THE ZIMBABWE ECONOMY IN 2008

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Introduction

This was the year in which Zimbabwe achieved some unenviable records.

If we didn't surpass Hungary's worst-ever hyperinflation figure of about 150%/day, (for a couple of days in 1947), we certainly endured rates around 100%/day for longer periods than anyone else has. In those circumstances, keeping cellphone communication with friends and relatives, including those in the diaspora, looks like a greater achievement than obtaining food, and that was difficult enough.

Another record that won't be forgotten was a death rate five times Africa's average in a cholera outbreak which was itself a predictable result of the 'semi-privatisation' of water by giving responsibility for this essential of life to ZINWA. The abnormally high death rate reflects the run-down state of the health services.

1. Agriculture and food

maize

Poor planning and a shortage of inputs ruined any prospects of a bumper 2007-8 harvest. A crop assessment report by the agriculture ministry and the FAO, said farmers had only received up to 10% of required fertiliser. Producers had also failed to meet the targeted cropping area of 2 million hectares for maize mainly due to shortages of fuel. This meant that, in spite of abundant rain, planting was less than needed, often late, and the crops that were planted would not yield to the maximum. *[press reports, February - March 2008]*

Grain millers had been selling to the parallel market where prices are higher than those fixed by the government, which restricts the ability of the GMB to meet demand. *(Zim Online 23 February 2008)*

Imports orders from Malawi, which also suffered shortages, were unlikely to be met. In March Zimbabwe was yet to receive 114,000 tonnes of maize out of 150,000t ordered from Zambia despite paying US$28 million in December. This forced government to pay another US$18 million to South Africa for the importation of a consignment of maize estimated to be between 100,000 and 130,000 tonnes. *(Zim Independent, 14 March 2008)*

In spite of relief agency estimates that 4.1 million Zimbabweans, about one-third of the population, would need food aid this year, GMB were using maize to make a dog food for export. *(Washington Post, March 3, 2008)*

FEWSNET in June estimated Zimbabwe's 2007/08 summer maize crop at 470,700t, just under half of 2006-7's production and 39% of the five-year average, though FAO later reported the crop was a bit larger. ZANU-PF responded by banning the operations of food relief agencies in the run-up to the one-man 'presidential run-off' on 27 June. The FAO and the WFP said they expected the number of food insecure Zimbabweans to rise to 2.04 million people between July and September 2008, 3.8 million between October and December, and about 5.1 million between January and March 2009. They estimated the resulting cereal import requirement at 1.232 million tonnes, of which the maize deficit accounts for about one million tonnes. The situation was not helped by the GMB reportedly paying maize producer prices of $80b ($8 revalued) for a 16kg bucket of maize, when a packaged 5kg bag already cost $40b ($4 revalued).

IRIN began to report hunger deaths from Masvingo on 2 Sep 2008. By the end of the month, starving people were exchanging cattle for maize, 1 beast for a 50kg bag, and for other basic necessities.

In September, VOA reported farmers had problems with obtaining key inputs such as seed, fertilizer and diesel fuel. FEWSNET said in a report food imports needed to be tripled in the period to March 2009 from 8,786t/week to avoid massive shortages. *(**http://www.zimonline.co.za/** 26 September 2008)*

A farmer in Zimbabwe for the 2008-9 season paid U$1.08/kg of fertiliser as compared to US$0.45/kg for his counterpart in a neighbouring functioning economy. The 25kg pack required to plant one hectare cost about US$120.00. This made the process hardly economic.

CFU president Trevor Gifford told the farmers' union AgriSA at its annual congress in Pretoria that the country would be unable to plant the required 1-million hectares of maize needed to feed itself. There was fertiliser for only 40,000ha and seed for a maximum of 360,000ha, while the minimum annual planting is 1-million hectares. *(**http://www.businessday.co.za** 10 Oct 2008)*

The WFP appealed in October for US$140 million to provide vital relief rations over the next six months. WFP had to cut its programme by 90% in April 2009 for lack of funds.
*By mid-October, prisoners in Zimbabwe jails were beginning to die of hunger, a situation that continues to worsen. (**http://www.hararetribune.com** 15 October 2008 RVOP)*

Wheat:

