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## **Zimbabwe: Recent Economic Developments, Selected Issues, and Statistical Appendix**

This Recent Economic Developments, Selected Issues, and Statistical Appendix report on Zimbabwe was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of Zimbabwe or the Executive Board of the IMF. The policy of publication of staff reports and other documents by the IMF allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

ZIMBABWE

**Recent Economic Developments,  
Selected Issues, and Statistical Appendix**

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November 27, 2000

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**Zimbabwe: Selected Social and Demographic Indicators 1/**

Area	Population	Density
390,800 sq. km.	11,900 thousand (1999)	29.91 per sq. km.
<b>Population characteristics</b>		
Population growth rate (percent; 1999)	1.8	
Life expectancy at birth (years)	50.9	
Infant mortality rate (per thousand)	72.7	
Total fertility rate (births per woman)	3.7	
Urban population (percent of total)	33.9	
<b>GNP per capita (1999)</b> US\$520		
<b>Access to safe water</b>		
Percent of population	77.0	
Urban	99.0	
Rural	64.0	
<b>Labor statistics (in thousands, unless otherwise indicated)</b>		
Labor force	...	
<i>Of which:</i> agriculture (1998, in percent)	26.5	
Formal employment (1998)	1,345.9	
<i>Of which:</i> public sector (October 2000)	194.5	
<i>Of which:</i> defence	35.7	
<b>Health</b>		
Population per physician (1998)	7,811.0	
Public health expenditure (1999; percent of GDP)	9.2	
HIV incidence (percent of population, age 15-49; 1999)	25.0	
<b>Education</b>		
Adult literacy rate (percent)	87.0	
Primary school enrollment rate (percent of school-age group)	93.0	
<b>Poverty indicators (latest year)</b>		
Poorest 40 percent	...	
Share of income	...	
Per adult equivalent consumption	...	

Sources: Zimbabwean authorities; World Bank, *World Development Indicators, 2000*; and staff estimates.

1/ Data refer to 1998, unless otherwise indicated.

## I. ECONOMIC PERFORMANCE IN 1999-2000

### A. Overview

1. Zimbabwe launched a promising economic reform program in 1991 that was instrumental in liberalizing and briefly stabilizing the economy, but the momentum of adjustment was not sustained. As a result, per capita income contracted by an annual average of 1.4 percent during the decade. Faced with serious pressures on the currency in late 1997, spawned by large and abrupt increases in war veteran benefits and uncertainties on the direction of land reform, the government formulated an adjustment program supported by the June 1998 Stand-By Arrangement. Performance under the program was mixed, owing in part to a sharp worsening in the external environment, weaknesses in parastatal finances arising from delays in tariff adjustments, and the ripple effects on the financial system of a bank failure. Investor confidence was also jolted by the imposition of price controls on maize meal, continuing uncertainties about the direction of land reform, and the government's intervention in the Democratic Republic of Congo (DRC) conflict from August 1998 onward. A new attempt at economic adjustment and reform under the aegis of a successor 14-month Stand-By Arrangement approved in August 1999 also turned out to be short-lived. The policy drift was aggravated in 2000 by new and unsustainable public spending commitments, election-related tensions, and output disruptions associated with the fast-track land resettlement program launched in June.

2. In sum, the combination of wavering domestic policies, governance problems, and costly deployment of troops to support the DRC government has seriously affected economic performance and investor confidence since the early 1990s. Moreover, exogenous shocks, including intermittent droughts, terms of trade losses, and the fallout from the emerging markets financial crisis in the late 1990s also played a part. By late 2000, the country was in the midst of a serious economic crisis and was saddled with a sizable stock of public debt and external payments arrears, while usable foreign reserves had dwindled and inflation was on an upward trend.

### B. Output and Prices

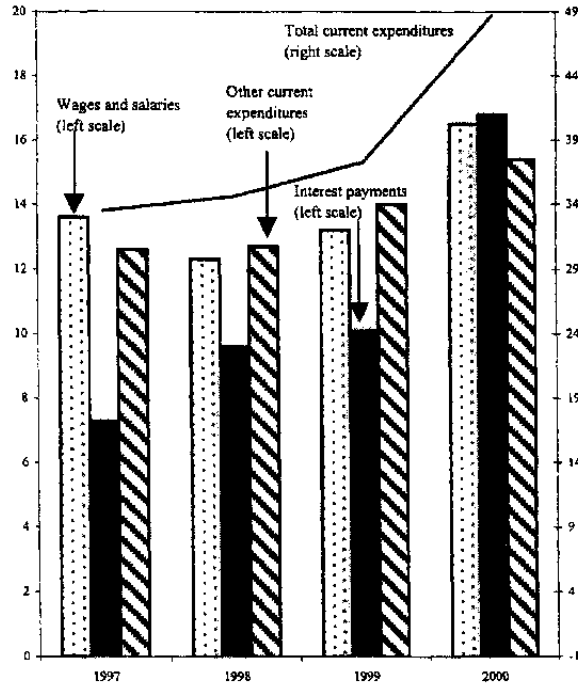
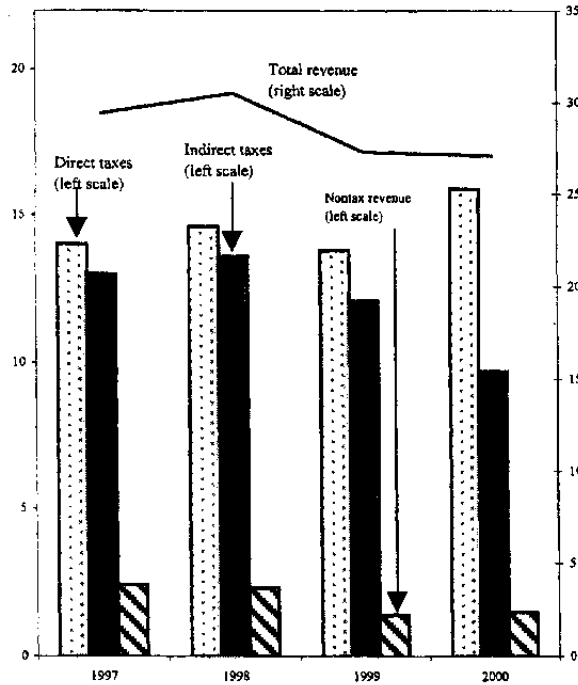
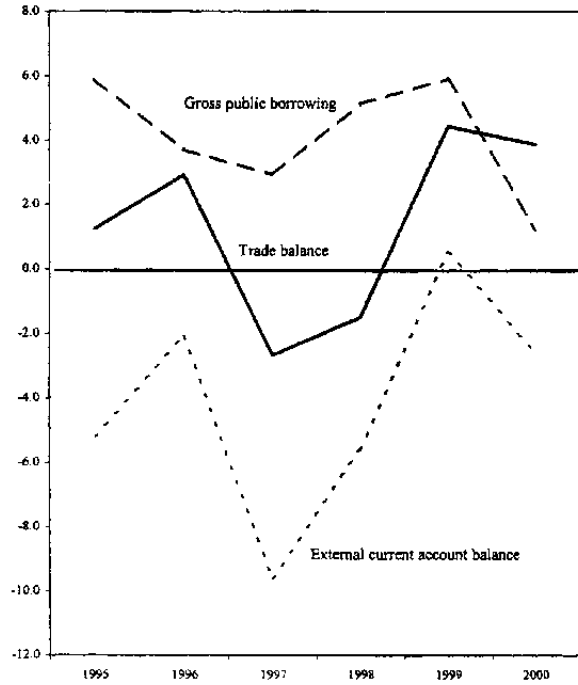
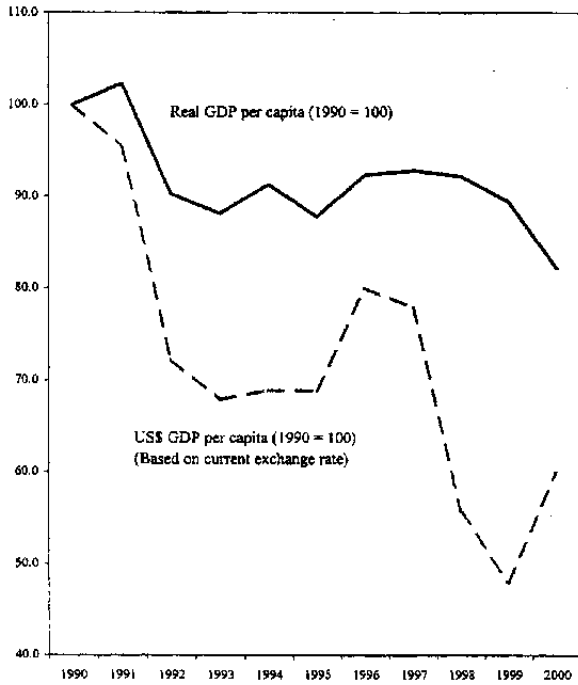
3. Agriculture, mining, and tourism account for the bulk of output, employment, and foreign exchange earnings in Zimbabwe (Table 1 and Figures 1, 2, and 3). Real GDP was flat in 1999, as gains in farming activities (especially maize, wheat, horticulture, and livestock) and in tourism were offset by: (a) a 7 percent drop in manufacturing output owing to a gradual erosion of earlier competitiveness gains; (b) the crowding out of the private sector by a rising fiscal deficit; and, (c) shortages of imported inputs stemming from depletion of usable foreign exchange reserves. Preliminary results for 2000 suggest that activity has weakened further, as some of the problems mentioned above have been aggravated, crops and infrastructure have been damaged by Cyclone Eline, and the rural sector has been buffeted by land invasions and dislocations caused by the accelerated land resettlement program. During the first seven months of the year, manufacturing output fell by 11 percent from the same period a year ago and mining production by 14 percent; also, a number of

Table 1. Zimbabwe: Selected Economic Indicators, 1995-2000

	1995	1996	1997	1998	1999	2000 Projection
<b>GDP</b>						
Nominal GDP (in billions of Zimbabwe dollars)	61.8	84.8	99.7	135.7	214.2	329.7
Nominal GDP (in billions of U.S. dollars)	7.1	8.5	8.4	6.3	5.6	7.2
Real GDP (market prices; percentage change)	-0.6	8.7	3.7	2.5	-0.2	-5.5
Real per capita GDP (percentage change)	-4.0	5.4	0.6	-0.7	-3.1	-8.3
<b>Savings and investment (in percent of GDP)</b>						
Gross national savings (excluding grants)	17.2	12.4	4.0	9.3	10.5	1.7
Gross investment	22.4	14.5	13.6	14.9	10.0	4.3
<b>Prices and interest rates (in percent)</b>						
Consumer Price Index (CPI) inflation (annual average)	22.6	21.7	18.9	31.5	58.2	60.4
CPI inflation (end of period)	25.8	16.4	20.1	46.6	56.9	85.9
GDP deflator (market prices)	10.3	26.6	16.1	29.8	58.2	62.9
91-day treasury bills (annualized yield)	28.0	24.5	31.4	35.0	74.0	87.4
<b>Central government budget (in percent of GDP; calendar-year basis)</b>						
Revenue	...	...	29.4	30.5	27.3	27.1
Expenditure and net lending	...	...	38.2	35.1	38.8	49.9
Of which: interest on central government debt	...	...	7.3	9.6	10.1	16.8
Overall balance, excluding grants and arrears	...	...	-8.8	-4.6	-11.5	-22.8
Primary balance, excluding grants	...	...	-1.5	5.0	-1.4	-6.0
Domestic financing (incl. privatization)	7.7	4.6	7.5	5.4	11.5	20.3
External financing (including grants and arrears)	1.4	1.5	1.3	-0.8	-0.1	2.5
<b>Total public debt (in percent of GDP; end of period)</b>						
Domestic debt	...	...	...	86.1	97.4	90.4
External debt	51.0	43.2	42.5	57.5	67.1	53.8
<b>Money and credit (percentage change; end of period)</b>						
Broad money (M3)	22.7	27.7	34.9	14.1	29.8	70.1
Domestic credit	29.0	36.2	42.7	22.6	17.1	67.9
Credit to the private sector	29.4	49.1	35.6	27.5	10.5	50.9
<b>External trade (percentage change)</b>						
Export volume	0.8	5.9	0.1	-11.3	3.9	-11.4
Import volume	12.4	8.8	23.3	-15.5	-18.9	-17.1
Terms of trade	6.0	9.6	1.2	-0.6	-6.6	-7.5
<b>Balance of payments (in billions of U.S. dollars, unless otherwise indicated)</b>						
Exports	2.22	2.50	2.42	1.93	1.92	1.80
Imports	-2.13	-2.25	-2.65	-2.02	-1.68	-1.52
Current account balance (excluding official transfers)	-0.37	-0.18	-0.83	-0.36	0.03	-0.19
(in percent of GDP)	-5.2	-2.1	-9.6	-5.6	0.5	-2.6
Overall balance	0.26	-0.04	-0.74	-0.21	0.21	-0.51
<b>External debt and arrears (including private debt)</b>						
Total external debt (in percent of GDP; end of period)	75	61	58	71	82	62
Debt service (in percent of exports of goods and services)	19	17	17	33	22	29
Total external arrears (in percent of GDP; end of period)	...	...	...	...	1.9	9.1

Sources: Zimbabwean authorities; and staff estimates and projections.

Figure 1. Zimbabwe: Selected Indicators, 1990-2000  
(In percent of GDP, unless otherwise indicated)



Sources: Zimbabwean authorities; and staff estimates and projections.



