

AFRICA RISK CONSULTING

Zimbabwe Briefing June 2024

Zimbabwe Summary 11 June 2024

Finance minister Mthuli Ncube says on 30 May that Zimbabwe is seeking steep reductions on its debt from creditors. Zimbabwe National Statistics Agency (ZimStat) on 29 May releases the first new-currency-denominated inflation figures since the launch of the ZiG in April. Zimbabwe now has three sets of inflation figures. Zimbabwe's sole authorised buyer of gold, Fidelity Gold Refinery (FGR), announces plans on 20 May to introduce a system that traces the supply of gold from mines to the market in a bid to stop smuggling.

Zimbabwe seeks sharp debt cuts from creditors

Finance minister **Mthuli Ncube** told delegates at the **African Development Bank (AfDB)** annual meetings in **Nairobi (Kenya)** on 30 May that the country is seeking “lots of haircuts” from creditors including removing penalties.¹ Zimbabwe’s debt at the end of December 2023 rose to \$19.2 billion. Of this amount, Zimbabwe owes external creditors \$13 billion and domestic investors \$6.2 billion. The country has been blocked from accessing new lines of credit to fund its economic recovery since it began defaulting on debt payments in 1999 with payment arrears currently amounting to approximately \$6.7 billion.²

Some of Zimbabwe’s creditors include the **World Bank**, **European Investment Bank**, AfDB and the **Paris Club**, which comprise countries such as **Germany**, **France**, the **United Kingdom (UK)**, **Japan** and the **United States (US)**. Since his election, President **Emmerson Mnangagwa** (2017-present) has been reaching out to the **West** under a re-engagement drive, seeking support not only to end sanctions and rejoin the **Commonwealth** but to have Zimbabwe’s external debts cleared so it can access new lines of credit. However, the **US**, **Commonwealth**, and **European Union (EU)**, and more importantly on the debt clearance issue, the AfDB, demanded a free and fair 2023 election as a pre-condition for any further talks.³

Zimbabwe appointed AfDB president **Akinwumi Adesina** to champion its debt restructuring talks last year but the disputed August 2023 election has slowed down progress, with the US even pulling out of negotiations in January, citing the failure to hold the required free, fair and credible elections.⁴

Further complicating prospects for Zimbabwe, the EU on 2 February renewed its restrictions on Zimbabwe dealing a major blow to Mnangagwa and his administration’s re-engagement bid.⁵ The EU measures in place consist of an embargo on arms and equipment that might be used for internal repression and a targeted asset freeze against one entity - **Zimbabwe Defence Industries**. In March, the US extended sanctions on Mnangagwa, his wife, **Auxillia Mnangagwa**, and other government officials for their alleged involvement in corruption and human rights abuses.⁶

¹ Bloomberg, 30 May 2024

² Business Weekly, 22 Apr 2024

³ The Africa Report, 18 Aug 2023

⁴ VOA, 30 Jan 2024

⁵ Newsday, 5 Feb 2024

⁶ AP News, 4 Mar 2024

Zimbabwe's debt issues are also hampering growth. The AfDB revised downwards Zimbabwe's 2024 growth projections from 3.6% to 2% in its **2024 African Economic Outlook** released on 30 May. The AfDB cites that the country's debt overhang coupled with the ongoing drought and weak global commodity prices will weigh down on the economy.⁷

AfDB analysts believe maintaining the new **ZiG** currency's exchange rate stability and eliminating the quasi-fiscal operations of the **Reserve Bank of Zimbabwe (RBZ)** (central bank) and transferring all its liabilities to the **Treasury** could underpin Zimbabwe's macroeconomic stability. Prerequisites for Zimbabwe's structural transformation is debt restructuring and clearance of arrears to create fiscal space for investment, attract foreign direct investment, and unlock access to global financing opportunities.

The AfDB added that a slowdown in global economic growth would be a major risk to the outlook, as Zimbabwe expects to adopt an **International Monetary Fund (IMF)** programme. Ncube has said the signing of an IMF staff-monitored programme will take place in October, marking the country's first programme with the lender in five years.⁸ A previous programme was abandoned in early 2020 after the IMF said that the programme had gone "*off-track*" with policy implementation from the government mixed.⁹ The IMF staff-monitored programme is key for Zimbabwe in helping it clear its debt. An IMF mission will be visiting the country between 18 and 27 June for **Article IV** consultations and negotiations on a programme.

