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TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

ABBREVIATIONS

AMCU	Association of Mineworkers and Construction Union
ATMs	Automated Teller Machines
CZI	Confederation of Zimbabwe Industries
ECTT	European Council on Tourism and Trade
GDP	Gross Domestic Product
GMB	Grain marketing Board
IMF	International Monetary Fund
MENA	Middle East & North Africa
MoFED	Ministry of Finance and Economic Development
POS	Point of Sale
PRGT	Poverty Reduction and Growth Trust
RBZ	Reserve Bank of Zimbabwe
SEZ	Special Economic Zones
SMP	Staff Monitored Program
SSA	Sub-Saharan Africa
TRAS 2	Tourism Receipts Accounting System 2
US	United States
WEO	World Economic Outlook
ZEPARU	Zimbabwe Economic Policy Analysis and Research Unit
ZETSS	Zimbabwe Electronic Transfer Settlement System
ZimAsset	Zimbabwe Agenda for Sustainable Socio-Economic Development
ZIMRA	Zimbabwe Revenue Authority
ZIMSTAT	Zimbabwe Statistical Agency
ZSE	Zimbabwe Stock Exchange

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EXECUTIVE SUMMARY

Growth at the global level during the first quarter of 2014 was generally below expectations, resulting in a downward revised forecast for 2014 to 3.4% instead of the original forecast of 3.7%. Global growth is however expected to strengthen to 4% in 2015, on account of stronger growth in some advanced economies. In advanced economies, growth is expected to increase to 1.8% in 2014 and 2.4% in 2015, with a major impulse to growth coming from the US, where growth is projected at 1.7% for 2014, rising to 3.0% in 2015. In the Euro area, growth is expected to be 1.1% in 2014 and 1.5% in 2015 though uneven across countries. In emerging and developing economies, growth is projected to slow down marginally from 4.7% in 2013 to about 4.6% in 2014 and then strengthen to 5.2% in 2015. The Chinese economy is expected to grow by 7.4% in 2014 before moderating to 7.1% in 2015 while the Indian economy is projected to grow by 5.4% in 2014 and 6.4% in 2015. The Middle East and North Africa economy is expected top grow by 3.1% in 2014 while Sub-Saharan Africa is expected to grow by 5.4% in 2014 and by 5.8% in 2015.

Based on the ZEPARU Composite Leading Indicator, the Zimbabwe economy expected to recover from the decline in economic activity largely recorded over the period January to April 2014. Improvements in liquidity as shown by broad money growth and improvements in precious metal prices as well as in pay-as-you-earn receipts are expected to stimulate this better performance. However, economic activity was generally subdued in the first half of 2014 in comparison to the first half of 2013.

Cumulative revenue collection for the half year to June 2014 amounted to US$1,762.61 billion against a target of US$1,847.62 billion. The low revenue performance can be attributed to the prevailing macroeconomic challenges which lowered the outturn from tax revenues. Underperformance was recorded in major tax heads against set targets and this includes value added tax (-19.12% variance from set target), customs duty (-28.76%), corporate tax (-9.33%) and excise duty (-7.32%). Growth in revenues was however realized in pay as you earn (PAYE) (24.14%), indirect taxes (19.87%) and non tax revenue (21.41%).

Cumulative expenditures to June 2014 amounted to US$1,772.16 billion against total revenues of US$1,762.61 billion, giving a cash deficit of US$9.55 million, approximately 0.07% of GDP. The overall expenditure mix remains unsustainable with recurrent expenditures accounting for 93, 17% of total expenditures at US$1,650.89, with the remainder being capital spending. High employment costs (including pensions), which accounted for 71.83% of total revenues and 76.69% of the recurrent expenditures, are a cause for concern.

Total banking sector deposits grew to US$4.32 billion in the quarter ending June 2014 from US$3.84 billion in the quarter ending June 2013. However, credit to the private sector has declined slightly from US$3.67 billion as at June 2013 to US$3.60 billion as at June 2014 reflecting conservative lending by banks. The loan-to-deposit ratio declined from 95.5% in June 2013 to 83.3% in June 2014, further confirming the conservative lending approach by banks.

Developments in the agriculture sector show that by 27 June 2014, tobacco seasonal sales had surpassed the 2014 targeted volumes of 170 million kg, recording 204.4 million kg at an average price of US$3.17/kg. The bulk of the tobacco deliveries (82%) came from the three Mashonaland provinces where 35%, 30% and 17% were delivered from Mashonaland West, Mashonaland Central and Mashonaland East respectively. As at 20 June 2014, tobacco export earnings stood at US$142.2 million, compared to the US$156.5 million that were realised during the same period in 2013. The 2nd crop assessment report in April 2014 shows that the country is also expected to record 1.5 million metric tonnes in maize production, an 82% increase from the 799 million metric tonnes recorded last year. This bumper harvest still falls short of the national maize requirement of 1.8 million tonnes.

In the mining sector, total gold deliveries declined by 3.06 percent from 6166.70 kg for the first half to June 2013 to 5978.01 kg for the first half to June 2014. Deliveries by primary producers decreased by 6.72 percent from 5065.60 kg for the first half to June 2013 to 4725.17 kg for the first half to 2014 whilst deliveries by small-scale producers increased by 13.78 percent from 1101.09 kg for the first half to June 2013 to 1252.83 kg for the first half to June 2014. The plans by the government to legalise the activities of small-scale miners has seen a surge in their deliveries for the two comparable periods.

Developments in the external sector show that during the first half of 2014, imports were generally contained below their values in both 2013 and 2012. Total imports during the first half of 2014 were about US$3 billion, having decreased by about 23.1% from the level recorded during the same period in 2013 and by about 3.6% compared to the same period in 2012. Total exports during the first half of 2014 were about US$1.2 billion, having decreased by about 23.1% compared to the same period in 2013 and by about 21.3% compared to the same period in 2012. The falling exports could be reflective of the effects of the liquidity challenges, as manufacturing firms are also struggling to undertake the necessary investment for internationally competitive production. More measures to boost exports could have seen the economy performing better at containing this deficit.

1.0 GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS

1.1 World Economic Outlook

Global growth moderated more than expected in the first quarter of 2014, from an average of 3.8% in the last quarter of 2013 to 2.8%, some 0.5 percentage points lower than the forecast in the April 2014 World Economic Outlook (WEO)[1]. This, coupled with a less optimistic outlook for several emerging markets, has resulted in a downward revision of the Global growth projection for 2014 by 0.3% to 3.4%, (IMF WEO, July 2014 Update). In the United States (US) a harsh winter further dampened demand which saw exports declining sharply after a strong performance in the fourth quarter of 2013 resulting in output contracting in the first quarter of 2014. However, global growth is expected to rebound in the second quarter of 2014, as some of the drivers underlying first quarter weakness, particularly in the US, should have only temporary effects, and stronger policy response should help offset some significant headwinds to growth. As such, global growth is projected to strengthen to 4% in 2015 from 3.4% in 2014, on account of stronger growth in some advanced economies (Table 1).

This notwithstanding, downside risks remain a concern to global growth. Increased geopolitical risks in Ukraine and the Middle East & North Africa (MENA) region, could lead to sharply higher oil prices. Further, lack of robust momentum in advanced economies, could weaken growth prospects.

Table 1: Overview of the World Economic Outlook Projections (Percentages)

	2012	2013	2014	2015
World Output	**3.5**	**3.2**	**3.4**	**4.0**
Advanced Economies	**1.4**	**1.3**	**1.8**	**2.4**
United States	*2.8*	*1.9*	*1.7*	*3.0*
Euro Area	*–0.7*	*–0.4*	*1.1*	*1.5*
Emerging Markets & Developing Economies	**5.1**	**4.7**	**4.6**	**5.2**
Middle East & North Africa	**4.9**	**2.5**	**3.1**	**4.8**
Sub Saharan Africa	**5.1**	**5.4**	**5.4**	**5.8**

Source: IMF WEO Update, April 2014

In advanced economies, growth is expected to increase to 1.8% in 2014 and 2.4% in 2015, with a major impulse to growth coming from the US, where rebound is underway and is expected to offset the weak first-quarter slowdown. Growth is now projected at 1.7% for 2014, rising to 3.0% in 2015. Growth in the Euro area is expected to strengthen to 1.1% in 2014 and 1.5% in 2015 (Table 1), but will remain uneven across the region, reflecting continued financial fragmentation, impaired private and public sector balance sheets, and high unemployment in some economies.

In Emerging Market and Developing Economies, growth is projected to slow down marginally from 4.7% in 2013 to about 4.6% in 2014 and then strengthen to 5.2% in 2015. Growth will be helped by stronger external demand from advanced economies, but tighter financial conditions will dampen domestic demand growth. In China, the authorities have resorted to targeted policy

[1] World Economic Outlook of the IMF, July 2014 update

measures to support activity, including tax relief for small and medium enterprises, accelerated fiscal and infrastructure spending, and targeted cuts in required reserve ratios. As a result, growth in 2014 is projected to be 7.4% before moderating to 7.1% as the economy transitions to a more sustainable growth path. In India, activity is projected to pick up gradually to 5.4% in 2014 and 6.4% in 2015, after the post-election recovery in business sentiment, offsetting the effect of an unfavourable monsoon on agricultural growth.

In the Middle East and North Africa, regional growth is projected to rise moderately at 3.1% in 2014, up from the 2.5% recorded in 2013 (Table 1). Most of the recovery is due to the oil-exporting economies, where high public spending contributes to buoyant non-oil activity. Many oil-importing economies continue to struggle with difficult socio-political and security conditions, (e.g., Egypt, Syria and Sudan), which weigh on confidence and economic activity.

In sub-Saharan Africa (SSA), growth is expected to increase from 5.4% in 2013 and 2014 to 5.8% in 2015, (Table 1), underpinned by improved agricultural production and investment in natural resources and infrastructure. The SSA region is host to some of the fastest growing economies such as Angola, Ethiopia, the Democratic Republic of Congo, Botswana, Mozambique, Tanzania and Congo, who are expected to register growth of above 7% in 2014 through to 2015. This remarkable growth is expected to be anchored by strong polices massive investments in infrastructure and mining and maturing investments.

1.2 International Commodity Price Developments

1.2.1 Precious Metals

The precious metals traded at much weaker prices during the second quarter of 2014 compared to the same quarter in 2013.The gold price averaged US$1,414.32 in the second quarter of 2013 whereas in 2014 it declined to US$1,288.78 per ounce (Table 2). The platinum price declined from US$1,465.26 to US$1445.26 per ounce over the same period. The movements of precious metal prices were characterised by lower volatility in 2014, with gold trading at a lower margin than platinum (Figure 1).