Seed Co made available 6,000 tonnes of the winter wheat seed, enough to cover 60,000 to 80,000ha, the nation's traditional hectarage, but 'Agriculture Minister' Rugare Gumbo claimed"Total area prepared is 30,248ha while the planted area is 22,377ha, 32% of what we have targeted," This would translate to 105,000t from the planted hectarage, against the annual requirement of nearly 450,000t. But Renson Gasela, former chief executive officer of the GMB, said "this year we will hardly get 80,000 tonnes, and the reasons are several: power shortages, and a serious shortage of Compound D fertiliser."
The Government only set the wheat producer price for the 2008/09 marketing season at Z$515 million/tonne in November, and raised it to US$320/t in December. *(Herald: December 19, 2008)*
Before the March election, price control officials were putting heavy pressure on millers and bakers to supply bread at sub-economic prices. By June, The GMB had no wheat stocks forcing the country to rely on imports from Mozambique and South Africa.

cotton

As the 2008 harvesting period approached a crop of more than 350,000 tonnes was expected, an increase of 40%. The National Association of Cotton Ginners, Merchants and Buyers chairman Mr Happymore Mapara said over 400,000ha were put under crop during the 2007/08 season. "It is also fortunate that the international prices for cotton have gone up and from our projection, the country will realise about US$220 million using the current prices."

Tobacco

Sales in 2008 totalled a mere 45 million kilograms, and average quality of the product had declined. Standard Commercial and rivals Dimon, Universal and BAT were said to be mulling scrapping their investments in the country if production continued to drop.

Tobacco Industry and Marketing Board acting chief executive Dr Andrew Matibiri yesterday warned that the shortage of fertilizers and chemicals would adversely affect the 2008/09 tobacco season. He said tobacco farmers required 2,200 tonnes of ammonium nitrate fertilizer, but so far only 50t had been supplied. He said while 10,500 tonnes of basal fertilizer were needed, only 397t were available. At least 434kg of seed, he said, had been sold to growers and might be enough to plant 70 000ha while 2,250,000 litres of diesel and the 75 000 tonnes of coal required were yet to be supplied. *(Herald: October 10, 2008)*

General

Drastic shortages, due to disruption of production and shortage of inputs and of skills, have been reported in sugar, livestock products (meat & milk), and cooking oil.
In June chickens were being imported from Argentina. *(Fingaz)*
Milk production had dropped in recent years to 6 million litres/month, against a demand for 13 million litres.
Land takeovers continued, threatening the remaining horticulture sugar cane and dairy production. Less than 600 out of 4,500 large-scale white commercial farmers remain and at least at least 35 were driven away within 2 weeks of the September agreement. Invasions intensified as the 2008-9 crop ripened. Even High Court Judge Ben Hlatshwayo lost his farm and crops to Grace Mugabe. No-one is safe.
In September, A2 farmers on Mkwasine Estates lost 1000ha of ripe sugar cane torched by workers in a pay dispute.

The Herald reported in October that ammonium nitrate production at the country's sole producer, Sable Chemicals, could be seriously compromised by delays in the refurbishment of the electrolysis plant at the company.

2. Cost of living

One attempt at charting hyperinflation was published in the local press:
Table 1: ***Hanke Hyperinflation Index for Zimbabwe (HHIZ)***[i]

Date	HHIZ	Monthly Inflation Rate	Annual Inflation Rate
14-Sep-07	104	113%	
12-Oct-07	279	167%	
09-Nov-07	829	197%	
07-Dec-07	1,460	75.7%	
28-Dec-07	2,010	61.5%	215,000%
04-Jan-08	2,260	54.9%	
01-Feb-08	2,310	2.21%	
29-Feb-08	8,290	260%	
28-Mar-08	17,700	114%	
25-Apr-08	57,600	225%	
23-May-08	220,000	282%	
20-Jun-08	10,800,000	4840%	
26-Jun-08	23,800,000	5300%	41,500,000%
18-Jul-08	123,000,000	1030%	
25-Jul-08	158,000,000	565%	
01-Aug-08	192,000,000	288%	
08-Aug-08	306,000,000	273%	
15-Aug-08	507,000,000	313%	
22-Aug-08	1,620,000,000	925%	
29-Aug-08	6,350,000,000	3210%	
05-Sep-08	23,400,000,000	7540%	
12-Sep-08	73,000,000,000	14300%	
19-Sep-08	238,000,000,000	14600%	
26-Sep-08	897,000,000,000	14000%	531,000,000,000%

- After September the figures became even more meaningless and the Zimbabwe dollar was becoming less used as a means of exchange. For a while, the habit of hyperinflation caused US$ prices to rise (over 100% during 2008), but with the greater availability of foreign currency in small denominations, US$ inflation was down to -3.1% by March 2009, i.e. prices, especially food prices, are actually dropping.
- However, as US coins are not found and South African coins have been slowly coming into circulation, many small vendors relying on small items such as bunches of green vegetable for a family meal or a single cigarette, went out of business.

February ZESA charging well above regional rates/kWh.

