

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing May 2022

Zimbabwe Summary 9 May 2022

Zimbabwe's government and its private sector members are increasingly at odds over the country's foreign exchange rates. The government accuses the private sector of harbouring "speculators", while the private sector says the government is not willing to face the reality of a depreciating currency and increasing inflation, which is approaching triple digits again with the annual inflation rate rising to 96.4% in April from 72.7% in March. The wide discrepancy between the parallel market exchange rate and the official rate has prompted the government to tell commercial banks not to lend to the private sector or government departments. The crisis in confidence in the Zimbabwe dollar means that many people want their wages to be paid in United States dollars, with mine workers' trade union demanding a \$600 per month wage. Poor rainfall is likely to cause a 43% drop in the maize harvest, while Tobacco Industry Marketing Board (TIMB) statistics show that tobacco auction floor prices are slightly higher compared to last year. The government aims to achieve a Covid vaccination rate of 70% of the adult population by the end of July.

Confederation of Zimbabwe Industries warns of total economic collapse ...

The **Confederation of Zimbabwe Industries (CZI)** has warned that the country's economy faces total collapse if the government does not reform the foreign exchange system. CZI president **Kurai Matsheza** said on 23 April that the **Zimbabwe** dollar was on the "brink of rejection in the face of exchange instability and increasing inflation".¹ The CZI states that getting the price of foreign currency right is fundamental to Zimbabwe's economic development:

*"An overvalued Zimdollar broadly undermines the scope for maximising structural efficiency and the growth of both the export industry and import substitution."*²

The CZI suggested that the **Reserve Bank of Zimbabwe (RBZ)** (central bank) should do away with the foreign currency priority list and liberalise the market, while keeping tight control on money supply. Matsheza said there was need for a compromise, expressing hope that the authorities would listen to the views and suggestions of industry stakeholders:

*"They may have a position, but I am sure that position can be debated and common ground can be found."*³

In a televised address on 7 May, President **Emmerson Mnangagwa** (2017-present) imposed capital controls and ordered banks to suspend lending to government and the private sector with immediate effect.⁴ Mnangagwa said the directive aims to minimise the creation of money "that is prone to abuse for purposes of manipulating the exchange rate for financial gains". At this stage it is not clear if the order also applies to individuals. **Bankers Association of Zimbabwe** CEO **Fanuel Mutoko** confirmed that his association had met with the RBZ on 9 May to discuss the impact of the order.⁵

¹ New Zimbabwe, 25 Apr 2022

² New Zimbabwe, 25 Apr 2022

³ New Zimbabwe, 25 Apr 2022

⁴ Bloomberg, 9 May 2022

⁵ Bloomberg, 9 May 2022

The Zimbabwean dollar has lost half its value this year, making it **Africa's** worst-performing currency, while the discrepancy between the parallel market exchange rate and the official exchange rate has widened considerably in the past weeks. The parallel market rate at the beginning of 2022 was \$1:ZW\$200; on 6 May it was \$1:ZW\$350-400, while the official rate at the foreign exchange auction on 3 May was \$1:ZW\$165. The RBZ posted the official rate as \$1:ZW\$275.79 on its website on 9 May, although the official rate is normally determined at the weekly auction held on Tuesdays.

The worsening performance of the Zimbabwe dollar amid sharply rising inflation has prompted workers' unions to demand payment in **United States (US)** dollars. The **Zimbabwe Diamond and Allied Minerals Workers Union (ZDAMWU)** is demanding at least \$600 per month for every mine worker in the country, accusing mine owners of exploiting employees.⁶ ZDAMWU secretary general **Justice Chinhema** said miners had poor living conditions despite mining being one of the leading industries bringing foreign currency in the country:

*"We have said a mine worker must get at least US\$600, which is not much to ask considering how our employers are raking in massive profits at the expense of our toiling."*⁷