Table 2: Monthly and quarterly average international prices for gold and platinum-2013 and 2014

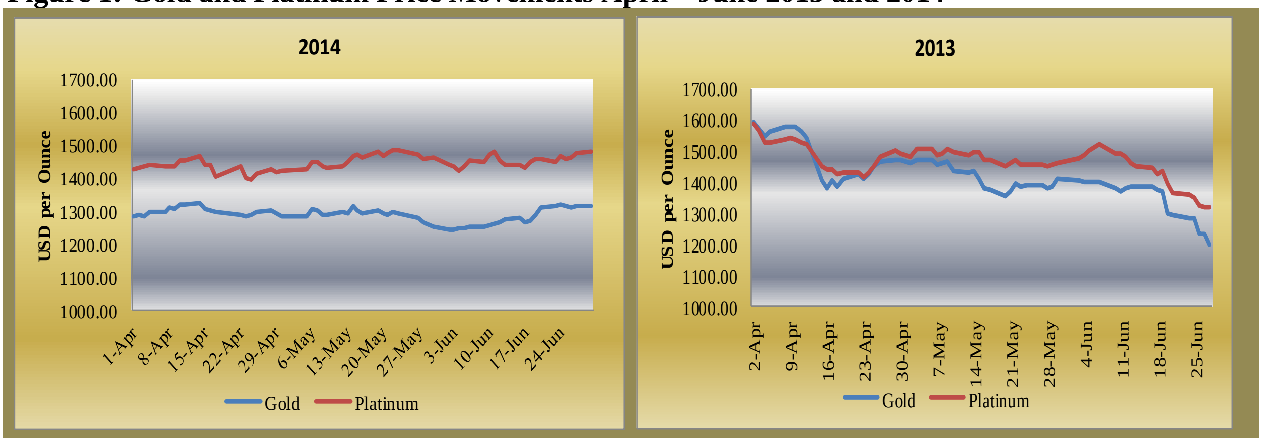
Month	Gold		Platinum		Brent Crude Oil	
	2013	2014	2013	2014	2013	2014
January	1,669.78	1,241.82	1,631.74	1,420.43	112.22	107.44
February	1,629.14	1,299.83	1,674.75	1,409.51	116.24	108.69
March	1,591.92	1,336.71	1,583.05	1,451.11	109.49	107.79
Quarter 1	**1,630.28**	**1,292.79**	**1,629.85**	**1,427.02**	**112.65**	**107.97**
April	1,486.05	1,298.80	1,487.94	1,431.40	102.77	107.99
May	1,414.26	1,289.06	1,476.80	1,451.79	103.68	109.20
June	1,342.66	1,278.49	1,430.98	1,452.60	103.23	111.77
Quarter 2	**1,414.32**	**1,288.78**	**1,465.24**	**1,445.26**	**103.23**	**109.65**

Source: Bloomberg and Reuters

The weakening of the gold price in the quarter was influenced by the appreciation of the US dollar against the Euro, Japanese Yen and Canadian dollar. Furthermore, several reports released during quarter indicating positive developments in the United States (US) economy also supported the decline in gold price. Such reports include the decline in unemployment rate from 6.3% in May to 6.1% in June 2014 and also the modest increase in inflation from 2 percent in April to 2.1 percent in May 2014, which was not high enough to influence investors to hold gold. Moreover, the rally in the US stock market during the quarter also contributed to the softening in gold price as the stock market serves as alternative investment for bullion. During the quarter, the average gold price declined from US$1,298.80 per ounce in April 2014 to US$1,289.06 in May and further down to US$1,278.49 in June.

The geopolitical tensions in Iraq and Ukraine, however helped pull up the gold price in the quarter as some investors preferred hedging against uncertainties by holding gold. The statements by the Federal Open Market Committee Chair Dr Janet Yellen assuring that the Federal Reserve will not be making changes to its policy in the near future also helped strengthen the gold price. The recovery in the Chinese Purchasing Manager Index (PMI) from 49.4 in May to 50.7 in June also supported precious metals prices in the quarter.

Figure 1: Gold and Platinum Price Movements April – June 2013 and 2014



Source: Bloomberg and Reuters

The platinum price was on a positive trend in the quarter, though increases were moderate owing to the fact that South African suppliers were somewhat able to meet contractual obligations from buffer stocks. The platinum price averaged US$1,431.40 per ounce in April, increased by 1.4 percent to USD1,451.79 in May and rose slightly further by 0.1 percent in June to average US$1452.60 per ounce. The strengthening of the platinum price was supported by constrained supply owing to the Association of Mineworkers and Construction Union (AMCU) five-month old strike. The South African platinum producers finally reached an agreement with AMCU and resumption of operations was expected towards end of the month. Growth in auto sales in the US and Europe also supported the rise in platinum price. The auto sales in the US increased by 11[2] percent and Europe by 4.3 percent in May 2014 which helped pull the price in June.

In the outlook the prices of precious metals especially gold are likely to continue being suppressed, as the US economy continue to exhibit signs of economic progress. Platinum prices

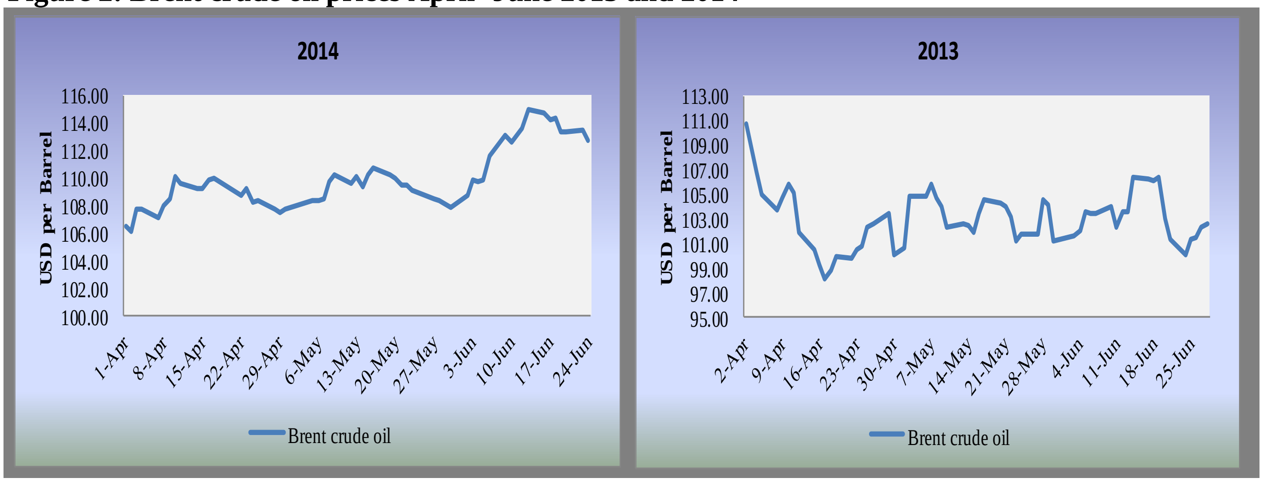
[2] The total US car sales amounted to 1,6 million for May 2014

however are most likely to rise since it is going to take a while for production, which resumed at the end of the quarter, to normalize.

1.2.2 Brent Crude Oil

The Brent crude oil traded at a much higher price in the second quarter of 2014 when compared to the same quarter of 2013 (Figure 2). The Brent crude oil averaged US$109.65 per barrel the second quarter of 2014 whereas during the same period in 2013 it averaged US$103.23. In monthly terms, the Brent crude oil price increased from US$107.99 per barrel in April 2014 to US$109.20 in May and further by 2.4 percent to average US$111.77 per barrel in June (Table 1). The bullish mode of Brent Crude oil price in the in 2014 was supported by increased demand for the summer driving as well as demand from oil refineries resuming operations after maintenance shutdown. Supply constraints arising from ongoing political crises in Libya and Ukraine also helped strengthen the Brent crude oil price in the quarter. Furthermore, the geopolitical tensions in Iraq also helped firm up the Brent crude oil price.

Figure 2: Brent crude oil prices April- June 2013 and 2014



Source: Bloomberg and Reuters

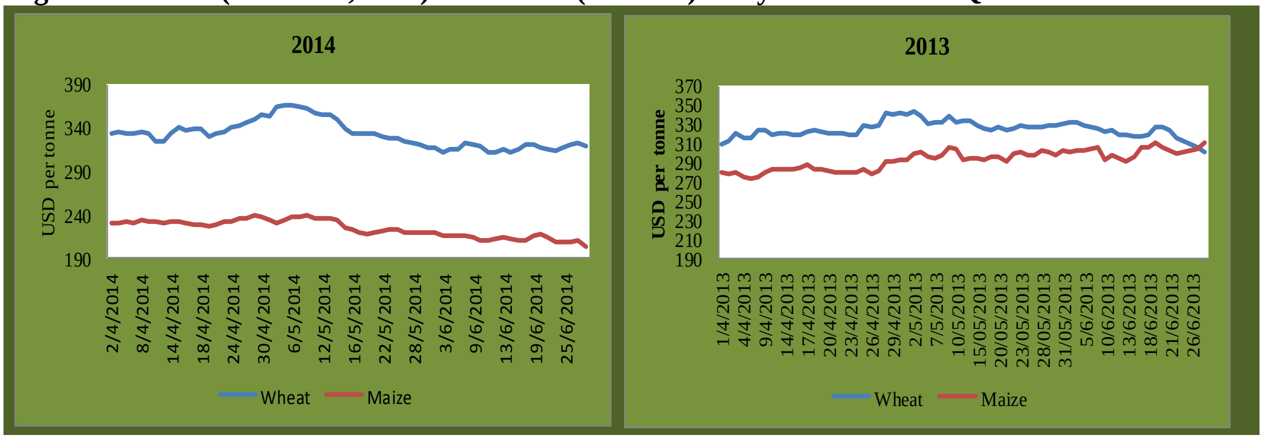
In the outlook Brent crude oil price is likely to continue to increase in next quarter owing to the ongoing geopolitical concerns in the Middle East and Ukraine. The increase in seasonal demand for oil is likely to continue into the third quarter, hence supporting the firming up of Brent crude oil price.

1.2.3 Maize and Wheat

The prices of wheat were stronger in the second quarter of 2014 compared to the same period in 2013. The wheat price increased from US$325 per tonne as at 10 April 2014, to as high as US$366 at as 6 May before declining to end the quarter at US$318 (Figure 3). The increase in wheat price was supported by constrained supplies from Ukraine due to the political unrest as the country is a significant wheat exporter. The decline in the wheat price experienced in greater part of May and June was driven by high prospects of favourable 2014/2015 harvest globally, reduced import demand from China and also the satisfactory weather conditions prevailing in the US. Moreover, increased output from Europe, China and India also added pressure on the price.

For the 2014/2015 season, Europe is expected to be the leading exporter of wheat overtaking the US, as more of its member states like France and Germany are becoming significant wheat exporters.

Figure 3: Wheat (US HRW, Gulf) and Maize (US 3YC) Daily Prices Second Quarter 2013 and 2014



Source: International Grain Council

The price of maize was weaker in the second quarter of 2014 compared to same quarter in 2013. Maize price reached a high of US$239 per tonne during the quarter and a low of US$203, whereas in the same quarter of 2013 the highest price was US$311 per tonne and the lowest was US$273 (Figure 3). The main drivers to the low prices include abundant global supplies as a result of bumper harvests in some of the largest northern hemisphere maize growing countries including the US. The improvement in weather conditions in the US also added downward pressure on maize price.

2.0 MACROECONOMIC DEVELOPMENTS

2.1 ZEPARU Leading Indicators Index

ZEPARU has constructed a composite leading economic indicators index (CLI) for the period since 2011 (Figure 4a). The purpose of the index is to indicate the direction of economic activity. This is key in the sense that policy makers can then, in advance, find measures to address possible adverse developments in economic activity.