By March, schools were demanding top-up fees far greater than the original fee, hospital patients were being discharged because there was no equipment or staff to treat them, electricity bills were a matter of guesswork as meters were not working, staff unable to travel to read domestic meters and costs rising daily. Burst sewers causing diarrhoeal diseases in Kwekwe and Harare, sanitary pads priced out of reach, bakers unable to produce bread at the controlled price, cellphone recharge cards scarce as prices rocketed. CZI accused NIPC of having a 'hit list' of businessmen to be arrested before the elections. When 'war veterans' and ZANU-PF youth militia resorted to jambanja to enforce price reductions, this only added to the chaos and reduced supplies of basic foodstuffs.

Schemes such as BACCOSI (providing low-priced basic goods, June) and FOLIWARS (licensing some shops to sell in foreign currency, 5 October) did little or nothing to improve availability. In the election run-up, customers had to produce a ZANU-PF card to get into a 'people's shop'.

For most people in formal employment, the availability of Zimbabwe dollars to pay even the minimal wages they were paid by cheque was a major problem.

Strange things happened to prices: depending on the state of the market, a cellphone airtime card could cost, on the street, between ½ and double its face value.

Journalists on the Chronicle, Sunday News and the Ndebele tabloid, Umthunywa, in Bulawayo have allegedly resorted to theft of assets to make ends meet where reporters were on a go-slow in October in protest over the late payment of salaries.

An idea of inflation and money supply can be found from the rate of issue of new 'bearer cheques' and banknotes with their approximate dates of introduction. The currency was re-denominated on 1 August by lopping off ten zeroes. The 'revalued' figures from 1 August are italicised in the table below. In February 2009, 12 further zeroes were removed, but the new notes made only the shortest appearance on the streets before the Zimbabwe dollar dropped out of use about the end of that month.

Table 2: New bank notes introduced during the year

date	***Denominations, Z$***			Maximum cash withdrawal, Z$
19/12/07	250,000	500,000	750,000	50,000,000
18/1/08:	1,000,000	5,000,000	10,000,000	500,000,000
4/4/08	25,000,000	50,000,000		
27/4/08				30,000,000
6/5/08	100,000,000	250,000,000		
15/5/08	500,000,000			
21/5/08	5,000,000,000	25,000,000,000	50,000,000,000	
July 08	250,000,000,000	500,000,000,000		1,000,000,000
1/8/08	*Full set, Z$1 - $500 ('revalued')*			*200*
11/9/08	*1,000*			*1,000*
29/9/08:	*Z$10,000*	*Z$20,000*		*20,000*
11/10/08	*50,000*			*50,000*
7/11/08	*100,000*	*500,000,000*	*1,000,000,000*	

Every issue of new currency boosted inflation, so that the largest new denomination rapidly became the price of a loaf of bread. Money supply could not keep up with demand for most of the year. Bank withdrawal limits meant that, whatever a workers' pay might be, if it was paid by cheque, s/he would only be able to withdraw a fraction of it on any day – often hardly enough to pay a minibus fare to come to the bank.
In December, banks had only Z$5 and 10 billion notes, so depositors wanting to withdraw less were required to give change, often amounting to more than they wanted to withdraw.

The ratio of cash in circulation to total broad money (M3), which, till the end of 2004 had remained in the range 10-15%, exceeded 25% according to the last official money supply figures, issued in October 2007. For ordinary people, this has been a cash or barter economy since cheques dropped out of use in October 2008.

3. Exchange rate

Strange fluctuations between the various available rates were superimposed on the general decline. For example, a low Z$:US$ rate on the street reflected times when Z$ cash was scarce.
In the table below, figures in italics represent 'revalued' Z$, after 10 zeroes were lopped off in August.

Table 3: Exchange rates, Z$ to US$1.00:

	official	ZIMRA rate	parallel
Jan-08	30,000	280,000	6,100,000
Feb-08	30,000	280,000	12,000,000
Mar-08	30,000	280,000	60,000,000
Apr-08	175,000,000		
May-08	1,000,000,000		
1/8/08	*1*		
25/8/08	*100*		*1000*
9/10/08			*100,000*

At year's end, all 10 zeroes removed in August had returned, i.e. the currency was worth 10 billion times less on 31 December than on 1 August. (On 1 December, it was worth 10 billion times less than on 1 January). By March 2009, only minibus drivers had stopped using Z$ and the currency was effectively dead.

