

AFRICA RISK CONSULTING

Zimbabwe Briefing January 2024

Zimbabwe Summary 15 January 2024

Since the start of 2024, the Zimbabwe dollar has lost 40% of its value against the United States (US), taking its losses to over 90% since January 2023. This latest plunge is triggered by higher demand set against a limited supply of foreign exchange. Following a backlash from consumers and businesses, the government on 8 January reverses its new retail trade and tax measures announced in the 2024 national budget in November 2023. Australia's Invictus Energy announces on 7 December that it has discovered Zimbabwe's first gas at its Mukuyu-2 exploration well in northern Zimbabwe.

Currency woes return as Zimbabwe dollar plunges

The **Zimbabwean** dollar has weakened by more than 40% since the beginning of the year against the **United States (US)** dollar on the parallel market as the supply of the US dollar is lower than the demand. **ZimpriceCheck**, a website that monitors official and unofficial exchange rates, reported on 8 January that the Zimbabwean dollar was trading at Z\$10,000 to the US dollar, significantly weaker than the official exchange rate of Z\$6,467.¹

The latest plunge has been blamed on limited inflows of foreign exchange due to the end of tobacco sales and a softening of global commodity prices. Further, blame has been put on the higher demand for the US dollar triggered by increased money supply after private and public sector employees were paid their annual bonuses in November and December.³ This latest slump means the local unit has fallen by 91% in the past year on the parallel market having started 2023 trading at Z\$1,000 to the US dollar.

Since readopting the use of the US dollar in 2019, authorities have been struggling to stabilise the exchange rate with more and more people now preferring to transact in foreign currency.⁵ Authorities prefer a gap of between 10% and 20% between the official and the parallel market rate, and in reaction to the latest fall in the exchange rate allowed the official rate to depreciate by 21% in the week taking the official exchange rate to Z\$8,240 per US dollar on 11 January.⁶ This official exchange rate drop means that the official rate is also about 91% down over the past year having started 2023 trading at Z\$705 per US dollar.

Authorities have also blamed the exchange-rate volatility for fuelling inflation. **Zimbabwe National Statistics Agency (ZimStat)** reported on 29 December that annual inflation increased from 21.6% in November to 26.5% in December, quickening for a second consecutive month.⁷

¹ [Bloomberg](#), 8 Jan 2024

³ [The Standard](#), 24 Dec 2024

⁵ [Newsday](#), 8 Jan 2024

⁶ [Bloomberg](#), 11 Jan 2024

⁷ [Pindula](#), 29 Dec 2023

The situation will likely get worse before it stabilises as the sources of foreign exchange earnings remain limited largely due to suppressed global commodities prices. Zimbabwe earns 80% of its forex exchange revenue from minerals, predominantly gold and platinum.⁸

A **Chamber of Mines** report late last year forecast mining companies would suffer a 20% drop in revenues in 2023 and a further decline of 10% in 2024. Gold production in Zimbabwe fell 15% in 2023, as miners struggled with rising costs, power cuts, and hostile government policies. On the other hand, due to an anticipated bigger import bill in 2024 driven by the **El Nino**-induced drought and power imports, demand for the US dollar will likely get stronger, adding more pressure on the embattled local currency in an economy that is increasingly dollarising.

Government suspends new measures on VAT and retailers

Finance minister **Mthuli Ncube** announced on 8 January that there would be a suspension on decisions regarding trading and Value Added Tax (VAT) announced in the 2024 budget in November 2023 to give time for talks with businesses after prices of basic commodities soared while supply chains were disrupted.⁹

In November, finance minister **Mthuli Ncube** announced new measures that would force retailers to order goods only from wholesalers, while excluding unregistered informal traders – the bulk of Zimbabwe’s commerce – from buying goods from manufacturers and wholesalers. In response, businesses argued this would hurt their operations, many of which depend on sales from the informal market, pointing to the exchange rate as the source of the crisis.¹¹ Official supermarkets are forced to price their goods in the overvalued Zimbabwean dollar with most retail businesses shifting to informal traders, who price their goods in US dollars and are therefore cheaper than formal retailers. However, the informal traders do not pay taxes, and Ncube's new measures were meant to formalise their business and bring them within the tax base.

In the November budget speech, Ncube also dropped VAT exemptions on some basic goods, which increased the price of basics such as bread and meat.¹² Announcing the suspension of the new measures on 8 January, Ncube said in addition to basic food items being exempted from VAT purposes, other basic commodities including meat, rice, bath and laundry soap, washing powder and toothpaste have been moved to standard rating, which means price increases should be minimal.¹³ He also allowed retailers to buy directly from manufacturers as long as they had a valid tax clearance certificate and were VAT-registered.

