

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing November 2022

Zimbabwe Summary 10 November 2022

President Emmerson Mnangagwa (2017-present) retains power at the ruling ZANU-PF congress held from 26-30 October, where his position as party president and first secretary was uncontested. The 81-year-old will be his party's candidate in next year's harmonised general elections. Zimbabwean businesses are calling for a decrease in interest rates, arguing the central bank's tight monetary policy has collapsed consumer demand while borrowing costs are too prohibitive. Finance minister Mthuli Ncube maintains that rates will only go down once the inflation decline is sustained. Zimbabwe is considering classification as a Highly Indebted Poor Country (HIPC) as it seeks means for relief on its \$13 billion external debt which has prevented it from accessing any new lines of credit from multilateral institutions. New regulations are passed, allowing the state to collect mining royalties partly in the form of minerals as the country seeks to build a reserve of precious metals. Zimbabwe has shipped its first coal to China, exporting 20,000 tonnes as part of a trial run to a customer in the cement industry, with sales to Europe expected to start soon. The Tobacco Industry and Marketing Board (TIMB) says it has realised \$650.3m from tobacco sales in this year's selling season, which ended on 21 October, up 10.3% compared to last year.

Mnangagwa consolidates power ahead of 2023 vote

President **Emmerson Mnangagwa** (2017-present) retained power at the ruling **ZANU-PF** congress, held between 26 and 30 October, where his position as party president and first secretary was uncontested.¹ The 81-year-old Mnangagwa will now seek re-election as **Zimbabwe's** president in 2023, where his main challenger is likely to be **Citizen Coalition for Change (CCC)** leader **Nelson Chamisa**. No date has been fixed for the 2023 election yet but the **Zimbabwe Electoral Commission (ZEC)** announced on 21 October that it will be held in July or August.² Analysts say the political and electoral playing field remains deeply uneven and stacked in favour of ZANU-PF, just as in the days of former president **Robert Mugabe** (1986-2017).

This was the party's first congress since Mugabe's removal via an army-backed coup in November 2017, which brought Mnangagwa to power. Mnangagwa went on to win the disputed 2018 elections, which main rival Nelson Chamisa, then leader of the **Movement for Democratic Change (MDC)**, claimed were rigged. In the run-up to this year's congress, there were reports that Mnangagwa had backed out of an agreement to hand over power to his deputy, **Constantino Chiwenga**. Chiwenga, a retired army general who led the coup against Mugabe, was rumoured to have plans to launch a spirited late challenge against Mnangagwa, but instead took to the podium in support of Mnangagwa.³

The ruling party has been criticised for its use of Zimbabwe's law and security institutions against opponents, and the conflation of party and state resources to boost its position. Mnangagwa and his ZANU-PF allies have already been accused of using state institutions to muzzle and oppress opposition members ahead of the 2023 general elections. The latest criticism of Mnangagwa came from the **British Parliament** when it expressed concern on 28 October about the lack of signs that the 2023 elections would be credible, saying there is a shortage of meaningful political, economic and human rights reforms.⁴ Lord **Robert Hayward**, who was an observer at Zimbabwe's last general

¹ Zimbabwe Mail, 28 Oct 2022

² The Herald, 21 Oct 2022

³ Africa Report, 23 Jun 2022.

⁴ NewZimbabwe, 31 Oct 2022

elections, told the **United Kingdom (UK) House of Lords** that he questions the ZEC's capacity to provide an uncontested poll. Although the opposition has challenged the results of past elections, they have met with little or no success. Social instability before the election is possible but unlikely at this stage.