4. Wages

The CZI admitted in its Manufacturing Sector Survey for the year 2007 that Zimbabwean workers were grossly underpaid, earning an equivalent of US$8-US$10/month in 2007. Many could not afford to go to work, as a month's salary only paid minibus fares to get there. Considering that they often have to queue all day to withdraw this sum, Lovemore Kadenge, president of the Zimbabwe Economics Society, said "In terms of potential output that these idle labour hours could have produced, . . the economy might be losing approximately 40 - 60% of its normal GDP". The Financial Gazette reported that most companies were resorting to a two to three day working week because of the reduced capacity utilisation.
In November, military police battled soldiers who were causing havoc by jumping bank queues in central Harare and riot police were called in to restore order among queueing workers in Bulawayo banks.

Pensions, whose purchasing power had fallen to negligible levels, were also paid late, aggravating the problem.
As a result, the country was plagued by strikes, of Harare street cleaners, specialists doctor at state hospitals, junior doctors and nurses, teachers, magistrates, bank workers, with more general industrial action threatened by ZCTU in October and teachers refusing to mark end-of-year exams.
Some Harare bars are packed with teenage girls trying to survive by prostitution. Many other youth, some as young as 10 years, were, by the year's end, fleeing to South Africa in search of a better living.

5. Employment

A few examples of loss of qualified staff:
Mobile network operators were losing close to 150 technical staff to foreign competitors every year.
Technical staff in the mining and engineering sectors, as well as nurses, doctors and teachers were joining the growing exodus of professionals.
President of the Zimbabwe Council for Tourism Chipo Mtasa said the brain drain seriously harmed the hospitality industry. "It in not only in South Africa (where they are going), they are going everywhere".
The civil service lost more than 1,200 professionals by June 2007.
The mining industry has lost 45,000 workers in the past decade, according to the Chamber of Mines.
Analysts predicted that the tide of labour migration from Zimbabwe could escalate in 2008.

The President's Office seems to have been the biggest employer this year, absorbing 45% of GDP.

6. Financial

Government budget

18 February 2008
The army will recruit soldiers only once per year instead of after every three or four months to cut on costs.

The Mugabe regime reportedly splashed out US$2m in February in foreign currency to import tear-gas and other anti-riot material from China and Israel.

ZIMRA easily surpassed revenue collection targets in Z$ terms, but in real value fell far short of needs. New tax bands announced on 15 May, 12 June, 1 October and 24 November did not help the exchequer.

Germany said it has asked a Munich-based company on 27**th** June to stop supplying Zimbabwe with paper used for banknotes, saying it was helping prop up Mugabe's regime.
Shortage of materials also affected the production of everything from passports to car licence discs.

Inordinate delays in appointing an all-inclusive Cabinet put the 2009 national budget consultations off track as it emerged that trillions of dollars had been doled out to ministries and government departments that had long exhausted their allocation.
Hyperinflation makes it meaningless to try to interpret such scattered figures as have emerged on government income, expenditure or to seek any balance between the two.

Service delivery has collapsed. In Bulawayo and local authorities announced that the municipality was insolvent. *25 February 2008 (IRIN)*
In February the National Blood Transfusion Service had just 1,000 units of blood instead of the requisite 3,000 units. *(Herald, 1 Mar 2008)*
Hospitals closed down operating theatres in Feb.

And corruption remains:

The biggest ZANU-PF misuse of state funds this year was undertaken to influence the results of the March and June elections.
The government increased salaries of junior army officers to Z$1.2 billion (US$600) a month from Z$400 million in a move seen as buttressing army support in the approach to national elections. Senior officers got even bigger inducements, such as farms. Other public employees including teachers, many of whom were on strike since early January were receiving some Z$400 million a month and demanding Z$1.7 billion/month.

Mugabe parcelled out farm machinery, tractors and fuel to supporters and local leaders, especially chiefs, in the run-up to the March elections. *March 8 (Reuters)*

And supporters were bribed with food intended for famine relief, while suspected opponents were 'punished' by denying them food.

Government acquired 200 vehicles worth US$4 million for senior health workers and doctors 'in a bid to improve their conditions of service and bolster health delivery' according to *The Herald*.
Despite government's limited resources, ZBH and Zimpapers were given fleets of new vehicles to help them canvas for ZANU-PF.
(New Zimbabwe, 29 February 2008)

Government debt

Zimbabwe's total external debt stood at US$4,9 billion dollars in 2007, an amount as big as the country's GDP. *http://ipsnews.net: 25 October*[ii]

Passport-processing has stopped until after the election because of a lack of funds.
(The Zimbabwean on Sunday 8 March 2008).

