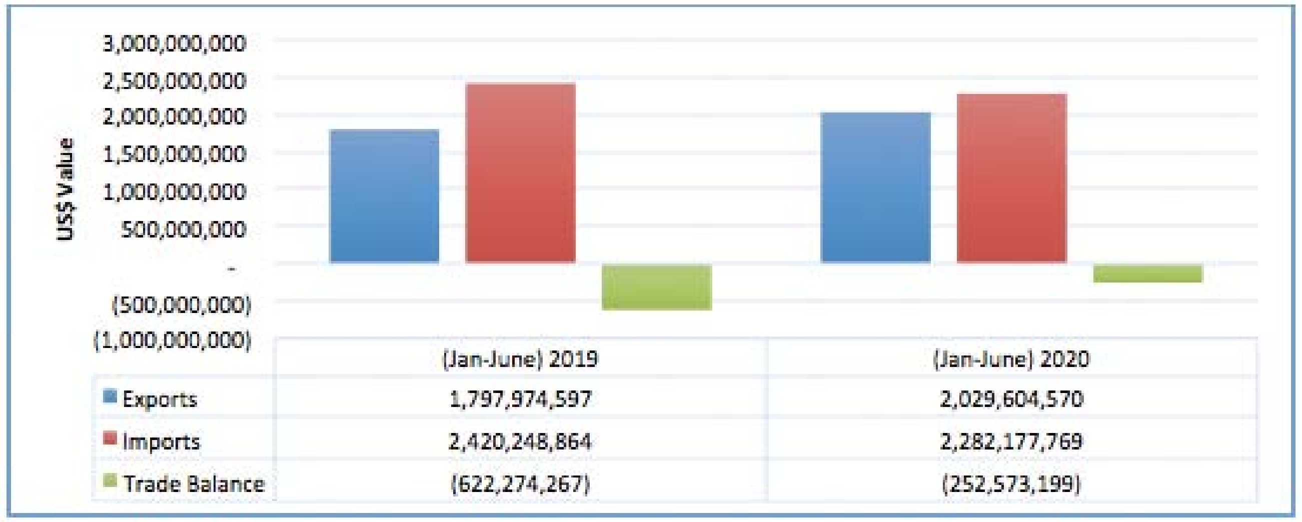
Trade Performance

Surprisingly for Zimbabwe, for the period between January and June 2020, the country's exports stood at US$2 billion, which is a 12,9 percent increase on the US$1.8 billion recorded same period in 2019.

Imports declined by 5, 7 percent to US$2,3 billion from US$2,4 billion in 2019. Consequently, there was a decline in the trade deficit by 59,4 percent from US$622 million to US$253 million in 2020. Figure 2.1 illustrates the country's trade performance.

>>> Page 10

Figure 2.1: Zimbabwe Trade performance: Jan-June 2019 vs Jan-June 2020



Source: ZimStat (2020)

>>>Page 8

Zimbabwe's exports were dominated by primary commodities such as semi-manufactured gold (26 percent), Nickel mattes (23 percent), unmanufactured tobacco (13 percent), nickel ores and concentrates (11 percent), ferrochromium (four percent), jewellery (three percent), and diamond three percent, Platinum two percent and cane sugar (two percent).

These projections were largely affected by major constraints such as drought, limited access to foreign exchange for imported inputs and extended power outages. Additionally, lockdown measures have reduced access to ports because of border closures to reduce the spread of the coronavirus.

The limited access to ports will also undermine exports. At the start of lockdowns measures, several mining companies temporarily suspended production owing to government directives. In addition, some of these mining companies realised reduced output largely due to shortages of foreign exchange and power disruptions.

Amidst the gloom, there were some positives-the the gold price was not negatively affected by the pandemic while industrial metals such as platinum, chrome and zinc saw their international prices soar.

But the value of tobacco, another of Zimbabwe's exports, is likely going to suffer a reduction due to declining global demand. We expect exports to decline further in 2021 as mining the mining sector will be constrained by power outages and a prohibitive policy environment.