The tax suspension came after the treasury constituted a technical committee to gather feedback on the new tax measures from business entities under the umbrella body of the **Confederation of Zimbabwe Industries (CZI)**. Cut out from accessing international new lines of credit due to non-payment of debts, the Zimbabwe government announced a raft of measures in the 2024 budget to mobilise resources domestically from taxes and levies.

Invictus makes Zimbabwe’s maiden gas find

Australia-headquartered **Invictus Energy** announced on 7 December 2023 that four samples from the **Upper Angwa** section of its **Mukuyu-2** exploration well in northern Zimbabwe had

⁸ [Newswire](#), 11 Jan 2024

⁹ [Newsday](#), 10 Jan 2024

¹¹ [Newswire](#), 6 Jan 2024

¹² [Newsday](#), 1 Dec 2023

¹³ [Xinhua](#), 9 Jan 2024

shown the presence of gas.¹⁴ In the 1990s, the US-headquartered **ExxonMobil** abandoned a search for oil in the region after determining that there was more likely to be gas than oil. Invictus reassessed this data to help carry out its own, now successful, exploration campaign.¹⁵

The samples came from depths of up to 2.7km in the exploration well, which is being drilled to a depth of 3.4km. Invictus is sending the samples for independent assessment in the US but noted that exploration will continue at the site to locate more drilling targets in the basin.¹⁸

Exploration wells are used to ascertain the resource in the ground and once those wells give positive results, Invictus will move into what is called basin appraisal, drilling ancillary wells around the general area to upgrade the resource numbers and quantify the resource and get an indication of the quality.²⁰ This means it may be years until production starts. In **Mozambique**, gas was first discovered in 2010 but the first shipments from offshore sites only started in 2022, while **Namibia** discovered oil and gas offshore in 2022, but only expects the first production in 2030.

To develop the gas field, Invictus will also need to raise additional capital. Invictus announced on 27 December that it had raised AU\$15m (\$10.25m) through an institutional placement of new shares to fund operations at its Mukuyu 2 oil and gas drill site.²¹ The company had issued approximately 115,384,616 new shares on the **Australian Stock Exchange (ASX)** at a price of AU\$0,13(\$.088) per share that was fully paid for.

Fresh from discovering gas at its project, Invictus on 18 December signed an updated gas supply memorandum of understanding (MoU) with **Mbuyu Energy**, a Zimbabwean consortium led by Independent Power Producer (IPP) developer **Tatanga Energy** and includes existing Invictus institutional shareholder **Mangwana Opportunities Fund**, for the supply of gas to their proposed 500 MW gas to power project.²² The MoU builds on the one signed in 2019 when Invictus and local partner, **One Gas Resources**, executed a gas supply MoU with Mbuyu Energy. The 2019 MoU signed had a licence to build a 400MW solar plant for **Sable Chemicals** with **Masawara**.

Planner

Feb 2024 **Harare (Zimbabwe) Reserve Bank of Zimbabwe (RBZ) Monetary Policy Committee (MPC)** decision

5- 8 Feb **Cape Town (South Africa) Africa Mining Indaba**

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

Chronology

¹⁴ [Financial Times](#), 7 Dec 2023

¹⁵ [Bloomberg](#), 7 Dec 2023

¹⁸ [Financial Times](#), 7 Dec 2023

²⁰ [Newswire](#), 7 Dec 2023

²¹ [Newsday](#), 28 Dec 2023

²² [Newswire](#), 18 Dec 2023

12 Jan 2024 **Harare (Zimbabwe)** *Newswire*. **Jersey-headquartered Caledonia Mining** announces plans to spend \$34m to expand gold production this year in Zimbabwe, including plans to step up exploration at its newly acquired mining assets. The company produced 75,416 ounces of gold in 2023, which was 6.6% lower than the 80,775 ounces produced in 2022.

11 Jan 2024 **Harare (Zimbabwe)** *The Herald*. The **Kamativi Mine** resumes operations after 30 years, with a new focus on lithium and not tin. The mine, which targets to produce 50,000 tonnes of spodumene per annum, is jointly owned by **China-headquartered Sichuan Pude Technology** and the state-owned **Zimbabwe Mining Development Corporation (ZMDC)**;

11 Jan 2024 **Harare (Zimbabwe)** *Newsday*. Platinum miner **Karo Mining Holdings**, owned by **Cyprus-headquartered Tharisa Holdings**, plans to raise \$260m in debt capital to finance its flagship platinum project in Zimbabwe, covering 23,903 hectares located within the **Great Dyke** in the **Mashonaland West** province;

9 Jan 2024 **Harare (Zimbabwe)** *Newsday*. **Canada's Fraser Institute** ranks Zimbabwe as among the world's worst performers in terms of human freedom, with the country ranked 153 out of 165 countries on the annual **Human Freedom Index (FDI)**;