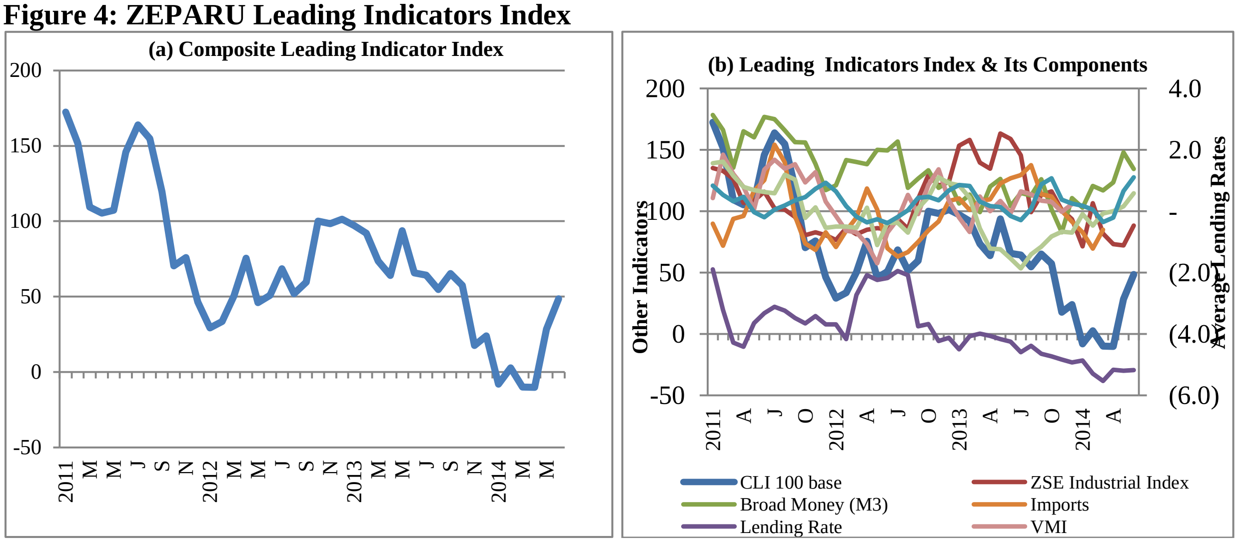
The variables used to construct the CLI include the Zimbabwe Stock Exchange (manufacturing and mining) indices; broad money supply (M3)[3] and real M3; imports; precious metal (gold and platinum) prices; Zimbabwe Electronic Transfer and Settlement System (ZETSS); pay-as-you-earn (PAYE), volume of manufacturing index; interest rates and inflation levels (Figure 4b). These variables were considered key determinants of overall economic activity in Zimbabwe over the reference period. The choice of the variables was partly determined by data availability, among other factors. As data becomes available, more variables may be added.

[3] Broad money supply (M3) is defined as total banking sector deposits, net of inter-bank deposits.

In terms of interpretation of the CLI index, the absolute level of the CLI does not have any meaning but interpretation focuses on changes in the CLI and on turning points. A downward movement in the CLI indicates that economic conditions are deteriorating (a slowdown in growth), or improving (an increase in growth) for an upward movement. A change in the direction of movement indicates that economic conditions are moving from negative to positive (a trough) or positive to negative (a peak).

In the second quarter of 2014, the ZEPARU Composite leading indicator shows that economic activity is expected to recover from the decline in economic activity largely recorded over the period January to April 2014 (Figure 4a). The recovery is driven mainly by improvements in liquidity as shown by broad money growth, and improvements in precious metal prices (Figure 4b). With the improvements in PAYE receipts it is tempting to conclude that more people are in work, however, the improvement seems to suggest the recent strict enforcement of compliance by the Zimbabwe Revenue Authority (ZIMRA).

Figure 4: ZEPARU Leading Indicators Index



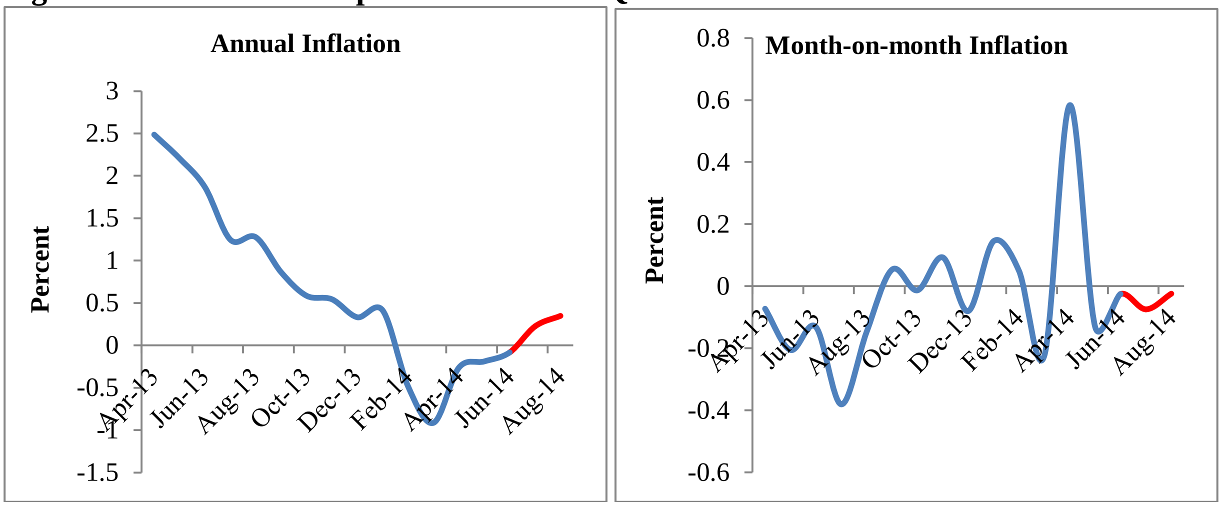
Source: ZEPARU 2014

However, economic activity remained subdued in the first half of 2014 in comparison to the first half of 2013, as reflected in lower stock market performance, higher lending rates, decline in PAYE receipts and lower imports of intermediate goods (Figure 4b).

2.2 Inflation Developments

In the second quarter of 2014, year on year inflation rate started at -0.26% in April 2014 and ended at-0.08% in June 2014, gaining 0.18 percentage points (Figure 5). In June 2014, annual food &non- alcoholic beverage inflation rate stood at -3.45% whilst non-food inflation rate stood at 1.67%. The factors underpinning the increase in annual inflation in June 2014 were increases in alcoholic beverages & tobacco (1.58 percent), restaurants &hotels (0.99%), transport (0.97%) and health (0.64%). On the other hand price decreases were noted in food & non-alcoholic beverages (-3.54%), furniture & equipment (-2.54%), furnish, house equipment & routine maintenance (-1.74%), miscellaneous goods and services (-1.67%) and recreation &culture (-0.84%).

Figure 5: Inflation Developments in Second Quarter 2014



Source: Zimbabwe Statistical Agency, ZEPARU

The month on month inflation rate for the second quarter of 2014 started at 0.58% in April 2014 and ended by shedding 0.609 percentage points to -0.025% in June 2014 (Figure 5). Monthly food and non alcoholic beverages inflation stood at -0.12% in June 2014 whilst month on month non-food inflation stood at 0.02%.The increase in monthly non-food inflation rate was underpinned by the increase in the price of health (0.30%), clothing & footwear (0.12%), miscellaneous goods & services (0.08%) and furniture & equipment (0.06%). Despite these increases, price decreases were also noted in restaurants & hotels (-0.11%), furnish, house equipment & routine maintenance (-0.11 percent), recreation & culture (-0.09%) and alcoholic beverages & tobacco (-0.05%).

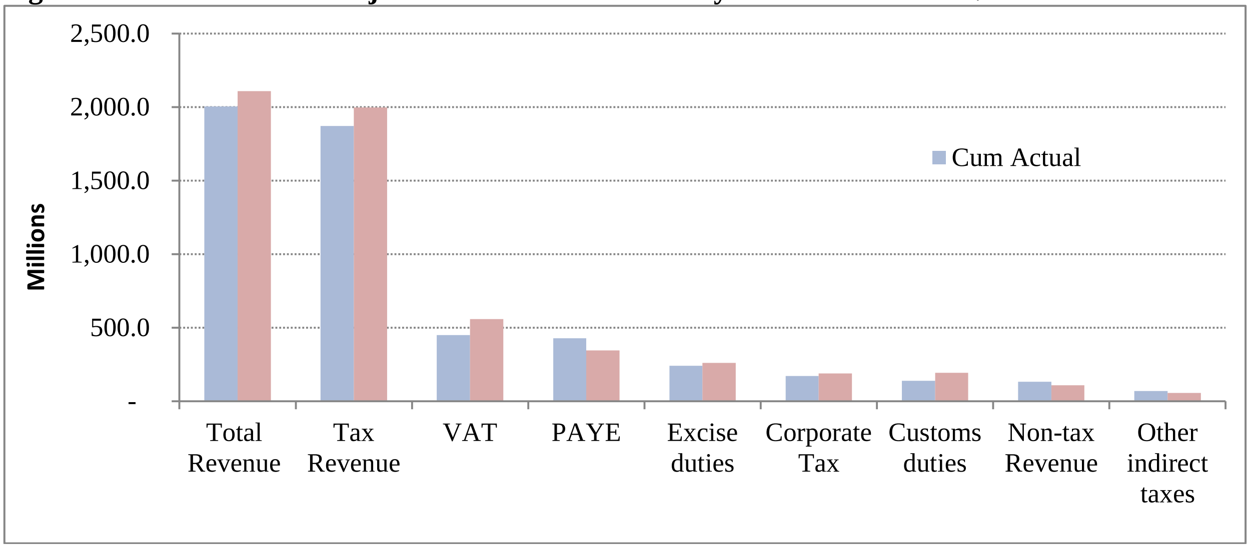
The inflation outlook is expected to be positive in the third quarter of 2014, as we forecast the annual inflation rate to be 0.22% in July 2014 and 0.35% by August 2014. Month on month inflation is expected to decline to -0.075% in July 2014 and later increase to -0.024% in August 2014 (Figure 5). The forecasts are based on the expectation of a strong South African rand following the conclusion of a long strike in the mining sector, which had weakened the currency. Since South Africa is Zimbabwe's major trading partner, a stronger rand would imply an increase in the price of imported items.

2.3 Fiscal Developments

2.3.1 Revenues Outturn

Revenue performance remained weak in 2014, leaving the projected annual revenue target of US$4.120 billion in serious doubt. Cumulative revenue collection for the half year to June 2014 amounted to US$1,762.61 billion against a target of US$1,847.62 billion, giving a negative variance of 4.6%. However, despite missing the revenue target, the cumulative outturn was a marginal 0.03% higher than the revenue outturn for the same period in 2013 of US$1,762.08 billion. The lower-than expected revenue performance in 2014 can be attributed to the prevailing macroeconomic challenges, including company closures, liquidity constraints and weak domestic demand, hence, a lower outturn from tax revenues (Figure 6).

Figure 6: Performance of Major Revenue Heads: January to June 2014 in US$ Millions



Source: MoFED

The major tax head heads that underperformed included value added tax (-19.12%), customs duty (-28.76%), corporate tax (-9.33%) and excise duty (-7.32%). On the positive side, growth in revenues was realized in pay as you earn (PAYE) (24.14%), on the back of salary increments for the public service, follow-ups and remuneration audits undertaken by the Zimbabwe Revenue Authority (Zimra). Equally, other indirect taxes and non tax revenue exceeded projections by 19.87% and 21.41%, respectively.

2.3.2 Expenditure Outturn

Government expenditures were largely contained within the available resource envelop. Cumulative expenditures to June 2014 amounted to US$1,772.16 billion against total revenues of US$1,762.61 billion, giving a cash deficit of US$9.55 million, approximately 0.07% of GDP. Despite the fiscal deficit being kept minimal, the overall expenditure mix remains unsustainable with recurrent expenditures accounting for 93, 17% of total expenditures at US$1,650.89, with the remainder being capital spending.

A major downside risk towards rebalancing the expenditure mix is the high employment costs (including pensions), which accounted for 71.83% of total revenues and 76.69% of the recurrent expenditures, at US$1,266.07 billion. Hence, containing these huge employment costs, including through scaling down on staff from the blotted Inclusive Government establishment and aligning any future wage increases to inflation, could help create fiscal space for capital spending, in support of the ZimAsset growth objectives. Furthermore, strengthening of the fiscal balance over the medium term would help rebuild fiscal and external reserves to insulate the economy from disruptive shocks, which is also a key deliverable under the Staff Monitored Program (SMP).