Domestic debt increased nearly 3×10^{18} times between the beginning of 2008 by 26 February 2009 in Z$ terms. It is difficult to determine whether this growth exceeds inflation over that period, but may have been x1,000 over the year in real terms. The zeroes get confusing.
Government Domestic Debt (ZW$ Million):
And so domestic debt burst through the quadrillion-dollar mark to reach an all-time high of nearly $1.4 quadrillion in late February 2008. *(Fingaz 7 March 2008)*
Table 4: government domestic debt

date	Government Stocks		Treasury Bills		RBZ Advance to Government*	Domestic Debt (Excluding
	Amount outstanding,	Interest Paid	Amount at Cost	Interest		

	Z$					Deposits)
04-Jan-08	13.40E+12	-	1.83E+12	5.90E+12	4.49E+13	2.12E+13
25-Jan-08	13.40E+12	-	1.78E+12	5.78E+12	3.76E+12	2.48E+13
29-Feb-08	13.40E+12	-	2.11E+14	6.14E+14	5.15E+14	1.35E+15
27-Mar-08	13.40E+12	-	3.67E+14	1.15E+15	1.31E+15	2.83E+15
02-May-08	13.40E+12	-	1.29E+15	4.29E+15	5.24E+15	1.08E+16
06-Jun-08	13.40E+12	-	1.01E+16	3.44E+16	1.70E+16	6.16E+16
11-Jul-08	13.40E+12	-	1.80E+17	6.11E+17	-5.34E+16	7.91E+17
In revalued Z$ (1/8/08: 10 zeroes removed)						
08-Aug-08	*1340.4*	*-*	*2.42E+08*	*8.23E+08*	*-1.97E+08*	*1.06E+09*
12-Sep-08	*1340.4*	*-*	*8.13E+09*	*2.77E+10*	*-5.78E+09*	*3.58E+10*
17-Oct-08	*1340.4*	*-*	*2.22E+12*	*7.56E+12*	*-2.87E+12*	*9.79E+12*
14-Nov-08	*1340.4*	*-*	*9.73E+16*	*3.31E+17*	*-1.78E+20*	*4.28E+17*
21-Nov-08	*1.09E+19*	*2.42E+18*	*3.09E+17*	*1.05E+18*	*-2.42E+20*	*1.47E+19*
28-Nov-08	*1.36E+20*	*6.14E+20*	*1.00E+21*	*3.40E+21*	*3.48E+21*	*5.15E+21*
12-Dec-08	*6.70E+20*	*3.02E+21*	*8.73E+21*	*2.97E+22*	*-9.65E+21*	*4.21E+22*
16-Jan-09	*6.70E+20*	*3.02E+21*	*1.25E+22*	*4.27E+22*	*5.40E+22*	*5.89E+22*
23-Jan-09	*6.70E+20*	*3.02E+21*	*1.26E+22*	*4.28E+22*	*-6.67E+22*	*5.90E+22*
In revalued Z$ (10/2/09: 12 more zeroes removed)						
26-Feb-09	***6.70E+08***	***3.02E+09***	***1.26E+10***	***4.28E+10***	***-7.55E+10***	***5.90E+10***

(adapted from RBZ website)

RBZ's advances to government have over the past five years accounted for about 80% of total debt, evidence, bank economists say, that government was broke and had no other source of revenue

RBZ has taken over ZESA Holdings' debt of US$417 million to Mozambique's power utility
(Zim Independent 12 June 2008)

7. Trade and Industry

In 2007, capital investments dropped by 98% from US$1,7 million in 2006 to US$29,459.

In July 2008, the Sunday Mail reported that preliminary results of a government survey had indicated that British investors had interests in at least 499 local companies. The report said 97 of these companies were 100% owned by British shareholders, and these would be targeted for takeover under the Indigenisation and Empowerment Act., 309 companies have shareholders from other European countries

a. Manufacturing

Output fell 27% in 2007 as the country's factories operated at less than 20% of capacity. *(CZI, 23 July)*

A survey commissioned by the CZI and sponsored by CBZ Bank Limited also revealed a steep decline in the sector's contribution to GDP. Agriculture has overtaken the sector the manufacturing sector was the biggest contributor to GDP between 1980 and 1990, at 22%, followed by agriculture at 14%. However, due to low capacity utilisation, foreign currency shortages and rising inflation, the sector's contribution has declined to about 17%. Agriculture's share now stands at 19%.
Export shipments under the manufacturing sector for last year totalled about US$283 million, representing a nearly 2,8 % decline from about US$291 million in 2006.

