ZIMBABWE

TECHNICAL ASSISTANCE REPORT—NATIONAL ACCOUNTS MISSION

December 2023

This Technical Assistance report on Zimbabwe was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed on October 2023.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

**International Monetary Fund
Washington, D.C.**

TECHNICAL ASSISTANCE REPORT

ZIMBABWE
Report on the National Accounts Mission (October 10–20, 2023)

OCTOBER 2023

Prepared By
Peter Lee

AFRITAC
South

MEMBERS
Angola, Botswana, Comoros, Eswatini, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Zambia, Zimbabwe
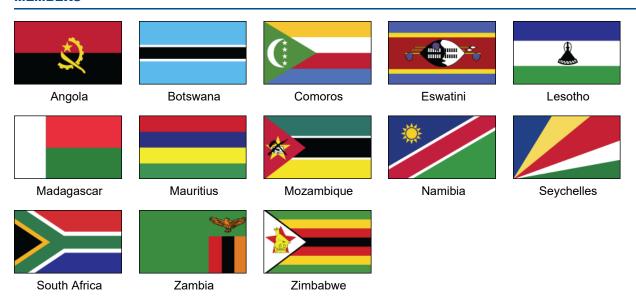
PARTNERS
European Union, SADC, COMESA, Germany, FCDO, SECO, China, Ministry of Foreign Affairs of the Netherlands, European Investment Bank, Australian Aid, and CCCDI Canada

DISCLAIMER

The contents of this document constitute technical advice provided by the staff of the International Monetary Fund to the authorities of Zimbabwe (the "CD recipient") in response to their request for technical assistance. This document (in whole or in part) or summaries thereof may be disclosed by the IMF to the IMF Executive Director for Zimbabwe, to other IMF Executive Directors and members of their staff, as well as to other agencies or instrumentalities of the CD recipient, and upon their request, to World Bank staff, and other technical assistance providers and donors with legitimate interest including members of the Steering Committee of AFRITAC South, unless the CD recipient specifically objects to such disclosure (see Staff Operational Guidance on The Dissemination of Capacity Development Information (imf.org)). Publication or Disclosure of this report (in whole or in part) to parties outside the IMF other than agencies or instrumentalities of the CD recipient, World Bank staff, other technical assistance providers and donors with legitimate interest including members of the Steering Committee of AFRITAC South shall require the explicit consent of the CD recipient and the IMF's Statistics department.

MEMBERS

Angola	Botswana	Comoros	Eswatini	Lesotho
Madagascar	Mauritius	Mozambique	Namibia	Seychelles
South Africa	Zambia	Zimbabwe		

PARTNERS

Table of Contents

Acronyms and Abbreviations

2008 SNA	*System of National Accounts 2008*
AFS	IMF's Regional Technical Assistance Center for Southern Africa - AFRITAC South
CP	Current prices
CPI	Consumer Prices Index
GDP	Gross domestic product
GVA	Gross Value Added
HBS	Household Budget Survey
IMF	International Monetary Fund
KP	Constant prices
NEC	National Economic Census
NSI	National Statistical Institute
PPI	Producer Price Index
RBZ	Reserve Bank of Zimbabwe
SUT	Supply and Use Tables
TA	Technical Assistance
VAT	Value Added Tax
ZIMRA	Zimbabwe Revenue Authority
ZIMSTAT	Zimbabwe National Statistical Agency

Summary of Mission Outcomes and Priority Recommendations

1.   A technical assistance (TA) mission was conducted during October 2023 by the IMF's Regional Technical Assistance Center for Southern Africa (AFS), to support the Zimbabwe National Statistics Agency (ZIMSTAT) in the production of national accounts statistics for macroeconomic policy making.

2.   The mission reviewed the recently produced estimates of annual gross domestic product (GDP) by the production approach (GDP(P)) for the year 2022. ZIMSTAT mainly used value-added tax (VAT) data from the Zimbabwe Revenue Authority (ZIMRA) to compile the estimates, along with a variety of other data sources and indicators (i.e., government accounts, finance data from the Reserve Bank of Zimbabwe (RBZ), and various volume indicators).

3.   ZIMSTAT had made considerable progress in cleaning the VAT turnover data. At the time of the March 2023 mission, the turnover data were showing such extreme growths that, once deflated, there was still residual inflation apparent in several industries through 2022. Whilst the focus of the March mission had been quarterly estimates, this issue would also affect the 2022 annual data. ZIMSTAT had worked closely with ZIMRA to clean the data and the issues had been resolved. During the course of the mission, the estimates were finalized, with dissemination planned for November 2023.

4.   The mission discussed plans for the rebasing of GDP. The March 2023 mission had described in detail the steps needed to rebase the accounts and, as a result, ZIMSTAT needed to rework their plan which had been overambitious. The new plans, concentrating on the National Economic Census (NEC) were discussed with the mission. They appear to be much more realistic; the new base year will be 2025 and the NEC will be in three phases (mapping, listing and data collection). The data collection phase, previously planned to be a census, will now be a sample survey (although the name NEC will still be used). The rest of the rebasing exercise still needs detailed plans to be created.