Zanu-PF's central committee released a report after the congress, highlighting that rising inflation, deepening poverty and internal party divisions are the most significant risks to its power. The party is banking on a grassroots campaign, reaching out to various interest groups and highlighting public infrastructure projects to deliver a win next year.⁵

Tight monetary policy strains business but government remains unyielding

Businesses in Zimbabwe have called for interest rate cuts, saying that tight monetary policy has significantly strained their operations. The **Reserve Bank of Zimbabwe (RBZ)** (central bank) raised its policy bank rate to 200% in June in a bid to control money supply growth and curb currency speculation while the **Treasury** suspended payments to government contractors, accusing them of fanning inflationary pressures by pricing contracts at parallel market rates. However, finance minister **Mthuli Ncube** is maintaining his hard-line stance, indicating that the high interest rates will carry over into 2023.⁶

The RBZ's tighter monetary policy, coupled with the introduction of the gold coins as an alternative store of value to the **United States (US)** dollar, has been credited with narrowing the parallel market exchange rate gap and easing annual and monthly inflation figures in the last four months. According to **ZimStat**, annual inflation slowed to 268.8% in October from 280.4% in September and 285% in August, while month-on-month inflation registered 3.2% in October from 3.47 % in September and 12.4% in August.⁷ Ncube, who is targeting a monthly inflation rate of 3% by December and a 2022 average annual inflation rate of 166%, insists the inflation trajectory reflects the positive impact of the series of interventions that fiscal and monetary authorities have instituted in the past few months.⁸ Ncube says a downward review of interest rates will only be considered once the inflation decline is sustained.

Among the leading companies that have called for rate cuts are **Dairibord**, **OK Zimbabwe**, **National Foods** and **Simbisa**, some of the largest **Zimbabwe Stock Exchange (ZSE)**-listed retail and industrial companies. The companies say that the high interest rates and liquidity mopping measures have not only collapsed consumer demand due to low money supply growth but caused problems in financing their operations due to the high borrowing costs.

Zimbabwe considers "Highly Indebted Poor Country" status for debt relief

Zimbabwe is considering classification as a **Highly Indebted Poor Country (HIPC)** as it seeks relief on its \$13 billion external debt, which has prevented it from accessing new lines of credit from multilateral institutions. Deputy minister of finance and economic development **Clemence Chiduwa** told a debt conference on 13 October that the high debt levels were stifling economic growth and that the country was considering taking the HIPC window if an opportunity was availed.⁹ Chiduwa said, should the HIPC plan fail, the country would look to use a combination of its own resources and bridge concessional finance to clear the debts.

In April, Zimbabwe engaged **African Development Bank (AfDB)** president **Akunwimi Adesina** to lead a push for a debt deal with some of its main creditors, among them the **World Bank**, the **Paris Club** and other bilateral lenders. Zimbabwe's main plan is to qualify for debt relief under the HIPC, which would clear a significant portion of its external debt. The **International Monetary Fund (IMF)** estimates Zimbabwe's external debt stood at \$14.4 billion at the end of 2021, or over 100% of gross

⁵ Newswire, 30 Oct 2022

⁶ Newswire, 15 Oct 2022

⁷ The Herald, 27 Oct 2022

⁸ Bloomberg, 15 Oct 2022

⁹ Chronicle, 13 Oct 2022

domestic product (GDP). Under the HIPC plan, Zimbabwe would begin to seek bridging finance, including from new, private sponsors. It would also come under a new IMF staff monitored programme, underpinned by financial support from the AfDB.

A Zimbabwe delegation led by Ncube presented the HIPC proposals and their alternative bid for bridge financing at the IMF Spring meetings in **Washington D.C.** (US) in April. Ncube told an IMF press conference on 17 October that Zimbabwe had begun issuing bonds with maturities of between two and 20 years in order to honour its debt to creditors and was looking at how they can be traded.¹⁰ Zimbabwe has already begun making token payments to the World Bank, the AfDB, **European Investment Bank** and will be doing the same to all the Paris Club creditors.

New mineral royalty policy kicks in

Zimbabwe has passed regulations allowing the state to collect mining royalties partly in the form of minerals as the country seeks to build a reserve of precious metals.¹¹ This follows President Mnangagwa's announcement in October that the government planned to start collecting half of the royalties from gold, diamonds, platinum group metals and lithium in the form of the minerals with the remainder paid in cash. According to the government notice dated 4 November, royalties remitted to the **Zimbabwe Revenue Authority (ZIMRA)** in respect of gold and those minerals specified will now be paid on the basis of 50% in kind.