We expect imports to decline in 2020 as oil prices plummet and global trade wanes due to decline demand (with restrictions on the movement of people and border closures limiting activity). However, purchases of food (largely financed through aid), medical supplies and power (to compensate for the reduction in hydropower output caused by drought) will temper the decline.

The country's industrialisation strategy of import substitution is expected to bear positive marks due to closed borders as people have no choice but to demand what is available. Therefore, there is need for the government to prioritise those industries which are currently producing for the local market to expand operations in the Covid-19 era.

Table 2.3: Exports and Imports Outlook

Indicator	2019ᵃ	2020ᵉ	2021ᵉ
Exports of Goods FOB US$(billion)	4.8	4.2	4.1
Imports of Goods Private FOB US$(billion)	5.3	5.1	5.3
Current Account Balance US$(billion)	-0.6	-0.8	-1.2
Current Account Balance (% of GDP)	-2.2	-2.8	-4.1

Source: Economist Intelligent Unit; Actual a and Estimates

Foreign Currency Receipts

Total foreign currency receipts for the period January to 30 June 2020 amounted to US$3,16 billion, of which US$1,96 billion were export proceeds. During the corresponding period in 2019, total foreign currency receipts amounted to US$2,69 billion, of which US$1,86 billion were export proceeds.

The increase of 17,4 percent in total foreign currency receipts in the half of 2020 was mainly driven by the increase in international remittances, drawdowns on lines of credit and increase in exports (see table 2.4).

Table 2.4: Total Foreign Currency Receipts (US$ millions)

Source		Jan-June 2020	% Contribution	Jan-June 2019	% Change
Export Receipts		1,955.7	62%	1,864.5	4.9%
International Remittances	Diaspora	374.6	12%	298.4	26%
	NGOs	331.1	10%	260.1	27%
Loan Proceeds		454.6	14%	211.3	115%
Income Receipts		29.9	0.9%	40.4	-26%
Foreign Investments		17.8	0.6%	19.1	-7%
Total Receipts		**3,163.7**	**100%**	**2,693.8**	**17.4%**

Source: Exchange Control Records and Bank Supervision Application System (BSA)

Interestingly, contrary to expectations, export receipts rose by 4,9 percent, diaspora remittances surged by 26 percent while loan proceeds increased by 115 percent. This development contributed to the improvement of foreign currency receipts. It is expected to help stabilise exchange rate and inflation dynamics.

(d) Inflation Dynamics

The ZimStats office resumed publishing annual consumer price data in February 2020 after it had been suspended in 2019. According to their data, the annual inflation rate in Zimbabwe was 175, 66 percent in January 2020, 540, 2 percent in February of 2020, amid a weak exchange rate and food shortages caused by drought.

In March, the annual inflation rate soared to 676,4 percent from 540,2 percent in February, amid a weak exchange rate and food shortages caused by drought and worsened by the novel coronavirus.

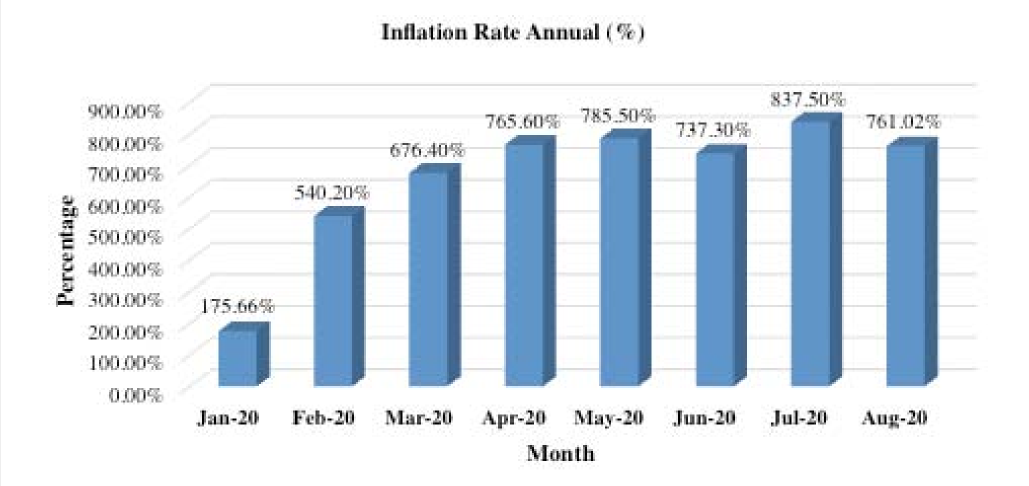
In April, the annual inflation rate rose to 765,6 percent from 676,4 percent in March, also amid a weak exchange rate and climate-induced food shortages which were aggravated by the coronavirus pandemic and lockdown measures to control it.