5.   The mission reviewed the new quarterly estimates covering the period 2019 quarter 1 to 2023 quarter 2. Whilst most of the issues with the VAT turnover data had been resolved, there were still some data entry errors, which had been fixed in the annual data, feeding through into the quarterly data, particularly in manufacturing. Additionally, there is one particular issue in 2021 quarter 2 where current price data are showing falls across a variety of industries at a time of high inflation—in many cases the only falls in the entire series. Further investigations will need to be carried out with ZIMRA to identify the cause. Some discontinuities in the labour market data used in some industries were investigated and resolved during the course of the mission.

6. **The following priority recommendations will improve the national accounts statistics for Zimbabwe:**

TABLE 1. Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
November 2023	Disseminate estimates of annual GDP for 2022.	ZIMSTAT
December 2023	Complete redevelopment of plans and associated timeframes for the rebasing of the national accounts.	ZIMSTAT
December 2023	Resolve remaining issues in the VAT turnover data affecting the quarterly GDP estimates.	ZIMSTAT
December 2024	Complete phase 1 of the National Economic Census and begin phase 2.	ZIMSTAT

7. **Further details on the priority recommendations and the related actions/milestones can be found in the action plan under Detailed Technical Assessment and Recommendations.**

Section I. Annual GDP Estimates

8.   The mission reviewed the data sources and methods used to produce both current (CP) and constant (KP) price estimates of GDP for 2022. In many industries, VAT turnover data from the ZIMRA were used to estimate current price output data. These industries include the majority of manufacturing, wholesale and retail, much of transport and the services industries. The KP series were calculated using a mixture of deflation (using components of the Consumer Prices Index (CPI) or the Producer Prices Index (PPI)) and volume indicators.

9.   Initially there appeared to be remaining problems with the data. Since the March mission, ZIMSTAT had moved from purely Excel to the NADABAS compilation system. At first look, there were some implausible growth rates, but this was as a result of the backdata in NADABAS being inconsistent with the published data which were not being revised. Once this was corrected the data seemed much more plausible.

10.   Significant cleaning of the VAT turnover data was performed since the previous mission. The data entry issues and resultant residual inflation previously apparent had been resolved, leading to major improvements in quality of the CP and KP estimates.

11.   Methodological improvements had been introduced to the estimates. Most notably, there were improvements to the deflation of manufacturing turnover data. Previously, the aggregate had been deflated using a broad Producer Price Index (PPI). Now the individual subsectors' data are being deflated using relevant PPI components. This gives a much more conceptually appropriate and plausible picture.

12.   Some volume indicators had been introduced where deflation was particularly challenging. In some industries, where appropriate deflators are not available (mainly some services components), the use of labor market data had been widened (it is still only used in a limited number of industries), this has also led, in advance of a rebase, to more plausible estimates.

13.   Public and administration and defense was being deflated to produce constant price estimates**.** During the mission this was changed, and a volume indicator (numbers of employees) was introduced.

14.   Implied deflators by industry were also reviewed. Where deflated current price data are being used to estimate KP, the implied deflators are as expected, those where volume indicators are used, the implied deflators are of course, not like-for-like comparisons so are more difficult to analyze. Where earnings data are used as deflators, the implied deflators show much lower growth than those using CPI or PPI components, which is consistent with the real situation, where earnings growth has not kept pace with inflation.

15.   The estimates were finalized during the mission. ZIMSTAT plan to publish these data in November 2023. The mission gave advice on dissemination, covering transparency and helpfulness to users.

Recommendation:

▪ ZIMSTAT to disseminate the 2022 annual estimates.

Section II. Rebasing of GDP and Supply and Use Tables

16.   The mission discussed with the team their plans for rebasing GDP with a base year of 2023. The last full rebase took place many years ago, with a base year of 2012. As a result, there is minimal experience of this process within the team and the plans they have developed are overly optimistic.

17.   Following the previous mission, the rebase plans had been reworked, with the base year being 2025. ZIMSTAT had developed detailed plans for the NEC, following on from work with colleagues in other National Statistics Institutes (NSIs). The plans seem to be much more realistic than previously, ZIMSTAT will need to develop similar plans for the other aspects of the rebase, as per the March 2023 mission's recommendations, including development of product and industry classifications and specification of the IT system.

18.   ZIMSTAT are carrying out a three-phase NEC. The first phase is a business mapping exercise to identify the physical location of businesses, planning to run from November 2023 to April 2024. This will be followed by phase 2, the business listing exercise to update the business register and generate the sampling frame from May to November 2024. The actual data collection and processing phase (phase 3) is planned to be completed by November 2026, although it is recognized that the work may take longer than planned.