The RBZ allotted a total \$28.6m at its 3 May forex auction, having received 429 bids with a total value of \$24m.⁸ Raw materials bids were allotted \$11.3m, consumables \$6.1m, services \$1.5m, retail and distribution \$1.4m, and pharmaceuticals and chemicals \$1.2m. On the Small to Medium Enterprises (SME) auction platform, a total 1,082 bids with a total value of \$4.5m was allotted. Raw materials were allotted \$1.2m, machinery and equipment \$1.5m, consumables \$581,984, services \$541,832, retail and distribution \$340,436, electricity \$17,617, and pharmaceuticals and chemicals \$162,982.⁹

Maize harvest expected to be cut by 43% ...

Food insecurity is adding to Zimbabwe's growing list of economic woes. The country is likely to suffer a 43% drop in the maize harvest because of poor rainfall, although the government has ruled out a shortage of the staple food.¹⁰ Information minister **Monica Mutsvangwa** stated on 6 May that maize production this year is estimated at 1.55 million tons in 2022, compared with 2.7 million tons in 2021:

*"Despite the decline in production owing to the vagaries of the weather, there is however enough maize in stock."*¹¹

According to the **United Nations World Food Programme (WFP)**, at least 49% of Zimbabwe's population live in extreme poverty.¹² Around 5.3 million people are deemed "*food insecure*" as a result of the impact of climate change, entrenched economic problems and **Covid-19**.

The government has announced several policies and incentives that are meant to build capacity in selected crops and minerals, under its **Vision 2030** agenda, launched in September 2018 with the aim of moving Zimbabwe towards a prosperous and empowered upper-middle income society by 2030.¹³

⁶ New Zimbabwe, 22 Apr 2022

⁷ New Zimbabwe, 22 Apr 2022

⁸ New Zimbabwe, 3 May 2022

⁹ New Zimbabwe, 3 May 2022

¹⁰ AFP, 6 May 2022

¹¹ AFP, 6 May 2022

¹² AFP, 6 May 2022

¹³ The Herald, 12 Apr 2022

... as tobacco prices rise

Latest **Tobacco Industry Marketing Board (TIMB)** statistics show that prices are slightly higher at tobacco auction floors compared to last year, with the highest tobacco price at \$6.50 per kg, slightly above the 2020/21 price of \$6.30 per kg.¹⁴ The free-funded auction floors' ceiling price was \$4.99/kg, a slight increase from the beginning of sales when it was at \$4.96/kg. The average price for both auction floors was \$2.77/kg, 10% better than last year's average price of \$2.51/kg.

According to TIMB statistics, the volume sold in the 10-day auction period was 15.67 million kg. In the 2021 marketing season, the country sold 211 million kg, of which 133 million kg was produced by small-scale farmers.

Zimbabwe Tobacco Association (ZTA) chief executive **Rodney Ambrose** said with strong global demand for tobacco, the price of tobacco is expected to firm further through the element of availability.¹⁵ Ambrose said tobacco volumes are expected to increase and farmers are happy with the price:

*"There has been a positive start. Tobacco output is lower than last year, but we expect the volume to increase."*¹⁶

In January tobacco accounted for 21.6% of export value. While it is normally around 25% of export value, gold and platinum prices have risen faster than tobacco prices, reducing tobacco's share of export revenue. In the past half century, the share has fluctuated between 10% and 43%. At present there are 90,000 small scale farmers, while ancillary services such as farming inputs create a similar number of jobs.

Covid vaccination targets 70% coverage by July

Health minister **Constantino Chiwenga** warned on 4 May of a need to protect Zimbabwe against a surge in cases of Covid-19.¹⁷ Zimbabwe experienced a 58% increase in new cases of Covid-19 in the week of 3 May, while neighbouring South Africa similarly recorded a significant increase in new cases over the same period. Chiwenga noted that as of 3 May, Zimbabwe's Covid-19 hospital bed occupancy rate increased slightly from 1% in the last week in April to 1.6% in the first week of May, with no Intensive Care Unit admissions countrywide.

