

## AFRICA RISK CONSULTING

### Zimbabwe Briefing April 2024

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#### Zimbabwe Summary 15 April 2024

**Reserve Bank of Zimbabwe (RBZ) governor John Mushayavanhu on 5 April introduces a new currency, the Zimbabwe Gold (ZiG), to replace the inflation-battered Zimdollar. President Emmerson Mnangagwa (2017-present) dismisses reports that he plans to run for a third term, despite supporters calling on him to do so. Mnangagwa on 3 April declares the prolonged El Nino-induced drought a national disaster saying the country, already facing several crises, needs \$2 billion to feed the hungry.**

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#### Zimbabwe introduces new gold-backed currency

The **Reserve Bank of Zimbabwe's** (central bank) new governor **John Mushayavanhu** on 5 April introduced a new gold back currency, the **Zimbabwe Gold (ZiG)**, to replace the inflation-battered Zimbabwean dollar.<sup>1</sup> The bank referred to the new currency as "*structured*", saying it would be "*anchored by a composite basket of foreign currency and precious metals (mainly gold) held as reserves for this purpose by the Reserve Bank*".<sup>2</sup>

The Zimbabwean dollar was launched in 2019 after a decade of dollarisation, which included so-called bond coins and bond notes, notionally pegged to the **United States (US)** dollar and introduced in 2014 and 2016 respectively. The Zimbabwean dollar has been gradually losing value mainly due to exchange rate factors with foreign currency demand outstripping supply. Still, the depreciation worsened this year with the currency losing over 80% of its value against the US dollar since the start of 2024. On the day of the ZiG launch, the old currency traded on the controlled formal market at ZWL 28,000 to the US dollar while trading at ZWL 38,000 on the widely used black market rate.<sup>3</sup>

Mushayavanhu says a lack of confidence and uncertainty has weakened the Zimbabwean dollar. His solution is what he calls a,

*"Market-determined foreign exchange management system which links the local currency to a composite basket of reserve assets comprised of precious minerals (mainly gold) and foreign currency balances".<sup>4</sup>*

The ZiG, which will come into circulation at the end of April, was launched at a rate of \$1: ZiG 13.56. Informal traders refused to accept the local dollar for fear it would be worthless in a few weeks when the government's new gold-backed currency entered into circulation.

The governor confirmed the central bank has \$100m in cash and 2.52 tonnes of gold worth \$185m in reserve assets, adding that this is enough "*to back the entire local currency component of reserve money which currently stands at ZW\$2.6 trillion requiring full cover of gold and cash reserves amounting to \$90 million.*"<sup>5</sup> However, the combined \$285m in gold and foreign currency reserves is not enough to guarantee demand for foreign exchange for both imports

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<sup>1</sup> Reuters, 5 Apr 2024

<sup>2</sup> CNBC Africa, 8 Apr 2024

<sup>3</sup> Reuters, 8 Apr 2024

<sup>4</sup> Zimbabwe Mail, 4 Apr 2024

<sup>5</sup> Newswire, 5 Apr 2024

and value preservation and there is a need to reduce demand for foreign exchange in local transactions.

With the introduction of the new currency, Mushayavanhu cut the interest rate from 130% to 20%, saying this reflects his new currency policy. The US dollar remains legal tender as the multicurrency system will stay until at least 2030. To ensure the sustainability of the exchange rate system, among other measures, the central bank said there would be continued fostering of super demand for the local currency by government through a mandatory requirement for companies to settle at least 50 % of their tax obligations on quarterly payments dates in ZiG.<sup>6</sup>

### Mnangagwa refutes third-term reports

In an interview with the state-funded **Brick-by-Brick** magazine, published on 7 April, President **Emmerson Mnangagwa** (2017-present) denied reports that he is planning to stay for a third term when his presidential tenure ends in 2028, also dismissing claims that some of his supporters have already made moves to extend his stay in power.<sup>7</sup> Mnangagwa dismissed the talks of a third term as "*dreams*",

*"Well, I am very happy that Zimbabweans are very imaginative, but we in ZANU PF are very democratic and we obey the Constitution. There is not an iota of evidence where ZANU PF or I, as President, has ever expressed the violation of our Constitution."*<sup>8</sup>

Recent disputes in the main opposition **Citizen Coalition for Change (CCC)**, which saw the ruling **Zanu-PF** in February gaining a two-thirds majority in parliament via by-elections, coupled with the ruling party's youth wing urging Mnangagwa to stay until 2030 fuelled talk that he wants to change the constitution, which allows only two five-year terms. The CCC has disputed the by-election result and said it was orchestrated by an imposter sponsored by the ruling party with the help of state institutions such as the courts, the electoral commissions and clerk of parliament.<sup>9</sup> Zanu-PF's two-thirds majority would allow it to make amendments to the constitution in parliament.