In May, the annual inflation rate further soared to 785, 6 percent from 765, 6 percent in April. The rate then declined in June to 737,3 percent before increasing to 837,5 percent in July.

In August it then declined to 761,02 percent. This was attributed to the coronavirus pandemic and its related movement restrictions which contributed to a high exchange rate of the country's currency averaging above ZWL80.00 per US$1. It also deepened the already severe food shortage.

>>>Page 12

Figure 2.2: Zimbabwe Annual Inflation Trends (2020)

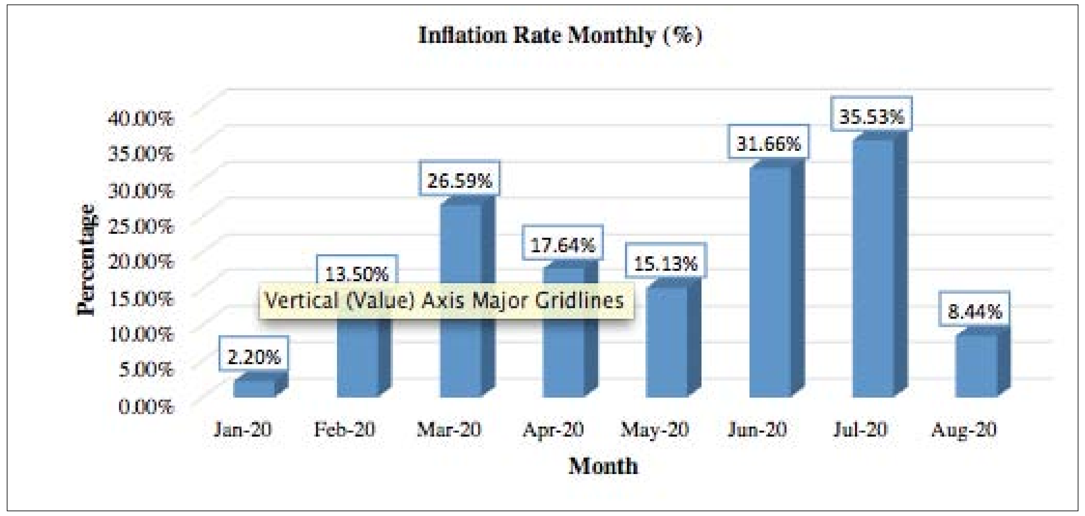


Source: Reserve Bank of Zimbabwe (2020) and ZimStat (2020)

>>> Page10

As of August 2020, month on month inflation had declined to 8,44 percent from 35,53 percent in July 2020 which is a sharp increase compared to June when it was at 31,66 percent. In May 2020, month on month inflation increased by15,13 percent, decelerating from a 17,64 percent rise in the previous month (April). In April it increased 17,64 percent, slowing from a 26,59 percent jump in March. In March it inched up 26,59 percent, after jumping 13,52 percent in February. In February, it increased by 2,2 percent from January to 13, 52 percent.

Figure 2.3: Zimbabwe Month on Month Inflation Trends (2020)



Source: Reserve Bank of Zimbabwe (2020) and ZimStat (2020)

3. Zimbabwe Economic Outlook

The lockdown measures introduced in March remain in place to slow the spread of the coronavirus (Covid-19). These measures have negatively affected the way of doing business in all sectors with informal businesses being the hardest hit. With the informal sector a dominant player in the Zimbabwean economy, the coronavirus (Covid-19) lockdown measures have been difficult to enforce. As the healthcare sector is underfunded and poorly equipped, this could accelerate the spread of the virus, causing even more financial problems to the economy.