Statistics agency releases first ZiG inflation figures

Zimbabwe National Statistics Agency (ZimStat) on 29 May released its first new currency-denominated monthly inflation data, adding a third set of inflation figures under its multi-currency system. ZimStat reports on figures measuring price increases in the US dollar, in ZiG and a weighted average measuring price increases in a blend of the US dollar and local currency. ZimStat reported the following:

- Annual inflation rose by 3.5% in US dollar terms in May, while month-on-month inflation was 0.1%, easing 0.7% from April. The increase was due to the cost of food and non-alcoholic beverages, followed by furniture and equipment.
- In ZiG, inflation was -2.4% in May 2024. This reflects the rate at which ZiG prices changed between April, when ZiG launched, and May. ZimStat said annual ZiG prices will only be measured in April next year, when ZimStat can compare with April 2024 to come up with the annual ZiG inflation figure.
- The weighted month-on-month inflation rate — which measures the combined price changes in ZiG and the US dollar — was -0.6% in May. The cost of transport was the biggest contributor to the weighted monthly inflation.¹⁰

Zimbabwe introduced the ZiG on 5 April, after inflation eroded the Zimbabwe dollar. Since then, the central bank has severely limited the ZiG's circulation, fearing that the money supply would again fuel inflation. However, this has also driven up the price of some services, such as transport, which relies on local currency for small change.

The government has been making efforts to keep the ZiG afloat since its launch in early April, with authorities launching a blitz on illegal foreign currency traders last month.¹¹ Some businesses such as supermarkets have been charging a premium above the market rate for customers paying in the new currency, while the ZiG is being rejected by informal traders.

⁷ Newswire, 31 May 2024

⁸ Bloomberg, 29 May 2024

⁹ The Herald, 5 Mar 2020

¹⁰ Newswire, 29 May 2024

¹¹ Reuters, 10 May 2024

According to the RBZ, over 80% of all transactions in the economy were now in US dollars before the introduction of the new currency.¹² This was been caused by the market's rejection of the Zimbabwe dollar and RBZ's insistence on keeping a tight rein on the money supply, including maintaining high interest rates.

Zimbabwe plans gold tracking system to curb smuggling

Zimbabwe's sole authorised buyer of gold, **Fidelity Gold Refinery's (FGR)** general manager **Peter Magaramombe** announced plans on 20 May to introduce a system that traces the supply of the metal from mines to the market in a bid to stop smuggling. The system, which is set to start on 30 September, allows for real-time monitoring of bullion weighing by the producer, its subsequent delivery to FGR and its entry into the market.¹³

Zimbabwe produced 30.1 tonnes of gold in 2023, down from a record 35.3 tonnes in 2022. Mines minister **Winston Chitando** has targeted 40 tonnes of gold this year, as the country requires more of the metal to back its ZiG currency. The ZiG is currently backed by 2.5 tonnes of gold and \$100m in foreign currency reserves. According to Chitando, mineral leakages deprive the government of much-needed revenue from taxes and royalties and more needs to be done to ensure that every ounce of gold extracted within the borders contributes to the national good. In the first four months of 2024, gold deliveries reached 8.4 tonnes, running lower than the 8.57 tonnes over the same period in 2023, with large-scale miners delivering 4.3 tonnes, up 26% from 3.4 tonnes from the same period last year.

The plans to track gold were launched after **Switzerland**-based **SWISSAID** released a report titled 'On the Trail of African Gold: Quantifying Production and Trade to Combat Illicit Flows' on 22 May. The report named Zimbabwe as one of the top five African countries reportedly smuggling gold to the **United Arab Emirates (UAE)**.¹⁴ Of the 41 countries on the continent that were observed in the report, Zimbabwe only came second to **Mali**. However, in the **Southern African Development Community (SADC)** region, statistics showed that Zimbabwe was first on undeclared gold, with **South Africa** coming second. The UAE was the biggest importer of African gold in 2022, importing 609,031kg or 47% of exports. This was followed by Switzerland, which imported 267,535kg (21%), then **India** with 162,364kg (12%), **China** with 158,871kg (12%) and a mix of others with 45,302kg (3%).

Planner

18 -27 Jun 2024 **Harare (Zimbabwe) International Monetary Fund (IMF)** mission visit for **Article IV** consultations and negotiations on staff-monitored programme.