2.4 Banking and Other Financial Sector Developments

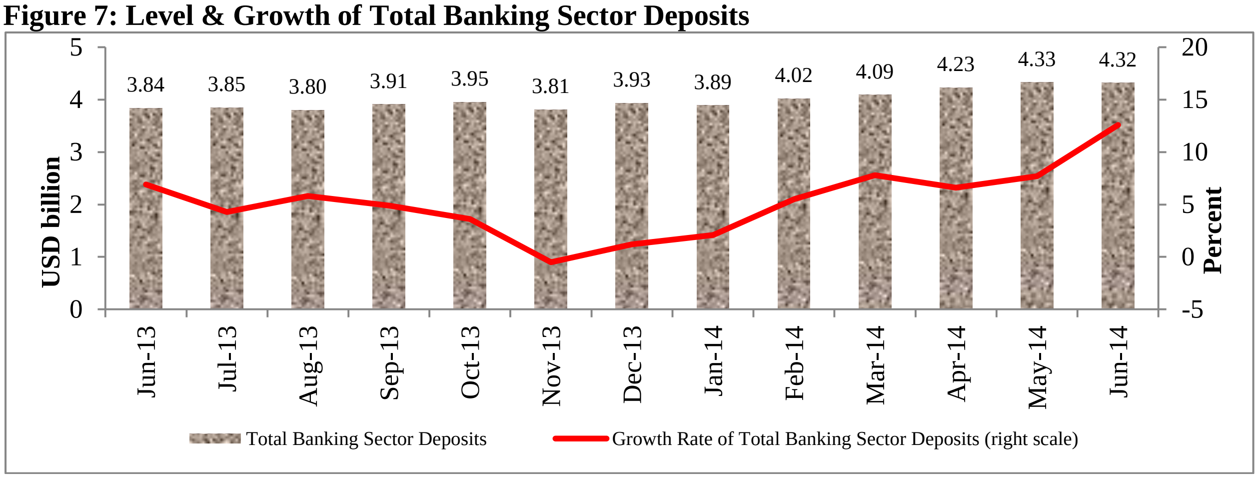
2.4.1 Overview of the Banking Sector

Total banking sector deposits grew to US$4.32 billion in the quarter ending June 2014 from US$3.84 billion in the quarter ending June 2013, reflecting acceleration in annual money supply growth of 12.6%, which is an improvement from 6.9% registered in June 2013. However, credit to the private sector has declined slightly from US$3.67 billion as at June 2013 to US$3.60 billion as at June 2014 reflecting conservative lending by banks. Despite this decline, total domestic credit increased from US$3.94 billion to US$4.17 billion over the same period, largely reflecting increasing credit to the Government and parastatals. The loan-to-deposit ratio declined from 95.5% in June 2013 to 83.3% in June 2014, further confirming the conservative lending approach by banks.

2.4.2 Total Banking Sector Deposits

In the quarter ending June 2014, total banking sector deposits, net of inter-bank deposits, stood at US$4.32 billion, against US$3.84 billion in the quarter ending June 2013 (Figure 7). The growth rate of total banking sector deposits accelerated from 6.9% in June 2013 to 12.6% in June 2014. Total deposits as a percentage of GDP increased from 24.6% in 2010 to 30.0% in 2013, indicating improved ability to attract deposits.

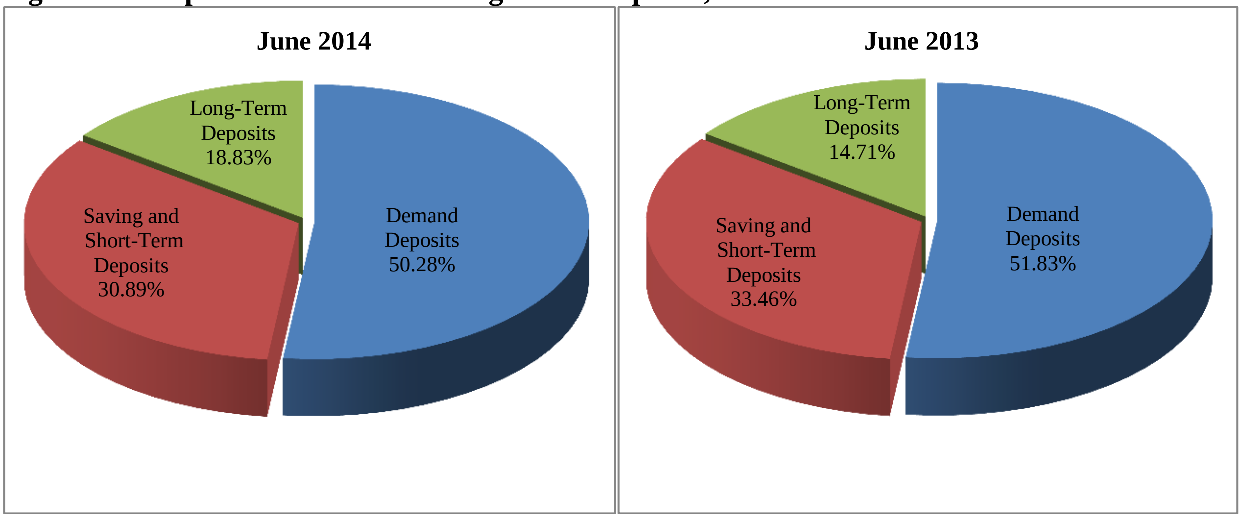
Figure 7: Level & Growth of Total Banking Sector Deposits



Source: RBZ Monthly Economic Review, June 2014

As at end of June 2014, the composition of deposits was as follows: demand deposits (50.28%), savings & short-term deposits (30.89%) and long-term deposits (18.83%) (Figure 8). A comparison of June 2013 and June 2014 shows that long-term deposits not only increased in absolute terms but also increased by 4.12% as a share of total deposits, possibly indicating growing depositors' confidence in the banking system.

Figure 8: Composition of Total Banking Sector Deposits, June 2013 & 2014

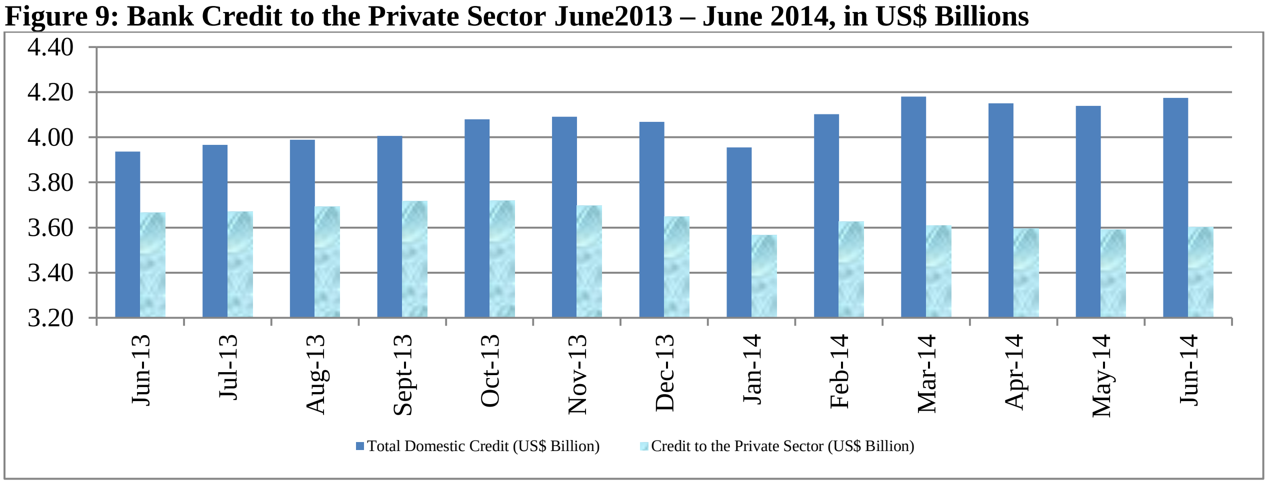


Source: RBZ Monthly Economic Review, June 2013 and 2014

2.4.3 Bank Credit to the Private Sector

Credit to the private sector declined to US$3.60 billion in June 2014 from US$3.67 billion in June 2013, despite the increase in total domestic credit from US$3.94 billion to US$4.17 billion over the period (Figure 9).

Figure 9: Bank Credit to the Private Sector June2013 – June 2014, in US$ Billions



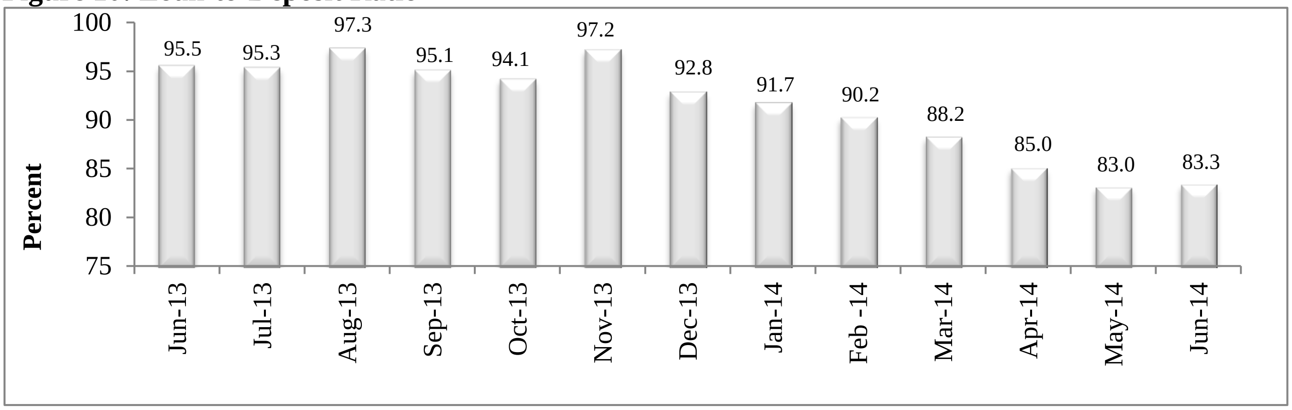
Source: RBZ Monthly Economic Review, June 2014

The decline in private sector credit despite increasing domestic credit is a result of the increase in lending towards Government and parastatals, a trend that is likely to continue given recent public service salary increments. Credit to Government increased by 141.82% from US$206.2 million as at June 2013 to US$498.6 as at June 2014. Similarly, credit to parastatals increased over the same period by 15.00% from US$63.6 million to US$73.2 million. The Government has to find ways of containing its expenditures or increasing its revenues through enhanced efficiency in the tax collection system to avoid competing for credit with the private sector, which in principle should drive economic growth.

2.4.4 Bank Loan-to-Deposit Ratio (%)

The loan-to-deposit ratio as at June 2014 stood at 83.3%, a decline from 95.5% in June 2013 (Figure 10). Despite an increasing trend in deposits, banks have reduced their lending activities on the back of high non-performing loans which have triggered conservative lending practices by banks. Declining aggregate demand and deflation may also have discouraged economic agents from taking out loans for expanding their business operations.