19.   The data collection phase will be a sample survey. At the time of the March mission, it was planned that a full census would be run. Plans have now changed and the plan, subject to available resource, is for a census for large and medium size businesses with a sample for small businesses. ZIMSTAT will request further TA for developing the questionnaires.

20.   For small businesses, the data collection instrument will be a weekly diary. The plan is that this will run for twelve months, but the mission pointed out that there may be cost issues, as well as "diary-fatigue" for respondents, so this phase may be shortened. This shortening would seem to be sensible, as this could be resource intensive and running for a year may not generate significant benefits.

21.   ZIMSTAT now has a published revisions policy. This was recommended by the March mission and this has now been completed.

Recommendations:

- ZIMSTAT to develop plans for the other aspects of the rebase.
- ZIMSTAT to carry out the mapping process by April 2024.
- ZIMSTAT to complete the listing by end 2024.
- ZIMSTAT to request TA for questionnaire design.
- ZIMSTAT to develop their product and industry classifications to be used within the supply and use tables (SUT).
- ZIMSTAT to develop and test the IT system for processing the economic census as a priority.

Section III. Quarterly GDP Estimates

22.   The mission reviewed the data sources and methods used to produce both current (CP) and constant (KP) price estimates of GDP for 2019 quarter 1 to 2023 quarter 2 Broadly, the data sources are consistent with the annual data in advance of the rebase, so many of the same comments apply.

23.   Some of the cleaned VAT data seemed not to have fed through. This meant that there were some very unusual movements in manufacturing. These should be straightforward to resolve.

24.   There appears to be an issue with turnover in 2021 quarter 2. In numerous industries, including several manufacturing subsectors, arts and entertainment and transport, there appear to be quarterly declines in the turnover data. These do not seem to be part of a discernible seasonal pattern, and, in many cases, they are the only falls in the series. ZIMSTAT will investigate this issue with ZIMRA.

25.   Some labor market indicators showed discontinuities between 2019 quarter 4 and 2020 quarter 1. These were due to a change in data collection. The mission worked with the ZIMSTAT team to resolve this issue, using overlapping data and backcasting.

Recommendations:

- ZIMSTAT to correct the uncleaned turnover data.
- ZIMSTAT to investigate the 2021 quarter 2 data issue.

Section IV. Detailed Technical Assessment and Recommendations

TABLE 2. Results Based Frameworks

Priority	Action/Milestone	Target Completion Date	October 2023 Progress
Outcome: Methodological basis for the statistics follows internationally accepted standards, guidelines, or good practices.			
H	Resolve issues with VAT data in advance of 2022 annual publication.	August 2023	Complete
H	Estimate annual 2022 GDP and revise 2019–2021 estimates in light of updated VAT data.	September 2023	Estimates completed; dissemination due in November 2023.
H	Develop plan for rebasing the national accounts	December 2023	NEC planned; remainder outstanding.
H	Undertake HBS for 2023/24	September 2024	Now scheduled for data collection to be completed by November 2024.
H	Carry out business mapping exercise.	April 2024	Mappers to be trained.
H	Carry out business listing exercise.	December 2024	
H	Carry out NEC.	November 2026	
H	Carry out rebase of national accounts, with 2023 as new base year.	December 2028	Outstanding. Decision made to change base year to 2025.
M	Produce supply and use tables alongside rebase.	December 2028	Outstanding.

A. OFFICIALS MET DURING THE MISSION

Name	Institution
Gumbo Tapiwa	Manager, National Accounts, ZIMSTAT
Chirongwe Grown	Manager, Finance and Balance of Payments, ZIMSTAT
Thomas Chikadaya	Manager, Prices Statistics ZIMSTAT
Chiguma Kuda	Manager, Industrial Statistics, ZIMSTAT
Nyamakwenje Sylvia	ZIMSTAT
Chigombe Justice	ZIMSTAT
Mususa Michael	ZIMSTAT
Hlangani Linos G	ZIMSTAT
Chinho Kudakwashe	ZIMSTAT
Connick Audrey	ZIMSTAT
Mudzviti Talent	ZIMSTAT
Bhanya Collins T	ZIMSTAT
Makanda Dzikisai	ZIMSTAT
Derere Tanaka	ZIMSTAT
Mugura Vimbai	ZIMSTAT
Chare Chipo	ZIMSTAT
Hove Michael	ZIMSTAT
Nyamande James	ZIMSTAT
Bere-Ndagurwa Brillient	ZIMSTAT
Mhari Tavonga	ZIMSTAT
Boterere Loveness	ZIMSTAT
Zinyuku Charles	ZIMSTAT
Hambayi Naison	ZIMSTAT
Mhari Tavonga	ZIMSTAT
Kafansiyanji Fitinonasi	ZIMSTAT
Nyabunze Admire	ZIMSTAT