

## AFRICA RISK CONSULTING

### Zimbabwe Briefing July 2024

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#### Zimbabwe Summary 10 July 2024

*The Reserve Bank of Zimbabwe (central bank) Monetary Policy Committee (MPC) leaves the bank policy rate unchanged at 20%. The MPC is seeking to maintain the current exchange rate and inflation stability brought about by a tight monetary policy stance. The government pays a seemingly overinflated \$1.6 billion in Treasury Bills for the remaining 35% stake in Kuvimba Mining House. Production starts at the \$1 billion steel plant owned by China's Tsingshan Holding Group on 13 June, marking the revival of the steel industry. President Emmerson Mnangagwa (2017-present) continues to send mixed signals about his presidential tenure which is due to end in 2028.*

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#### Central bank holds rates steady as exchange rates stabilises

The **Reserve Bank of Zimbabwe (RBZ)** (central bank) **Monetary Policy Committee (MPC)** met on 26 June and resolved to maintain the current bank policy rate at 20% per annum and an interest rate corridor of 11% to 25%. This is a tight monetary policy stance to ensure the sustenance of the current stability of the economy.

The MPC said its decision was based on its satisfaction with the positive impact of the monetary policy measures, which have stabilised the exchange rate and domestic prices. The MPC also noted that despite the effects of the **El Nino** induced drought, the economy is expected to grow approximately 2% in 2024.<sup>1</sup>

The stabilisation measures implemented by the RBZ since the beginning of April have resulted in a month-on-month ZiG inflation rate of -2.4% in May 2024. The inflation rate is expected to be around 0% in June 2024 due to declines in both food and non-food inflation. The MPC forecast that inflationary pressures will remain subdued in the outlook period with projected inflation to end the year below 5% as the exchange rate remains stable.

An **International Monetary Fund (IMF)** staff team led by **Wojciech Maliszewski** conducted its **Article IV** mission to Zimbabwe between 18 and 27 June. The mission concludes that the economy continues to show resilience, echoing the MPC's forecast that growth is expected to decelerate to approximately 2% in 2024 from 5.3% in 2023 despite the drought.

In a statement released at the end of the mission, the IMF said higher import bills are also worsening the balance-of-payments outlook, but growth is expected to recover strongly in 2025 to approximately 6%, supported by a rebound in agriculture and ongoing capital projects in manufacturing.<sup>2</sup>

The IMF noted that the ZiG official exchange rate has so far remained stable, ending a bout of macroeconomic instability in the first three months of the year when the Zimbabwean dollar depreciated by 260%. The team projected cumulative inflation in the remainder of the year at 7% on the assumption that macro-stabilisation is sustained.

As a measure to contain inflation, monetary authorities have pledged to ensure that growth in the money supply remains consistent with the achievement of the envisaged pro-growth

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<sup>1</sup> Bloomberg, 26 Jun 2024

<sup>2</sup> Bloomberg, 28 Jun 2024

inflation levels of 5%. RBZ has said it will continue to ensure full backing of the reserve money with gold, other precious minerals, and foreign currency reserves.

Central bank governor **John Mushayavanhu** said on 6 July that cash and mineral reserves backing Zimbabwe's new currency have risen to approximately \$370m from \$285m over the past three months providing a strong "buffer" for the ZiG, against external forces.<sup>3</sup> Mushayavanhu noted the RBZ has been accumulating reserves from royalties of gold and conversion in-kind of other minerals such as diamonds, lithium and platinum.