Figure 10: Loan-to-Deposit Ratio

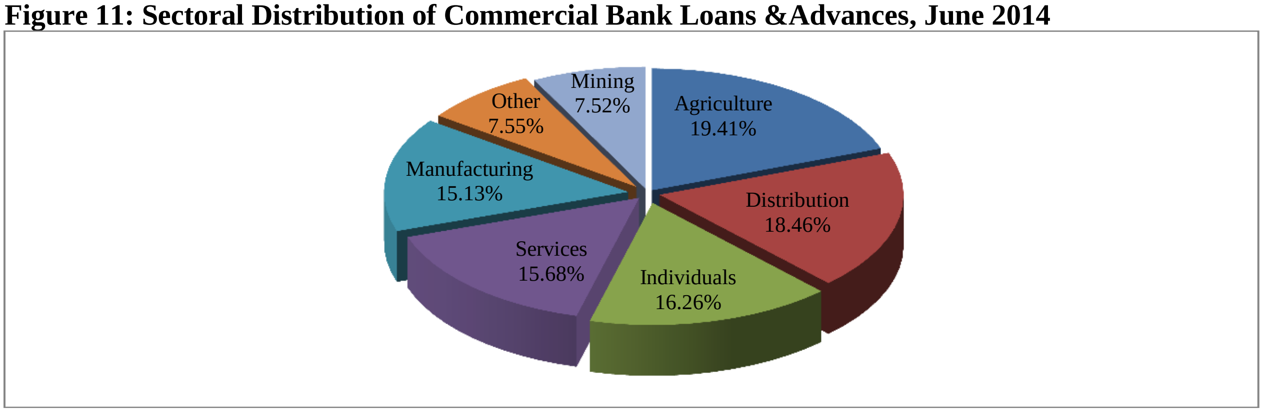


Source: RBZ Monthly Economic Review. June 2014

2.4.5 Sectoral Distribution of Loans and Advances

As at May 2014, loans and advances to the private sector were mostly to the agriculture sector (19.41%) while mining (7.52%) contributed the least (Figure 11).

Figure 11: Sectoral Distribution of Commercial Bank Loans &Advances, June 2014



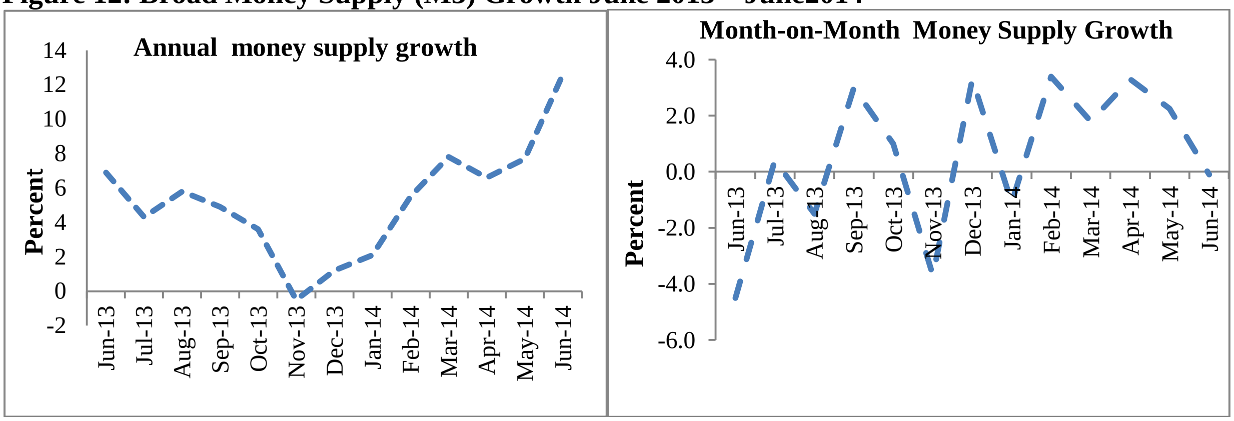
Source: RBZ Monthly Economic Review

The sectoral spread of loans and advances largely reflects the banking sector's preference to lend towards sectors with short-term financing needs, short lead time between production and profitability and, in some cases, sectors with low risk. For example, agriculture and distribution generally have short-term production cycles which make them more compatible with short-term loans which banks are mainly offering. Individuals tend to be preferred due to less risk associated with salary-based loans. On the contrary, mining tend to require long lead time between production and profitability and therefore more likely to require long-term financing which banks are not able to offer.

2.4.6 Money Supply Developments

Annual growth in broad money supply (M3), defined as total banking sector deposits (net of inter-bank deposits), stood at 12.6% in June 2014 compared to 6.9% registered in June 2013 (Figure 12) on the back of tobacco sales which raked in US$649 million as at 30 June 2014 compared to US$567 million as at 30 June 2013. On a month-on-month basis, M3 growth has largely been positive since February 2014.

Figure 12: Broad Money Supply (M3) Growth June 2013 – June2014



Source: RBZ Monthly Economic Review, June2014

2.4.7 Interest Rate Developments

Mean weighted average lending rates offered by commercial banks for individuals and corporates in the second quarter of 2014 declined to 14.35% and 9.23% respectively, compared to 14.37% and 9.67%, respectively for 2013 (Table 3). On the contrary, the mean weighted average lending rates for merchant banks to individuals and corporates increased to 18.92% and 17.82% from 17.74% and 16.09%, respectively, over the same period (Table 3).

Table 3: Interest Rate Levels (Percent per Annum), Quarter 2, 2013 and 2014

End period	Commercial banks lending rates			Merchant banks lending rates			3-Month deposit rate	Savings deposit rate
	Nominal Rate	Weighted average		Nominal rate	Weighted average			
		Individuals	Corporates		Individuals	Corporates		
Apr-13	3.00-35.00	14.58	9.66	14.00-25.00	17.77	14.35	4-20.00	0.15-8.00
May-13	9.00-35.00	14.25	9.89	13.00-23.00	17.66	17.02	4-20.00	0.15-8.00
Jun-13	9.00-35.00	14.29	9.46	15.00-22.50	17.78	16.89	4-20.00	0.15-8.00
Q2: 2013		**14.37**	**9.67**		**17.74**	**16.09**		
Apr-14	6.00-35.00	14.22	9.12	15.00-23.00	18.88	17.73	3-20.00	0.15-8.00
May-14	6.00-35.00	14.39	9.25	15.00-23.00	18.87	17.74	3-20.00	0.15-8.00
Jun-14	6.00-3500	14.44	9.33	15.00-23.00	19.00	18.00	3-20.00	0.15-8.00
Q2:2014		**14.35**	**9.23**		**18.92**	**17.82**		

Source: RBZ Monthly Economic Review, June2014

The average lending rates for commercial and merchant banks to individuals and corporates in the second quarter of 2014 were generally rising despite modest increase in money supply and deflation obtaining in the economy since February 2014. This indicates that other factors such as operating costs, regulatory costs and credit risk among others, have more weight in determining interest rates.

2.4.8 Other Banking Sector Developments

Transaction volumes processed through the Zimbabwe Electronic Transfer Settlement System (ZETSS), Point of Sale (POS), ATMs and Mobile phones in the second quarter of 2014 increased relative to the volumes recorded in the comparable quarter in 2013 (Table 4). This reflects increased activity in the economy in the second quarter of 2014. However, the volume of transactions processed through cheques and internet declined in the second quarter of 2014 relative to the comparable quarter in 2013. Mobile phone transaction volumes are relatively very high, indicating wide coverage, convenience and accessibility of mobile phone transactions.

Table 4: Transactional Activity in Volumes (thousands)

Month	ZETSS	CHEQUE	POS	ATM	MOBILE	INTERNET
Apr-13	182.87	37.31	954.80	760.46	9,908.41	34.73
May-13	215.20	37.09	954.18	793.43	12,146.90	38.68
Jun-13	185.80	34.36	968.54	731.17	9,110.97	36.87
Total	**583.87**	**108.76**	**2,877.52**	**2,285.06**	**31,166.28**	**110.28**
Apr-14	183.63	28.12	1,184.85	974.37	13,298.04	29.23
May-14	215.20	37.09	954.18	793.43	12,146.90	38.68
Jun-14	193.58	32.98	1,164.73	966.45	14,163.56	34.25
Total	**592.41**	**98.19**	**3,303.76**	**2,734.25**	**39,608.50**	**102.16**

Source: RBZ Monthly Economic Review, June 2014

The increased volume of transactions in ZETSS, ATM and Mobile phones translated into increased values of transactions processed through these respective transacting methods (Table 5). POS transaction values declined in the second quarter of 2014 despite an increase in transaction volumes, indicating that the transactions processed were of lower values.

Table 5: Transactional Activity in Values (US$ millions)

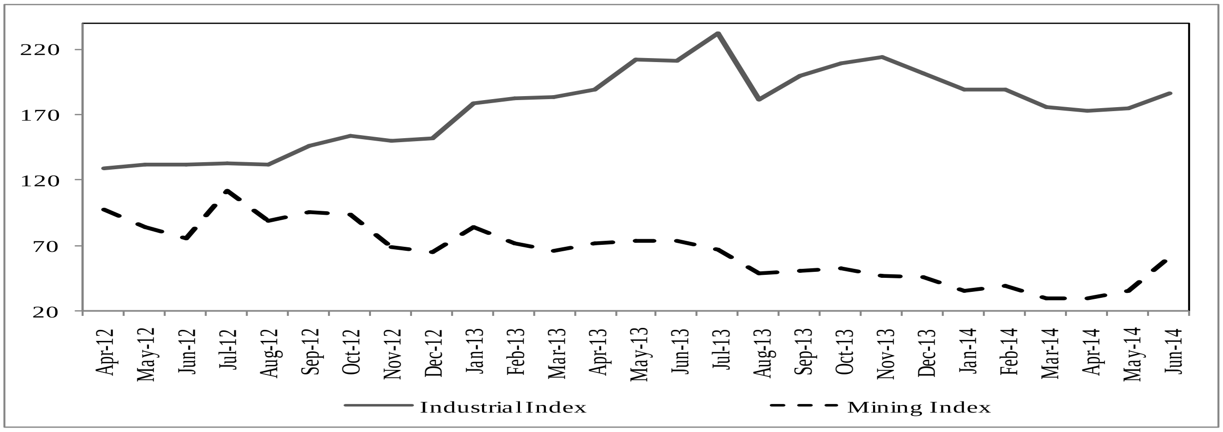
Month	ZETSS	CHEQUE	POS	ATM	MOBILE	INTERNET
Apr-13	3,535.58	16.58	140.28	187.85	160.61	123.03
May-13	3,915.31	15.42	129.2	203.37	211.75	152.24
Jun-13	3,544.35	13.65	117.11	181.35	146.64	121.98
Total	**10,995.24**	**45.65**	**386.59**	**572.57**	**519.00**	**397.25**
Apr-14	3,439.33	9.66	126.26	253.16	264.38	96.29
May-14	3,915.31	13.65	117.11	181.35	146.64	121.98
Jun-14	3,657.44	12.42	110.38	250.87	284.18	104.28
Total	**11,012.08**	**35.73**	**353.75**	**685.38**	**695.20**	**322.55**

Source: RBZ Monthly Economic Review, June 2014

2.5 Stock Market Developments

In the second quarter of 2014, the industrial index opened trading at 176.65 on April 1 2014, gaining 9.91points (5.61 %) to close the quarter at 186.56 on June 30 2014, whilst the mining index opened the quarter trading at29.51, gaining 31.81points (107.79%) to close the quarter at 61.32 (Figure 13). A total of 843,248,971 shares valued at US$ 115.79 million were traded in the second quarter compared to a total of 687,208,341 shares valued at US$ 118.67 traded in the first quarter of 2014.Meanwhile market capitalisation, which stood at US$ 4.47 billion in April 2014, gained 8.94 percentage points to US$ 4.87 billion as at 30 June 2014.

Figure 13: ZSE Industrial and Mining Indices from April 2012 to June 2014



Source: Zimbabwe Stock Exchange

On a year on year comparison both the industrial and mining indices closed the second quarter of 2014 at 186.56 and 61.32 respectively, compared to 211.19 and 73.29, respectively in the second quarter of 2013.The poor performance of the indices in 2014 was as a result of depressed liquidity which left many local investors with low appetite to invest on the local bourse.