Figure 2. Zimbabwe: Macroeconomic Indicators, 1995-2000

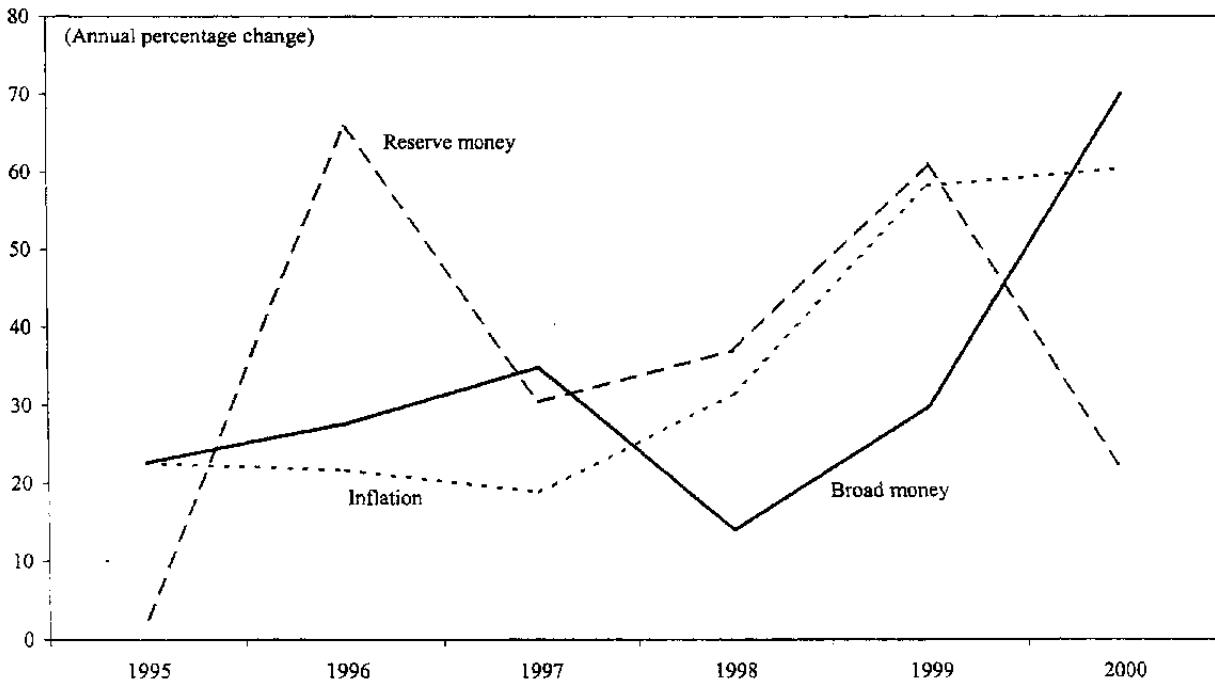
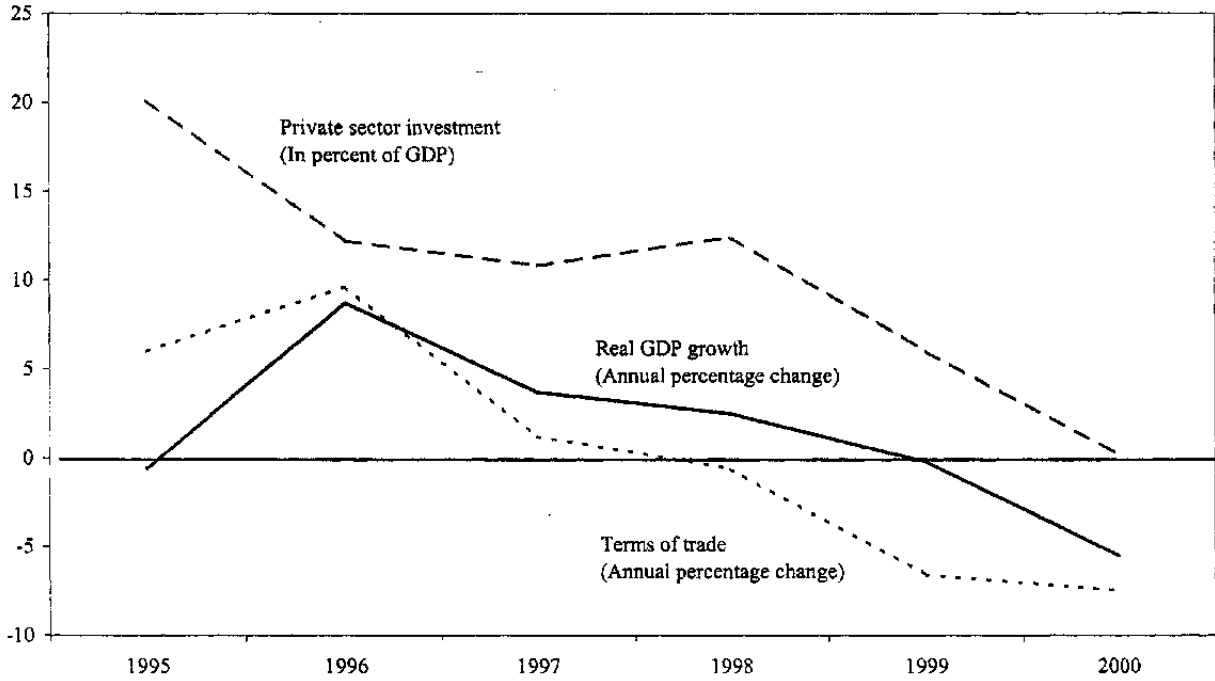
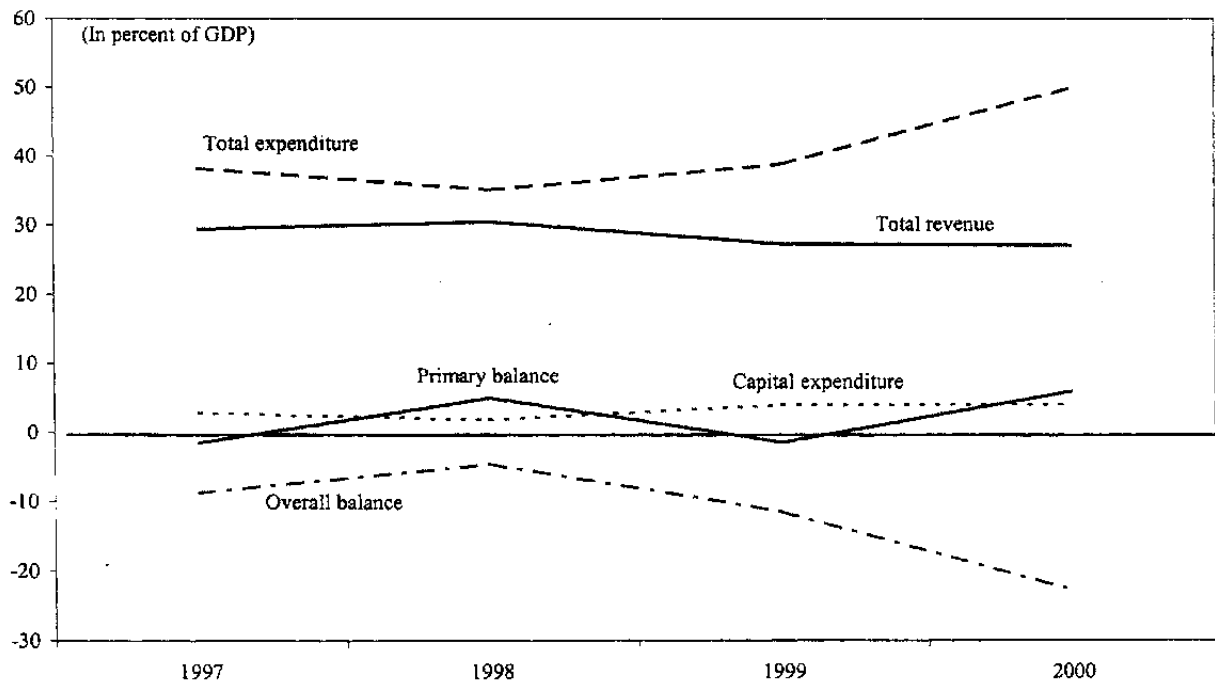
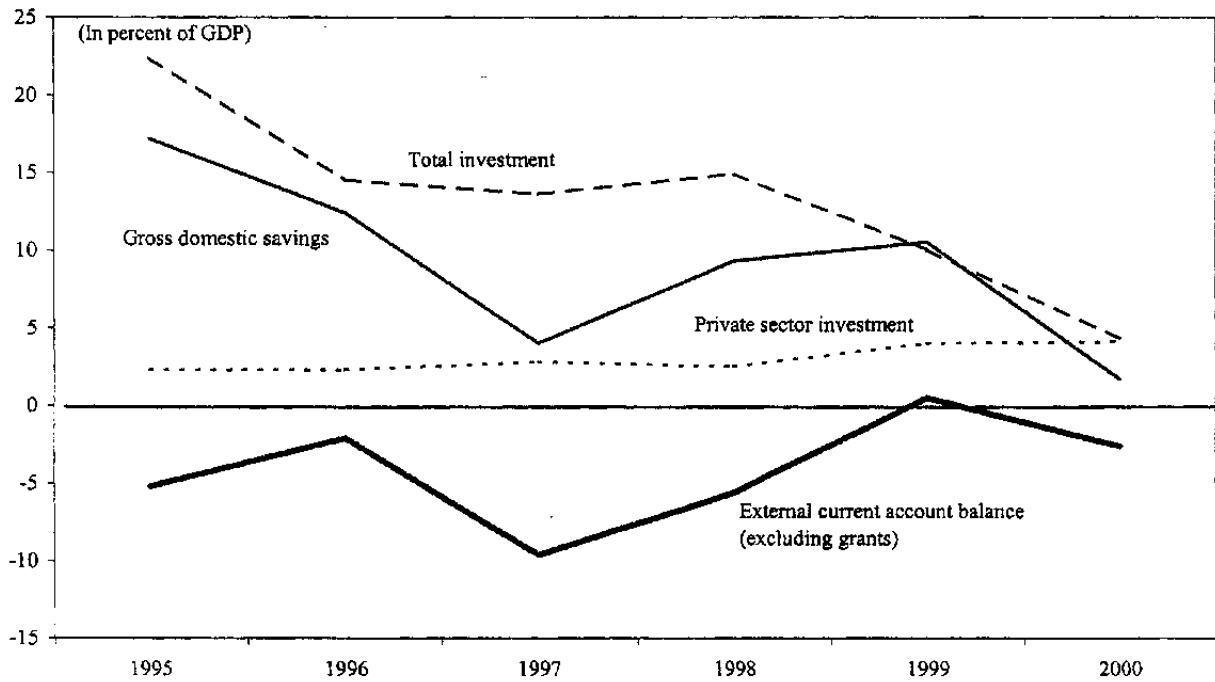
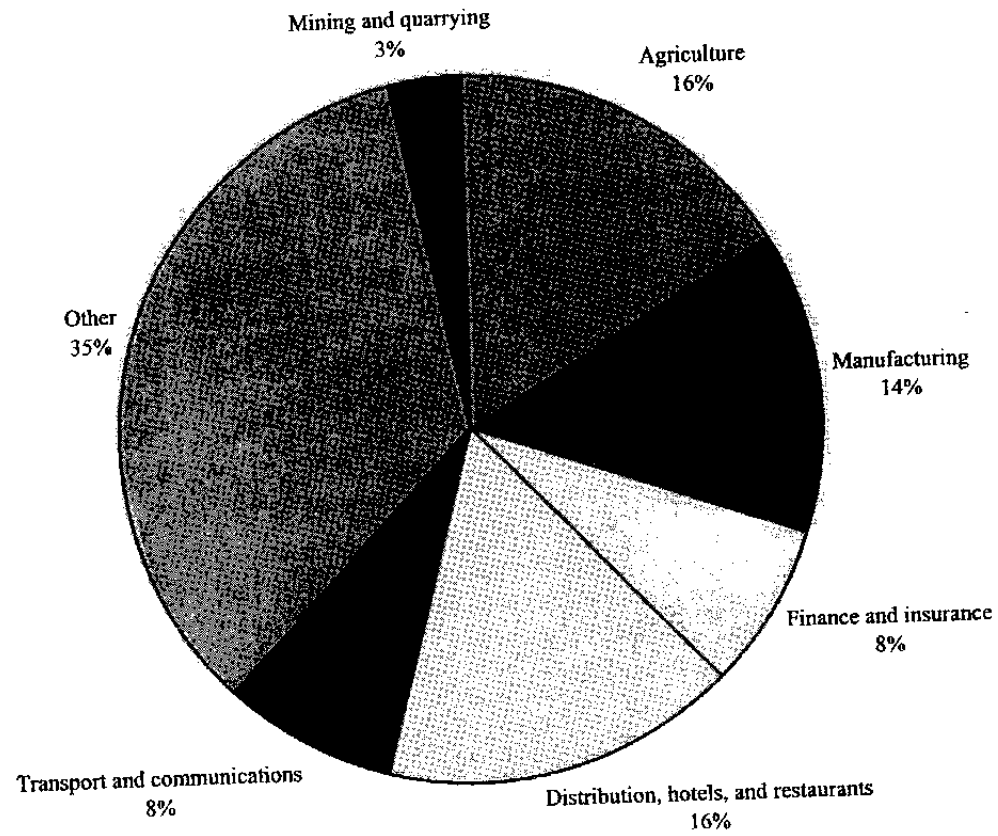


Figure 2. Zimbabwe: Macroeconomic Indicators, 1995-2000 (concluded)



Sources: Zimbabwean authorities; and staff estimates and projections.

Figure 3. Zimbabwe: Sectoral Contribution to GDP, 1999



Source: Zimbabwean authorities.

foreign airlines discontinued service to Zimbabwe, and tourist arrivals were down by 60 percent. As a consequence, thousands of rural and urban workers have been laid off and many firms have shortened the workweek.

4. Inflation, which had averaged 21 percent in 1995-97, gathered momentum in 1998 and peaked at 70 percent during the year ended October 1999, as a result of the relaxation of macroeconomic policies and the related 71 percent cumulative depreciation of the currency in 1997-98. Inflation began easing in response to a tightening of liquidity by the Reserve Bank of Zimbabwe (RBZ) in mid-1999 (see subsection D), bottoming out at 49 percent in February 2000. However, price pressures were rekindled by an easing of monetary policy in August 2000, as well as by mounting fiscal imbalances, sizable adjustments in the exchange rate and public utility prices, and supply bottlenecks. As a consequence, inflation reached 61 percent during the year ended October 2000.

### C. Fiscal Policy

5. The public finances improved in 1998 as a result of measures adopted under the Fund-supported program, with a narrowing government deficit more than offsetting a widening of parastatal losses arising from a lag in tariff adjustments. The fiscal correction, however, was not sustained in 1999 as the government deficit before grants rose to 11.5 percent of GDP, versus the 5.3 percent target under the Fund-supported program (Table 2). The deviation reflected a shortfall in tax collections sparked by the downturn in activity and the accumulation of tax arrears by the state oil company NOCZIM, as well as by sizable expenditure overruns.<sup>1</sup> The spending pressures arose from unbudgeted wage increases, a rise in defense spending related to troop deployment in the DRC, and a surge in domestic interest payments driven by the government's mounting domestic borrowing requirement. Parastatal losses, by contrast, narrowed from 5 percent of GDP in 1998 to 3 percent in 1999 because of periodic adjustments in utility prices.

6. Fiscal performance in 2000 has again deviated sharply from the original official target (a deficit of 3.8 percent of GDP). The deficit stood at 18 percent of GDP at an annualized rate during the first nine months of the year, and in September parliament passed a supplementary budget authorizing additional outlays that would raise the deficit to about 23 percent of GDP for the year. In that case, the government's primary deficit would widen to 6 percent of GDP. The fiscal slippages stemmed in part from a 60-90 percent increase in public wages (versus 30 percent in the original budget), which is projected to raise the wage bill to 16.5 percent of GDP—a level that is very high by comparable international standards (Figure 4). Sizable overruns have also been observed in defense and domestic interest outlays. The combination of rising fiscal deficits and dwindling foreign financing has raised

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<sup>1</sup> The primary balance of the government (i.e., the overall balance excluding interest payments) shifted from a surplus of 5 percent of GDP in 1998 to a deficit of 1.4 percent in 1999.

Table 2. Zimbabwe: Central Government Operations, 1998-2000  
(In percent of GDP)

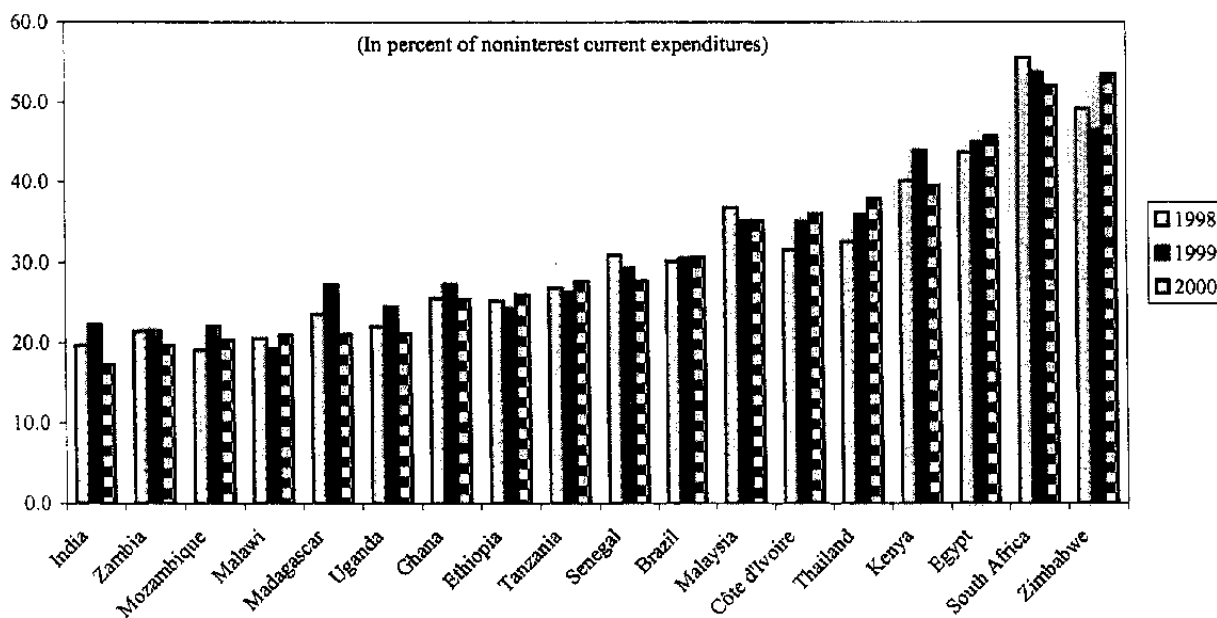
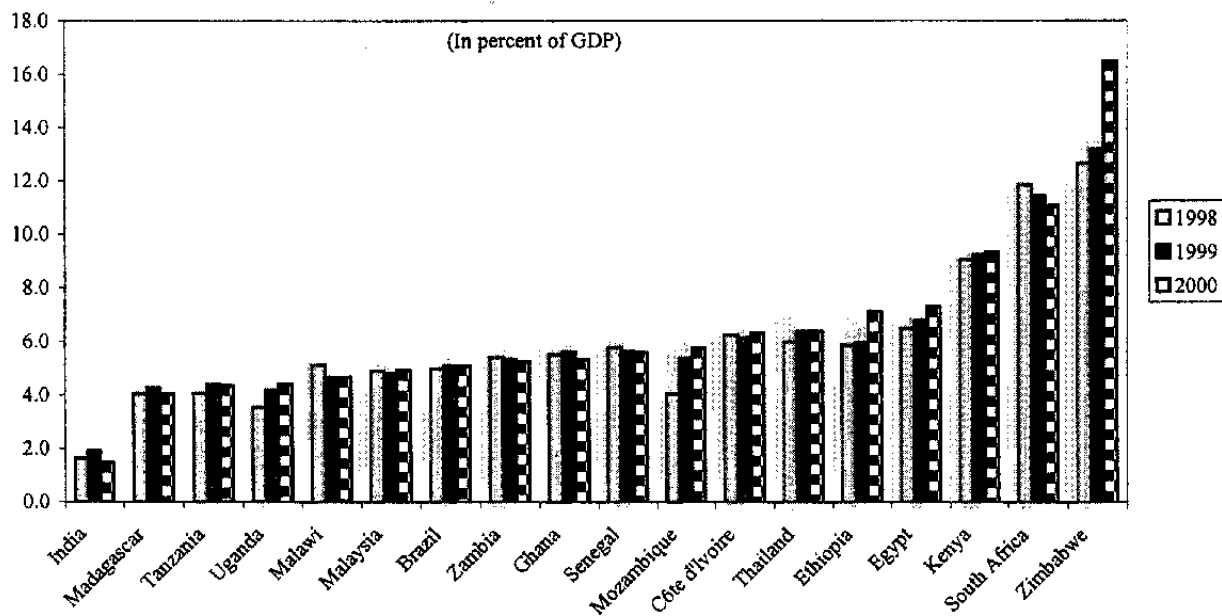
	1998	1999	2000	
			Budget	Proj.
Total revenue	30.5	27.3	29.0	27.1
Tax revenue	28.2	25.9	27.5	25.6
Domestic taxes	23.1	22.0	21.9	22.9
Customs duties	5.1	4.0	5.6	2.7
Nontax revenue	2.3	1.4	1.5	1.5
Total expenditure and net lending	35.1	38.8	32.8	49.9
Current expenditure on goods and services	17.4	19.0	16.7	22.1
<i>Of which:</i> wages and salaries	12.3	13.2	11.3	16.5
Interest payments	9.6	10.1	9.4	16.8
<i>Of which:</i> domestic	8.0	8.4	7.7	15.5
Subsidies and transfers	5.8	4.2	4.1	5.7
Capital expenditure	1.8	4.0	2.7	4.1
Net lending	0.5	1.5	0.0	1.2
Budget balance, excl. grants (commitment basis) 1/	-4.6	-11.5	-3.8	-22.8
<i>Of which:</i> primary balance	5.0	-1.4	5.5	-6.0
<i>Of which:</i> operational balance 2/	2.4	-3.9	...	-8.7
Grants	1.7	1.0	1.0	3.8
Foreign financing (net, including arrears)	-2.5	-1.1	-0.6	-1.3
Domestic financing (net)	5.4	11.5	3.5	20.3
<i>Of which:</i> privatization	...	...	0.5	3.9
Memorandum items:				
Health outlays	3.9	2.9	2.1	2.8
Education outlays	11.9	8.0	7.4	9.8
Military expenditure	...	3.4	3.0	4.6

Sources: Zimbabwean authorities; and staff estimates and projections.

1/ Commitments with respect to foreign interest payments.

2/ Operational balance equals overall balance minus the inflation component of interest payments on domestic debt.

Figure 4. Government Wage Bill of Selected Countries, 1998-2000 1/



Sources: World Economic Outlook (WEO) database; and staff estimates and projections.

1/ Shares for 2000 are projections.

the government's domestic debt (including advances from the RBZ) from 19.5 percent of GDP at end-1998 to an estimated 29.3 percent of GDP as of end-September 2000; these factors led to the accumulation of some US\$500 million in public sector external payments arrears as of end-September, of which US\$204 million were owed by the central government.

7. Government revenues, at 27½ percent of GDP (including nontax revenues) in 1999, are relatively high by the standards of Sub-Saharan Africa (an average of 22 percent of GDP), especially taking into account the large number of tax exemptions and tax credits (Statistical Appendix Table 47). Direct taxes accounted for 85 percent of total revenues in 1999, and marginal tax rates are still high, despite a reduction in the top income tax rates since 1991 from 60 percent to 40 percent for corporate income taxes and from 50 percent to 35 percent for personal income taxes. Among indirect taxes, the main contribution comes from sales and excise taxes. In recent years, the coverage of goods and services subject to sales taxes has been reduced, while the tax rate has been gradually raised to 15 percent for most items (25 percent for luxury goods). The tobacco levy was halved to 5 percent in October 1999 and will be reduced to 3 percent from January 1, 2001 onward. The tax system also includes a number of earmarked levies, especially an AIDS levy channeled to the extrabudgetary National AIDS Fund, and a levy on petroleum derivatives ranging from 11 percent to 16 percent; the petroleum levy is assigned to a sinking fund for the retirement of domestic bonds issued by NOCZIM.