Windmill and the Zimbabwe Fertilizer Company, the giant fertilizer makers, have started production after receiving consignments of superphosphates, a key ingredient in the making of fertilizer.
Herald: July 29, 2008

A report prepared for the CZI, the country's biggest business grouping, said only 2% of the country's top business executives polled in the six months to June this year "are optimistic about the business environment". The figure stood at 5% at the same time last year. *Mail & Guardian, 29 July 2008*
Only four percent of companies in the manufacturing sector are operating above 75% capacity, a report released on 23 July shows. Over 75% of the sampled companies are operating at less than 50% capacity.
Zimbabwe Standard
August saw moves to privatise ZISCO.

b. Mining

Mineral production for 2008 has declined significantly due to shortages of foreign currency and policy uncertainties in the prevailing economic environment. Gold and nickel have been badly affected and platinum's future looks doubtful.

Formal sector gold production dropped from 10,960kg in 2006 to 3,072kg in 2008, thus losing membership of the London Bullion Market Association, which requires members to sell 10,000kg gold per year. That is an average drop of 47%/year over the two years and compares with the peak in 1999 of 24,717kg. Metallon Gold has suspended operations, Turk, Renco and Golden Valley mines have closed and Falcon are in difficulties. The Reserve Banks's gold-trading licence was withdrawn in early 2009 and re-issued to the Chamber of Mines of Zimbabwe (CMZ), due to RBZ's failure to pay producers.

According to presentations made by industrialists at the CZI congress in October, RBZ, the Minerals Marketing Corporation of Zimbabwe (MMCZ) and the Zimbabwe Mining Development Corporation (ZMDC) are currently engaged in a war of attrition over the control and pricing of controversial precious stones in Chiadzwa, resulting in minimum proceeds gained from the gems, with an estimated US$ 1,2 billion lost through diamond smuggling in spite of the bloody military campaign against illegal diamond miners. Global Witness, an NGO that led the campaign to set up in 2003 the system to control 'blood diamonds', said on 12 December "Members of the Kimberley Process Civil Society Coalition are calling upon the Kimberley Process to suspend Zimbabwe from the rough diamond certification scheme, in light of recent violence used by the government to take control of the Chiadzwa diamond fields." The Kimberley Process participants are governments, the diamond industry,concerned NGOs.

As with the Chiadzwa diamonds, gold mining and marketing are now a part of the informal economy, so it is impossible, for example, to put a figure to total gold production, though it must have dropped from the 1999 peak.

June 12, 2008
NAMPOWER, the Namibian power firm, has put on hold plans to provide Hwange Colliery Company Limited with US$16 million loan for refurbishment of its plant. It is still not clear why the NamPower board, which sanctioned the loan in May, decided to shelve the plan. But this will represent the second failed loan deal that Hwange has suffered since the start of the year. After signing a US$10 million loan agreement with Nedbank of South Africa, the financial institution pulled out citing "political reasons".

Bindura Nickel Corporation, the country's biggest nickel producer, in November placed Trojan and Shangani mines on care and maintenance with immediate effect. *(Herald: November 27, 2008)*

Utilities such as ZISCO and ZESA have been hard hit by coal shortages while some companies, which use coal-fired boilers resorted to imports from neighbouring countries.

Anglo American could not give a definitive answer yet on the future of its Unki platinum project as the company was reviewing the "fluid" situation in the country on a "very regular" basis. The project was a long-term investment for a mine which is yet to start production and will not generate revenue for some years. It has been made clear to the mining company that the Zimbabwean government would assume control of the project if its development was halted. The project that has been developed since 2003 is due to produce about 58,000oz of refined platinum annually. Zimplats Holdings Ltd says its survival is under threat following a fall in metal prices since July 2008 from US$2,200/ounce in mid July to around US$800/oz and it is trying to raise cash to complete a critical mine development project in Zimbabwe. Earnings were down 83% in the third quarter compared with the previous quarter.

Stock market

ZSE dealing continued to keep ahead of inflation most of the year, but new RBZ rules slowed business on ZSE to a trickle in mid-November and the stock market closed in early December until February 2009, when it started trading in US dollars.

Imports and exports 2007

Manufacturing's contribution to the country's exports has declined by nearly 30% over the past 27 years to 17% in 2007due to foreign currency shortages and escalating production costs among other things.

9 November: Between January and August 2007, export earnings amounted to US$1,1 billion, a 40% increase from US$795 million realised in the 2006 comparable period.
The CZI/CBZ report said in the first quarter of 2007, the manufacturing industry contributed 12% of exports.

Trade statistics from the Reserve Bank of Zimbabwe showed that of the US $1,5 billion recorded in 2007 for imports, 70% was paid from the exporter's foreign currency retention, with 24% coming from offshore loans and 6 % from the interbank market.

Exporters can now retain 65% of their export proceeds in their Foreign Currency Accounts for an indefinite period, the Reserve Bank of Zimbabwe announced on 8 November. *[Herald]*

The One-Stop Border Posts Control Act, which provides for the conclusion of agreements with one or more neighbouring states on the establishment of the border posts was passed into law on 15 February 2008. The law makes it possible for selected laws of Zimbabwe to be applied extra-territorially while similar laws of one or more states would have the same effect inside Zimbabwe.