There was however, an increase in stock market activities in the second quarter of 2014 compared to the second quarter of 2013, with both turnover value and volume up by 13.34 percent and 60.42%, respectively. The increase in stock market activities was buoyed by the participation of foreign investors as indicated by the increase in the ratio of foreign turnover to total turnover from 57.29 % in the second quarter of 2013 to 59.53% in second quarter of 2014. The value and volume of shares bought by foreigners increased by 17.77% and 45.01%, respectively, whilst the value and volume of shares sold by foreigners also increased by 192.37% and 1910.76%, respectively in the second quarter of 2014 compared to the second quarter in 2013 (Table 6).

Table 6: Summary Statistics for the Zimbabwe Stock Exchange for Second Quarter 2013 and 2014

Date	Q2 2013	Q2 2014	Percentage Change
Turnover Value (USD)	102,165,355.48	115,793,933.95	13.34
Turnover Volume	525,653,090	843,258,971	60.42
Value of shares bought by foreigners (USD)	58,528,374.25	68,930,410.74	17.77
Value of shares sold by foreigners (USD)	22,520,474.50	65,842,111.28	192.37
Volume of shares bought by foreigners	170,892,783	247,812,569	45.01
Volume of shares sold by foreigners	76,968,955	223,796,855	190.76
Market Capitalisation (USD)	5,436,574,788	4,873,396,916	(10.36)

Source: Zimbabwe Stock Exchange

However despite the positive developments in 2014, market capitalisation declined by 10.36% from US$5.43 billion recorded at the end of the second quarter of 2013 to US$4.87 billion as at 30 June 2014. Market capitalisation was weighed down by the valuation of shares traded on the stock market as a result of the continued liquidity crisis on the local economy that has seen most investors pulling out of trading activities on the local bourse.

A comparison of the ZSE performance with its regional counterparts showed that the performance of the local bourse was in line with regional trends, with the Johannesburg Stock Exchange (JSE) All Share Index opening the second quarter trading at 47380 (1 April 2014), gaining 3565 points (7.52%) to close the quarter at 50945 (30 June 2014). The Namibian Stock Exchange NSX-Overall index opened the quarter trading at 1089.217, gaining 14.217points (1.31%) to close at 1103.434.On the Malawi Stock Exchange, the All Share Index saw the market gaining 4.96% to close the quarter at 13417.47 points, with a total of 1,547,492,034 shares being traded valued at US$15,724,609.58.

2.6 Agriculture Sector Developments

2.6.1 Tobacco Season Sales

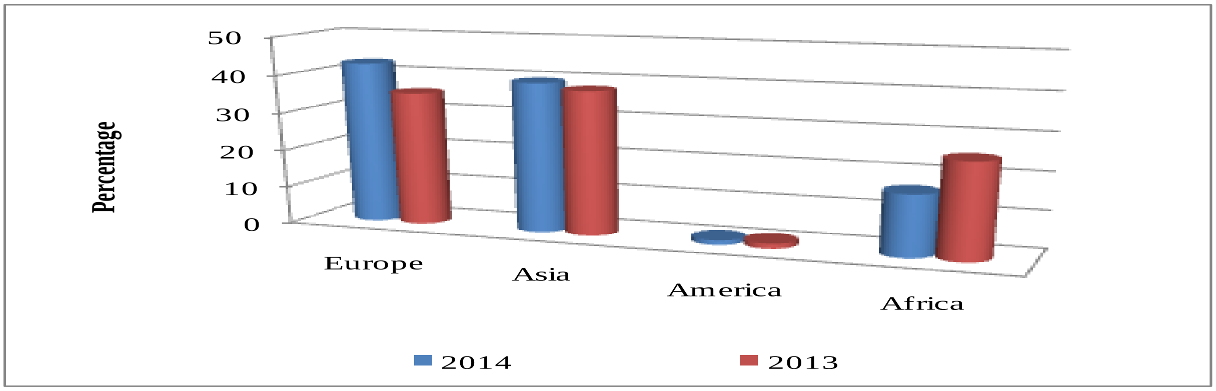
By 27 June 2014, seasonal sales had surpassed the 2014 targeted volumes of 170 million kg, recording 204.4 million kg at an average price of US$3.17/kg. During the same period last year 153.1 million kg of tobacco were sold at an average price of US$3.70/kg. Contracted tobacco farmers had by this date accounted for more than 75% of total tobacco sales.

The bulk of the tobacco deliveries (82%) came from the three Mashonaland provinces where 35%, 30% and 17% were delivered from Mashonaland West, Mashonaland Central and Mashonaland East respectively.

2.6.2 Tobacco exports

As at 20 June 2014, tobacco export earnings stood at US$142.2 million, compared to the US$156.5 million that were realised during the same period in 2013. Figure 14 illustrates the major sources of tobacco export earnings. Europe contributed 42.9% of the export earning followed by Asia, Africa and the Americas that contributed 39.6%, 16.3% and 1.1%, respectively. Increases in export earnings were recorded from Europe and Asia from last year’s figures whilst a decline in export earnings was recorded from the African markets.

Figure 14: Market share of Zimbabwe Tobacco exports by region between 2013 and 2014



Source: Author's computations based on figures released by Tobacco industry and Marketing Board

2.6.3 Maize

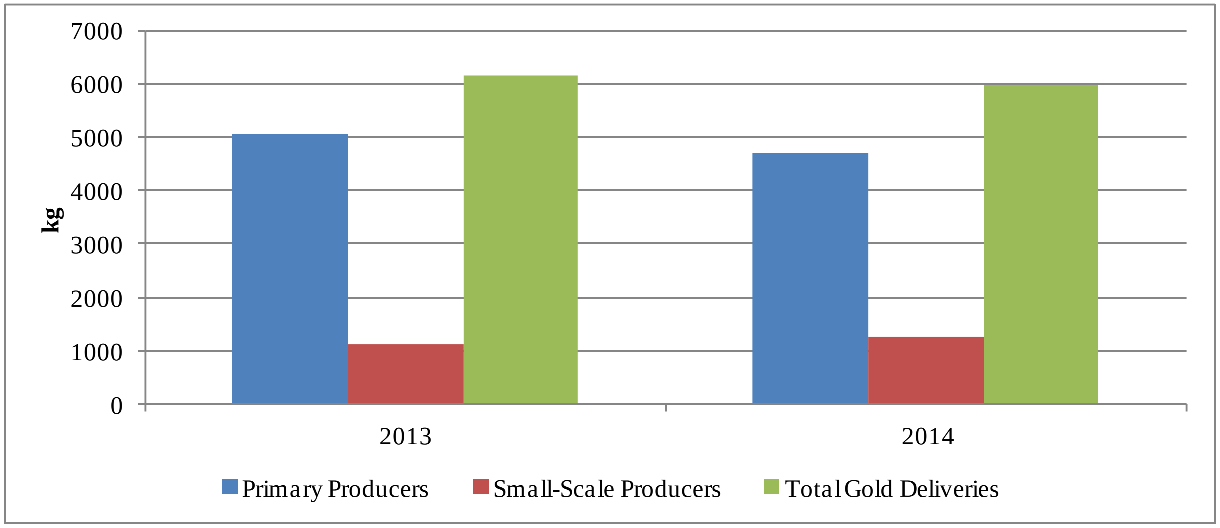
The Minister of Agriculture, Mechanisation and Irrigation Development released the 2nd crop assessment report in April 2014. It revealed that the country expected to record 1.5 million metric tonnes in maize production, an 82% increase from the 799 million metric tonnes recorded last year. This bumper harvest still falls short of the national maize requirement of 1.8 million tonnes. The Grain marketing Board (GMB) had proposed to buy farmers' maize at US$390 per tonne but farmers are reluctant to deliver their maize there due to late payments. GMB is required to mop up an annual national grain reserve of 500,000 metric tonnes from the market, but delays in payments traditionally hampers it from meeting this target as farmers sell their produce to private players. Farmers have an option of selling their produce to grain millers but these seem to have colluded to offer low prices to the farmers. Farmers are being offered prices as low as US$270/tonne against the US$310/tonne the Grain Millers Association had indicated to be a reasonable price for the maize crop at the beginning of the selling season.

Currently the farmers are calling for the government to impose a surtax on maize and maize meal imports. The current scenario in the maize market calls for the government to strengthen GMB to effectively play its role as a functional agriculture market that is reliable, predictable and efficient to fairer. This will go a long way in ensuring food security in Zimbabwe.

2.7 Mining Sector Developments

Compared to the same period in 2013, total gold deliveries declined by 3.06 percent from 6166.70 kg for the first half to June 2013 to 5978.01 kg for the first half to June 2014 (Figure 8). Deliveries by primary producers decreased by 6.72 percent from 5065.60 kg for the first half to June 2013 to 4725.17 kg for the first half to 2014 whilst deliveries by small-scale producers increased by 13.78 percent from 1101.09 kg for the first half to June 2013 to 1252.83 kg for the first half to June 2014. The plans by the government to legalise the activities of small-scale miners has seen a surge in their deliveries for the two comparable periods. More effort should be made by the government to finalise the act legalising operations of illegal gold miners so as to unlock underutilised resources thereby increasing revenue flows into the economy at the same time curbing illicit financial flows from Zimbabwe.

Figure 15 : Gold Deliveries, January to June 2013 and 2014



Source: Fidelity Printers and Refineries

On a quarter-on-quarter basis, total gold deliveries increased by 6.24 percent from 2898.63 kg in the first quarter of 2014 to 3079.38 kg in the second quarter of 2014. Cumulative deliveries by primary producers increased by 2.99 percent from 2,327.8 kg in the first quarter of 2014 to 2,397.37 kg in the second quarter of 2014 whilst cumulative deliveries by small scale producers increased by 19.48 percent from 570.83 kg in the first quarter of 2014 to 682.00 kg in the second quarter of 2014.

2.7.1 Other Mining sector Developments

The Zimbabwean government significantly cut most mining fees in April 2014 in a view to promoting more investment in the sector. The US$5 million registration fee for diamonds was scrapped, with registration fees for platinum special prospecting licence being slashed from US$2.5 million to US$750,000. Application fees for an ordinary prospecting licence were slashed to US$500 from US$500,000. The application or renewal fee for diamonds has remained at US$1 million while registration or renewal fee for coal and energy has been cut to US$100,000 from US$500,000. In addition, application for registration as an approved prospector paid every five years has been slashed to US$4,000 from US$5,000 while special prospecting licence for a mining district and the whole country has both been reduced to US$2,500 from US$3,000. It is foreseen that this move might attract more players in the industry since the government recently announced proposals to amend mining laws and decriminalise operations of small-scale miners.

The government of Zimbabwe also reiterated in May 2014 that there will not be new permits issued for chrome ore exports in a move to promote value addition and beneficiation of the country's minerals. According to the Deputy Minister of Mines and Mining development, the country has redundant chrome refineries in Chegutu, Kadoma and Kwekwe (mining towns in

Zimbabwe). These refineries need to be utilised if the country is to add value from the mineral and optimise revenue from exports of extractive resources. The total ban of chrome ore exports is likely to force companies to revive these redundant chrome ore refineries, which creates employment and also maximise returns from the resources in the country. However, introducing an export tax rather than a total ban on chrome ore could also bring more revenue into the country.

2.8 Manufacturing Sector Developments

The first half of 2014 did not witness much improvement in the manufacturing sector, with the Confederation of Zimbabwe Industries (CZI) indicating that the outlook remains bleak as they expect capacity utilisation to drop from the 39% recorded in 2013. There were high expectations that the manufacturing sector would recover due to a raft of tariff measures introduced under the 2014 National Budget Statement. The measures included the introduction and increase of customs duty for several products, with the intention being to cushion the local industry against intense competition from imports. The imposition of the tariff measures was intended to provide modest protection on local industry. While the recovery by industry to take advantage of the measures has been very slow, statistics could indicate that the decision might have helped to reduce the flow of imports into the country.