Infection rates remain low at under 100 new cases per day. Covid cases plunged from a peak of 6,181 on 10 December to 132 on 5 April and 83 on 8 May. As of 8 May, the health ministry had recorded a total of 248,352 cases in Zimbabwe's population of 14.86 million, with 5,476 Covid-19-related deaths.

Preparations for phase two of the national vaccination campaign continue. Ministers of state for provincial affairs and devolution are strengthening communication on the need for all eligible people, including religious leaders and their followers, to get vaccinated against Covid-19 so that the health ministry can achieve a coverage rate of 70% of the adult population by the end of July.¹⁸

Cabinet has reported "*remarkable progress*" since the launch of the Covid vaccination campaign on 22 February 2021, with over two million vaccine doses administered.¹⁹ The cumulative numbers of Covid vaccination doses have now reached 5,869,893 and 3,683,973 for the first and second doses respectively, and 604,860 for the third dose of the eligible population of some 10

¹⁴ The Herald, 19 Apr 2022

¹⁵ The Herald, 19 Apr 2022

¹⁶ The Herald, 19 Apr 2022

¹⁷ The Herald, 4 May 2022

¹⁸ The Herald, 4 May 2022

¹⁹ The Herald, 4 May 2022

million. The 2022 Census will provide more accurate figures on Zimbabwe's population and age structure.

The government has shown no sign of relaxing the regulations for masking, social distancing and sanitising. However, those who are fully vaccinated with at least two doses of a Covid-19 vaccine, can now frequent bars and restaurants and travel more easily into and out of Zimbabwe. Fully vaccinated returning residents and visitors no longer need to undergo quarantine when they enter Zimbabwe, but, like all others entering the country, must have a valid negative PCR test performed no more than 48 hours before entry.

Planner

9-12 May 2022 **Cape Town (South Africa) – Investing in African Mining Indaba;**

10-12 Aug 2022 **Victoria Falls (Zimbabwe) - Economic Growth Strategy;**

July 2023 **(Zimbabwe) General elections**

Chronology

9 May 2022 **Harare (Zimbabwe) Fin24. Zimbabwe National Chamber of Commerce** criticises new capital controls announced by President **Emmerson Mnangagwa** at the weekend, saying the move “legitimises a parallel banking system” and that “no investor would be attracted to such an economy where lending can be suspended overnight”;

8 May 2022 **Harare (Zimbabwe) The Standard. Zanu-PF** youth conference exposes rivalry between President **Emmerson Mnangagwa** and his deputy, **Constantino Chiwenga**, with the party avoiding elections for the league's second most senior post to mask the divisions;

7 May 2022 **Harare (Zimbabwe) Bloomberg. President Emmerson Mnangagwa** orders banks to stop lending with immediate effect in an attempt to control the currency's rapid depreciation;

6 May 2022 **Harare (Zimbabwe) AFP. The government** reports that **Zimbabwe** is likely to suffer a 43% drop in the maize harvest this year because of poor rainfall, with maize production in 2022 estimated at 1.55 million tons, compared with 2.7 million tons in 2021;

6 May 2022 **Harare (Zimbabwe) The Herald. Air Botswana** announces the re-commencement of flights between **Gaborone (Botswana), Harare (Zimbabwe) and Lusaka (Zambia)** with effect from 6 May.