Government's plans to sign Economic Partnership Agreements (EPAs) along with other ACP countries, in December 2007, pose a huge threat to Zimbabwe's already battered economy. EPAs are a collective scheme to create free trade areas between the EU and ACP member states. Once signed, they should have been operational on January 1 2008. *[Zim Independent: 16 Nov 2007]* No news on developments since then.

Tourism

Tourism arrivals were 60% lower in the first half of 2008 than in the corresponding period of 2007. 33,000 tourists were reported to have cancelled bookings in the first quarter of 2008, probably due to the election violence.

Zimbabwe came 117 out of the 130 countries that were surveyed in the the World Economic Forum's Travel and Tourism Competitiveness Report for 2008, released on 4 March 2008.

THE National Incomes and Pricing Commission (NIPC) launched a fresh crackdown on the country's hoteliers after they increased food and accommodation prices more than tenfold without approval.
(6 Mar 2008 FinGaz)
In August tourism operators warned that price controls could kill Zimbabwe's tourism.

IUCN reports that black rhino numbers in Zimbabwe have been reduced by poaching. Rhino poaching is growing throughout Zimbabwe, with around 70 rhinos killed since 2000 in the Lowveld Conservancies -- where most of the nation's rhinos are found, WWF said. In 2008 alone, about 20 rhinos were shot in the Lowveld. National Parks provided elephant and buffalo meat to eight districts for the Heroes Day celebrations in August. "The few Zimbabwean poachers arrested, have subsequently been released on bail, and then absconded or have evaded prosecution in the courts," WWF said.
Tom Milliken of Traffic, an international organisation that monitors the illegal trade in wildlife, said there had been a "major increase in poaching" for food. *(http://www.iol.co.za November 4 2008)*
Zimbabwe received 500 foreign hunters in 2008 and with such a high number of visitors poaching activities tended to rise. *(New Ziana.)*
Zimbabwe is losing nearly 400,000ha of tree cover annually because of an increased demand of firewood, the Minister of Environment and Tourism Francis Nhema, said. *(Herald: December 11, 2008)*

In September, the department of National Parks and Wildlife terminated 10 lease agreements awarded to private companies - suspected to be owned by government officials - to develop the Gonarezhou National Park as part of the Great Limpopo Transfrontier Park, after the companies failed to honour their obligations with the government. *(Zimbabwe Times, 26 September)*

The banning of electronic bank transfers, otherwise known as RTGS services, has thrown the operations of many companies, including Innscor, into turmoil. Most branches of Bakers Inn, Creamy Inn, Chicken Inn and Nandos, all owned by Innscor, were closed. *(SWRadio Africa 6 October 2008)*
ZTA has shut down Silver Spur Steak Ranch situated at the Holiday Inn in Harare for defying a directive to reduce prices to September 26 levels. *(Sunday Mail: October 12, 2008)*

Zimbabwe's biggest travel and tourism showcase, Sanganai/Hlanganani Travel and Tourism Africa Fair ended 19 October but of the 400 international buyers that the ZTA had invited, only 208 showed up.

(http://www.zimbabwejournalists.com 20th Oct 2008)

The 3,764kg of ivory sold for over US$450,000 to Chinese buyers in Harare on 3 November is thought to have been part payment for military hardware set to be flown into Zimbabwe soon, top official sources said. This was part of a sale by Botswana, Namibia, South Africa and Zimbabwe of a total 100 tonnes approved by the secretariat of CITES amid protests from wildlife rights groups.
(http://www.zimdaily.com/ 7 November 2008)

November bilateral agreement will see Air Zimbabwe flying to Tehran five times a week and taking on domestic flights in the DRC – if they have planes. In December Air Zimbabwe cut flights to most of its destinations such as Dubai, China, London and the DRC to one trip a week. Also their Chinese MA60 short-haul aircraft proved unable to land and take off in the Zambezi valley due to the heat.

Fifa has discouraged football supporters from setting up base in Zimbabwe during the 2010 World Cup if the economic and cholera crises persist. *(Cape Argus (SA), 10 December)* Construction of a 2000-room hotel in Beitbridge stopped after 7 workers on the site went down with cholera. *(http://www.swradioafrica.com 19/12/08)*

One of Africa's biggest wildlife rehabilitation centres, Chipangali, faces closure due to acute food shortages and reduced donations that threaten to wipe out the entire population of wild creatures that draw thousands of tourists every year. *(http://www.thezimbabwestandard.com/ 6 December 2008)*

10. Gross Domestic Product

Both the GDB and external debt are estimated at around US$4.9 billion.