Among the industries where protection was instituted is the cooking oil and dairy industries. During the first six months of 2014, imports for the products in the cooking oil industries where duty was imposed decreased by about 47.5% compared to their levels during the same period in 2013. In the dairy industry, imports for the products identified for protection decreased by about 32.6% during the first six months of 2014 compared to the same period in 2013. Thus the falling imports could reflect that the measures might be achieving their intended objective of reducing imports.

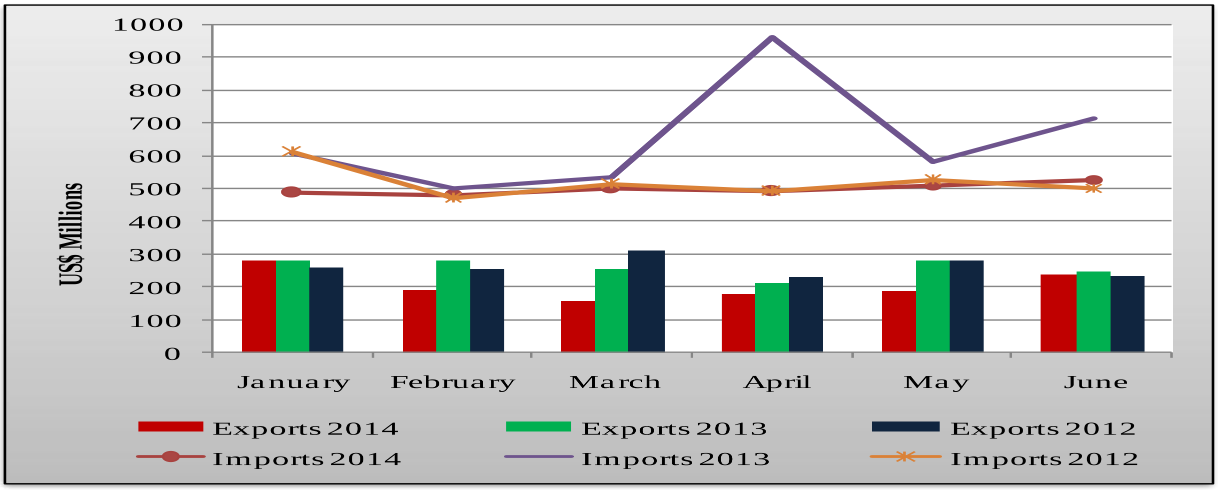
Despite this fall in imports, there have been no concerns about shortages that are obtaining in the markets due to the reduced flow of imports. This could either be due to a general fall in demand for products, especially under the current liquidity constraints, or this could also reveal that the local industry has been able to fill in the gap created by reduced imports. If the latter is the case, there is scope for increased production to displace imported products as there is still more capacity to be explored in the local industry. Enhanced access to credit as well as addressing challenges associated with power outages and other infrastructural bottlenecks would thus enhance competitiveness of the local industry and aid in competition with imported products.

2.9 External Sector Developments

During the first half of 2014, imports were generally contained below their values in both 2013 and 2012 (Figure 16). Given the general concerns about the crowding out of locally produced products as well as outflow of resources, this can be regarded as a positive development. Reducing imports can be one of the strategies to correct the current account deficit, which is mostly driven by imports. Total imports during the first half of 2014 were about US$3 billion, having decreased by about 23.1% from the level recorded during the same period in 2013 and by about 3.6% compared to the same period in 2012.

The measures that were introduced to contain imports under the 2014 National Budget Statement could explain the downward trend. However, the worsening liquidity challenges in the economy could also have contributed by reducing the demand for goods; hence imports. The current account situation did not change much, however, as exports were also falling during the first half of 2014 compared to previous periods (Figure 16).

Figure 16: Exports and Imports during the first six months, 2012-2014



Source: ZIMSTAT

The falling exports could also be reflective of the effects of the liquidity challenges, as manufacturing firms are also struggling to undertake the necessary investment for internationally competitive production. Traditionally exporting firms are also increasingly changing their focus to the domestic market which has become more lucrative due to dollarisation. Total exports during the first half of 2014 were about US$1.2 billion, having decreased by about 23.1% compared to the same period in 2013 and by about 21.3% compared to the same period in 2012.

Since imports fell more than exports in absolute terms, there was an improvement in the country's trade deficit, even though it is still worrisome. The trade deficit during the first half of the year in 2014 was about US$1.8 billion, having decreased by about 24.8% compared to the same period in 2013. More measures to boost exports could have seen the economy performing better at containing this deficit.

Under the 2014 National Budget Statement, exports at the end of 2014 are forecasted at about $5 billion. For this to be achieved, exports during the last half of 2014 have to grow by more than four times their current value, which is not likely to happen. Imports are forecasted at about US$8.321 by the end of the year. This also appear to be on the high side, as they would have to grow by more than 100% the value recorded during the first half of the year. Thus both imports and exports targets appear to have been over-focused.

2.10 Tourism Developments

The Reserve Bank of Zimbabwe has been carrying out consultation workshops aimed at facilitating the computerization of the Hunting Return Form (TR2) during the second quarter of 2014. The computerization of TR2 form will result in a new system known as the Tourism Receipts Accounting System 2 (TRAS 2). It is now mandatory for hunting safari operators to register under the new computerized system TRAS 2. The new system is expected to enable electronic processing of export documentation, thereby improving efficiency and transparency as well as close leakages of foreign earnings from the Zimbabwean economy. There is need for complementing these measures by improving service delivery to tour operators and visitors. This includes the computerization of other tourism systems such as the application process for tourism operator's license and renewal as well the visa system.

On another development, the country was endorsed with the *'World Best Tourist Destination*' and the '*Favourite Cultural Destination'* awards in June, 2014 by the European Council on Tourism and Trade (ECTT). The award was based on embracing tourism as a resource for cultural and social development; preserving cultural and natural heritage; and showing a level of commitment towards sustainable development, fair tourism and historical preservation. The ECTT endorsement is a welcome development as it will certainly help market the country's tourism in the overseas market. In 2013, overseas arrivals constituted only 14.3% of total arrivals, with the other 85.5% being arrivals from mainland Africa.

3.0 OTHER TOPICAL ISSUES

3.1 First and Second Reviews of the IMF Staff Monitored Programme

The IMF completed the country's first and second reviews of the Staff Monitored Program (SMP) which were carried out at the end of June, 2014. The SMP serves an informal arrangement between government authorities and the IMF staff to monitor the country's economic program implementation. The Zimbabwe SMP was initially for a nine month period from April to December 2013, before being extended by six months to June 2014, to give the country more time to strengthen policies and deliver on outstanding commitments. In the two reviews, the IMF noted that the country's performance under the SMP was uneven though generally satisfactory. Its implementation was hampered by the 2013 elections, post-election transition and the large current account deficit as well as low international reserves. Consequently, Zimbabwe missed a number of quantitative targets and structural benchmarks.

The country missed four of the six quantitative targets in the first review and three out of five structural benchmarks. Under the second review, the country met three of the six revised quantitative targets and only one of the five structural benchmarks. The country, however, remains committed to the SMP and has begun implementing policy measures and programme reforms to address the fiscal deficit, improving quality of expenditures, enhancing financial sector stability and structural reforms.

Successful completion of the SMP would be an important stepping stone towards macroeconomic stability as it lays the foundation for the country to engage its creditors for a compressive debt and arrears resolution programme.

3.2 The 2014 IMF Article IV Report

The International Monetary Fund (IMF) conducted the Article IV Consultations[4] with Zimbabwe in March 2014. In their report, the IMF noted that Zimbabwe faces serious medium term challenges, adding that a vigorous reform program is needed to put the country on a sustainable, inclusive growth path. In particular, the report noted that a fiscal strategy aimed at rebalancing the expenditure mix should be a priority, including preventing accumulation of domestic arrears.

Further, the IMF noted that the weak momentum coming out of 2013 will undermine economic recovery in 2014. The current account deficit is expected to remain high, averaging around 15% of the GDP in the medium term, but is projected to improve over the medium term as export capacity increases. However, with the poor performance of international commodity prices, the problem of financing the current account deficit might persist, which might eventually result in the country failing to cover its import bill.

The IMF also raised concerns on the transfer of the treasury account from the Commercial Bank of Zimbabwe to RBZ, noting that the transfer carries implementation risks that should be managed carefully. The transfer should ideally take place only after the central banks' balance sheet has been sufficiently strengthened and its information technology systems have been linked to the government's own public financial management information system. In addition, the IMF warned that the lender of last resort facility should be implemented only after the present period of high fiscal pressure is over, and that the liquidity support should only be provided to solvent banks. The IMF also noted that Zimbabwe's external payment arrears are large and increasing and remain a major impediment to external sustainability and new financing.

The report highlights the need for a medium-term fiscal strategy aimed at rebalancing expenditure away from employment costs, which currently account for 79% of total revenues. This is in order to protect high-impact social spending, and gradually raise capital spending and net lending to around 4-5% of GDP in the medium term. This should also be supported by **t**argeting a medium-term primary cash balance between 1.5 and 2% of GDP, which should help the government rebuild fiscal and external buffers and generate debt servicing capacity required for future debt restructuring programme

4.0 CONCLUSION

Based on this brief discussion about various sectors of the economy, some key action points which the government could undertake to improve economic performance could be deduced. Rebalancing the expenditure mix by controlling the high employment costs should be a priority. This can be done through scaling down on staff from the blotted Inclusive Government establishment and aligning any future wage increases to inflation. More importantly, strengthening of the fiscal balance would help rebuild fiscal and external reserves to insulate the economy from disruptive shocks.

[4] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with member countries every year.

The crowding out of the private sector due to the increase in lending towards Government and parastatals is also a cause for concern in any economy characterised by a weak private sector performance. The Government has to find ways of containing its expenditures or increasing its revenues to avoid competing for credit with the private sector.

The situation in the maize sector, where there are distortions on the prices due to collusion and shortcomings of GMB, is also worrisome. There is need for the government to strengthen GMB to ensure reliability, predictability and efficiency of the market.

Given the positive trend on gold contributions from the small-scale miners, the current efforts to legalise the activities of small-scale miners should be enhanced. More effort would unlock underutilised resources and increase revenue flows into the economy, while curbing illicit financial flows from the country which take place through the sector.

While the total ban of chrome ore exports would enhance the revival of redundant chrome ore refineries, an export tax rather than a total ban could also bring more revenue into the country while addressing the current capacity constraints in the chrome refining sector.

The falling imports with minimum disruptions in the economy could reflect that there is some capacity for increased production to displace imported products. Enhanced access to credit as well as addressing challenges associated with power outages and other infrastructural bottlenecks could reduce reliance on imports by enhancing the competitiveness of the local industry. The falling exports on the other hand also imply that more measures are needed to boost exports and contain the country's negative trade deficit.