6 May 2022 **Harare (Zimbabwe) The Herald. Reserve Bank of Zimbabwe** (central bank) **Financial Intelligence Unit** has charged 256 companies for illegally dealing in foreign currency, as the government cracks down on currency speculators;

5 May 2022 **Harare (Zimbabwe) New Zimbabwe. The parallel market** exchange rate widens to US\$1: ZW\$350 to US\$1: ZW\$400, with prices of basic goods and services increasing correspondingly;

5 May 2022 **Harare (Zimbabwe) Bloomberg. Zimbabwe** is likely again to miss a payment of \$1.75 billion it pledged to make to White farmers evicted from their land two decades ago;

5 May 2022 **Harare (Zimbabwe) The Herald. British American Tobacco (BAT)** reports that export volumes rose by 163% y/y in the first quarter;

4 May 2022 **Harare (Zimbabwe) New Zimbabwe. The Reserve Bank of Zimbabwe (RBZ)** (central bank) foreign exchange auction this week allotted a total of \$28.6m; the highest rate received was \$1: ZW\$240 and the lowest bid was \$1: ZW\$155, with the official exchange rate \$1: ZW\$165.90;

4 May 2022 **Harare (Zimbabwe)** *New Zimbabwe*. Independent MP **Temba Mliswa** calls on parliament to move a motion to summon President **Emmerson Mnangagwa** to the **National Assembly** to answer questions about rampant corruption in his government that auditor-general **Mildred Chiri** flagged in her 2020 report;

2 May 2022 **Harare (Zimbabwe)** *New Zimbabwe*. **Zimbabwe National Statistics Agency (ZIMSTAT)** is struggling to pay allowances to its census enumerators after completing the census last week;

2 May 2022 **Harare (Zimbabwe)** *New Zimbabwe*. The **Zimbabwe Congress of Trade Unions (ZCTU)** has criticised the government's refusal to meet workers' **United States** dollar salary demands;

1 May 2022 **Harare (Zimbabwe)** *Sunday Mail*. President **Emmerson Mnangagwa** says his government will soon introduce measures to halt the rapid devaluation of the local currency, including "measures to increase confidence in the local unit";

30 Apr 2022 **Harare (Zimbabwe)** *New Zimbabwe*. Opposition party **Citizens Coalition for Change (CCC)** leader **Nelson Chamisa** challenges President **Emmerson Mnangagwa's** administration to abandon the foreign currency auction system and bring back full dollarisation;

29 Apr 2022 **Harare (Zimbabwe)** *Bloomberg*. Documents seen by news outlet **Bloomberg** show the **Zimbabwean** government and **Singapore**-based multinational commodity **Trafigura Group** discussed a deal that would give Trafigura control over output from some of the nation's largest mines as repayment for debts;

29 Apr 2022 **Harare (Zimbabwe)** *Veritas*. Legal think tank **Veritas** says the government is sinking deeper into a debt trap through its agriculture financing model, which has massively contributed to current disarray in the sector;

26 Apr **Harare (Zimbabwe)** *Zimstat*. **Zimbabwe National Statistics Agency (ZIMSTAT)** reports that the annual inflation rate in Zimbabwe climbed to 96.4% in April from 72.7% in March, reaching the highest since last June;

26 Apr 2022 **Harare (Zimbabwe)** *263Chat*. The **Amalgamated Rural Teachers Union of Zimbabwe (ARTUZ)** calls for an increase in salaries due to the rise in inflation;

26 Apr 2022 **Harare (Zimbabwe)** *AFP*. **Zimbabwe Anti-Corruption Commission** says it is going after officials at the **Zimbabwe Revenue Authority**, whom it accuses of fuelling corruption at the country's borders;

25 Apr 2022 **Harare (Zimbabwe)** *263Chat*. The Zimbabwe dollar weakened by almost 25% in April alone from ZW\$280 at the beginning of the month to ZW\$350 currently;

25 Apr 2022 **Harare (Zimbabwe)** *New Zimbabwe*. The **Confederation of Zimbabwe Industries (CZI)** hit back at the suggestion of **Reserve Bank of Zimbabwe (RBZ)** governor **John Mangudya** suggestion that its position on the crumbling local currency was misinformed;

25 Apr 2022 **Harare (Zimbabwe)** *New Zimbabwe*. The **Reserve Bank of Zimbabwe (RBZ)** this week allotted \$30.3m at its weekly auction, with the official exchange rate closing the day at \$1:ZW\$15.14;