#### **D. Financial Sector**

8. The growth of monetary aggregates accelerated sharply during the first half of 1999, fanned by the government's rapidly rising domestic borrowing requirement. To dampen monetary expansion, in July 1999 the RBZ doubled the statutory reserve requirement of deposit money banks to 30 percent and required banks to meet this requirement on a daily instead of a period-average basis. The RBZ also widened the margin between its benchmark bank rate and the effective treasury bill rate by 5 percentage points to forestall treasury bill purchases financed by RBZ credit. In the event, broad money growth slowed to 30 percent by year's end from a peak of 54 percent in July, and domestic interest rates surged (Figure 5). Moreover, the crowding out of the private sector intensified as access to foreign lines of credit was curtailed, while the year-end stock of banking system credit to the private sector shrank by 30 percent in real terms, compared with a 13 percent real contraction in 1998 (Table 3).

9. The rapid widening of the fiscal deficit has severely hampered the conduct of monetary policy in 2000. Moreover, in August the RBZ eased liquidity conditions by (a) allowing banks to channel part of their statutory reserves to subsidized export credits,

Table 3. Zimbabwe: Monetary Survey, 1997-2000

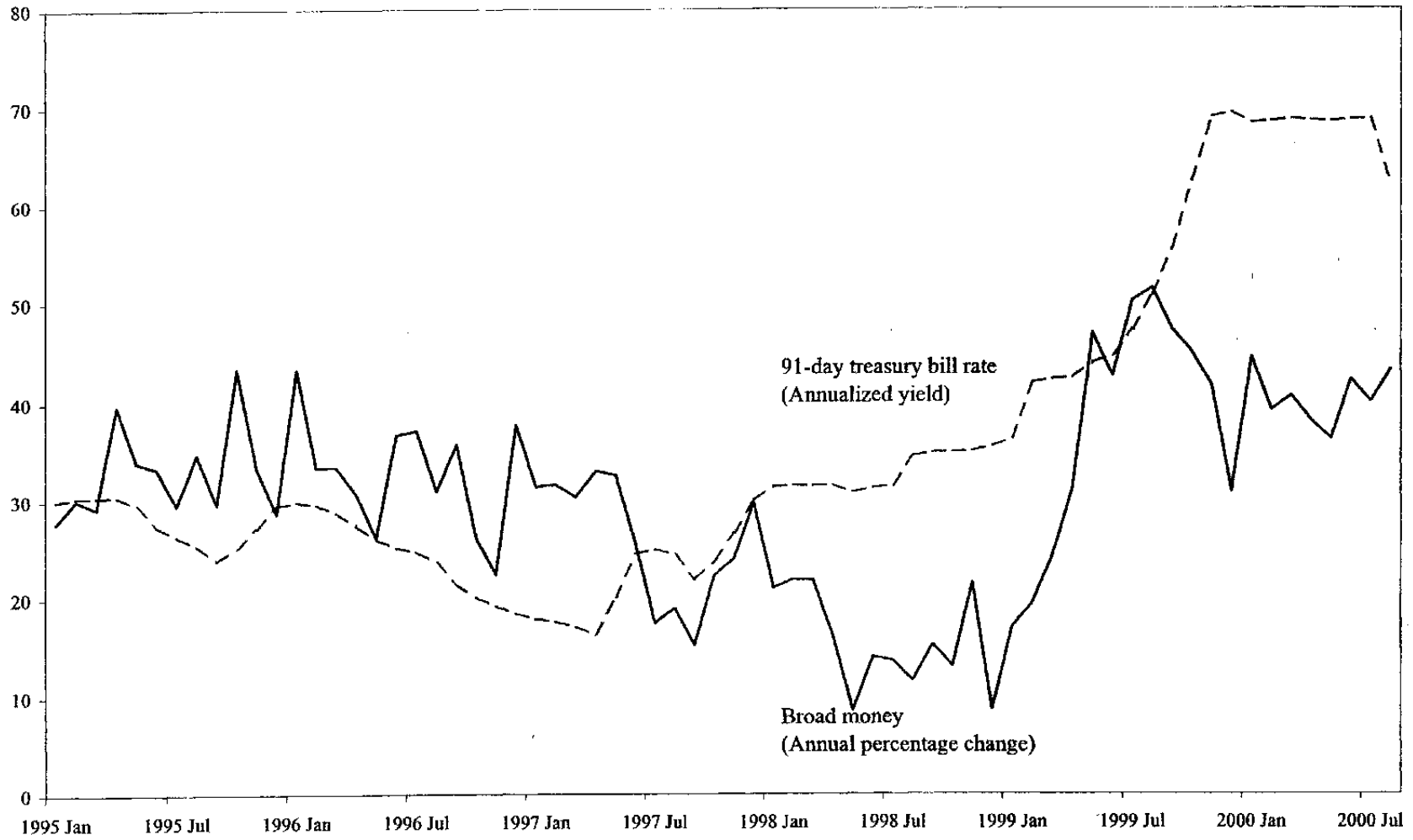
	1997	1998	1999		2000
	Dec.	Dec.	Dec.	Act.	Dec.
			Prog.	Act.	Proj.
	(Annual percentage change)				
<b>Monetary authorities</b>					
Net foreign assets of Reserve Bank 1/	-276.7	175.0	-5.4	-37.3	35.7
Net domestic assets of Reserve Bank 1/	552.7	100.5	0.4	-1.0	27.2
Credit to government (net)	-706.0	4.0	-32.2	-45.5	243.4
Credit to nonfinancial public enterprises	17.5	258.5	-0.3	-3.1	101.5
Credit to private sector	8.8	325.0	48.8	54.3	-9.5
Other items (net)	265.9	140.9	-8.5	-7.4	-8.1
Reserve money	30.5	37.1	10.0	60.9	21.5
Currency outside banks	45.0	25.6	16.9	61.4	88.5
Nonbank deposits	76.2	381.1	-64.0	13.5	-62.9
Other banking institution reserves	51.6	38.8	-7.1	25.4	7.7
Deposit money bank reserves	19.5	43.2	8.7	64.6	-21.5
<b>Monetary survey</b>					
Net foreign assets	557.7	115.6	11.6	-44.3	28.9
Net domestic assets	60.9	34.8	10.5	5.6	63.0
Domestic credit	42.7	22.6	12.7	17.1	67.9
Claims on government (net)	72.2	1.7	-44.5	36.8	127.7
Claims on nonfinancial public enterprises	17.8	82.5	-2.1	34.4	10.6
Claims on private sector	35.6	27.5	30.0	10.5	50.9
Other items (net)	-101.6	9,536.5	-11.3	-108.1	758.2
Broad money (M3)	34.9	14.1	9.7	29.8	70.1
Currency	45.0	25.6	16.9	61.4	88.5
Deposits	34.2	13.2	9.1	27.3	68.2
<b>Monetary authorities</b>					
	(In percent of lagged reserve money)				
Net foreign assets of Reserve Bank 1/	-174.2	-149.2	9.2	63.8	-23.7
Net domestic assets of Reserve Bank 1/	204.7	186.2	1.0	-2.7	45.3
Of which: credit to government (net)	130.9	3.4	-21.0	-29.7	53.9
Reserve money	30.5	37.1	10.0	60.9	21.5
Of which: currency outside banks	17.1	10.8	6.5	23.7	34.2
<b>Monetary survey</b>					
	(In percent of lagged broad money)				
Net foreign assets	-29.3	-29.6	-5.6	21.4	-6.0
Net domestic assets	64.1	43.7	15.6	8.4	76.1
Domestic credit	50.7	28.3	17.2	23.1	82.5
Claims on government (net)	18.2	0.6	-12.7	10.5	38.5
Claims on nonfinancial public enterprises	0.8	3.1	-0.1	2.1	0.7
Claims on private sector	31.7	24.6	30.0	10.5	43.4
Other items (net)	13.5	15.4	-1.5	-14.7	-6.4
Broad money (M3)	34.9	14.1	9.7	29.8	70.1
Currency	2.9	1.8	1.3	4.6	8.3
Deposits	32.0	12.3	8.5	25.2	61.8
<b>Memorandum items:</b>					
	(In units indicated)				
Private sector credit growth (real; percent)	12.9	-13.0	0.2	-29.6	-18.8
Velocity (GDP/period average M3)	2.3	2.6	...	3.3	3.5

Sources: Zimbabwean authorities; and staff estimates and projections.

1/ Reserve Bank of Zimbabwe's net foreign assets and net domestic assets have been adjusted for memorandum of deposits.



Figure 5. Zimbabwe: Monetary Indicators, January 1995 - August 2000



Source: Zimbabwean authorities.

thereby effectively halving the mandatory reserve requirement,<sup>2</sup> and (b) capping its benchmark bank rate at 2-2.5 percentage points above the most recent 12-month rate of consumer price inflation, and treasury bill yields at 1 percentage point below the bank rate. Broad money, which grew by 30 percent in 1999, increased by 49 percent in the year ended September 2000.

10. Since the beginning of 1999, the authorities have introduced important pieces of legislation in the area of bank operations and supervision:

- The Reserve Bank Act, which came into effect in August 1999, strengthened the RBZ's ability to supervise banks and deal with problem institutions, especially by allowing the RBZ to conduct on-site inspections (the authority to grant or revoke bank licenses is still vested in the Registrar of Banks, under the jurisdiction of the Ministry of Finance). However, the act neither grants independence to the RBZ to conduct monetary policy nor establishes the pursuit of price stability or any other single policy objective as its overriding goal.
- The Commercial Bank Act, which became effective in August 2000, strengthened the RBZ's regulatory role, allowed it to put troubled banks under curatorship to prevent contagion, and required banks to strengthen their operations and management. In this connection, auditors were directed to report to the RBZ any irregularities detected during the periodic bank audits. The act also provides for the establishment of a deposit insurance scheme, the modalities of which are still under consideration.

11. In August 1999, the RBZ doubled minimum capital requirements for financial institutions,<sup>3</sup> and in September 2000 it issued directives to strengthen its regulatory capacity, especially by clarifying its powers in the case of bank intervention or liquidation and introducing more stringent reporting requirements for banks. Despite these initiatives, the share of nonperforming loans in the total portfolio of commercial banks rose from 14 percent at end-1999 to 21 percent in September 2000, owing to the generalized deterioration in the solvency and liquidity of borrowers resulting from the contraction of economic activity and crowding out of the private sector mentioned above. A recent MAE technical assistance

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<sup>2</sup> Under the new export credit facility, commercial banks were allowed to channel half of their mandatory reserve balances into highly subsidized export credits at an annual interest rate of 30 percent. As of end-September 2000, the outstanding stock of these credits was equivalent to 39 percent of reserve money.

<sup>3</sup> The new minimum requirements are Z\$100 million (about US\$1.8 million) for commercial banks; Z\$60 million (about US\$1.1 million) for merchant banks and finance houses; Z\$50 million (about US\$0.9 million) for building societies; and Z\$40 million (about US\$0.7 million) for discount houses. These minimum requirements are bound to erode quickly in the current inflationary environment unless they are adjusted periodically.

mission found that banks do not fully comply with all the 25 Basel Core Principles. In particular, the RBZ has yet to introduce consolidated supervision of banks. Guidelines to deal with troubled banks have been drafted and await finalization by the Minister of Finance.

### **E. External Sector**

12. After a sharp depreciation of the currency in late 1998, sparked by the fallout from the emerging market crisis and domestic confidence problems, the authorities fixed the exchange rate at Z\$38 per U.S. dollar from January 1999 onward under an informal agreement between the RBZ and the Commercial Bankers' Association. Against the backdrop of lax macroeconomic policies, rising investor skepticism, depressed commodity prices, and a shortfall in external financing, the balance of payments came under increasing pressure and usable official reserves dwindled.<sup>4</sup> As a consequence, mounting scarcities of essential imports emerged—with crippling effects on economic activity—and considerable external payments arrears accumulated. In these circumstances, an unavoidable compression of imports turned the external current account into a small surplus in 1999 from a deficit of 5½ percent of GDP in 1998 (Table 4).

13. Balance of payments pressures have intensified in the course of 2000 in the wake of a further weakening in macroeconomic policies; confidence problems and disruptions in farming activities related to a turbulent electoral campaign and the launching of a rapid land resettlement program; and the continued erosion of competitiveness during the first half of the year (Figure 6). These factors, together with a drop in export volumes and a sizable terms of trade loss, are expected to shift the current account into a deficit of 2½ percent of GDP for the year. The stock of external payments arrears rose to an estimated US\$530 million as of end-October, including arrears to the World Bank, the African Development Bank, and the European Investment Bank, which have prompted suspension of their loan disbursements.

14. In early August, the RBZ announced a 24 percent step devaluation and introduced a crawling peg with a band of 5 percent of each side of the central parity, as well as periodic devaluations based on inflation differentials with trading partners. Despite subsequent adjustments, which have led to a 31 percent cumulative depreciation vis-à-vis the U.S. dollar in the year to mid-November, the currency is still significantly overvalued (see Section 2 of this paper), and the private sector's access to foreign exchange for import or service payments has remained highly restricted.

15. The level and dispersion of customs duties have been reduced gradually since 1991, despite the imposition of emergency surcharges in 1998 in response to balance of payments pressures. The new tariff structure that came into effect on September 1, 2000 reduced tariff

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<sup>4</sup> The official series on gross RBZ reserves includes a sizable amount of pledged assets; the staff estimates that, as of end-1999, usable reserves were down to less than US\$50 million, or less than one week of imports of goods and services.

Table 4. Zimbabwe: Balance of Payments, 1997 - 2000

(In millions of U.S. dollars, unless otherwise indicated)

	1997	1998	1999 Est.	2000 Proj.
Current account (excluding official transfers)	-823	-355	27	-185
Trade balance	-230	-95	249	276
Exports, f.o.b.	2,424	1,925	1,924	1,801
Imports, f.o.b.	-2,654	-2,020	-1,675	-1,525
Nonfactor services	-314	-40	21	-62
Receipts	659	630	621	380
Payments	-973	-670	-600	-442
Investment income	-405	-348	-358	-445
Interest (net)	-147	-147	-143	-196
Other	-258	-201	-215	-250
Private transfers	126	128	115	46
Capital account (including official transfers)	84	150	179	-323
Official transfers	85	77	101	33
Direct investment	107	436	50	16
Portfolio investment	32	11	21	-30
Long-term capital (net)	10	-269	34	-255
Disbursements	350	406	382	109
Amortization	-340	-675	-348	-364
Short-term capital and errors and omissions	-150	-105	-27	-88
Overall balance	-739	-205	205	-509
Financing	739	205	-205	509
Net foreign assets (- increase)	739	205	-314	18
Gross official reserves (- increase)	559	-20	-180	193
Net use of Fund resources	-27	5	-27	-72
Drawings	0	53	35	0
Repayments	-27	-48	-62	-72
Other short-term liabilities (net)	208	220	-107	-103
Arrears accumulation (+ increase)	0	0	109	491
Memorandum items:				
Gross official reserves 1/	259	229	288	193
In months of imports of goods and services	0.9	1.0	1.5	1.2
Usable reserve assets (staff calculation)	119	55	47	15
In months of imports of goods and services	0.4	0.2	0.2	0.1
As a share of short-term debt (in percent) 2/	8.4	5.4	4.6	1.9
Current account balance (percent of GDP)	-9.6	-5.6	0.5	-2.6
Export value growth (merchandise goods; annual percentage change)	-3	-21	0	-6
Import value growth (merchandise goods; annual percentage change)	18	-24	-17	-9
Debt-service ratio (in percent of goods and services) 3/	17.0	33.2	21.9	28.6
Stock of outstanding external payments arrears	0	0	109	600
Of which: owed by government	0	0	28	246
Of which: owed by parastatals	0	0	81	219

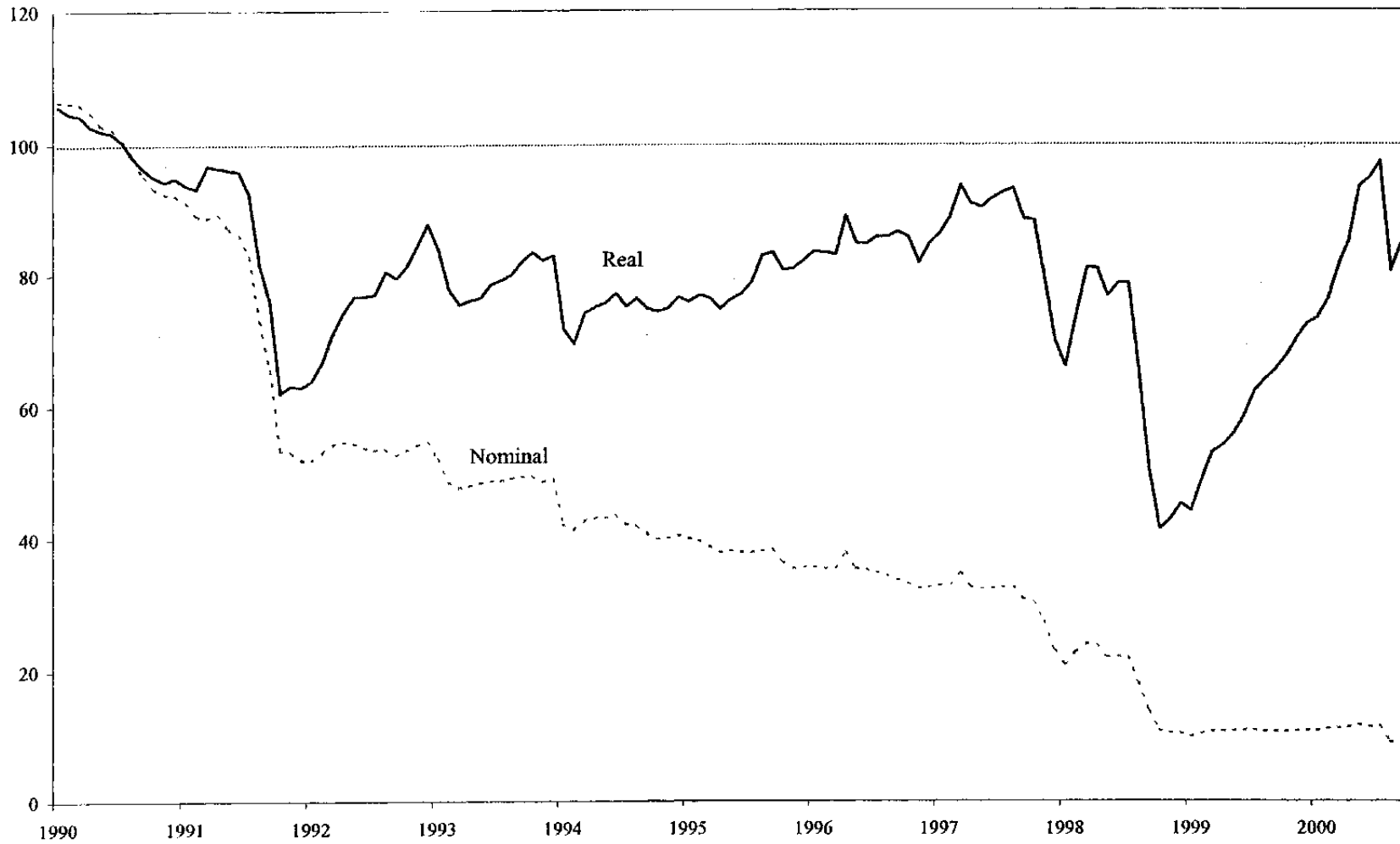
Sources: Zimbabwean authorities; and staff estimates and projections.