26 Jun 2024 **Harare (Zimbabwe) Reserve Bank of Zimbabwe (RBZ) 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

¹² The Africa Report, 15 May 2024

¹³ Newswire, 21 May 2024

¹⁴ Newsday, 3 Jun 2024

Chronology

9 Jun 2024 **Harare (Zimbabwe)** *Newsday*. **Platinum** miner, **Mimosa Mining Company** puts its \$134m **North Hill** project on hold due to a challenging operational environment, characterised by declining global prices among other challenges;

7 Jun 2024 **Harare (Zimbabwe)** *VOA Zimbabwe*. President **Emmerson Mnangagwa** causes a possible diplomatic row with **Zambia** and **Malawi** after telling Russia's President **Vladimir Putin** that the **United States** is heavily financing the security sector in these two nations to isolate Zimbabwe;

6 Jun 2024 **Seoul (South Korea)** *The Herald*. President **Emmerson Mnangagwa** leaves Seoul after attending the inaugural **Korea-Africa Summit** for **Russia** to attend the **St Petersburg International Economic Forum**;

5 Jun 2024 **Harare (Zimbabwe)** *Newswire*. Jersey-based **Caledonia Mining Corporation** expects to triple its gold output in Zimbabwe to over 200,000 ounces per annum once it embarks on a \$309m project to develop **Bilboes**, the gold asset it acquired last year for \$65.7m;

4 Jun 2024 **Harare (Zimbabwe)** *The Herald*. **Bravura Zimbabwe**, owned by **Nigerian** billionaire **Benedict Peters**, plans to start production at its **Kamativi Lithium Mine** in 2025 with the manufacture of plant and equipment now complete in **South Africa**;

2 Jun 2024 **Seoul (South Korea)** *Zimeye*. Zimbabwe's President **Emmerson Mnangagwa** arrives in South Korea for the inaugural **South Korea-Africa Summit**, where he is expected to engage in high-level talks with his South Korean counterpart, **Yoon Suk Yeol**;

31 May 2024 **Harare (Zimbabwe)** *Newsday*. Mines minister **Winston Chitando** says platinum group metals (PGMs) producers will utilise excess capacity at **Zimplats** for toll treatment in a move set to grow the sector;

31 May 2024 **Harare (Zimbabwe)** *Newsday*. The **Reserve Bank of Zimbabwe (RBZ)** (central bank) governor **John Mushayavanhu** tells miners that the 25% foreign exchange earnings surrender requirement is "*here to stay*" as it remains critical to support economic transformation and development;

30 May 2024 **Harare (Zimbabwe)** *Moneyweb*. Finance minister **Mthuli Ncube** says Zimbabwe is expecting to sign an **International Monetary Fund (IMF)** staff-monitored programme by October;

30 May 2024 **Harare (Zimbabwe)** *Newsday*. **Chamber of Mines Zimbabwe (CoMZ)** president **Thomas Gono** says mineral revenues are likely to drop by 4% to \$5 billion this year due to weak commodity prices among other challenges;

29 May 2024 **Harare (Zimbabwe)** *Newswire*. **Zimbabwe Platinum Producers Association** president **Alex Mhembere** says after the toughest year on record for platinum miners the worst appears to be over with prices still low but no longer falling as they were last year;

29 May 2024 **Harare (Zimbabwe)** *Newswire*. Swiss-based **Puma Energy** opens a new storage facility that doubles its storage at **RGM International Airport**, as part of its \$30m expansion in Zimbabwe;

29 May 2024 **Livingstone (Zambia)** *Reuters*. Zimbabwe, **Zambia**, **Botswana**, **Angola** and **Namibia** – the countries hosting the largest elephant populations in the world – make a fresh pitch to be allowed to sell their \$1 billion ivory stockpiles, amid calls to pull out of an international convention on endangered species;

25 May 2024 **Harare (Zimbabwe)** *Reuters*. President **Emmerson Mnangagwa** says Zimbabwe's telecom regulator has approved the licensing of **United States**-based **Starlink**, allowing the satellite unit of **SpaceX** to operate in the country;

23 May 2024 **Harare (Zimbabwe)** *Bloomberg*. The **International Monetary Fund (IMF)** welcomes Zimbabwe's introduction of its gold-backed currency as an important step, its first substantive comment on the ZiG since it was launched in April;

23 May 2024 **Harare (Zimbabwe)** *Newsday*. State-owned resource firm, **Kuvimba Mining House (KMH)** is courting potential investment partners to establish **platinum** mining operations at its **Great Dyke Investments (GDI)** unit;

23 May 2024 **Harare (Zimbabwe)** *Newswire*. State-owned resource firm, **Kuvimba Mining House (KMH)** says investors are queueing up for access to its lithium assets, but the company does not plan to sell its mines and is instead working on structures to accommodate investors keen to develop its resources as partners;

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 indicates that more than half of Zimbabwe's population will need food aid this year following drought that has led to widespread crop failure;

13 May 2024 **Harare (Zimbabwe)** *Newswire*. **Jersey**-based **Caledonia Mining Corporation** 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.

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