24 Apr 2022 **Harare (Zimbabwe)** *Bloomberg*. President **Emmerson Mnangagwa** says banks and companies involved in local currency manipulation and unjustifiable increases in the prices of goods and services could lose their operating licences;

24 Apr 2022 **Harare (Zimbabwe)** *The Standard*. Renowned banker and engineer **Wilbert Mubaiwa** launches new opposition political party, the **National People's Congress (NPC)**, as political temperatures continue to heat up in the lead-up to the 2023 general election;

24 Apr 2022 **Harare (Zimbabwe)** *The Standard*. Canada-based think tank **Fraser Institute's** global mining report says **Zimbabwe** is far from reforming, and a harsh investment climate is holding back potential FDI inflows;

24 Apr 2022 **Harare (Zimbabwe)** *The Standard*. **Reserve Bank of Zimbabwe** (central bank) governor **John Mangudya** calls on banks to conduct regular corporate governance and compliance risk self-assessments after a gloomy **International Monetary Fund** report earlier in the month;

22 Apr 2022 **Harare (Zimbabwe)** *New Zimbabwe*. President **Emmerson Mnangagwa's** administration approves setup of \$1 billion worth of projects by **United Arab Emirates**-based conglomerate **Mulk Holdings**;

22 Apr 2022 **Harare (Zimbabwe)** *Zimbabwe Independent*. **Reserve Bank of Zimbabwe** (central bank) governor **John Mangudya** defends the central bank's long-standing relationship with the **African Export-Import Bank (Afreximbank)**, citing its continued support at a time when the country is being snubbed by major international financial institutions;

22 Apr 2022 **Harare (Zimbabwe)** *New Zimbabwe*. **The Zimbabwe Diamond and Allied Minerals Workers Union (ZDAMWU)** is demanding at least \$600 per month for every mine worker in the country;

21 Apr 2022 **Harare (Zimbabwe)** *Energy Capital & Power*. Energy minister **Soda Zhemu** highlights **Zimbabwe's** ambitions to generate 2,000 MW of electricity from renewable energy sources by 2030;

19 Apr 2022 **Harare (Zimbabwe)** *The Herald*. The latest **Tobacco Industry Marketing Board (TIMB)** statistics show that the average tobacco price rose to \$2.77/kg from last year's average price of \$2.51/kg;

19 Apr 2022 **Harare (Zimbabwe)** *New Zimbabwe*. About 38% of Zimbabwe's manufacturing companies managed to expand their operations in 2021;

19 Apr 2022 **Harare (Zimbabwe)** *The Herald*. President **Emmerson Mnangagwa** lights the flame during the **Independence Day** celebrations in **Bulawayo** as the country marks its 42nd anniversary of independence;

12 Apr 2022 **Victoria Falls (Zimbabwe)** *The Herald*. Work on the \$1.5 billion **Hwange Thermal Power Station** Unit 7 and 8 expansion project is now 84% complete; unit 7 is expected to be commissioned in November while Unit 8 is expected to be ready in February 2023;

11 Apr 2022 **Harare (Zimbabwe)** *Fin24*. State-owned airline **South African Airways** says it has about ZAR 1 billion (\$69m) in revenue from ticket sales stuck in **Zimbabwe** which it cannot access, as Zimbabwe continues to battle a liquidity crisis;

11 Apr 2022 **Harare (Zimbabwe)** *New Zimbabwe*. Auditor-General report exposes serious irregularities at the **Zimbabwe Republic Police** in its management of investments after bosses failed to produce financial records for 16 farms to facilitate auditing for the past two years;

10 Apr 2022 **Harare (Zimbabwe)** *New Zimbabwe*. Raw materials dominated Zimbabwe's import list in the first quarter of 2022 due to a revival of the manufacturing sector;

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