1/ Gross reserves reported by the Reserve Bank of Zimbabwe includes substantial amounts of pledged and illiquid assets.

2/ Short-term debt includes medium- and long-term amortization due within 12 months.

3/ Debt service (principal and interest) to exports of goods and services.

Figure 6. Zimbabwe: Effective Exchange Rates, January 1990 - September 2000  
(Period average, 1990 = 100)



Source: IMF, Information Notice System.

lines from 7,080 to 5,900 items, the maximum tariff rate from 100 percent to 70 percent, and the unweighted average tariff including surcharges from 39 percent to 36 percent. However, due to pervasive customs duties exemptions, the actual (collected) average tariff was only about 13 percent in 1999-2000 (Box 1). There are also a number of nontariff barriers, particularly to protect agriculture and mining. Zimbabwe participates in the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), and it is engaged in discussions on a bilateral trade arrangement with South Africa (Box 2).

### **Box 1. Recent Developments in the Trade Regime**

The new tariff structure, introduced in September 2000 reduced the number of tariff lines from 7,080 to 5,900 items and the maximum tariff rate from 100 percent to 70 percent. Customs duties now average 29 percent for the agricultural sector and 20 percent for manufacturing. Under the new regime, nominal rates of protection cascade as follows:

- zero rate on capital goods not produced locally (otherwise the rate is 5 percent);
- 5 percent on raw materials not produced locally (otherwise 10 percent);
- 10 percent for partly processed intermediate goods (25 percent when there is local production);
- 40-70 percent for final goods, as well as a 15 percent duty surcharge on items subject to a tariff rate above 40 percent.

Nontariff import barriers are moderate and largely confined to agriculture and mining. There are no permanent import bans or quotas in place, but seasonal import restrictions apply to certain agricultural goods.

There are no export taxes at present. However, Zimbabwe still retains a system of permits and export monopolies for certain agricultural exports. The Grain Marketing Board has the monopoly for exports of maize, and the RBZ is the sole exporter of gold.

### **Box 2. Regional Trade Integration**

The SADC Trade Protocol of August 1996 seeks to establish a free trade area (FTA) within eight years after its inception, while gradually dismantling tariffs and non-tariff barriers during the transition. A phased liberalization toward the FTA goal was launched on September 1, 2000, entailing immediate elimination of tariffs for Category A goods, gradual liberalization for Category B goods (converging to an FTA by 2008), and a slower progression toward an FTA by 2012 for Category C items. Certain "sensitive" agricultural, agro-industrial, and manufacturing products are subject to a separate, slower schedule for reciprocal tariff concessions. The September 2000 initiative also included modifications to rules of origin and establishment of a special regime for sugar trade and of dispute settlement procedures. These amendments to the original protocol required passage of specific national legislation by the September 2000 deadline, which Zimbabwe has yet to fulfill. All member states are expected to enforce the reciprocal tariff reductions by March 1, 2001.

SADC members are categorized as developed (South Africa and the other participants in the Southern African Customs Union (SACU)), developing (Mauritius and Zimbabwe), and least-developed countries (Malawi, Mozambique, Tanzania, and Zambia). Developed countries will front-load the bulk of the tariff reductions while the schedule will be slower for developing members, and even more so for the least-developed ones.

COMESA was founded in November 1993, and its members have agreed to introduce an FTA from October 31, 2000, which is to be followed by the establishment of a customs union by 2004 with four common external tariff rates (zero, 5 percent, 15 percent, and 30 percent). The administrative requirements for the FTA are relatively simple, and Zimbabwe has agreed to participate immediately.

The **Regional Integration Facilitation Forum (RIFF)**, previously known as the Cross-Border Initiative, comprises a common policy framework for trade liberalization and investment facilitation among the 14 participating countries in Eastern and Southern Africa and the Indian Ocean, is supported by four cosponsors: the Fund, the World Bank, the European Union, and the African Development Bank. Zimbabwe continues to lag behind some of the RIFF's original targets (such as the liberalization in maximum and average tariff rates), although the implementation of the SADC and COMESA programs mentioned above is also aligned with the RIFF's broad goals.

Discussions on a **bilateral trade agreement between Zimbabwe and South Africa** have been ongoing since 1997, and both countries have already agreed to lift quotas on the important trade in textiles, clothing, and agricultural goods. Further discussions are taking place within the broader context of the SADC protocol and South Africa's ongoing negotiations on a free trade agreement with the EU.

## II. EXTERNAL COMPETITIVENESS IN ZIMBABWE<sup>5</sup>

16. From January 1999 to July 2000, Zimbabwe maintained a fixed exchange rate at the rate of Z\$38 per U.S. dollar. On August 1, 2000, the authorities devalued the currency by 24 percent in foreign currency terms to Z\$50 per U.S. dollar. The exchange rate has since been adjusted periodically in line with the inflation differentials between Zimbabwe and its trading partners, but not sufficiently to restore competitiveness and clear the foreign exchange market.

17. At the time the exchange rate was fixed, the authorities often argued, based on purchasing power parity considerations, that the exchange rate was not overvalued.<sup>6</sup> (Throughout the 1990s, the real effective exchange rate hovered around 80 percent of its 1990 value, and that level is often referred to in internal debates within Zimbabwe.) This paper seeks to examine the empirical evidence on this issue and whether the Zimbabwe dollar is still overvalued. These issues are also related to the literature on currency crisis (Kaminsky et al., 1998) and to the contention that chronic exchange rate misalignments are often associated with sluggish long-term economic growth.

18. The paper examines the macroeconomic determinants of Zimbabwe's equilibrium real exchange rate (ERER) using a VAR (vector autoregression approach) time-series modeling approach. Based on the estimated ERER path, it derives time-series estimates of currency overvaluation/misalignment and argues that the real exchange remains significantly overvalued, compared with the estimated underlying equilibrium path. The paper also examines the relative contribution of various macroeconomic factors to the overvaluation and concludes that a lax fiscal policy has been the dominant factor. This finding is consistent with first-generation models of currency crises, which posit that loose fiscal and monetary policies (weak fundamentals) lead to exchange rate overvaluation and potentially to a currency crisis.

19. The rest of the paper is organized as follows. Subsection A describes the economic background leading to the decision to peg the exchange rate in January 1999, as well as subsequent developments; Subsection B reviews the literature on macroeconomic modeling of the ERER; and Subsection C presents and discusses the results of the estimated ERER. Section D summarizes and gives concluding remarks.

### A. Summary of Historical Background and Exchange Rate Management

20. Zimbabwe's exchange system was largely liberalized in the early 1990s. However, not until the second half of 1994 was a market-determined exchange rate formally adopted, even though the Reserve Bank of Zimbabwe (RBZ) continued to intervene whenever the

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<sup>5</sup> Prepared by Lamin Leigh (PDR).

<sup>6</sup> See Subsection B on the literature that reviews the shortcomings involved in judging currency overvaluation by the PPP approach.



exchange rate fell out of the specified band. In addition to exchange rate reforms, in June 1993 the authorities introduced residential foreign currency accounts (FCAs) for companies and individuals. In January 1994, exchange control regulations were substantially relaxed, with increases in allowances for business and holiday travel, education, and health care, and foreign exchange bureaus were allowed to operate. In July 1994, exchange controls were further relaxed, and exporters were allowed to retain 100 percent of their export earnings.

21. In February 1995, Zimbabwe accepted the obligations of Article VIII, Sections 2 and 3 of the Fund's Articles of Agreement. Subsequently, as the exchange rate came under pressure in 1997, the RBZ issued directives in an effort to stabilize the foreign exchange market. The combination of loose monetary and fiscal policies and confidence problems weakened the balance of payments and sparked a sharp depreciation of the currency at the end of 1997. The currency remained under pressure in 1998, as the outbreak of the crisis in emerging markets and lingering domestic policy weaknesses prompted heavy RBZ intervention, resulting in the virtual depletion of usable foreign exchange reserves. Dissatisfaction with the sharp devaluation and its effects on domestic prices led the authorities to peg the exchange rate from January 1999 to July 2000, as mentioned above.

#### **B. Brief Overview of the Literature**

22. The literature on the determination of the EREER for developing countries is vast.<sup>7</sup> Modeling and empirically estimating the EREER are fraught with difficulties, given the data limitations, but these exercises generally aim at determining the level of the real exchange rate consistent with both external equilibrium (sustainable current account) and internal equilibrium (in terms of goods and labor markets).

23. One standard and traditionally used method of assessing currency overvaluation is the purchasing power parity (PPP) approach. This approach posits that there is an underlying tendency for movements in the nominal exchange rate to offset inflation differentials with a country's trading partners, such that deviations from the EREER will be transitory.<sup>8</sup> In the most restrictive version of PPP, the EREER is assumed constant, which means that there are no effects of nonsystematic transitory shocks on the economy. In practice, these effects are eliminated by identifying a base period in which such shocks are believed to have been negligible on the basis of independent evidence; this base period then corresponds to the EREER. A common problem in selecting an appropriate base year is that, because of policy shortcomings and external constraints, the years in which exogenous variables were deemed

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<sup>7</sup> An excellent survey of the literature is available in Hinkle and Montiel (1999), Chap. 1.

<sup>8</sup> The econometric implication is that the REER should a priori be a stationary series. The nonstationarity of the REER for Zimbabwe suggests the weakness of the restrictive form of the PPP approach. The nonstationarity of the REER signals that real disturbances and changing fundamentals may be at work.

to be at sustainable levels are not always those in which policy variables were at desirable levels. Thus, the choice of a base year in the PPP approach calls for subjective judgments. Furthermore, sticky prices and strong frictions in goods markets due to transport and information costs can result in exchange rate movements without a corresponding immediate response in most goods prices, thereby causing deviations from PPP. Moreover, real exchange rate movements can stem from real shocks, which may often represent fundamental shifts in the relative prices that are compatible with international equilibrium. Another factor that can change the relative prices of tradables and nontradables is technical progress, or, more specifically, productivity differentials. This is the Balassa-Samuelson effect, which, stripped to its bare essentials, posits that countries with faster productivity growth than their trading partners will experience a secularly appreciating equilibrium real exchange rate.

24. To summarize, the restrictive version of the PPP provides a fixed, steady state condition. Misalignment is a more useful operational concept when it is treated in a dynamic rather than in a static framework. Accordingly, the more recent literature has taken the general equilibrium, or “fundamentals” approach, to determine the long-run EREER. The work of Edwards (1989 and 1994) was the path-breaking effort for estimating such an EREER model for developing countries. Subsequently, Elbadawi (1994) developed a modified version of Edwards’s model that required a smaller set of fundamentals and, using this framework, estimated the EREER for Chile, Ghana, and India. Alberola and others (1999) calculated bilateral equilibrium exchange rates for a panel of European Economic and Monetary Union (EMU) currencies in a way that guaranteed global consistency. The methodology has three parts: (a) a theoretical model that encompasses the balance of payments and the Balassa-Samuelson approaches to real exchange rate determination; (b) an unobserved components decomposition in a co-integration framework that identifies a time-varying EREER; and, (c) and an algebraic transformation that extracts bilateral equilibrium nominal rates. The results revealed that, by the start of Stage III of the EMU, the euro was significantly undervalued against the U.S. dollar and the pound sterling, but overvalued against the Japanese yen. More recently, Chinn and Prasad (2000) used a macroeconomics balance approach to investigate empirically the medium-term determinants of current accounts for industrial and developing countries. This analysis was based on a structural approach that highlighted the roles of the fundamental macroeconomics determinants of savings and investment. This paper essentially follows these “fundamentals-based” models of the EREER, but with slight modifications, given the data limitations for Zimbabwe.

### **C. The Basic Real Exchange Rate Modeling Framework**

25. This Subsection first describes the basic theoretical apparatus and the econometric estimation technique employed in this paper, and then discusses the empirical results of the EREER for Zimbabwe.

### Theoretical framework

26. The specification of our structural model of the ERER is summarized in equation (1) below:

$$\log (REER)_t = \alpha_0 + \alpha_1 \log (FUND)_t + \mu_t \quad (1)$$

where *REER* is the real effective exchange rate based on the consumer price index (CPI) and *FUND* is the vector of fundamental variables determining the ERER. Equation (2) below describes the vector of fundamentals:

$$FUND_t = f (TOT_t, TFPROD_t, FISCAL_t, (R_f - R_d)_t, NFA_t) \quad (2)$$

where *TOT* is the external terms of trade, defined as the ratio of the world price of Zimbabwe's exports to the world price of its imports, *TFPROD* is total factor productivity,<sup>9</sup> *FISCAL* is the fiscal deficit-GDP ratio,<sup>10</sup>  $(R_f - R_d)$  is the domestic-foreign real interest rate differential,  $R_d$  is the treasury bill rate and  $R_f$  is proxied by the London interbank offered rate (LIBOR rate),<sup>11</sup> and *NFA* is the stock of RBZ net foreign assets. Our basic model assumes that the ERER is determined by the terms of trade, fiscal stance, asset pricing influences, and developments in the net foreign assets. In particular, this model argues that the ERER is influenced by the level of reserves, the extent of capital flows via uncovered interest parity conditions, the sustainability of fiscal policy, and the economy's susceptibility to terms of trade shocks, which are all important considerations in the choice of an exchange rate regime.

27. An improvement in the terms of trade will have a positive impact on the current account and lead to an appreciation of the ERER.<sup>12</sup> As described above, the Balassa-Samuelson effect predicts a tendency for countries with higher productivity in tradables than in nontradables to have higher relative price levels, leading to an appreciation of the ERER. Under a flexible exchange rate regime, an increase in the fiscal deficit relative to the monetary base in the previous period will increase domestic demand for nontradables and lead to an appreciation of the ERER. Fiscal sustainability is important for the survival of a fixed-rate system. High public debt (particularly short-term) reduces fiscal policy flexibility

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<sup>9</sup> Zimbabwe does not have data on aggregate total factor productivity (TFP), so we constructed a TFP index based on labor productivity series in manufacturing and employment in manufacturing.

<sup>10</sup> Fiscal deficit is proxied by the fiscal balance (total revenue less total expenditure/nominal GDP). Another variable or indicator of the fiscal stance is the ratio of the government debt to nominal GDP.

<sup>11</sup> Real interest rates were derived as follows: the domestic treasury bill rate was deflated by the Zimbabwe CPI, while the LIBOR was deflated by the U.S. CPI.

<sup>12</sup> This assumes that the income effect of terms of trade changes dominates the substitution effect, as in Edwards, (1994).

and increases the risk of a balance of payments crisis and recourse to the monetarization of fiscal deficits. It also makes the defense of a peg more costly, risking speculative attacks that can become self-fulfilling. Regarding capital mobility, it is assumed in the model that an increase in the long-term differential between real domestic and foreign interest rates leads to a depreciation of the ERER.<sup>13</sup> On the relationship between net foreign assets and the ERER, the model assumes that a sustainable balance of payments position is one that reflects a current account balance financed by the desired or sustainable rate of capital flows. In turn, a sustainable capital account position is based on the underlying determinants of net foreign assets equilibrium. The underlying movements in the current and capital accounts should reflect changes in net foreign assets and determine movements in the ERER.

28. Stripped to its bare essentials, our model is theory consistent, in that the level of reserves, the extent of international capital mobility, fiscal sustainability, susceptibility to terms of trade shocks, and changes in TFP are all important considerations that govern the path of the ERER. The model also has the virtue of combining demand- and supply-side factors to determine the ERER for Zimbabwe.

29. This paper uses the multivariate maximum likelihood estimation (MLE) co-integration technique proposed by Johansen and Juselius (1990) to estimate the ERER. This technique does not assume a unique equilibrium relationship between data variables, and it can handle multiple co-integrating equilibrium relationships in the data-generation process. The vector autoregression (VAR) version of our theoretical model, which is specified in equation (3) in Appendix I, will form the basis of the co-integration equilibrium analysis of the ERER.

30. Four econometric steps are essential to derive estimates of misalignment from a single-equation approach. They are (a) identification of the stationarity status of our data variables; (b) identification of the determinants of the ERER via co-integration; (c) determination of the equilibrium values of the variables, and (d) analysis of the dynamic properties of the misalignment gap with reference to the behavior relative to the ERER.

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<sup>13</sup> A priori, the effect of changes in the domestic/foreign real interest rate differential on the ERER is indeterminate. A higher domestic real interest rate vis-à-vis world real interest rates would induce capital flows that reduce the country's net creditor position over time, and in the long run lead to a loss of net interest receipts that would, in turn, require a real depreciation. In the short run, the capital flows may lead to a real appreciation. However, the opposite result is possible with alternative assumptions about the determination of domestic interest rates.

31. The movements of our raw monthly data variables are presented in Figures 7 and 8.<sup>14</sup>

### Empirical results

32. On the basis of the theoretical model of the ERER and the econometric methodology described above, this subsection describes the unit roots tests results, the co-integration analysis of our estimated VAR model, and the estimated ERER. It then presents and discusses estimates of the overvaluation/misalignment of the RER based on our estimated ERER.<sup>15</sup>

33. Appendix Table 6 reports the results of the first empirical step, namely testing for the stationarity (unit roots) of the data variables. In identifying the order of integration of each data variable, two unit roots tests were applied. In general, both unit roots tests indicate that all the data variables are nonstationary (that is, integrated of order 1). However, both the augmented Dickey-Fuller (ADF) test and the co-integrating Durbin-Watson (CRDW) tests show that the data variables are stationary if specified in first differences. The real exchange rate, terms of trade, fiscal, foreign-domestic interest rate differentials, TFP, net foreign assets, and exports are all I(1) series.<sup>16</sup> Since the data are based on monthly series, we also tested for seasonal nonstationarity. The results in Appendix Table 6 confirm that the data series are all seasonally stationary.