11. Conclusion and prospects

some signs of hope:
CSO said consumer prices expressed in US$ fell for a third straight month in March to -3.1% compared with -3.0% in February, after the government abandoned the Z$ in February and food prices fell.
Blanket gold mine is reportedly reopening, following the Chamber of Mines' success in gaining a gold trading licence.

But we are not out of the wood yet
Donor countries and organisations are waiting to see how far the new government can restore human rights and financial propriety, but without their help, doing these things will be more difficult.

The government needs about US$100 million/month to maintain basic operations, which means mainly paying salaries of government servants, including teachers, police and army, but income from revenue in March was only US$20 million.
The Short-term Emergency Relief Programme (STERP) document is still not much more than a wish list, and some of its contents are not short-term. The section on agriculture is short-term and clear: it lists what we will need for the winter wheat season, now upon us, and the next maize planting season, but one fears that, as far as wheat production is concerned, any action that might be taken on the proposals will be too late. A weakness in the whole document, including this section, is that it doesn't indicate how much money the government itself can put up. A more serious weakness is that it is a collection of proposals from different departments with different concerns and of different political parties with very different aims.
ZANU-PF have succeeded in keeping 'lifting sanctions' on the agenda, but maintaining the personal targeted sanctions against certain named individuals is necessary evidence that money given to the government will not fall into the wrong hands. Foreign governments and international agencies like the IMF are beginning to realise that our government needs their help and show some signs of being ready to make allowances for progress being slow and limited, but we must show some progress.
The whole document is something of a pantomime horse, with the front and back legs trying to move in different directions. One could even liken the beast to a grotesque beetle, as there are at least three pairs of legs: MDC, ZANU-PF and the economic advisers who were so keen on ESAP. So there are elements in the STERP document which could prejudice our long-term development and independence. For example, it states that privatising parastatals is one way of raising money for short-term recovery. The record of ZINWA, a halfway house on the way to privatising water supply and sewerage, shows the risks involved in this

concession. The document also accepts unconditionally all agreements made by the previous regime, including such instruments of neo-liberal market theory as Economic Partnership Agreements with the EU and its member states. Free trade on those terms could condemn us to being a permanent producer of undervalued unprocessed primary products, whether agricultural crops or minerals such as nickel and platinum. That would leave little or no chance that our manufacturing industry and even mineral processing can recover the position they held about 1990, when industry produced about 27% of Gross Domestic Product.

Will it be possible to unravel the grip on the economy which ZANU-PF members have established using all the tricks of political power to gain economic power?

Some have become real business people. If they stole their starting capital, or obtained it corruptly, recovering that would be a long legal process. Beyond that, trying to wipe them out economically would probably be impossible and quite likely undesirable. If they are now proprietors of viable businesses, we can only hope to level the playing field, so that success in business does not depend on what party card you hold.

But the locust element in ZANU-PF is still strong, as shown by the harvest season farm invasions. Those responsible for this kind of activity never understood the logic and demands of production, even in ZANU's 'socialist phase'. Certainly they never had a concept of socialism as a productive system. Their present 'capitalism' is probably even more predatory, as it is easier to justify in 'law of the jungle' market capitalism than in socialist theory. Many of their ongoing activities could be dealt with through the criminal courts, but that could produce a case overload.

More immediate action is needed to stop the channelling of State funds into the coffers of ZANU-PF, but this too will be piecemeal as each new loophole is discovered. One is the number of ghost workers, some non-existent but some ZANU-PF youth militia who are on the government payroll under various pretexts. With the demise of the Zimbabwe dollar, at least the most obvious weapon in ZANU-PF's armoury, printing money, is closed. Evidence was offered in the press *(e.g. The Zimbabwean, 30 April 2009)* that duplicate sets of notes were being printed with the same serial numbers, the conclusion being that one set went straight 'off the record' to ZANU-PF.

If, as is hoped, the current of audit of RBZ is completed and gives grounds for removing Gideon Gono, most loopholes will be closed.

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Trading in forex: AirZim 1/10/08: lawyers 14/10/08:

[i] Professor Hanke is a professor of Applied Economics at The Johns Hopkins University in Baltimore and a columnist for Forbes magazine. This was reported in the Zimbabwe Standard, Sunday, 9 November 2008 and in The Zimbabwean. The full report can be found at: http://www.cato.org/pub_display.php?pub_id=9484SOURCE Cato Institute

[ii] quoting Dakarayi Matanga of the Zimbabwe Coalition on Debt & Development