The accelerating pandemic (increased cases of infection) is expected to drain financial resources and worsen the economic crisis. This, coupled with the unresolved wage crisis, dual pricing (forex and local currency), low production due to droughts and high poverty rates, will trigger negative growth in the economy. The country is expected to continue in the crisis as relief and international loans remain difficult to access. Clearance of arrears owed to multilateral creditors is one of the main conditions for financed international organisations deals (IMF, World Bank, etc). The country is not doing much in improving economic reforms and as a result relations with Western partners remain poor. This is supported by IMF staff-monitoring programme (SMP) February 2020 that economic reforms by Government will remain constrained by the ongoing economic and political crisis.

Due to additional spending as a result of health funding for Covid-19 and post Covid-19 resuscitation plans, government the fiscal deficit is expected to increase. Estimates by the Economist Intelligence Unit forecast that the fiscal deficit will widen in 2020 to nine percent of GDP against the backdrop of a dip in revenue is hit and a rise in spending needs. The fiscal deficit is expected to narrow to 8,2 percent of GDP in 2024 when revenue growth is expected to have outpaced spending growth but would still be insufficient to balance the budget.

Since the introduction of forex auction system on June 23, 2020, the exchange rate, even in the black market, has roughly stabilised.

>>>Page 13

>>>Page 12

This is expected to stabilise prices of goods and services. However, this stability is expected to be short-term as the supply of the foreign currency in the market remains constrained. In addition, businesses are now under-pricing payments in US$ and overpricing in local currency.

Contrary to the inflation predictions of 134% by December 2020 by the Government of Zimbabwe, IMF a slow-down in inflation averaging 498.3% in December 2020 (IMF, 2020). If the country manages to put the pandemic under control soon, which will reduce heavy expenditures and make the forex auction system work effectively, next year (2021) inflation is expected to fall.

This will be possible because deficit financing would have ceased while domestic confidence in the currency would have gradually improved, facilitating a movement away from use of US dollars.

Contrary to exceptions, notwithstanding the negative effects of the lockdown and negative effects of the drought, Zimbabwe exports surged by 4,9 percent by August 2020. This is anticipated to narrow the current-account deficit.

Table 3.1: Summary of Key Indicators for Zimbabwe

Key Indicator	2019[a]	2020[e]	2021[e]
Real GDP growth (%)	-8.1	-15.5	-4.9
Annual Inflation average (%)	232.0	498.3	108.3
Fiscal/Government Balance (% of GDP)	-7.5	-9.0	-8.6
Current Account Balance (% of GDP)	-2.2	-2.8	-4.1
Money Market Rate (average %)	37	25	22
Exchange Rate US$1:ZW$	18	75	105

Source: Economist Intelligent Unit; Actual a and Estimates

Due to these fiscal challenges, it is anticipated that real GDP will contract by more than 15 percent (15,5 percent in 2020 by IMF), that is, worse than the -4,5 percent contraction anticipated by the of Finance and Economic Development ministry. Main drivers to the contraction are foreign-currency shortage, limited investment, company shutdowns, extended power cuts, soaring inflation and lockdown measures to stem the domestic coronavirus outbreak.

Ongoing climatic change (drought and prospects of floods) will continue to undermine agriculture output, and constrain energy production due to low water levels in Kariba Dam (main hydro-power generation).

Economic growth projections are done under epidemiological assumptions about the coronavirus. As countries are putting on extensive researches on a vaccine, the long gestation period expected to produce such a drug and being approved under World Health Organisation (WHO) guidelines is now a cause of concern for many African countries (sub-Saharan.

Without rapid access to a vaccine, it is expected that the disease will eventually infect up to 30 percent of the world's population. Of the symptomatic cases, we assume that about 15 percent will be severe and up to one percent will prove fatal (WHO, 2020).

Death ratios will depend on a country's ability to detect, track and contain the virus, and the capacity of the national health system. The government of Zimbabwe and Health ministry, fell below expectations in terms of testing.

Therefore, if control measures are not implemented intensively, this is going to cause a lot of infections, which will continue increasing government expenditure. Such expenditure will be at the expense of productive sectors, thereby crowding out available funds.