### Government takes full control of Kuvimba but at overinflated price

The government has paid a seemingly overinflated \$1.6 billion in **Treasury Bills** for the remaining 35% stake in **Kuvimba Mining House** to take full control of the diversified mining house. The government was seeking to delink the company, in need of investors, from sanctioned businessman **Kuda Tagwirei**.<sup>4</sup>

Before this acquisition, the government held 65% of Kuvimba which it transferred to the sovereign wealth fund, **Mutapa Investment Fund (MIF)**, in 2023. The remaining 35% was widely believed to be owned by Tagwirei, whom the **United States (US)** sanctioned in August 2020 for alleged corruption and abetting an authoritarian regime. MIF CEO **John Mangudya** confirmed the payment in April but declined to divulge the identification of the paid shareholders and the amount paid.<sup>5</sup>

The \$1.6 billion paid by the MIF would place Kuvimba's value at \$4.6 billion, triple the \$1.5 billion valuation the government gave it in 2022. The transaction has also raised concerns as the Treasury Bill payment adds to the country's national debt.<sup>6</sup>

Zimbabwe's debt has surged from \$18 billion to \$21 billion within a few months with the increase attributed to the issuance of Treasury Bills worth almost 10% of GDP since November 2023. Of the new debt, \$1.9 billion was designated for the MIF's recapitalisation and \$900m to the RBZ.

Kuvimba, which has assets in gold, platinum, nickel, chrome and lithium, is looking for strategic investors to recapitalise and operationalise its assets. Previous attempts to seek investors into Kuvimba assets have been hampered by the company's links with Tagwirei. **South Africa's Implats** reportedly pulled out of a \$500m deal to recapitalise Kuvimba's **Great Dyke Investments (GDI)** platinum project in 2022 due to the company's links with the sanctioned businessman.<sup>7</sup> Due to lack of funding, the GDI platinum project has now been converted to start operations as an open cast operation when initial plans targeted to have an underground mine.

Already, the **United Kingdom (UK)**-headquartered **Cluff Energy Africa** announced in June that it was partnering with MIF to invest in Kuvimba's **Sandawana** mine reported to hold 38 million tonnes in lithium ore resources.<sup>8</sup>

With Zimbabwe looking to increase mineral production to back its newly introduced gold-backed currency, investments in gold are also needed. To back up the new currency, mines and

<sup>3</sup> New Zimbabwe, 8 Jul 2024

<sup>4</sup> Daily Maverick, 3 Jul 2024

<sup>5</sup> Newshawks. 22 Apr 2024

<sup>6</sup> Zimbabwe Mail, 3 Jul 2024

<sup>7</sup> Bloomberg, 28 Feb 2022

<sup>8</sup> Newswire, 18 Jun 2024

mining development minister **Winston Chitando** on 20 May challenged the gold mining sector to raise production from 30.1 metric tonnes delivered in 2023 to 40 metric tonnes this year.<sup>9</sup>

### Production starts at \$1 billion steel plant

The **Dinson Iron and Steel Company (DISCO)**, a subsidiary of Chinese nickel and steel giant **Tsingshan Holding Group**, started production of crude iron at its new plant in **Manhize (Midlands Province)** on 12 June, marking the revival of Zimbabwe's steel industry.<sup>10</sup>

Crude iron is the direct product of the blast furnace and yields steel, wrought iron, or high-purity iron when refined. Crude iron production will soon lead to the production of steel billet, an intermediate form of steel, expected to begin in July. Eventually, it will make other products such as pipes, bolts and nuts, smaller slags, rolled tubes, fences, shafts, wires and bars.

The \$1 billion plant is expected to produce 600,000 metric tonnes of carbon steel in the first phase of the project, rising to 1.2 million, then 3.2 million, and ultimately five million metric tonnes per year in the final phase.<sup>11</sup> When running at full throttle, the processing plant is touted to become Africa's biggest integrated steelworks. It will have up to 3,000 workers during the first phase of production with the number expected to double in the second phase. Chitando on 13 June called the development a testament to China-Zimbabwe cooperation.

Tsingshan, one of the world's leading nickel producers, has made significant investments in Zimbabwe in recent years and has ferrochrome, coking coal and lithium mining businesses in the country. The company has also built a 50MW thermal power plant at DISCO. The steel plant will generate additional power through gas produced by its furnace, to meet 20% of its electricity needs. The company also plans to build a solar power plant to reduce the impact of Zimbabwe's electricity shortages on its operations.