The 7 April interview was the second time Mnangagwa has vowed to obey the constitution having repeated the same in an interview on the eve of the September 2023 elections. Justice minister **Ziyambi Ziyambi** has also denied there's a push to keep Mnangagwa in power saying they do not have any legislative agenda to extend presidential terms.

Extending the term would require 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 and he would also need a second bill to change the term limits themselves.

### Prolonged drought declared a national disaster

The prolonged **El-Nino**-induced drought devastating southern Africa saw Mnangagwa on 3 April declaring a national disaster saying the country needed more than \$2 billion to feed millions facing hunger.<sup>10</sup> Similar moves to declare national disasters were made by **Zambia** in late February and **Malawi** in March.<sup>11</sup>

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<sup>6</sup> Zimbabwe Mail, 12 Apr 2024

<sup>7</sup> Africa News, 8 Apr 2024

<sup>8</sup> Newswire, 7 Apr 2024

<sup>9</sup> Newsday, 5 Feb 2024

<sup>10</sup> Voice of America, 4 Apr 2024

<sup>11</sup> Reuters, 3 Apr 2024

The **World Food Programme's (WFP)** seasonal monitor indicates that Zimbabwe witnessed the driest February in 40 years. The WFP, which fed 270,000 people between January and March in four districts in Zimbabwe, described the hunger situation as "*dire*", calling on donors to provide more aid.<sup>12</sup> An agricultural ministry crop report says maize output would fall by 70% to its worst level in nearly a decade.

The number of people needing aid has surged past the 2.7 million estimated in an earlier assessment as the country's strategic grain reserve holds 189,568 tonnes of cereals.<sup>13</sup> Mnangagwa said the \$2 billion needed would cover food imports, seeking aid, and expanding irrigation to plant a bigger winter crop. The drought comes at a time when Zimbabwe is facing multiple crises with inflation high and foreign currency shortages. Adding to that, the drought will cause food price increases and higher imports at a time when foreign exchange is scarce.

The consequences of the drought will also be felt across other economic sectors as over 55% of raw materials required by Zimbabwe's industries come from the agricultural sector. Electricity generation will also be affected as less rain in the region means there's less water to generate power at **Kariba Dam**. The **Zambezi River Authority**, which manages the water at the lake, has allocated the least ever amount of water to Zimbabwe and Zambia for power generation because water levels are too low.<sup>14</sup> Any available power imports would require foreign currency, which is already in dire shortage as the minerals sector, the country's largest foreign exchange earner has been battered by the crash in global commodity prices.

## Planner

May 2024 **Harare (Zimbabwe)** Monetary Policy Committee(MPC) decision

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

31 Dec 2025 **(South Africa)** Expiry of special residence permits for **Zimbabweans** living in South Africa

## Chronology

15 Apr 2024 **Harare (Zimbabwe)** *Bloomberg*. Grain millers say they will visit **Brazil** as Zimbabwe considers importing corn from Brazil for the first time since 2014 as the **El-Nino**-induced drought continues to impact crop growth;

12 Apr 2024 **Harare (Zimbabwe)** *Zimbabwe Mail*. The **Reserve Bank of Zimbabwe (RBZ)** (central bank) raises the statutory reserve requirement for foreign currency demand deposits from 15% to 20%, in a move it says is aimed at curbing inflation, but analysts warn could stunt economic growth.

11 Apr 2024 **Harare (Zimbabwe)** *New Zimbabwe*. Local media report that most retail outlets and government departments have still not switched to the new **Zimbabwe Gold (ZiG)** currency, with only half of the country's 27 financial institutions able to process ZiG payments;

11 Apr 2024 **Harare (Zimbabwe)** *Newsday*. Parliament summons **finance** minister **Mthuli Ncube** to explain how the **Zimbabwe Gold (ZiG)** currency will work as the legislators also want him to amend the **Finance Act** to operationalise the currency;

<sup>12</sup> Reliefweb, 27 Mar 2024

<sup>13</sup> Newswire, 3 Apr 2024

<sup>14</sup> Lusaka Times, 29 Dec 2023

10 Apr 2024 **Harare (Zimbabwe) *Newsday***. Information minister **Jenfan Muswere** says the construction of a multi-million dollar mine-to-energy industrial park in **Mapinga, Mashonaland West** province, is set to start in June, with plans to value add and beneficiate lithium, chrome, nickel and a 300Mw solar power plants among the key projects;

10 Apr 2024 **Harare (Zimbabwe) *Newsday***. **Reserve Bank of Zimbabwe (RBZ)** (central bank) data shows Zimbabwe's export proceeds fell by 16.9% to \$6.04 billion in 2023 compared to the previous year, largely weighed down by subdued mineral exports;