STATISTICAL TABLES

TABLE 1A: International Commodity Prices

	2013									2014					
	April	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**
Gold (US$/oz.)	1486.05	1414.26	1342.66	1287.22	1347.26	1348.63	1315.25	1233.50	1223.35	1241.82	1299.83	1336.71	1298.80	1289.06	1278.49
Platinum (U$/oz.)	1487.94	1476.80	1430.98	1399.02	1494.55	1459.40	1413.52	1360.50	1357.18	1420.43	1409.51	1451.1	1431.40	1451.79	1452.60
Brent crude ($/bl.)	102.77	103.68	103.23	107.14	110.08	111.02	109.32	110.25	110.47	107.44	198.69	107.19	107.99	109.2	111.77
Maize (U$/t) 3YC	279.00	295.50	298.40	279.50	238.70	207.4	201.7	199.1	197.4	198.1	209.3	222.3	222.4	217.3	202.4
Wheat (U$/t) HRW	308.30	319.70	313.40	304.6	305.3	307.5	325.7	306.8	291.6	275.5	292.3	323.6	324.9	334.7	306.5

Sources: Bloomberg, Reuters, IGC and World Ba

TABLE 1B: Annual Inflation (%)

Jan-11	**Feb-11**	**Mar-11**	**Apr-11**	**May-11**	**Jun-11**	**Jul-11**	**Aug-11**	**Sep-11**	**Oct-11**	**Nov-11**	**Dec-11**
3.52	3.04	2.67	2.69	2.50	2.86	3.26	3.54	4.29	4.20	4.20	4.90
Jan-12	**Feb-12**	**Mar-12**	**Apr-12**	**May-12**	**Jun-12**	**Jul-12**	**Aug-12**	**Sep-12**	**Oct-12**	**Nov-12**	**Dec-12**
4.30	4.30	4.00	4.03	4.02	3.97	3.94	3.63	3.24	3.38	2.99	2.91
Jan-13	**Feb-13**	**Mar-13**	**Apr-13**	**May-13**	**Jun-13**	**Jul-13**	**Aug-13**	**Sept-13**	**Oct-13**	**Nov-13**	**Dec-13**
2.51	2.98	2.76	2.49	2.20	1.87	1.25	1.28	0.86	0.59	0.54	0.33
Jan-14	**Feb-14**	**Mar-14**	**Apr-14**	**May-14**	**Jun-14**						
0.41	-0.49	-0.93	-0.26	-0.2	-0.08						

Source:ZIMSTAT

TABLE 1C: Monthly Inflation (%),

Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
0.74	0.96	1.12	0.12	0.26	-0.10	-0.13	-0.14	0.12	0.21	0.49	-0.44
Jan-11	**Feb-11**	**Mar-11**	**Apr-11**	**May-11**	**Jun-11**	**Jul-11**	**Aug-11**	**Sep-11**	**Oct-11**	**Nov-11**	**Dec-11**
1.03	0.49	0.75	0.14	0.08	0.24	0.26	0.13	0.85	0.1	0.5	0.2
Jan-12	**Feb-12**	**Mar-12**	**Apr-12**	**May-12**	**Jun-12**	**Jul-12**	**Aug-12**	**Sep-12**	**Oct-12**	**Nov-12**	**Dec-12**
0.46	0.49	0.43	0.19	0.07	0.20	0.22	-0.20	0.50	0.49	0.43	0.13
Jan-13	**Feb-13**	**Mar-13**	**Apr-13**	**May-13**	**Jun-13**	**Jul-13**	**Aug-13**	**Sep-13**	**Oct-13**	**Nov-13**	**Dec-13**
0.07	0.95	0.21	-0.07	-0.21	-0.31	-0.38	-0.15	0.1	-0.01	0.09	-0.08
Jan-14	**Feb-14**	**Mar-14**	**Apr-14**	**May-14**	**Jun-14**						
0.1	0.0	-0.2	0.58	-0.1	-0.03						

Source: ZIMSTA

TABLE 1D: Annual Broad Money (M3) Growth (%)

Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
	303.5	322.5	253.7	236.3	160.2	144.3	0.12	0.21	144.3	0.12	0.21
Jan-11	**Feb-11**	**Mar-11**	**Apr-11**	**May-11**	**Jun-11**	**Jul-11**	**Aug-11**	**Sep-11**	**Oct-11**	**Nov-11**	**Dec-11**
67.8	59	52.6	48.4	49.2	56.7	51.6	0.85	0.1	51.6	0.85	0.1
Jan-12	**Feb-12**	**Mar-12**	**Apr-12**	**May-12**	**Jun-12**	**Jul-12**	**Aug-12**	**Sep-12**	**Oct-12**	**Nov-12**	**Dec-12**
33.2	37.4	33.4	32.8	31.0	23.8	27.2	0.50	0.49	27.2	0.50	0.49
Jan-13	**Feb-13**	**Mar-13**	**Apr-13**	**May-13**	**Jun-13**	**Jul-13**	**Aug-13**	**Sept-13**	**Oct-13**	**Nov-13**	**Dec-13**
21.1	12.9	10.5	14.9	12.2	6.9	4.3	5.8	4.9	3.6	-0.5	1.2
Jan-14	**Feb-14**	**Mar-14**	**Apr-14**	**May-14**	**Jun-14**						
2.1	5.5	7.8	6.6	7.7	12.6						

Source: Reserve Bank of Zimbabwe

Table 1E: Import Balances

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Imports (c.i.f) US$	623,206,079	630,450,492	648,464,154	1,222,428,122	815,114,707	1,262,300,269	622,964,149	587,901,029
	Jan-12	**Feb-12**	**Mar-12**	**Apr-12**	**May-12**	**Jun-12**	**Jul-12**	**Aug-12**
Imports (c.i.f) US$	598,628,842	464,135,767	504,991,549	482,997,091	523,990,332	500,657,173	674,429,368	799,467,460
	Sep-12	**Oct-12**	**Nov-12**	**Dec-12**	**Jan-13**	**Feb-13**	**Mar-13**	**Apr-13**
Imports (c.i.f) US$	633,025,036	890,785,181	713,429,472	665,502,187.37	606,978,552	499,114,708	532,812,989.20	963,636,659.42
	May-13	**Jun-13**	**Jul-13**	**Aug-13**	**Sept-13**	**Oct-13**	**Nov-13**	**Dec-13**
Imports (c.i.f) US$	580,022,084.09	714,119,959.17	572,670,192.57	704,166,464.02	750,242,891.51	609,822,385.88	594,277,521.35	576,576,957.51
	Jan-14	**Feb-14**	**Mar-14**	**Apr-14**	**May-14**	**Jun-14**		
Imports (c.i.f) US$	487,897,386	478,792,398	499,867,991	491,537,758.99	510,055,348.39			

Source: ZIMSTATS

Table 1F: Export Balances

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Exports (US$)	288,743,562	373,029,213	388,786,028	221,313,963	226,974,74	143,866,926	245,169,257	376,849,339

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jul-12	Aug-12
Exports (US$)	258,124,310	255,206,355	310,041,948	227,253,008	278,161,855	338,045,622	449,726,798

	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Mar-13	Apr-13
Exports (US$)	324,343,098	479,941,695	415,207,388	314,872,655	279,555,179.97	253,927,213.43	209,914,486.89

	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Nov-13	Dec-13
Exports (US$)	278,314,631.72	244,883,722.02	287,436,036.77	282,668,224.22	308,664,376.66	467,471,012.11	251,838,635.33

	Jan-14	Feb-14	Mar-14	Apr-14	May-14		
Exports (US$)	278,197,743.08	192,465,779	156,413,793	178,995,577.75	184,250,263.70		

Sources: ZIMSTATS

Table 1G: Total Deposits

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-14	Dec-13	Jan-13	Feb-14	Mar-14
Demand Deposits	2,086,622.60	2,045,215.90	1,989,201.50	2,038,302.96	2,011,314.80	2,063,250.80	2,084,448.30	1,944,000.70	1,959,980.20	2,076.817.80	2,022,120.80	2,074,823.70
Saving and Short-Term Deposits	1,353,710.50	1,297,619.00	1,284,243.30	1,325,030.04	1,252,640.40	1,305,501.10	1,256,126.90	1,246,497.10	1,249,835.60	1,177,329.10	1,242,453.40	1,332,280.44
Long-Term Deposits	526,409.40	675,306.60	564,762.50	491,588.70	532,281.50	541,907.50	611,107.70	616,612.60	722,509.30	634,498.40	757,205.40	686,835.06
	Apr-14	**May-14**	**Jun-14**									
Demand Deposits	2,187,480.80	2,216,134.90	2,162,978									
Saving and Short-Term Deposits	1,345,518.38	1,414,002.10	1,434,428.20									
Long-Term Deposits	697,459.42	695,593.50	726,158.90									

Table 1H: Gold Deliveries

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Gold Production (kg)*	1082	1131	1033	1189	1049	1012	1136	1028	1080	937	931	1040
	Apr-14	**May-14**	**Jun-14**									
Gold Production (kg)*	1039	1021	1019									

*Sources: Fidelity Printers and Refineries, * monthly averages*

Table 1I: Government Budget

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Revenues (U$m)	271.0	303.6	395.2	323.0	306.7	353.4	278.2	259.1	380.8	251.7	236.0	317.8
Spending (U$m)	246.2	340.5	333.2	397.7	314.0	298.7	388.7	305.1	483.02	235.9	264.8	265.7
Balance (U$m)	24.8	(36.9)	62.0	(74.7)	(7.3)	54.8	(110.6)	(45.9)	(102.3)	15.8	(28.8)	52.1
	Apr-14	**May-14**	**Jun-14**									
Revenues (U$m)	285.1	275.8	1,366.4									
Spending (U$m)	357.6	278.3	1,402.4									
Balance (U$m)	(72.6)	(2.5)	(36)									

Sources: Ministry of Finance, Note: monthly averages

Table 2A: Annual Economic Growth

	2008	2009	2010	2011	2012	2013
GDP Growth (%)	-17.7	5.4	11.4	11.9	10.6	3.4*
GDP (US$ Million)	4,416	5,899	8289.6	10068	11597*	-

Source: ZIMSTAT, estimates*

Table 2B: International Commodity Prices

	2008	2009	2010	2011	2012	2013
Gold (US$/oz.)	871.64	982.50	1,218.59	1,358.42	1,766.71	1,397.1
Platinum (US$/oz.)	1,577.00	1,212.25	1,608.23	1,721.92	1,530.71	1,474.50
Brent crude ($/bl.)	-	-	-	-	111.31	108.41
Maize (U$/t) 3YC	-	-	-	291.70	298.40	259.4
Wheat (U$/t) HRW	-	-	-	316.30	313.20	312.2

Source: International Grain Council, BBC, Reuters, World Bank

Table 2C: Trade & Balance of Payments

	2008	2009	2010	2011	2012	2013
Exports - Total Goods (US$ Millions)	1 660.43	1 613.27	3 245.45	3 557.02	3883.64	3,507.43
Imports - Total Goods (US$ Millions)	2 629.55	3 213.07	5 864.93	8 594.28	7483.99	7,704.22

Sources: ZIMSTAT

Table 2D: Banks Deposits and Credit

	2009	2010	2011	2012	2013
Deposits (Annual Average) (US$ Million)	-	-	2.793.73	3593.81	3,874.71
Bank Credit to Private Sector (Annual Average) (US$ Million)	-	1.235	2.344	3.100	3.600
Loan/Deposit Ratio (Annual Average) %	-	-	83%	87.3%	94.1%

Source: Reserve Bank of Zimbabwe

Table 2E: Zimbabwe Stock Exchange Indices

	2009	2010	2011	2012	2013
ZSE Industrial Index (End Period)	151.99	151.3	145.86	152.40	202.12
ZSE Mining Index (End Period)	185.5	200.4	100.7	65.12	45.79

Source: Zimbabwe Stock Exchange

Table 2F: Business / Production Indicators

	2008	2009	2010	2011	2012	2013
Gold Production (Kg)	3 579.00	4 966.00	-	12993	14735.12	14,065.23
Platinum Production(Kg)	5 495.10	6 848.90	-	10827	10524.24	13,065.64

*Source: Chamber of Mines, TIMB and Agritex, MoF, * estimates*

Table 2G: Government Budget

	2009	2010	2011	2012	2013
Revenues (US$ Million)	934,000,000.00	2,198,000,000.00	2,770,000,000.00	3,452,000,000.00	3,741,041,420.19
Spending (US$ Million)	966,000,000.00	2,228,000,000.00	3,102,000,000.00	3,746,000,000.00	3,987,399,339.01
Balance (US$ Million)	(32,000,000.00)	(30,000,000.00)	(332,000,000.00)	(294,000,000.00)	(246,357,918.82)

Sources: Ministry of Finance