34. Having established the stationarity of the data variables, and in order to establish the equilibrium ERER, we proceeded to test for co-integration in our exchange rate model. Following Johansen and Juselius (1990), a VAR with a constant, a trend, and a full set of seasonal dummies were estimated. The results of the co-integration analysis (reported in Appendix Table 7) suggest there is one cointegrating vector that is significant at the 1 percent level, and one that is significant at the 5 percent level. The first co-integrating vector is presented by the first line of the eigenmatrix  $\beta'$ . This ERER equation accords with the expected theoretical priors. It indicates that the ERER for Zimbabwe is mainly influenced by terms of trade shocks, fiscal imbalances, the foreign-domestic real interest rate differential,

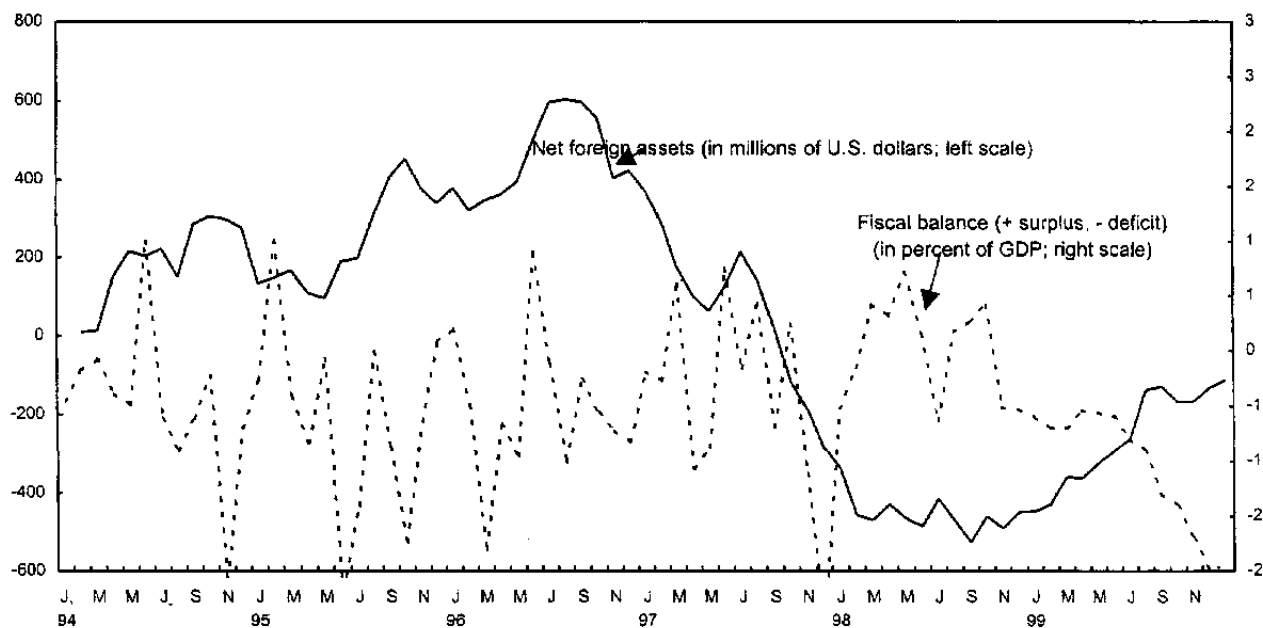
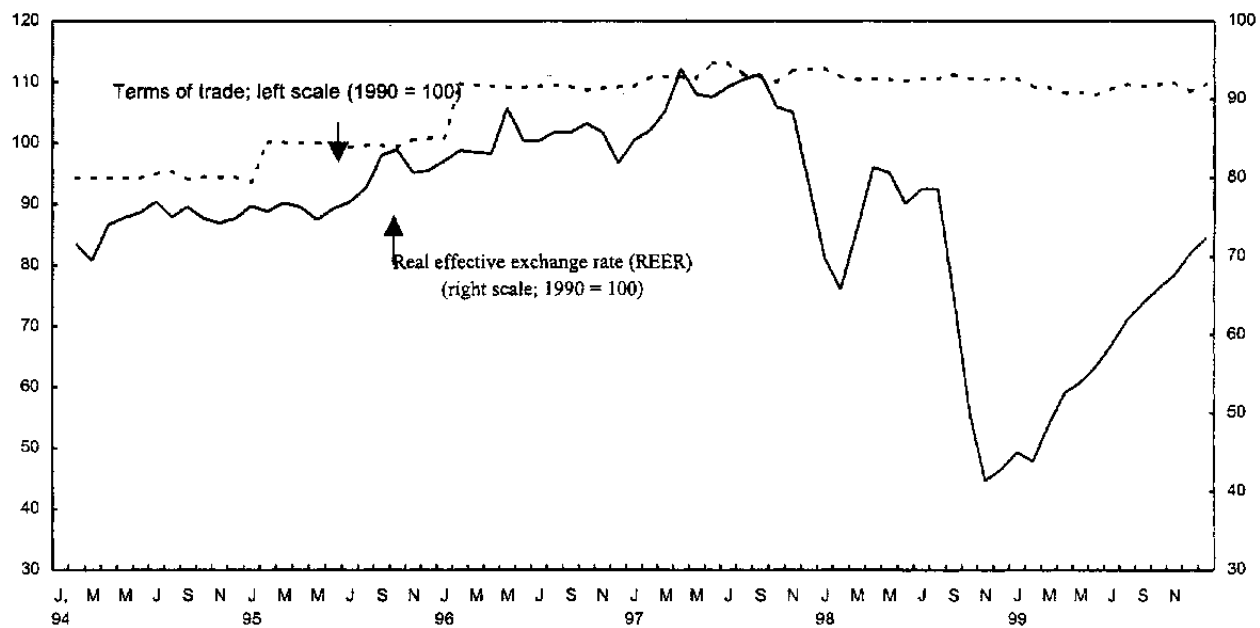
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<sup>14</sup> The fiscal balance is defined as the government surplus/deficit (revenue minus expenditure) reported in the RBZ's *Quarterly Economic and Statistical Review*, Vol. 21 (May/June 1999). This is then expressed as a share of nominal GDP.

<sup>15</sup> All estimations were conducted in PC-GIVE and PC-FIML by Hendry and Doornik (1998). All data variables are expressed in first differences and in logarithmic terms (to get around the negativity constraint, both net foreign assets and the fiscal deficit-GDP ratio were translated into indices and then expressed as logarithmic terms).

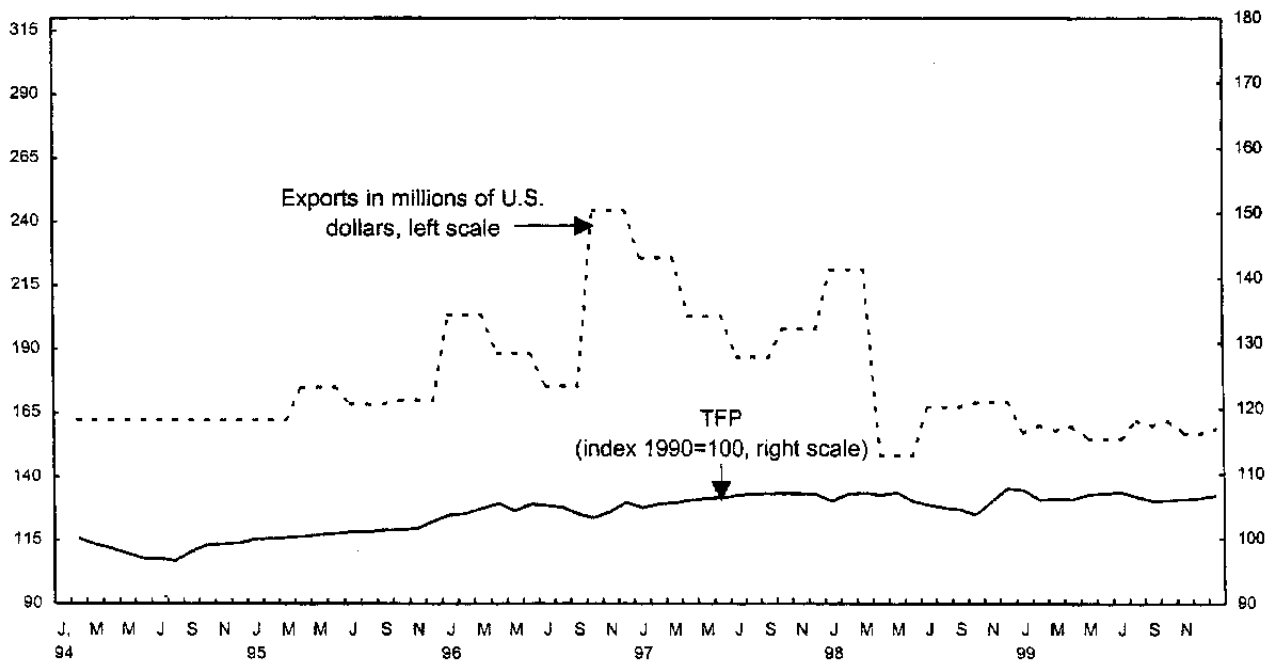
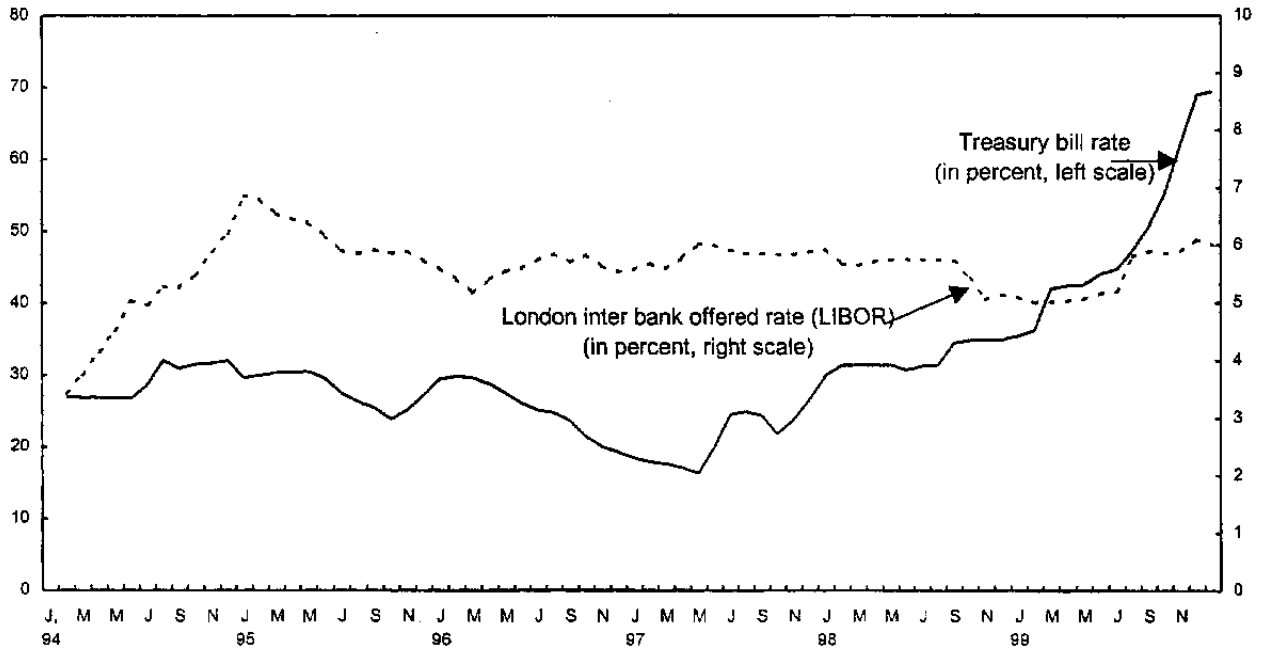
<sup>16</sup> However, the relatively short sample and the high-frequency nature of our data set call for caution when interpreting the unit root tests results. With high-frequency data, the signal-to-noise ratio is low, requiring caution when interpreting unit roots test results.

Figure 7. Zimbabwe: Real Effective Exchange, Terms of Trade, Net Foreign Assets, and Fiscal Balance  
January 1994-December 1999



Sources: Zimbabwean authorities; and staff estimates.

Figure 8. Zimbabwe: Treasury Bill and London Interbank Offered Rate, Exports and TFP  
January 1994 - December 1999



Sources: Zimbabwean authorities; and staff estimates.

TFP, and the net foreign asset position. However, the estimated equilibrium solution suggests that the real interest rate differential and TFP terms do not greatly influence the ERES in Zimbabwe, while the other variables (terms of trade shocks, fiscal imbalances, and net foreign assets position) play a more dominant role. To test this hypothesis, we conducted a likelihood ratio (LR) test by imposing the overidentifying restriction of zero coefficients on the real interest rate differential and the TFP variables.<sup>17</sup> Our final ERES equation is the estimated co-integrating vector with the above-mentioned restrictions imposed.

35. Table 5 and Figure 9 present an analysis of the degree of misalignment/overvaluation of the real exchange rate based on our estimated long-run ERES. They show that the ERES has been overvalued for some time, and that the estimated degree of overvaluation was about 45 percent at end-1999 and 56 percent at end-September 2000.<sup>18</sup> It should be noted that around end-1999 the parallel market rate was trading at 15-20 percent above the official rate, which is significantly lower than our estimated degree of overvaluation at end-1999. As highlighted earlier, the parallel market premium is usually a poor indicator of the degree of overvaluation or misalignment when macroeconomic fundamentals and policies are volatile, as they have been in Zimbabwe during the last few years. Shortages of foreign exchange seem to suggest that the exchange rate misalignment is much larger than the parallel market premium.

36. However, the overvaluation estimates derived from our estimated ERES do not tell us the relative contribution of the various macroeconomic shocks to the real exchange rate overvaluation. We proceeded, therefore, to subject our VAR to endogenous macroeconomic shocks. The results suggest that expansionary fiscal policy has been the dominant macroeconomic shock responsible for misalignment/overvaluation of the ERES. This is consistent with the first-generation models of currency crisis à la Krugman.

37. To complement the results of the above endogenously related shocks, we also estimated the impact of an exogenous shock on the ERES for Zimbabwe. Following Elbadawi (1994) and using the estimated disequilibrium feedback coefficient, we computed the number of years it takes to clear  $\alpha$ \*100 percent of an exogenous shock in the ERES through "automatic adjustment" via the formula:

$$(1 - \alpha) = (1 - \beta)^T$$

---

<sup>17</sup> The test yielded a value of 1.862, compared with the corresponding critical value of 5.6, which is asymptotically distributed as  $\chi^2(2)$ .

<sup>18</sup> Because of the lack of more recent actual monthly data for some of the variables that are found to determine the ERES, the model could not be formally extended beyond September 2000. The tentatively estimated overvaluation for end-September 2000 is based on the 24 percent devaluation implemented on August 1, 2000 and the projected path of the variables that determine the ERES.

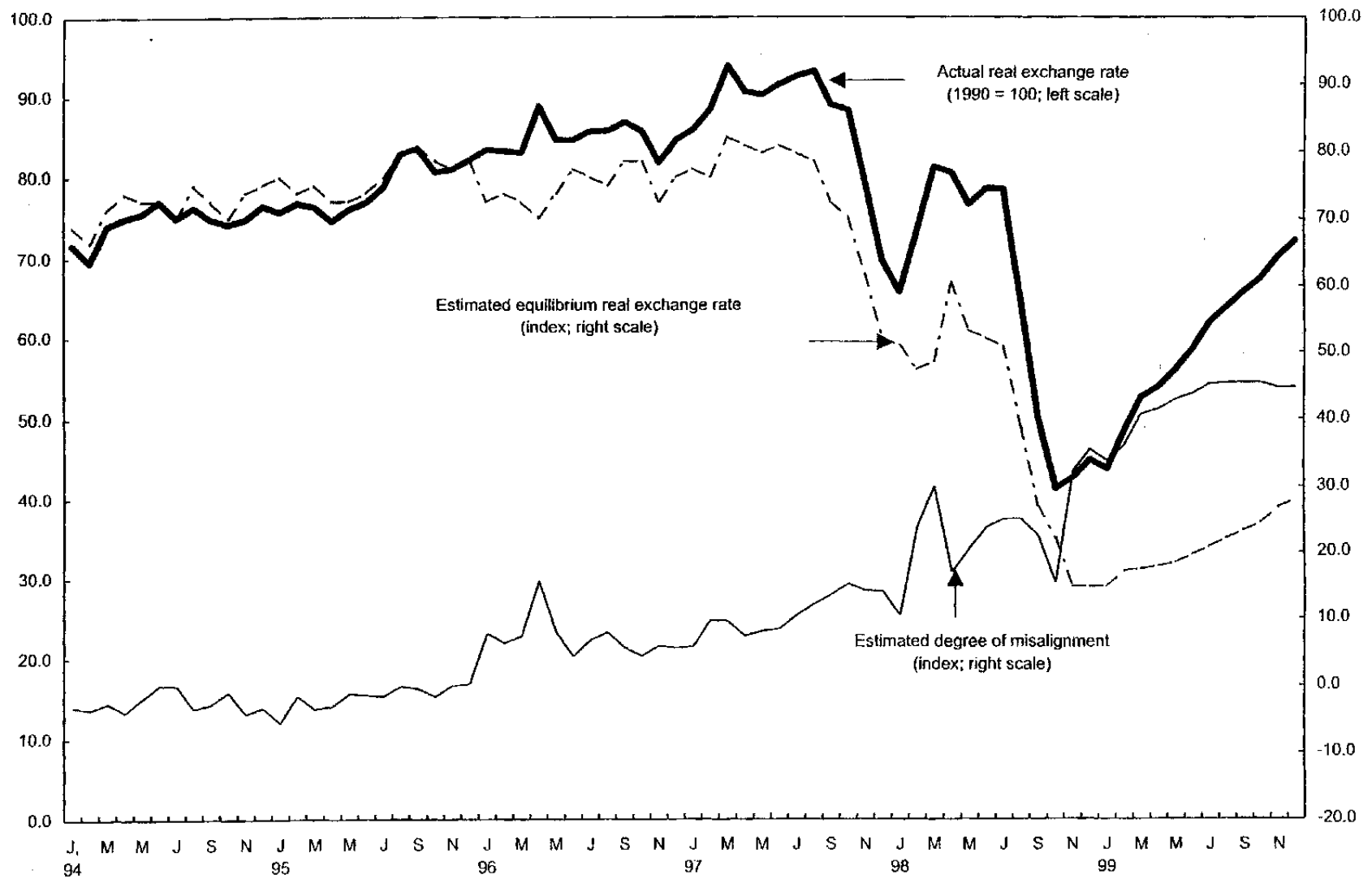


Table 5. Zimbabwe: Estimated Degree of Misalignment of the Real Exchange Rate Model from its Estimated Equilibrium REER (Sample period: March 1994–December 1999) 1/

Time	Observed REER	“Fitted” ERER	Estimated Overvaluation/Misalignment (percent)
March 1994	74.0	76.1	2.6
June 1994	77.0	77.3	-0.0
September 1994	74.8	76.9	-2.8
December 1994	76.4	79.2	-3.3
March 1995	76.3	79.3	-3.5
June 1995	76.9	77.9	-1.4
September 1995	83.6	84.0	-0.5
December 1995	82.1	82.0	0.1
March 1996	83.1	76.8	7.3
June 1996	84.7	80.9	5.5
September 1996	86.9	82.0	4.5
December 1996	84.7	80.3	4.4
March 1997	93.9	85.0	9.5
June 1997	91.6	83.9	11.4
September 1997	89.0	77.0	11.2
December 1997	69.8	60.2	12.6
March 1998	81.3	57.0	29.9
June 1998	78.6	60.3	23.6
September 1998	50.2	39.3	22.1
December 1998	45.0	29.2	35.0
March 1999	52.6	31.2	40.7
June 1999	58.6	33.0	43.6
September 1999	65.9	36.1	45.4
December 1999	72.4	40.1	44.7

1/ The observed *REER* is the one used in the econometric analysis. The long-run parameter vectors are taken from the error-correction model (ECM) of the *ERER*. The “fitted” *REER* values are obtained directly from the ECM regression with simulable values of the fundamentals with a Beveridge-Nelson decomposition of all fundamentals. Overvaluation is defined as  $100 \times (\text{fitted } REER - \text{observed } REER) / (\text{observed } REER)$ .