9 Jan 2024 **Harare (Zimbabwe)** *Newsday*. **United Kingdom-headquartered gold miner Metallon Corporation** resolves to end unsafe mining practices, including all small-scale mining at **Redwing Mine** following a shaft collapse last week, which resulted in 15 miners being trapped underground;

8 Jan 2024 **Harare (Zimbabwe)** *Reuters*. Official data from **Fidelity Refineries** shows Zimbabwe produced 30 metric tonnes of gold in 2023, 15% less than the previous year as electricity cuts and currency volatility impacted output;

7 Jan 2024 **Harare (Zimbabwe)** *The Standard*. Zimbabwe had recorded 15 571 **cholera** cases, and 5 841 of them were from Harare while the country has registered 280 suspected cholera deaths with 65 of them confirmed since the outbreak began later last year;

5 Jan 2023 **Harare (Zimbabwe)** *The Independent*. The **Minerals Marketing Corporation of Zimbabwe (MMCZ)** acting general manager **Nomsa Moyo** says the MMCZ is investing in new technology including drones and remote operating systems, to curb mineral leakages. Zimbabwe, according to reports, is losing up to \$1 billion in revenue from smuggling along its porous borders;

5 Jan 2023 **Harare (Zimbabwe)** *The Independent*. The landmark \$3.5 billion agreement between the government and white farmers, whose land was expropriated to resettle black families, has been rendered illegal after Zimbabwe failed to get parliamentary approval, according to a confidential **Commercial Farmers Union (CFU)** legal opinion;

31 Dec 2023 **Harare (Zimbabwe)** *BNN Breaking*. **China's Tsingshan Holdings Limited Group**, currently constructing a 1.2 million tonnes per annum iron and steel plant in Zimbabwe through its subsidiary, **Dinson Iron and Steel Company (Dinson)** announces plans to venture into lithium mining and lithium-ion batteries manufacturing with the company having secured mining claims in the **Gwanda** and **Goromonzi** districts;

25 Dec 2023 **Harare (Zimbabwe)** *Newsday*. **United Kingdom (UK)** embassy in Zimbabwe says its government has made business investment a key priority for its mission in Zimbabwe and is now seeking to employ a trade and investment adviser, signalling the thawing of frosty relations;

21 Dec 2023 **Harare (Zimbabwe)** *Newswire*. **Zimbabwe Seed Association** says the government received seed worth over \$62m from seed companies and never paid for it, leaving producers in crisis in an already tough drought-hit season. The association adds that members also owned almost half of the payments for seed supplied to the government last season;

21 Dec 2023 **Harare (Zimbabwe)** *Newswire*. The **Zambezi River Authority**, co-owned by **Zambia** and Zimbabwe and mandated with managing **Lake Kariba**, says it will allocate the countries 16 billion cubic meters of water to be shared equally in 2024, the least amount of water on record for electricity generation due to plunging levels in Lake Kariba;

20 Dec 2023 **Harare (Zimbabwe)** *Newsday*. The **International Monetary Fund (IMF)** reveals that that the **Zimbabwe National Statistics Agency (ZimStat)** is seeking to rebase the country's Gross Domestic Product (GDP) but raises concerns over the team's competencies and methodology used in determining economic data;

19 Dec 2023 **Harare (Zimbabwe)** *Business Weekly*. Authorities grant waste management firm **Geo Pomona Waste Management** a license to produce electricity at its **Pomona** dumpsite in Harare. The licence allows the company to construct, own, operate and maintain a 22 MW waste-to-energy power plant at the dumpsite;

13 Dec 2023 **Harare (Zimbabwe)** *Newsday*. **Zambian**-headquartered **United Capital Fertiliser Limited (UCF)** says it plans to invest \$700m in the supply of fertiliser and the construction of two fertiliser manufacturing plants in Zimbabwe as part of its regional expansion plans;

13 Dec 2023 **Harare (Zimbabwe)** *Reuters*. Finance minister **Mthuli Ncube** says Zimbabwe's staple maize harvest is expected to halve to 1.1 million tonnes in 2024 due to an **El Nino**-induced drought, flagging a huge grain deficit that threatens food security in poor households. The country requires approximately 1.8 million tons of maize annually for human consumption.

13 Dec 2023 **Harare (Zimbabwe)** *Bloomberg*. **World Bank** says Zimbabwe needs to spend \$4.4 billion on expanding access to electricity if it is to achieve its goal of being an upper middle-income country by 2023 with power shortages costing the country an estimated 61% of its GDP annually;

10 Dec 2023 **Harare (Zimbabwe)** *Newsday*. The **Zimbabwe National Chamber of Commerce (ZNCC)** says the country's informal economy is valued at \$42 billion amid concerns that the government is failing to tap into the sector through taxes. ZNCC's estimates are higher than those by the **Reserve Bank of Zimbabwe's** (central bank) 2022 FinScope Micro, small and medium enterprises (MSME) which valued the informal sector at \$8.6 billion.

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