With enough reserves to last 100 years, the plant will in the future make use of Zimbabwe's abundant iron ore, chrome, coal, nickel and limestone to make iron and steel products that will help develop the country's value chain with government officials saying all raw materials will be mined and processed locally.<sup>12</sup>

Last year, DISCO also signed a deal with the government for the construction and refurbishment of a 1,000km railway line so that the company's products could be transported to **Beira (Mozambique)** for export.<sup>13</sup>

### Mnangagwa sends mixed signals over his tenure

President **Emmerson Mnangagwa** (2017-present) continues to send mixed signals amid reports that he has plans to extend his tenure beyond the constitutional two-year terms set to end in 2028. On 4 July, Mnangagwa said he would comply with the ruling **Zanu-PF** and Zimbabwe constitutions and leave power in 2028. However, his statement comes only a few weeks after he was shown on social media lining up senior party and government officials at a Zanu-PF to chant the slogan 'ED will still be there in 2030'.<sup>14</sup> This is also a slogan his supporters use to supposedly endorse plans to extend his presidential term.<sup>15</sup>

Local media is reporting that a section of Zanu-PF supporters believe Mnangagwa wants to extend his stay in power to 2030. The party also reportedly intends to amend the law to

<sup>9</sup> Xinhua, 21 May 2024

<sup>10</sup> Xinhua, 21 Jun 2024

<sup>11</sup> Reuters, 20 Jun 2024

<sup>12</sup> SCMP, 22 Jun 2024

<sup>13</sup> The Chronicle, 22 Jun 2023

<sup>14</sup> Newshawks, 5 Jul 2024

<sup>15</sup> The Independent, 5 Jul 2024

disharmonise elections and push the presidential poll to 2030, but have parliamentary elections when due in 2028, or postpone the general elections altogether to 2030.

In February, the Zanu-PF gained a two-thirds majority in parliament required to make amendments to the constitution following victories in by-elections that the opposition **Citizen Coalition for Change (CCC)** said were orchestrated by an imposter sponsored by the ruling party with the help of state institution such as the courts, the electoral commissions and clerk of parliament.<sup>16</sup>

Extending the term would need a president to go through a series of cumbersome legal hurdles and Mnangagwa would first need a bill to remove the law that says he cannot benefit from term limit extensions. This would need him to face a referendum. He would also need a second bill to change the term limits themselves.

### Planner

25 Jul 2024 **Harare (Zimbabwe)** Mid-term national budget review

26 Sep 2024 **Harare (Zimbabwe)** **Reserve Bank of Zimbabwe (RBZ)** (central bank) **Monetary Policy Committee (MPC)** decision

Nov 2024 **Harare (Zimbabwe)** **2025 National Budget** announcement

29 Nov 2025 ( **South Africa**) Expiry of special residence permits for Zimbabweans living in South Africa

### Chronology

10 Jul 2024 **Harare (Zimbabwe)** *The Chronicle*. **Mozambique** is negotiating an upgrade of the regional railway system from Beira (Mozambique) through Zimbabwe to **Botswana** as part of a tripartite project which envisages the construction of a deep-water mineral port in the far south of Mozambique;

9 Jul 2024 **Gaborone (Botswana)** *Club of Mozambique*. The **Mozambique-Botswana Joint Cooperation Commission** meets to discuss bilateral cooperation;

8 Jul 2024 **Harare (Zimbabwe)** *Zimbabwe Mail*. President **Emmerson Mnangagwa** announces a potential end to the multi-currency system within the next two years as the ZiG continues to gain traction in the local market;

5 Jul 2024 **Harare (Zimbabwe)** *Zimlive*. **African Risk Capacity**, an arm of the **African Union**, provides Zimbabwe with \$31.8m to help mitigate the effects of the **El Nino** drought;

3 Jul 2024 **Harare (Zimbabwe)** *Zimbabwe Mail*. Army commander General **Anselem Nhamo Sanyatwe** makes a bold assertion that the ruling **Zanu-PF** party would govern the country indefinitely;