Figure 9. Zimbabwe: Estimated Misalignment of the Exchange Rate Model Based on Estimated ERER,  
January 1994 - December 1999



Source: IMF, Information Notice System; and staff estimates.

where  $\beta$  is the absolute value of the estimated disequilibrium coefficient (from the  $\alpha$  loading matrix in the co-integrating VAR) and  $T$  is the required number of years. The estimated  $\beta$  value of 0.53 suggests that it takes almost one year to eliminate 50 percent of an exogenous shock in the ERER in Zimbabwe, and nine years to eliminate 99.9 percent of an exogenous shock in the ERER. These results also suggest a slower speed of adjustment in Zimbabwe, compared with Elbadawi's (1994) results for Chile and Ghana. Elbadawi showed that it took six months to eliminate 50 percent of an exogenous shock and about 5 years to eliminate 99.9 percent of an exogenous shock in the ERER for Chile and Ghana. The slower speed of adjustment of the ERER may be indicative of rigidities in the pricing of commodities in Zimbabwe.

38. The estimated results, however, are subject to a number of caveats and need to be interpreted cautiously. First, owing to data limitations, we were forced to interpolate a number of data variables to get monthly series. Second, variable measures of TFP had to be constructed from proxies. This may explain partly why the TFP variable is not significant in our estimated ERER. Third, the above analysis also does not incorporate the effect of the parallel market in the ERER analysis. Ideally, in identifying the ERER, a weighted average of the official and parallel market rates would be used. Unfortunately, lack of historical data on parallel market premiums precludes doing this. However, anecdotal evidence suggests that the parallel exchange rate has been a significant determinant of agents' decisions to buy or sell foreign exchange only since mid-1999, and so its impact on the estimated ERER may be relatively small.

#### **D. Summary and Conclusions**

39. Exchange rate policy continues to be a key issue in Zimbabwe. There has been some debate on the extent to which external competitiveness has been adequate and how this has affected the country's export performance.

40. It is against this background that this paper conducted an empirical analysis of the determinants of the ERER for Zimbabwe. Specifically, the estimates show that the real exchange rate was significantly overvalued at end-1999 and remained overvalued through end-September 2000. Moreover, the evidence also suggests that the ERER is not mean reverting, which weakens further the validity of a constant PPP assumption for assessing Zimbabwe's currency overvaluation. The results also show that the overvaluation in Zimbabwe is more sensitive to lax fiscal policy than to other macroeconomic shocks, suggesting that a devaluation needs to be underpinned by a tightening of fiscal policy—a result consistent with first-generation models of currency crises. It should be noted, however, the estimated models presented here are subject to caveats and, as such, there is room for further work. In particular, the estimated ERER function would need to be periodically reestimated in the future.

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### Co-Integration Methodology

Table 6. Zimbabwe: Unit Root Test of the Data Variables, and Augmented Dickey-Fuller (ADF) and Co-Integrating Regression Durbin-Watson (CRDW) Statistics  
( Sample period: January 1994-December 1999)

Variable	ADF Coefficient	T-Statistic	Longest Lag	CRDW
<i>REER</i>	-0.9325	-1.9359	4	0.023
$\Delta REER$	-0.3500	-3.6117*	4	1.245*
<i>TOT</i>	-0.9087	-1.141	4	0.012
$\Delta TOT$	-0.3964	-3.836*	4	1.856*
<i>FISCAL</i>	-0.2209	-2.578	2	0.307
$\Delta FISCAL$	-0.9347	-3.685*	3	1.992**
<i>(Rf-Rd)</i>	-0.9231	-1.234	4	0.087
$\Delta(Rf-Rd)$	-0.1934	-3.678*	3	1.201*
<i>TFP</i>	-0.8302	-1.726	4	0.654
$\Delta TFP$	-0.0892	-4.636**	1	2.223**
<i>NFA</i>	-0.9422	-0.502	4	0.139
$\Delta NFA$	-1.1237	-4.249**	2	2.087*
<i>Exports</i>	-0.8053	-1.908	4	0.118
$\Delta Exports$	-0.3541	-5.863**	2	2.015*

Seasonal unit root test of the data variables

Variable	T-Statistic (Null: I (1,1))	T-Statistic (Null: I(1,2))
<i>REER</i>	-3.036*	-4.672**
<i>TOT</i>	-3.567*	-4.446**
<i>FISCAL</i>	-3.944**	-4.882**
<i>(Rf-Rd)</i>	-5.136**	-7.065**
<i>TFP</i>	-4.207**	-6.223**
<i>NFA</i>	-4.196**	-5.019*
<i>Exports</i>	-3.988**	-4.722*

For all the data variables,  $\Delta$  denotes a first difference operator. \* denotes significance at 5 percent level and \*\* denotes significance at 1 percent level.

Table 7. The Johansen Procedure: Estimated Exchange Rate VAR with Three Lags, a Constant, and Seasonal Dummies  
(Sample period: January 1994-December 1999)

**The Real Exchange Rate VAR (Vector autoregression) Model**

$$\begin{bmatrix} RER_t \\ TOT_t \\ FISCAL_t \\ (R_f - R_d)_t \\ TFP_t \\ NFA_t \end{bmatrix} = \begin{bmatrix} a_{11} & a_{12} & a_{13} & a_{14} & a_{15} & a_{16} \\ a_{21} & a_{22} & a_{23} & a_{24} & a_{25} & a_{26} \\ a_{31} & a_{32} & a_{33} & a_{34} & a_{35} & a_{36} \\ a_{41} & a_{42} & a_{43} & a_{44} & a_{45} & a_{46} \\ a_{51} & a_{52} & a_{53} & a_{54} & a_{55} & a_{56} \\ a_{61} & a_{62} & a_{63} & a_{64} & a_{65} & a_{66} \end{bmatrix} \begin{bmatrix} RER_{t-1} \\ TOT_{t-1} \\ FISCAL_{t-1} \\ (R_f - R_d)_{t-1} \\ TFP_{t-1} \\ NFA_{t-1} \end{bmatrix} \quad (3)$$

**The Test Statistics<sup>1 2</sup>**  
(testing the number of Co-integrating vectors)

Test	$\rho=0$	$\rho \leq 1$	$\rho \leq 2$	$\rho \leq 3$	$\rho \leq 4$	$\rho \leq 5$
$\mu_t$	0.579	0.406	0.326	0.258	0.101	0.020
Trace	56.07 **	23.8	20.66	14.81	8.99	2.031
5% CV	39.4	33.5	27.1	21.0	14.1	3.8
$\mu_{max}$	126.3 **	70.28 *	46.48	25.83	11.02	2.031
5% CV	94.2	68.5	47.2	29.7	15.4	3.8

<sup>1</sup>Trace is equivalent to  $-T \sum \log(1 - \mu_i)$ .

<sup>2</sup> $\mu_{max}$  is equivalent to  $-T \log(1 - \mu_i)$ .

Table 7. The Johansen Procedure: Estimated Exchange Rate VAR with Three Lags,  
Constant, and Seasonal Dummies  
(Sample period: January 1994-December 1999) (concluded)

**The Eigenmatrix  $\beta'$**

$\beta'$	<i>RER</i>	<i>TOT</i>	<i>FCAL</i>	<i>(Rf-Rd)</i>	<i>TFP</i>	<i>NFA</i>
1	1.00	-7.546	-1.453	-0.0872	-0.065	-0.985
2	0.454	1.00	0.458	0.675	-1.347	0.1403
3	-105.2	222.65	1.00	-64.332	-199.43	-0.023
4	6.33	22.651	2.654	1.00	-38.06	-0.227
5	0.546	3.076	-0.0223	0.654	1.00	0.0038
6	11.49	84.34	-0.93	-0.16	-0.083	1.00

Table 8. Zimbabwe: Expenditure on GDP, 1994-99

	1994	1995	1996	1997	1998	1999
(In millions of Zimbabwe dollars)						
Consumption	43,911	51,169	68,733	90,723	114,858	182,527
Private	34,536	40,069	54,240	73,667	93,631	120,255
Central government	9,375	11,100	14,492	17,057	21,226	62,272
Gross fixed capital formation	12,002	15,137	15,434	18,424	23,849	21,424
Government	1,960	2,880	1,701	2,492	3,459	8,629
Private	8,718	15,288	13,304	15,846	20,976	12,795
Change in stocks	1,324	-3,031	429	86	-586	...
Gross investment	13,203	11,966	19,732	19,810	23,264	21,424
Net exports of goods and nonfactor services	-1,078	-1,654	163	-7,160	-2,480	10,289
Exports	19,431	23,562	30,910	38,375	62,332	97,205
Imports	-20,509	-25,216	-30,747	-45,535	-64,812	-86,916
GDP (at market prices)	56,159	61,622	84,759	102,074	135,722	214,240
Net factor income from abroad	-2,405	-2,794	-2,931	-4,971	-9,155	-13,676
Factor income received from abroad	224	333	404	436	414	1,375
Factor income paid abroad	2,630	3,128	3,335	5,406	9,569	15,051
Gross national income	53,754	58,827	81,828	97,103	126,567	200,564
(In percent of GDP)						
National savings, excluding grants	22.0	17.0	18.0	8.0	12.6	12.3
Government	-0.6	-1.6	-5.0	-4.1	-2.0	-5.9
Private	22.6	18.6	23.0	12.1	14.6	18.2
Gross fixed capital formation	21.4	24.6	18.2	18.0	17.6	10.0
Government	3.5	4.7	2.4	2.1	2.5	4.0
Private	15.5	19.9	15.8	15.9	15.1	6.0
Change in stocks	2.4	-4.9	0.5	0.1	-0.4	...
Gross investment	23.5	19.4	23.3	19.4	17.1	10.0

Source: Central Statistical Office; and staff estimates.



Table 9. Zimbabwe: Gross Domestic Product, 1994 - 2000 1/  
(Percent change at constant 1990 prices)

	1994	1995	1996	1997	1998	1999	2000
Agriculture, hunting, fishing, and forestry	7.3	-7.6	19.8	2.6	4.9	3.5	2.5
Mining and quarrying	10.8	4.9	-2.4	-2.0	0.5	-3.0	-11.0
Manufacturing	10.0	-11.5	4.6	2.5	-2.7	-7.0	-10.5
Electricity and water	9.7	-1.9	-1.6	0.9	-5.5	1.0	-5.0
Construction	0.2	-23.9	12.0	17.0	4.4	-4.0	-5.0
Finance and insurance	6.0	3.0	4.1	3.0	0.9	3.5	2.0
Real estate	3.6	4.5	3.9	4.9	5.1	-3.0	-3.0
Distribution, hotels, and restaurants	6.9	5.5	6.7	2.3	0.9	2.0	-11.0
Transport and communications	8.7	23.3	19.8	0.9	0.0	1.0	-5.0
Public administration	-13.5	0.5	-8.2	-5.2	-0.2	1.0	1.0
Education	1.3	2.4	10.2	7.8	6.2	1.0	0.0
Health	22.5	-5.4	-5.9	-24.4	-4.8	0.0	0.0
Domestic services	4.7	-5.5	6.3	2.5	1.9	0.0	0.0
Other services	2.9	-5.4	7.9	11.0	3.2	0.0	0.0
Less: imputed bank service charges	25.5	-22.3	-23.6	-6.0	-16.0	0.0	0.0
GDP (at factor cost)	5.6	-1.0	8.5	2.6	1.5	-3.2	-4.2
Net other taxes on production	10.2	7.4	1.9	5.4	-5.0	...	...
GDP at basic prices	5.6	-1.0	8.5	2.6	1.5	...	...
Net taxes on products	25.5	4.0	10.3	14.8	10.8	-1.7	-15.7
GDP at market prices	7.1	-0.6	8.7	3.7	2.5	-0.2	-5.5

Source: Central Statistical Office; and staff estimates.

1/ 2000 figures are estimates.

Table 10. Zimbabwe: Agricultural Crop Production, 1994-2000 1/  
(In thousands of tons)

	1994	1995	1996	1997	1998	1999	2000
<b>Commercial farms 2/</b>							
Tobacco (flue cured) 3/	162	166	169	162	210	185	185
Maize	856	499	784	625	573	674	756
Cotton 4/	59	47	74	64	61	77	64
Sugarcane 3/	3,420	3,623	2,532	2,075	1,487	1,186	1,149
Wheat 3/	239	120	206	245	232	267	250
Tea 3/	16	15	20	15	15	13	22
Coffee 3/	7	9	14	10	10	7	8
Soybeans 3/	108	77	95	97	113	103	139
<b>Communal lands 5/</b>							
Maize	894	399	1,607	1,397	677	755	1,110
Cotton	100	56	151	191	157	169	240
Groundnuts	54	41	68	143	51	100	168
Sunflower seeds	43	20	45	30	14	8	10
Rapoko	20	9	35	19	3	14	11
Mhunga	56	21	74	68	14	24	29
Sorghum	57	16	87	113	52	70	83
<b>Total production</b>							
Tobacco (flue cured) 3/	162	166	169	162	210	185	185
Maize	1,750	898	2,391	2,022	1,250	1,429	1,866
Cotton	159	103	225	255	218	246	304
Sugarcane 3/	3,420	3,623	2,532	2,075	1,487	1,186	1,149
Wheat 3/	239	120	206	245	240	267	250
Groundnuts	67	52	68	143	51	100	168
Tea 3/	16	15	20	15	15	13	22
Soybeans 3/	109	77	95	97	113	103	139
Coffee 3/	7	9	14	10	10	7	8
Sunflower seeds	49	22	45	30	14	8	10
Rapoko	21	9	35	19	3	14	11
Mhunga	56	21	74	68	14	24	29
Sorghum	80	29	87	113	52	70	83

Source: Central Statistical Office.

1/ Crop season ending in year indicated.

2/ Large- and small-scale commercial farms.

3/ Large-scale commercial farms only. Production on large-scale commercial farms constitutes more than 95 percent of total production.

4/ Includes deltapine and delmac cotton.

5/ Communal lands and resettlement areas.

Table 11. Zimbabwe: Prices of Marketed Agricultural Crops, 1993/94- 2000/01 1/  
(Unit values in Zimbabwe dollars per ton)

	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01
Maize	896	895	1,038	1,200	1,200	2,400	4,200	5,500
Cotton	2,997	3,934	5,375	5,718	7,141	8,700	16,600	17,600
Wheat	1,444	1,120	1,129	2,442	3,088	3,650	5,500	6,500
Tobacco	14,062	24,745	27,282	47,867	59,482	117,150	94,320	121,610
Flue cured	8,026	13,804	18,036	29,023	34,770	66,230	57,890	81,410
Burley	6,036	10,941	9,246	18,844	24,712	50,920	36,430	40,200
Soybeans	910	1,410	1,553	2,021	2,900	5,000	6,500	8,500
Sorghum	456	444	813	917	2,208	1,000	3,000	4,000
Groundnuts (unshelled)	667	1,354	2,625	2,270	4,000	4,000	7,000	15,000
Coffee	3,418	11,723	14,515	12,571	13,795	60,000	80,000	90,000
Sunflower seeds	1,462	1,383	1,499	1,558	1,450	2,300	6,000	6,720

Source: Central Statistical Office; and Grain Marketing Board.

1/ Crop years.

Table 12. Zimbabwe: Area Under Cultivation for Major Crops, 1993/94-1999/2000 1/  
(In hectares)

	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000
Maize	1,401,200	1,397,900	1,533,500	1,640,100	1,223,800	1,446,400	1,416,700
Cotton	218,100	219,000	264,120	313,255	295,000	323,550	365,935
Tobacco	72,900	81,980	86,504	99,505	98,820	91,150	90,420
Flue cured	67,000	75,950	80,964	92,905	92,000	83,500	83,020
Burley	5,900	6,030	5,540	6,600	6,820	7,650	7,400
Soybeans	52,200	71,380	58,720	60,040	64,160	51,450	63,490
Sorghum	175,000	130,990	193,800	194,350	130,000	150,200	175,230
Groundnuts (unshelled)	113,700	163,500	147,200	206,600	190,000	223,500	268,100
Coffee	7,402	7,734	6,879	6,917	6,741	5,502	9,500
Sugarcane	31,887	32,115	35,422	35,762	37,360	39,459	...
Wheat	42,806	24,988	41,039	47,607	41,808	47,438	46,000

Source: Central Statistical Office, (Second Crop Forecasts).

1/Crop years.

Table 13. Zimbabwe: Volume and Value of Livestock Slaughtering and Milk Production, 1994-99

	1994	1995	1996	1997	1998	1999
(Volume in thousands of head)						
Cattle slaughtering	346	385	337	351	369	224
Sheep slaughtering	35	35	36	32	26	24
Pig slaughtering	181	238	231	216	224	197
(Whole-milk tons)						
Milk production	196,917	200,190	179,816	180,142	165,802	158,170
(Value in millions of Zimbabwe dollars)						
Total slaughtering	938	1,225	1,410	1,883	2,183	4,059
Cattle	848	1,087	1,255	1,704	1,901	3,697
Sheep	6	6	6	9	8	11
Pigs	84	132	149	170	274	351
Milk production	291	353	397	463	620	1,247

Source: Central Statistical Office.