The cash component of the royalties will be made up of 40% Zimbabwean dollars and 10% in foreign currency. Zimbabwe's royalty rates range from 5% for gold and platinum group metals to 10% for diamonds. However, Zimbabwe's miners do not expect any significant impact from the collection of royalties in the form of refined minerals. The **Chamber of Mines of Zimbabwe** says the move amounts to just "*a change in payment modalities*".¹²

Foreign companies with operations in Zimbabwe include UK's **Anglo American** and **Rio Tinto**, South Africa's **Impala Platinum**, Russia's **Alrosa**, China's **Zhejiang Huayou Cobalt** and **Canada's Caledonia Corporation**.

Zimbabwe makes maiden coal export to China

Zimbabwe made a maiden shipment of 20,000 tonnes of coal to a cement manufacturing customer in China as part of a trial run, with sales to Europe expected to start as soon as the energy crisis takes its toll. **Zimbabwe Coal Producers Association** chairman **Linos Masimura** said the coal was shipped via the **Mozambican** port of **Beira**.¹³ Zimbabwe normally keeps its coal for domestic electricity generation but started exporting last year after breakdowns at its largest thermal power plant, **Hwange**, curtailed local demand for coal.

The association says it is hoping to take advantage of rising export demand, although Zimbabwe still faces the logistical task of taking the product to ports, impeded by its unsuitable and aging rail infrastructure. Europe is stepping up coal imports as an alternative to energy imports from **Russia**. The **European Commission** expects the EU will use 5% more coal than previously expected over the next decade.¹⁴ However, demand for coal in Zimbabwe is expected to pick up significantly in 2023 when the Hwange power station brings on stream its new 600-megawatt (MW) power unit.¹⁵

Tobacco sales up 10% from last year

The **Tobacco Industry and Marketing Board (TIMB)** reports it has sold 212.7 million kgs of tobacco, earning \$650.3m from this year's selling season, which ended on 21 October, up 10.3% compared to

¹⁰ Daily News, 17 Oct 2022

¹¹ Reuters, 8 Nov 2022

¹² Reuters, 10 Oct 2022

¹³ Bloomberg, 2 Nov 2022

¹⁴ Financial Times, 18 May 2022

¹⁵ Newswire, 3 Nov 2022

last year.¹⁶ After gold, tobacco is Zimbabwe's second largest foreign currency earner, with China and **South Africa** the major buyers of the 'golden leaf'. In 2021, Zimbabwe earned \$589.6m from the sale of 211.1 million kg of tobacco. The average tobacco price for 2022 stood at \$3.06 per kg compared to \$2.79 in the previous selling season.

Despite tobacco being one of the largest foreign currency earners, investments into the sector have dipped as farmers complain of the government payment system in terms of which part of their sales proceeds are paid in the inflation-hit local currency. The government pays 75% of the tobacco sales in foreign currency with the balance paid in local currency, converted at the prevailing auction exchange rate on the day of sale.¹⁷ The bulk of Zimbabwe's tobacco leaf is sold through contract floors, with 95% of the crop grown under the contract system while only 5% of farmers self-finance their crop production, which they then sell through auction floors.¹⁸

Planner

Nov 2022 **Harare (Zimbabwe) Reserve Bank of Zimbabwe** Monetary Policy Committee meeting.

Nov 2022 **Harare (Zimbabwe)** Finance minister **Mthuli Ncube** to present the 2023 national budget to parliament.

6-8 Feb 2023 **Cape Town (South Africa) – Investing in African Mining Indaba;**

30 Jun 2023 **(South Africa)** Expiry of special residence permits for **Zimbabweans** living in South Africa;

Aug 2023 **(Zimbabwe)** General elections

Chronology

9 Nov 2022 **Harare (Zimbabwe) Newsday. Victoria Falls Stock Exchange (VFEX)**-listed **Bindura Nickel Corporation (BNC)** says it plans to exploit energy minerals, including lithium and copper, in a major diversification move for the nickel-focused company;