This will also likely reduce the disposable income of consumers, thereby reducing demand for goods and services. Such developments are likely to shrink the economy, hence negative economic growth.

Ironically, various think tanks and the Government of Zimbabwe are giving contrasting estimates on the economic forecasts for Zimbabwe (see table 3.2).

The Economist Intelligent Unit estimates paint a very gloomy picture as far as the economic trajectory is concerned. For example, growth forecasts for 2020 and 2021 are anticipated to be -15,5 percent and -4,9 percent, respectively.

Likewise, the IMF predicts an economic recession of 10,4 percent. Both growth projections by the IMF and the Economist Intelligent Unit are worse than that of the Ministry of Finance and Economic Development which is -4,5 percent.

Interestingly, the IMF and the Ministry of Finance and Economic Development are bullish on economic prospects of Zimbabwe in 2021 with growth estimates of 4,6 percent and 74 percent, respectively.

Our verdict: it is our humble view that in as much as economic prospects in 2021 look better than 2019 and 2020, the growth estimates by IMF and the Government of Zimbabwe, in the absence of structural policies which address imports and exports growth, are over optimistic. We anticipate that the economy will grow at marginal rate of around two percent.

With regard to inflation, we anticipate that inflation will slowdown mainly as a result of the deepening of the foreign currency auction market which is expected to sustain foreign exchange rate stability. Further efforts by the Reserve Bank Zimbabwe in managing and containing money supply, which is one of the major drivers of inflation, are expected to put inflation under check. Furthermore, the anticipated better agriculture season should result in reduced demand for foreign currency, further supporting exchange rate stability.

In view of the foregoing, we anticipate inflation prospects to be below 100 percent in 2021.

Table 3.2: Key Economic Growth Indicators

Economic Projections Based Economist Intelligent Unit Estimates			
Percentage (%)	2019[a]	2020[e]	2021[e]
GDP	-8.1	-15.5	-4.9
Private Consumption	-2.5	-9.4	-2.1
Government Consumption	-7.0	-8.0	3.4
Gross Fixed Investment	-42.0	-15.0	-3.0
Domestic Demand	-11.0	-9.9	-1.3
Agriculture	-8.0	-5.0	-1.0
Industry	-4.0	-7.0	-2.0
Services	-9.9	-21.1	-7.2
Ministry of Finance and Economic Development			
GDP	-6.0	-4.5	7.4
Private Consumption	-19.4	-10.3	2.1
Government Consumption	0.1	0.6	19
Agriculture	-17.8	-10.8	11.3
Industry	-8.7	-10.8	6.4
CPI	-	134	-
International Monetary Fund			
GDP	-8.1	-10.4	4.6
CPI	-	495	-

Source: Economist Intelligent Unit; Actual a and Estimates, IMF and MOFED


dailynews
@Daily News Zim
WEBINAR
STATE OF THE ECONOMY REPORT 2020
DATE: 4 NOVEMBER, 2020, TIME: 0830hrs – 1000hrs
REPORT PRESENTER
Prof Gift Mugano, Executive Director, AEDS
SPEAKERS
Dr. Mandas Marikanda, Chief Executive Officer, Zimbabwe Women's Microfinance Bank
Henry Ruzvidzo, President ,Confederation of Zimbabwe Industries
Edna Mukurazhizha, Founder, Empowered Woman Excel
Tinashe Manzungu, President Zimbabwe National Chamber of Commerce.
MODERATOR:
Ngobile Munzara, Lawyer
Farai Mutambanengwe, Founder & Executive Officer, SME Association of Zimbabwe
Isaac Kwesu, Chief Executive Officer, Chamber of Mines of Zimbabwe.


KITCHEN LINK The home of expert decor
Address: 36 Fereday, Eastlea, Harare
Tel: +263 242 779 757 | +263 242 486709
Email: sales@kitchenlink.co.zw
Website: www.kitchenlink.co.zw
Kitchen Decor Specialists
For all your contemporary kitchen, vanity, office, BIC & Granite counter fitting, touch up and repair.
KITCHEN LINK The home of expert decor
Mutare
02020 61501
0771 333 011
0774 461 353
Msasa
0242 486709
0783 254 412
0775 325 223