Table 14. Zimbabwe: Livestock in Communal and Commercial Farming Areas, 1994-99  
(In thousands)

	1994	1995	1996	1997	1998	1999
<b>Cattle</b>	4,839	4,466	5,011	4,995	4,953	5,316
Communal lands	3,229	3,030	3,368	3,370	3,588	3,975
Commercial farms	1,610	1,436	1,643	1,625	1,365	1,341
Beef cattle	1,505	1,331	1,542	1,498	1,275	1,259
Dairy cattle	105	105	101	127	90	82
<b>Sheep</b>	423	404	510	494	343	310
Communal lands	315	320	413	403	274	250
Commercial farms	108	84	97	91	69	60
<b>Goats</b>	2,364	2,313	2,206	2,789	4,645	4,363
Communal lands	2,267	2,282	2,111	2,696	4,616	4,339
Commercial farms	97	31	95	93	29	24
<b>Pigs</b>	238	230	275	266	311	244
Communal lands	133	112	140	135	197	140
Commercial farms	105	118	135	131	114	104

Source: Central Statistical Office.

Table 15. Zimbabwe: Volume of Manufacturing Output, 1994-2000

	1994	1995	1996	1997	1998	1999	2000 1/
(Volume indices; period average, 1980=100)							
Foodstuffs and stock feeds	130	142	128	135	133	148	132
Drinks and tobacco	127	119	131	134	138	120	98
Textiles and cotton ginning	206	81	80	80	83	82	68
Clothing and footwear	125	100	102	102	103	108	99
Wood and furniture	106	115	160	134	134	117	87
Paper, printing, and publishing	169	156	153	153	149	143	84
Chemical and petroleum products	149	134	137	156	140	134	112
Nonmetallic mineral products	170	157	182	177	176	160	133
Metals and metal products	92	88	89	94	85	74	79
Transport equipment	133	139	201	203	147	100	87
Other manufacturing	85	53	55	41	37	39	20
Overall index	131	113	117	121	115	109	96
(Percentage change, unless otherwise indicated)							
Foodstuffs and stock feeds	5.2	9.5	-9.8	5.5	-2.1	11.8	-1.6
Drinks and tobacco	0.3	-6.4	10.1	2.3	2.8	-13.4	-2.9
Textile and cotton ginning	7.1	-60.8	-1.2	0.0	3.8	-1.0	-19.3
clothing and footwear	-2.0	-20.2	2.0	0.0	1.0	4.8	-18.2
Wood and furniture	11.3	8.3	39.0	-16.3	0.0	-12.6	-20.5
Paper, printing, and publishing	12.9	-7.9	-1.9	0.0	-3.0	-3.7	-35.6
Chemical and petroleum products	14.8	-10.2	1.9	12.2	-10.1	-4.0	-4.6
Nonmetallic mineral products	30.9	-7.8	15.9	-2.7	-0.7	-8.7	-19.0
Metals and metal products	11.8	-4.3	1.1	5.6	-9.3	-13.2	10.7
Transport equipment	61.6	4.5	44.6	1.0	-27.7	-31.9	-10.7
Other manufacturing	-11.1	-37.1	3.4	-25.5	-7.7	3.7	-48.8
Overall index	9.6	-13.6	3.5	3.4	-4.7	-5.2	-6.3

Source: Central Statistical Office.

1/ Indices for January to June 2000 and percentage changes for the same period of the previous year.

Table 16. Zimbabwe: Mineral Production, 1994-2000

	1994	1995	1996	1997	1998	1999	2000 1/
<b>Volume of production</b>							
	(In thousands of metric tons, unless otherwise specified)						
Gold (thousands of fine ounces)	665	770	794	777	809	872	350
Nickel	13,518	10,863	8,972	9,679	10,173	9,593	3,207
Coal	5,515	5,538	5,175	5,301	5,467	4,977	1,754
Asbestos	152	170	166	145	123	88	75
Copper	9	9	9	7	2	5	0
Chrome ore	517	707	658	670	605	654	318
Iron ore	4	311	324	479	372	599	284
Silver (thousands of fine ounces)	352	505	321	190	531	173	59
Cobalt (metric tons)	130	103	91	125	94	131	46
Tin metal (metric tons)	82	0	0	0	...	...	...
Other (Index, 1980=100) 2/	124	128	118	124	...	...	...
<b>Unit value index 3/</b>							
	(1990 = 100)						
Gold	330	358	414	425	731	1,139	1,151
Nickel	226	330	356	377	483	985	1,670
Coal	305	264	266	372	421	707	1,568
Asbestos	376	383	480	574	1,169	1,849	1,748
Copper	272	411	364	474	680	955	587
Chrome ore	249	264	266	372	421	707	943
Iron ore	142	488	631	376	401	694	1,114
Silver	513	406	434	493	881	1,678	1,629
Cobalt	573	920	816	755	1,725	1,791	1,462
Tin metal	40	0	0	0	0	0	0
<b>Memorandum item:</b>							
Exchange rate (Zimbabwe dollar per U. S. dollar; period average)	8.15	8.66	9.92	11.90	21.41	38.31	50.00

Sources: Ministry of Finance; Central Statistical Office; and IMF, *International Financial Statistics*.

1/ January to June 2000.

2/ Includes diamonds, other precious stones, phosphate, tantalite, magnesite, limestone, and lithium.

3/ Unit value indices are estimates.



Table 17. Zimbabwe: Construction and Retail Trade, 1994-99

	1994	1995	1996	1997	1998	1999
<b>Construction indicators</b>						
Total building plans approved 1/	1,112	1,309	1,416	1,636	1,910	1,899
Municipal building plans approved						
Low-cost houses and flats (in units)	673	1,505	2,349	3,331	2,503	1,899
High-cost houses and flats (in units)	2,390	2,329	2,203	1,995	1,705	...
<b>Work done by private and public contractors (millions of Zimbabwe dollars)</b>						
Public	597	408	558	379	752	576
Private 2/	624	671	635	941	1,741	1,741
Of which: public sector	212	263	260	303	284	360
<b>Retail trade value index, monthly average (1980=100)</b>						
Percent change	698	767	999	1,127	...	...
	20	70	231	...	...	...

Source: Central Statistical Office.

1/ Includes additions and alterations.

2/ Includes repairs and maintenance.

Table 18. Zimbabwe : Electrical Energy Produced and Distributed, 1994-99  
(In millions of kilowatt-hours)

	1994	1995	1996	1997	1998	1999
Total power distributed	9964	10330	11065	11745	11620	12408
From: central grid 1/ noninterconnected thermal station	9684	10077	10803	11482	11515	12290
other(net) 2/	109	76	86	105	102	114
	171	177	176	158	3	4
Power generated domestically	7894	7633	7357	7161	6678	7208
From: South Kariba 3/ thermal stations	2370	2171	2121	2044	1926	2950
noninterconnected thermal station	5415	5386	5150	5012	4650	4140
	109	76	86	105	102	118
Net imports	2070	2697	3708	4584	4942	5200

Source: Central Statistical Office.

1/ Drawings from the grid of the Central African Power Corporation.

2/ Net imports from noninterconnected sources.

3/ Power generated from South Kariba is Zimbabwe's share, but it is fed into the Central African Power Corporation grid.

Table 19. Zimbabwe: Petroleum Products, 1994-2000 1/

	1994	1995	1996	1997	1998	1999	2000
<b>Retail price (cents/litre; end of period)</b>	<b>May</b>	<b>Aug.</b>	<b>Oct.</b>	<b>Dec.</b>	<b>Dec.</b>	<b>Dec.</b>	<b>Jun.</b>
Premium petrol	318.0	354.0	415.0	531.0	967.0	1868.0	2186.0
Diesel	204.0	268.0	331.0	413.0	810.0	1681.0	1980.0
Aviation gas	310.3	333.8	426.3	510.3	1214.0	1865.0	2028.0
Jet fuel (A1)	184.3	207.0	257.9	310.2	792.0	1669.0	1526.0
Liquified petroleum gas (LPG)	528.6	569.0	639.0	922.0	1400.0	2405.0	2566.0
<b>Tax (cents/litre; end of period)</b>		<b>Aug.</b>	<b>Jul.</b>				
Premium petrol	67.5	75.0	100.0	140.0	140.0	315.0	315.0
Diesel	11.8	20.0	35.0	50.0	50.0	188.0	188.0
Aviation gas	0.0	0.0	0.0	0.0	50.0	50.0	50.0
Jet fuel (A1)	0.0	0.0	0.0	0.0	50.0	304.0	0.0
LPG	96.3	96.3	96.3	96.3	100.0	100.0	100.0
<b>Quantity imported (thousands of litres) 1/</b>							
Premium petrol	388,921	413,492	398,797	533,100	556,659	501,716	174,426
Diesel	731,235	701,347	801,740	840,114	905,277	1,023,804	261,935
Aviation gas	4,836	7,358	6,143	3,098	2,131	1,051	0
Jet fuel (A1)	173,020	215,873	221,079	264,085	293,154	312,096	60,179
LPG	6,114	6,859	6,975	7,221	6,312	4,878	755

Source: Zimbabwean authorities.

1/ Corresponds to annual imports, unless otherwise stated.

Table 20. Zimbabwe: Consumer Price Index, 1994-2000

	Weight	1994	1995	1996	1997	1998	1999	2000 October
		(1990=100)						
Food	29.2	368.5	488.7	553.2	658.0	1,072.1	1,680.9	2,507.3
Beverages and tobacco	9.8	307.3	404.6	470.4	553.5	922.3	1,552.3	2,539.0
Clothing and footwear	9.8	224.5	248.5	280.0	306.8	392.5	687.4	953.7
Rent, rates, and electricity	18.7	247.9	318.7	377.1	467.0	519.4	705.2	1,069.2
Furniture and household goods	7.2	256.1	313.9	365.6	417.4	634.9	987.3	1,369.1
Medical care	2.8	478.5	510.6	712.3	774.9	895.9	1,743.0	2,595.2
Transport and communication	8.4	273.5	326.4	391.6	486.3	789.3	1,297.8	2,379.9
Recreation and entertainment	2.0	226.0	317.1	378.0	464.0	679.2	1,178.4	2,034.1
Education	7.6	233.8	268.1	304.1	438.2	536.1	732.8	1,045.6
Miscellaneous	4.4	232.1	269.0	324.2	385.0	589.7	830.3	1,150.0
Total index	99.9	293.7	369.5	430.1	516.4	757.2	1,188.2	1,818.3
		(Year-on-year percent change)						
Food		25.7	32.6	13.2	18.9	62.9	56.8	47.6
Beverages and tobacco		17.6	31.7	16.3	17.7	66.6	68.3	73.1
Clothing and footwear		15.3	10.7	12.7	9.6	27.9	75.1	52.4
Rent, rates, and electricity		9.6	28.6	18.3	23.8	11.2	35.8	55.0
Furniture and household goods		23.0	22.6	16.5	14.2	52.1	55.5	43.9
Medical care		163.0	6.7	39.5	8.8	15.6	94.6	146.6
Transport and communication		11.1	19.3	20.0	24.2	62.3	64.4	121.6
Recreation and entertainment		4.9	40.3	19.2	22.8	46.4	73.5	85.8
Education		8.4	14.7	13.5	44.1	22.3	36.7	46.6
Miscellaneous		24.2	15.9	20.5	18.8	54.3	40.8	42.0
Total index		21.1	26.0	16.3	20.1	46.6	56.9	60.8
Memorandum items:								
Food index		25.7	32.6	13.2	18.9	62.9	56.8	47.8
Nonfood index		18.6	21.6	18.5	20.7	37.0	57.4	71.0

Source: Central Statistical Office.

Table 21. Zimbabwe: Employment and Employment Earnings, 1994-99

	1994	1995	1996	1997	1998	1999
(Thousands of employees; period average)						
Employment						
Agriculture, forestry, and fishing	330	334	347	355	360	333
Mining and quarrying	53	59	60	59	61	59
Manufacturing	200	186	184	198	210	200
Electricity and water	9	10	12	13	15	17
Construction	85	72	78	78	82	69
Finance, insurance, and real estate	22	21	22	26	29	31
Distribution and hotels	105	101	101	106	113	115
Transport and communications	53	51	50	51	57	43
Public administration	77	77	71	67	66	63
Education	113	116	127	137	140	135
Health	26	26	27	27	28	28
Domestic	102	102	102	102	102	102
Other	91	86	93	103	104	114
Total	1,264	1,240	1,274	1,323	1,368	1,309
Government 1/	216	219	225	236	240	225
Nongovernment	1,048	1,021	1,049	1,087	1,128	1,084
(In millions of Zimbabwe dollars)						
Earnings						
Agriculture, forestry, and fishing	1,134	1,186	1,671	2,246	2,977	...
Mining and quarrying	829	1,146	1,465	1,989	2,957	4,120
Manufacturing	3,736	4,269	5,067	7,006	9,216	12,609
Electricity and water	288	455	771	1,196	2,586	3,440
Construction	730	851	1,153	1,716	2,282	2,546
Finance, insurance, and real estate	1,072	1,409	1,706	2,195	3,619	5,298
Distribution and hotels	1,634	2,018	2,496	3,407	4,775	7,028
Transport and communications	1,326	1,455	1,743	2,313	3,156	4,315
Public administration	1,000	1,298	1,925	3,203	3,924	5,727
Education	2,211	2,521	4,719	7,884	10,360	14,907
Health	464	574	842	1,590	2,089	2,909
Domestic	191	191	191	191	191	191
Other	1,257	1,462	2,007	2,977	4,043	5,917
Total	15,872	18,835	25,756	37,913	52,176	69,007

Source: Central Statistical Office.

1/ Public administration, health, and education.

Table 22. Zimbabwe: Central Government Operations, 1993/94-2000 1/

	1993/94	1994/95	1995/96	1996/97	1997/98	1999	2000 Jan-Sep
(In millions of Zimbabwe dollars)							
Total revenue	12,754	14,757	18,201	25,372	57,831	58,563	61,065
Tax revenue	11,153	13,065	16,121	23,219	53,588	55,569	56,708
Income and profits	6,157	6,966	8,147	11,777	28,720	29,670	36,680
Customs duties	2,425	2,438	3,050	4,371	9,961	8,507	5,304
Excise duties	497	693	866	1,070	2,447	2,926	2,923
Sales tax	1,891	2,741	3,730	5,079	11,735	12,340	10,771
Other taxes	183	228	299	923	724	2,126	1,031
Nontax revenue	1,601	1,692	2,081	2,153	4,244	2,995	4,357
Total expenditure	15,932	21,284	26,316	32,636	70,885	83,096	105,083
Current expenditure	12,995	17,665	23,044	28,418	65,696	71,279	96,690
Goods and services	7,868	9,679	12,261	16,316	35,073	40,640	48,025
Wages and salaries	4,682	6,144	7,737	11,111	25,450	28,175	33,758
Other	3,184	3,535	4,524	5,205	5,322	12,465	14,267
Interest on debt	2,992	4,582	6,955	7,511	17,699	21,631	36,218
Foreign	881	1,112	1,120	1,201	3,060	3,560	754
Domestic	2,111	3,470	5,836	6,301	14,639	18,071	35,465
Subsidies	360	146	83	88	3	...	...
Transfers	1,777	3,258	3,735	4,504	5,851	9,007	12,447
Capital expenditure	1,677	1,808	1,764	2,193	3,788	8,629	7,367
Net lending	1,260	1,810	1,507	2,025	1,200	3,188	1,026
Balance excluding grants	-3,178	-6,527	-8,115	-7,264	-12,854	-24,533	-44,018
Grants	923	1,247	973	1,180	1,500	2,144	664
Balance including grants	-2,255	-5,280	-7,142	-6,084	-11,354	-22,388	-43,354
Financing	2,255	4,778	5,872	4,645	10,593	22,388	43,354
Foreign financing	359	200	69	271	-2,927	-2,280	-1,410
Borrowing	1,722	1,848	1,837	2,450	4,022	6,194	920
Repayments	-1,363	-1,648	-1,768	-2,179	-6,949	-8,474	-2,331
Domestic financing	1,896	4,580	5,803	4,374	13,520	24,668	44,764
Of which: privatization proceeds		500	558	541	761	0	...
Uncommitted foreign financing	0	0	0	0	0	0	0
(In percent of GDP, unless otherwise indicated)							
Total revenue	26.0	24.1	24.1	26.7	30.1	27.3	24.7
Tax revenue	22.8	21.3	21.4	24.4	27.9	25.9	22.9
Income and profits	12.6	11.4	10.8	12.4	21.2	13.8	14.8
Other domestic	5.3	6.0	6.5	7.4	0.5	8.1	6.0
Customs	5.0	4.0	4.0	4.6	7.3	4.0	2.1
Nontax revenue	3.3	2.8	2.8	2.3	2.2	1.4	1.8
Total expenditure	32.5	34.7	34.9	34.3	36.6	38.8	42.5
Current expenditure	26.5	28.8	30.5	29.9	33.7	33.3	39.1
Goods and services	16.1	15.8	16.2	17.1	17.7	19.0	19.4
Wages and salaries	8.6	10.0	10.3	11.7	13.2	13.2	13.7
Other	6.5	5.8	6.0	5.5	4.5	5.8	5.8
Interest	6.1	7.5	9.2	7.9	9.2	10.1	14.6
Subsidies	0.7	0.2	0.1	0.1	0.0	0.0	...
Transfers	3.6	5.3	4.9	4.7	6.7	4.2	5.0
Capital expenditure	3.4	3.0	2.3	2.3	2.9	4.0	3.0
Net lending	2.6	3.0	2.0	2.1	0.0	1.5	0.4
Balance excluding grants	-8.5	-10.6	-10.8	-7.6	-6.5	-11.5	-17.8
Memorandum item:							
GDP at market prices (millions of Zimbabwe dollars) 2/	48,966	61,288	75,470	95,202	135,722	214,240	329,713

Source: Zimbabwean authorities.

1/ Fiscal years July-June through 1996/97, except for 1997/98 which covers the 18-month period July 1997-December 1998. Annual thereafter.

2/ GDP for 2000 at an annualized rate.