1 Jul 2024 **Harare (Zimbabwe)** *Newsday*. **Zambia's** foreign affairs ministry summons Zimbabwe's ambassador **Charity Charamba** to express their misgivings over remarks made by President **Emmerson Mnangagwa** during a trip to **Russia** last month;

29 Jun 2024 **Harare (Zimbabwe)** *IOL*. **International Monetary Fund (IMF)** forecasts that Zimbabwe's economy will grow by 6% in 2025, but urges government to intensify the fight against corruption;

<sup>16</sup> Newsday, 5 Feb 2024

28 Jun 2024 **Harare (Zimbabwe)** *Zimbabwe Mail*. Zimbabwe hosts a delegation from the **Belarusian** defence ministry which includes representatives from military news organizations and the ministry's information department;

28 Jun 2024 **Harare (Zimbabwe)** *Newsday*. **Canadian** miners **Pambili Natural Resources Corporation** and **Zephyr Minerals Limited** says they are intensifying efforts to secure approvals for their gold and lithium operations;

27 Jun 2024 **Harare (Zimbabwe)** *The Africa Report*. A Harare court denies bail to 79 members of the opposition **Citizens Coalition for Change (CCC)**, including its interim leader, **Jameson Timba**;

26 Jun 2024 **Harare (Zimbabwe)** *Bloomberg*. **World Bank** certifies ZiG's international code as ZWG;

25 Jun 2024 **Harare (Zimbabwe)** *VOA Africa*. **United Kingdom**-headquartered **Amnesty International** calls for the immediate release of opposition **Citizens Coalition for Change (CCC)** leader **Jameson Temba** and dozens of his supporters following their arrest on 16 June over an alleged unsanctioned meeting;

20 Jun 2024 **Harare (Zimbabwe)** *Biz News*. **South Africa's** constitutional court upholds a ruling preventing the cancellation of residence and work permits for Zimbabwean nationals working in South Africa, dismissing the South African government's appeal;

18 Jun 2024 **Harare (Zimbabwe)** *Newswire*. **United Kingdom**-based resources company **Contango** agrees to sell a 51% interest in the **Muchesu** coal project to **Wencai Huo**, a Zimbabwe-based **Chinese** investor with vast interests in mining;

17 Jun 2024 **Harare (Zimbabwe)** *SABC News*. Police arrest interim opposition **Citizens Coalition for Change (CCC)** leader **Jameson Timba** and 80 others for allegedly holding an unauthorised political gathering;

13 Jun 2024 **Harare (Zimbabwe)** *Bloomberg*. Ferrochrome miners, the largest electricity consumers, agree to build their own power plants over the next two years in a bid to reduce their energy demand amid power shortages;

12 Jun 2024 **Harare (Zimbabwe)** *Newswire*. **African Export-Import Bank** signs a deal with **CBZ Bank** to provide a \$80m facility to boost trade for Zimbabwean companies;

22 May 2024 **Harare (Zimbabwe)** *Newsday*. Energy deputy minister **Yeukai Simbanegavi** asks parliament to approve the government adopting a protocol on energy cooperation within the **Southern African Development Community (SADC)**;

15 May 2024 **Harare (Zimbabwe)** *Reuters*. A cabinet brief says that more than half of Zimbabwe's population will need food aid this year following the El-Nino drought that has led to widespread crop failure;

13 May 2024 **Harare (Zimbabwe)** *Newswire*. **Jersey**-based **Caledonia Mining** says a combination of higher gold output, lower costs, and firmer gold prices has delivered a 138% increase in gross profits in the first quarter of 2024;

13 May 2024 **Harare (Zimbabwe)** *Newsday*. **Chinese**-owned **b Mining Company (KMC)** plans to finish construction on its lithium processing plant in June this year as it seeks to increase production capacity to about 2.3 million tonnes of ore annually;

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