10 Apr 2024 **Harare (Zimbabwe) *Newswire***. Zimbabwe's biggest platinum producer, **Zimplats** CEO **Alex Mhembere** say it will reduce its headcount by 1% as it implements broad cost cuts to survive a sharp fall in platinum group metal (PGM) prices;

8 Apr 2024 **Harare (Zimbabwe) *Zimbabwe Mail***. President **Emmerson Mnangagwa** meets with former **Mozambican** president **Joaquim Chissano** at the state house in Harare. Chissano is the high-level facilitator for Zimbabwe's debt clearance process;

5 Apr 2024 **Harare (Zimbabwe) *Newsday***. Health ministry issues a fresh cholera alert as the country battles to contain the water-borne disease which as of 14 March, affected 28,556 people with 589 deaths reported from 62 districts across the 10 provinces. Over 2 million people have been vaccinated against cholera;

5 Apr 2024 **Harare (Zimbabwe) *Newswire***. **Caledonia Mining Corporation's** CEO **Mark Learmonth** says African development banks are seen as the most likely funders of its planned new \$250m gold mine;

1 Apr 2024 **Harare (Zimbabwe) *Newsday***. **United Kingdom's Standard Chartered** says the sale of **Standard Chartered Bank Zimbabwe** to **FBC Holdings Limited (FBCHL)** is progressing well, with the final migration of operations expected to be completed by the end of June;

1 Apr 2024 **Harare (Zimbabwe) *The Chronicle***. Finance minister **Mthuli Ncube** says productive sectors have started drawing down on the \$958m **Special Drawing Rights (SDR)** received from the **International Monetary Fund (IMF)** to facilitate industry capacitation and local employment;

29 Mar 2024 **Harare (Zimbabwe) *Newsday***. The **Zimbabwe Peace Project (ZPP)** says it recorded 188 cases of human rights violations in February up from 154 registered in the previous month with the ruling **Zanu-PF** party continuing to top the list of human rights violators among political parties and other actors with a record of 54.8% of the cases;

27 Mar 2024 **Harare (Zimbabwe) *Newswire***. **Hwange Colliery** says it will double coal production, benefitting from new mining equipment and increased demand from the two new thermal power units commissioned last year;

27 Mar 2024 **Harare (Zimbabwe) *Bloomberg***. **Zimbabwe National Statistics Agency (ZimStats)** reports that inflation increased from 47.6% in February to 55.3% in March, a seven-month high;

27 Mar 2024 **Harare (Zimbabwe) *New Zimbabwe***. Parliament publishes a shortlist of 35 candidates to fill six positions on the **Zimbabwe Independent Complaints Commission (ZICC)** including several controversial figures such as disgraced judge **Webster Chinamhora** and former first lady **Grace Mugabe's** aide, **Olga Bungu**;

19 Mar **Harare (Zimbabwe) *Newsday***. The state-owned **Infrastructure and Development Bank of Zimbabwe (IDBZ)** is seeking to raise \$79.5m to finance several projects in the housing, energy, transport and health sectors;

19 Mar 2024 **Harare (Zimbabwe)** *Newsday*. **Australian** oil and gas exploration firm, **Invictus Energy**, which recently made a gas discovery in Zimbabwe, expresses ambitions to expand regionally eyeing countries such as **Zambia** and **South Africa**;

18 Mar 2024 **Harare (Zimbabwe)** *Bloomberg*. Local subsidiary of **South Africa**-headquartered **Impala Platinum Holdings (Zimplats)**, starts offering staff voluntary redundancy packages to cut costs due to weak platinum group metal prices which are projected to last for the next 12 to 18 months;

18 Mar 2024 **Harare (Zimbabwe)** *New Zimbabwean*. Opposition leader **Nelson Chamisa** says he is pushing for the **Southern African Development Community (SADC)** to mediate talks between him and President **Emmerson Mnangagwa**;

18 Mar 2024 **Harare (Zimbabwe)** *The Herald*. The **Rwanda-Zimbabwe Business Forum** opens today as representatives from each country seek to deepen economic ties;

14 Mar 2024 **Harare (Zimbabwe)** *Newsday*. **Australia**-headquartered oil and gas exploration firm **Invictus Energy** says it has received strong interest from multiple domestic institutional investors with the intent of investing in the company after the discovery of gas at **Mukuyu** field;

13 Mar 2024 **Harare (Zimbabwe)** *Reuters*. Authorities say tobacco production is expected to fall at least 10% to 265 million kg in 2024 from its biggest-ever crop of 296 million kg last year due to an **El Nino**-induced drought;

8 Mar 2024 **Washington (USA)** *Reuters*. The **United States** says Zimbabwean officials last month "*abruptly detained and deported*" **U.S. Agency for International Development** officials who had been in the country on an assessment mission.

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