7 Nov 2022 **Harare (Zimbabwe) Herald. Zimbabwe** launches its first nano satellite, dubbed **ZIMSTAT-1**, into space from **Virginia (United States)**, which it says will help collect data to monitor disasters, boost agriculture and enhance mineral mapping;

7 Nov 2022 **Harare (Zimbabwe) Newsday. Zimbabwe** risks missing a bumper wheat harvest target due to early summer rains in most parts of the country in early November;

4 Nov 2022 **Harare (Zimbabwe) Zimbabwe Mail. Zimbabwe Energy Regulatory Authority (ZERA)** announces a fuel price adjustment with petrol going up by \$0.30 to \$1.57 per litre while diesel remains unchanged at \$1.73 per litre;

2 Nov 2022 **Harare (Zimbabwe) Newzire. Caledonia Mining** says it is adding another asset to its portfolio with the acquisition of **Motapa Mining**, whose gold claims sit next to **Bilboes Mine**, which Caledonia agreed to buy in July this year after acquiring **Pan African Gold's Maligreen** claims near **Gweru** in September 2021;

2 Nov 2022 **Harare (Zimbabwe) Pindula. The United Kingdom** is set to engage **South Africa's** President **Cyril Ramaphosa** to lead other African leaders to push President **Emmerson Mnangagwa** to ensure that **Zimbabwe** holds free and fair elections in 2023;

¹⁶ Newsday, 27 Oct 2022

¹⁷ Tobacco Reporter, 28 May 2022

¹⁸ Xinhua, 20 Aug 2022

30 Oct 2022 **Harare (Zimbabwe)** *The Zimbabwe Mail*. **Ethiopian Airlines** launched its maiden flight to **Bulawayo** from **Addis Ababa** via **Victoria Falls**, adding to its **Harare** and Victoria Falls routes;

27 Oct 2022 **Harare (Zimbabwe)** *The Independent*. **Australia**-headquartered energy firm **Invictus Energy Limited** says it has found potential hydrocarbons and natural gas at its **Mukuyu-1 well** in northern **Zimbabwe**;

26 Oct 2022 **Harare (Zimbabwe)** *263chat*. **Distributed Power Africa (DPA)**, a **Cassava Technologies** business, will develop Zimbabwe's largest roof-mounted solar plant for **Pepsi** maker **Varun**, with a 4.1GW annual energy production capacity;

23 Oct 2022 **Harare (Zimbabwe)** *Pindula*. Mines and mining development minister **Winston Chitando** says the government is confident it will produce six million carats and generate \$1 billion from the diamond industry next year in line with its targets;

22 Oct 2022 **Harare (Zimbabwe)** *The Zimbabwe Mail*. Chinese billionaire **Ding Ligu** visits **Zimbabwe**, eyeing a deal with **Kuvimba Mining House** for the revival of **Ziscosteel** and other opportunities in the iron ore sector;

21 Oct 2022 **Harare (Zimbabwe)** *Newswire*. **South African** mining company **Tharisa** is in talks with **French** energy company **TotalEnergies** for the construction of a 300-MW solar plant at **Karo Platinum**, a new mine it is developing near **Selous**;

19 Oct 2022 **Harare (Zimbabwe)** *SundayMail*. Information, publicity and broadcasting minister **Monica Mutsvangwa** says the government continues to engage **South Africa** on its decision to terminate **Zimbabwe Exemption Permits (ZEPs)** on 30 June 2023;

15 Oct 2022 **Harare (Zimbabwe)** *Newsday*. Finance minister **Mthuli Ncube** formally joins politics after being elected to the ruling **ZANU-PF** central committee, the first time he has formally participated in party electoral activities;

13 Oct 2022 **Harare (Zimbabwe)** *Reuters*. **South African** mining firm **Tharisa** plans to invest \$391m to develop the **Karo Platinum** mine in which it holds a 30% stake, starting construction in December for completion by July 2024;

10 Oct 2022 **Harare (Zimbabwe)** *Bloomberg*. **Zimbabwean** mining company **RioZim** buys Namibia-based **Sperrgebiet Diamond Mine**, holder of two onshore and two offshore mining licences within the **Luderitz** protected diamond mining zones.

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