Table 23. Zimbabwe: Detailed Central Government Revenue, 1993/94-2000 1/  
(In millions of Zimbabwe dollars)

	1993/94	1994/95	1995/96	1996/97	1997/98	1999	2000 Jan-Sep
Total revenue	12,754	14,758	18,201	25,372	57,831	58,563	61,065
Tax revenue	11,153	13,065	16,121	23,219	53,586	55,569	56,708
Income and profits	6,157	6,966	8,147	11,777	28,720	29,670	37,193
Individuals	3,399	3,912	4,486	7,550	19,491	19,559	24,871
Companies	2,303	2,378	2,847	3,236	5,904	6,772	7,081
Domestic dividends and interest	269	395	452	564	1,229	1,426	2,080
Capital gains	44	33	26	39	95	...	...
Other income taxes	142	248	336	426	1,009	1,913	2,648
Customs duties	2,425	2,438	3,050	4,371	9,961	8,507	5,304
Oil products	197	339	462	849	1,529	809	85
Other	1,083	1,173	1,493	2,450	8,433	7,898	5,219
Surtax	1,145	926	1,095	1,073	...	...	...
OGIL tax 2/	...	...	...	...	...	...	...
Excise duties	497	693	896	1,070	2,447	2,926	2,923
Beer	329	454	534	625	1,439	1,705	1,688
Tobacco	77	106	169	200	341	543	569
Wine and spirits	38	45	61	70	109	138	128
Other beverages	54	89	132	176	442	540	537
Sales tax	1,891	2,741	3,730	5,079	11,735	12,340	10,771
Other taxes	183	228	299	923	724	2,126	1,031
Of which : tobacco levy	0	0	57	562	1,087	1,150	512
Nontax revenue	1,601	1,692	2,081	2,153	4,244	2,995	4,357
Investments and property	799	801	845	559	1,103	528	1,087
Reserve Bank remittances	50	65	80	25	181	50	100
Local government interest	26	25	42	30	97	33	15
National Housing Fund interest	32	20	0	0	0	0	0
Parastatal interest, dividends, other	691	691	723	503	825	445	972
Fees	284	384	435	527	1,031	303	379
Other	518	506	801	1,067	2,111	2,164	2,690
Of which : pension contributions	...	...	509	712	1,520	1,450	2,000

Source: Zimbabwean authorities.

1/ Fiscal years July-June through 1996/97, except for 1997/98 which covers the 18-month period July 1997-December 1998. Annual thereafter.

2/ Tax on open general import license short-term facility.

Table 24. Zimbabwe: Detailed Central Government Expenditure and Net Lending, 1993/94-2000 1/  
(In millions of Zimbabwe dollars)

	1993/94	1994/95	1995/96	1996/97	1997/98	1999	2000 Jan-Sep
Total expenditure and net lending	15,932	21,284	26,316	32,636	70,685	83,096	105,083
Current expenditure	12,995	17,665	23,044	28,418	65,696	71,279	96,690
Goods and services	7,866	9,679	12,281	16,318	35,073	40,840	48,025
Wages and salaries	4,682	6,144	7,737	11,111	25,450	28,175	33,758
Other goods and services	3,184	3,535	4,524	5,205	5,322	12,645	14,267
Subsistence and transportation	470	553	407	492	939	1,248	1,171
Incidental expenses	594	589	440	620	1,754	1,822	2,650
Maintenance of capital	302	357	379	417	658	888	1,009
Other	1,818	2,036	3,298	3,676	...	8,887	9,537
Interest payments	2,992	4,582	6,956	7,511	17,689	21,631	36,218
Domestic	2,111	3,470	5,836	6,310	14,639	18,071	35,465
Foreign	881	1,112	1,120	1,201	3,060	3,560	754
Subsidies and transfers	2,137	3,404	3,828	4,592	12,925	9,007	12,447
Of which: pensions 2/	402	867	1,308	1,677	7,074	3,957	5,799
Capital expenditure	1,677	1,808	1,764	2,193	3,789	8,629	7,367
Net lending	1,260	1,810	1,507	2,025	1,200	3,188	1,026
Long-term loans(net)	1,096	1,769	1,500	2,007	1,358	2,321	835
Gross lending	1,210	1,970	1,622	2,176	1,764	2,510	889
Recoveries	-114	-201	-123	168	-406	-189	-53
Investments	133	52	49	48	42	35	311
Short-term loans(net)	31	-11	-41	-30	-200	113	-120

Source: Zimbabwean authorities.

1/ Fiscal years July-June through 1996/97, except for 1997/98 which covers the 18-month period July 1997-December 1998. Annual thereafter.

2/ Includes onetime retrenchment payments for 1994/95 and 1995/96, and monthly pensions of war veterans in 1997/98.



Table 25. Zimbabwe : Expenditure and Repayments by Ministries, 1993/94-99 1/  
(In millions of Zimbabwe dollars)

	1993/94	1994/95	1995/96	1996/97	1997/98	1999
<b>Constitutional and statutory appropriations</b>						
President and cabinet	0.2	0.2	0.3	0.5	0.8	0.9
Parliament of Zimbabwe	0.1	0.1	2.0	0.3	0.5	0.6
Public Service, Labour and Social Welfare	512.6	866.8	1,308.3	1,676.7	3,210.5	3,957.2
Finance	5,409.0	7,464.3	13,684.3	10,868.6	20,540.0	22,098.0
<i>Of which: repayments of loans</i>	2,036.6	2,512.1	6,231.2	2,837.0	...	...
Audit	0.1	0.2	0.2	0.3	0.3	0.4
Local Government, National Housing	0.5	0.7	0.7	0.0	1.4	0.9
Justice, Legal and Parliamentary Affairs	2.7	4.7	5.7	7.3	10.5	15.2
Transport and Energy	0.5	0.5	0.8	0.4	1.4	1.0
<b>Total</b>	<b>3,889</b>	<b>5,825</b>	<b>8,771</b>	<b>9,717</b>	<b>23,765</b>	<b>26,073</b>
<b>Vote appropriations</b>						
President and cabinet	148	225	303	485	1,032	1,657
Parliament of Zimbabwe	24	25	37	49	93	112
Public Service, Labour and Social Welfare	189	380	669	980	4,289	992
Defense	1,528	2,116	2,312	3,172	5,567	10,068
Finance	429	570	390	404	5,278	922
Vote of Credit	0	0	0	0	1,151	5,377
Audit	9	12	13	18	39	49
Industry and Commerce	537	891	476	677	665	333
Rural Resources and Water Development	0	0	0	0	931	1,295
Lands	0	0	235	329	0	0
Agriculture	0	0	633	464	0	0
Lands and Agriculture	1,012	1,438	0	0	1,458	1,639
Mines	103	62	27	33	0	0
Mines, Environment and Tourism	0	0	0	0	313	322
Transport and Energy	888	1,657	1,084	1,016	1,787	1,960
Foreign Affairs	209	234	347	486	868	1,390
Local Government, Rural and Urban Development	585	1,103	1,091	984	2,379	0
Local Government and National Housing	0	0	0	0	0	1,195
Labour	0	0	0	0	0	0
Health and Child Welfare	1,084	1,467	1,901	2,332	5,074	4,592
Education, Sport and Culture	2,498	3,307	3,996	4,457	11,382	13,506
Higher Education and Technology	611	879	1,081	1,447	2,884	3,410
Sports, Recreation and Culture	0	0	98	26	0	0
Community and Women's Affairs	0	0	0	0	0	0
Political Affairs	0	0	0	0	0	0
National Affairs, Employment Creation and Cooperatives	71	83	88	104	178	219
Home Affairs	825	989	1,133	1,498	3,046	3,543
Justice, Legal and Parliamentary Affairs	184	234	270	417	844	1,037
Information, Posts and Telecommunication	152	305	330	335	185	59
Environment	106	145	170	261	0	0
Energy and Water Resources	0	0	0	0	0	0
Public Construction and National Housing	932	1,148	853	1,108	0	0
<b>Total</b>	<b>12,124</b>	<b>17,269</b>	<b>17,533</b>	<b>21,082</b>	<b>49,442</b>	<b>53,679</b>
<b>Grand total</b>	<b>16,013</b>	<b>23,095</b>	<b>26,304</b>	<b>30,799</b>	<b>73,207</b>	<b>79,752</b>

Source: Ministry of Finance.

1/ Fiscal years July-June through 1996/97, except for 1997/98 which covers the 18-month period July 1997-December 1998. Annual thereafter.

Table 26. Zimbabwe: Civil Service Employment Posts, 1994-2000 1/

	1994	1995	1996	1997/98	1999	2000
Total 2/	171,601	163,854	160,612	172,220	163,772	161,932
Education	92,155	91,593	91,857	101,567	101,894	103,881
Higher Education	4,960	4,782	4,761	4,801	3,681	2,901
Health and Child Welfare	22,508	23,003	23,128	24,624	25,171	25,171
Lands, Agriculture and Water Development	16,809	11,778	11,753	10,029	9,865	8,767
Transport and Energy	5,491	5,436	4,069	4,038	2,321	803
Other	29,678	27,262	25,314	27,161	20,840	20,409
Memorandum items:						
Wage bill (in percent of GDP) 3/	10.0	10.3	11.7	13.2	13.2	16.5
Of which : education and health wage bill	5.9	5.5	6.6	7.4	6.2	9.0

Source: Zimbabwean authorities.

1/ As of July 1 through 1996; January 1 thereafter.

2/ The number of authorized posts at the beginning of each time period indicated, excluding uniformed services.

3/ Including wages for defense, Zimbabwe Republic Police, and prison service .

Table 27. Zimbabwe: Subsidy Payments to Major Public Enterprises, 1993/94-2000 1/  
(In millions of Zimbabwe dollars)

	1993/94	1994/95	1995/96	1996/97	1997	1998	1999	2000 Budget Estimate
Agricultural marketing boards (total)	135	40	0	0	0	0	0	0
Grain Marketing Board (GMB)	95	30	0	0	0	0	0	0
Dairy Marketing Board (DMB)	0	0	0	0	0	0	0	0
Cold Storage Commission (CSC)	40	0	0	0	0	0	0	0
Cotton Marketing Board (CMB)	0	10	0	0	0	0	0	0
National Railways of Zimbabwe (NRZ)	37	47	21	57	0	49	0	30
Air Zimbabwe Corporation (AZC)	0	0	0	0	0	0	0	0
Zimbabwe Iron and Steel Corporation (ZISCO) 2/	100	275	292	203	0	4,000	100	340
Agricultural Finance Corporation (AFC)	40	8	0	5	0	5	0	0
Zimbabwe Electricity Supply Authority (ZESA)	0	0	0	0	0	0	0	0
National Oil Company of Zimbabwe (NOCZIM)	0	0	0	0	0	0	0	0
Total	312	371	313	255	0	454	100	370

Source: Zimbabwean authorities.

1/ Fiscal years July-June 1996/97. Annual thereafter.

2/ Disbursements to ZISCO for loans to meet operating expenses and payment of called-up loan guarantees: Z\$400 million for 1997/98 and Z\$100 million for 1999.

Table 28. Zimbabwe: Central Government Debt and Debt-Service Payments, 1993/94-2000 1/

	1993/94	1994/95	1995/96	1996/97	1997/98	1999	2000 2/
(In millions of Zimbabwe dollars)							
Total government debt 3/	27,860	37,138	59,544	57,546	116,864	139,219	164,157
Domestic debt 4/	10,477	16,260	35,376	30,312	36,138	62,769	85,671
Stocks	8,366	9,556	10,999	10,473	9,486	8,348	620
Bonds	110	110	109	109	109	108	108
Loans	17	29	40	35	28	23	25
Public enterprise debt assumed 5/	0	0	3,973	0	0	401	0
Floating debt	1,964	6,565	20,255	19,895	26,515	53,889	84,918
Treasury bills	1,964	6,565	20,255	19,895	26,515	53,889	84,918
Overdrafts and other	0	0	0	0	0	0	0
External debt 6/	17,383	20,878	24,168	27,234	80,726	76,450	78,486
Stocks	0	0	0	0	0	0	0
Bonds	382	295	275	251	183	167	145
Loans	17,001	20,583	23,893	26,983	80,543	76,283	78,341
Debt-service due	11,089	26,069	70,990	93,992	208,461	251,754	41,428
Interest	2,981	4,582	6,956	7,511	21,371	21,471	37,482
Domestic	2,110	3,470	5,836	6,310	17,971	18,071	36,282
Foreign	881	1,112	1,120	1,201	3,400	3,400	1,200
Repayments 7/	8,098	21,487	64,034	86,481	187,090	230,283	3,946
Domestic	6,735	19,838	62,266	84,236	180,143	222,530	811
Foreign	1,363	1,649	1,768	2,245	6,947	7,753	3,136
Debt-service payments made	11,089	26,069	70,990	93,992	208,461	251,754	40,177
Interest	2,981	4,582	6,956	7,511	21,371	21,471	37,036
Domestic	2,110	3,470	5,836	6,310	17,971	18,071	36,282
Foreign	881	1,112	1,120	1,201	3,400	3,400	754
Repayments 7/	8,098	21,487	64,034	86,481	187,090	230,283	3,141
Domestic	6,735	19,838	62,266	84,236	180,143	222,530	811
Foreign	1,363	1,649	1,768	2,245	6,947	7,753	2,331
Debt-service arrears	...	...	...	...	...	...	1,251
Interest	...	...	...	...	...	...	446
Domestic	...	...	...	...	...	...	0
Foreign	...	...	...	...	...	...	446
Repayments 7/	...	...	...	...	...	...	805
Domestic	...	...	...	...	...	...	0
Foreign	...	...	...	...	...	...	805
(In percent of GDP, unless otherwise indicated)							
Total government debt	56.9	60.6	78.9	60.4	81.1	65.5	...
Domestic debt	21.4	26.5	46.9	31.8	25.1	29.5	...
External debt 8/	35.5	34.1	32.0	28.6	56.0	35.9	...
Arrears	0.0	0.0	0.0	0.0	0.0	0.0	...
Interest	6.1	7.5	9.2	7.9	14.8	10.1	...
Repayments	16.5	35.1	84.8	90.8	129.8	108.3	...
Arrears	...	...	...	...	...	...	...
Domestic	...	...	...	...	...	...	...
Foreign	...	...	...	...	...	...	...
Memorandum item:							
GDP at market prices (in millions of Zimbabwe dollars)	48,966	61,288	75,470	95,202	144,151	212,680	...

Source: Zimbabwean authorities.

1/ Fiscal years July-June through 1996/97, except for 1997/98 which covers the 18-month period July 1997-December 1998. Annual thereafter.

2/ Through end-June.

3/ Outstanding debt at the end of the fiscal year. Does not include government overdraft accounts for 1990/91 and 1991/92.

4/ Gross of government deposits with the Reserve Bank.

5/ Refers to debt at the end of the year. The initial amount of debt assumed as of January 1995 (Z\$3974 million) included banker' acceptances comprising a element of interest subsequently paid during January-June 1995.

6/ External debt account may differ according to treatment of certain publicly guaranteed debts.

7/ Medium- and long-term debt.

Table 29. Zimbabwe: Operating Results of Major Public Enterprises, 1993/94-2000 1/

(In millions of Zimbabwe dollars, unless otherwise indicated)

	1993/94	1994/95	1995/96	1996/97	1997/98	1999	2000 Jan-June
National Railways of Zimbabwe (NRZ)	-108	-121	-253	-184	-703	282	-695
Grain Marketing Board (GMB)	-1,144	-1,061	29	-183	-450	-2124	-467
Cold Storage Commission (CSC)	-123	-27	-288	-546	-901	-458	-536
Dairy Marketing Board (DMB)	0	58	...	...	...	...	...
Cotton Marketing Board (CMB)	-44	30	121	262	...	...	...
Air Zimbabwe Corporation (AZC) 2/	41	36	105	-206	-282	97	-112
Zimbabwe Iron and Steel Corporation (ZISCO)	-187	-380	-277	-495	-688	-1339	-1044
Agricultural Finance Corporation (AFC)	14	18	19	31	51	...	...
National Oil Company of Zimbabwe (NOCZIM) 2/	183	119	-266	-1,013	-5,502	-3143	-246
Total	-1,368	-1,328	-810	-2,335	-8,746	-6685	-3100
(in percent of GDP)	-2.8	-2.2	-1.1	-2.5	-7.4	-3.1	...

Source: Zimbabwean authorities.

1/ Fiscal years July-June through 1996/97, except for 1997/98 budget, which covers the 18-month period July 1997-December 1998. Annual thereafter.

2/ NOCZIM and the AZC have not submitted their final accounts for 1996/97.

Table 30. Zimbabwe: Money Supply, 1995-2000  
(In millions of Zimbabwean dollars)

	1995	1996	1997	1998	1999	2000
	December					Sep.
Notes and coins in circulation	1,751	2,342	3,396	4,265	6,884	8,313
Demand deposits with the banking system	8,331	10,931	16,205	20,404	27,432	37,415
Narrow money (M1)	10,081	13,273	19,601	24,669	34,316	45,728
Savings deposits with the banking system	7,480	9,598	13,211	12,888	17,129	20,775
Fixed deposits of 30 days or less with the banking system	4,070	2,806	4,703	5,576	6,951	20,507
Broad money (M2)	21,631	25,677	37,515	43,133	58,397	87,010
Fixed deposits of at least 30 days with the banking system	7,190	11,135	12,139	13,495	15,123	21,587
Broad money (M3)	28,821	36,812	49,654	56,655	73,519	108,598

Source: Reserve Bank of Zimbabwe.

Table 31: Zimbabwe: Monetary Survey, 1994-2000 1/  
(In millions of Zimbabwe dollars, unless otherwise indicated)

	1994	1995	1996	1997	1998	1999	2000
	December						Sep.
Net foreign assets 2/	-1,962	-3,077	-1,931	-12,701	-27,382	-15,258	-16,240
RBZ	360	2,067	3,888	-6,869	-18,893	-11,845	-14,819
Deposit money banks and OBIs 1/ 3/	-2,323	-5,144	-5,819	-5,833	-8,489	-3,413	-1,421
Net domestic assets	15,790	31,898	38,743	62,354	84,037	88,778	125,136
Domestic credit	16,737	32,028	43,624	62,274	76,328	89,399	132,859
Claims on government	3,301	7,144	9,256	15,939	16,213	22,174	42,831
RBZ	2,772	-2,113	-1,145	6,939	7,216	3,936	8,982
Deposit money banks and OBIs 1/ 3/	529	9,257	10,401	9,000	8,997	18,239	33,849
Claims on public enterprises	879	2,911	1,604	1,890	3,450	4,638	7,360
RBZ	134	131	160	188	674	653	653
Deposit money banks and OBIs 1/ 3/	745	2,780	1,444	1,702	2,776	3,985	6,707
Claims on nonbank private sector	12,557	21,974	32,763	44,445	56,665	62,567	82,668
RBZ	207	216	284	361	808	1,095	1,750
Deposit money banks and OBIs 1/ 3/	12,350	21,758	32,479	44,084	55,857	61,493	80,918
Other items (net)	-947	-131	-4,882	80	-7,709	-622	-7,724
Broad money (M3) /1	13,829	28,822	36,812	49,654	56,655	73,519	108,598
Memorandum items:							
Reserve money	3,632	3,722	6,174	8,059	11,052	17,786	19,394
Money multiplier 4/	3.8	7.7	6	6.2	5.1	4.1	5.6
Currency/deposit ratio 5/	11.9	6.5	6.8	7.3	8.1	10.3	8.3
Reserves/deposit ratio 6/	16.6	13.8	22.2	18.9	22.7	26.4	10.8

Source: Reserve Bank of Zimbabwe (RBZ).

- 1/ Beginning December 1995, coverage of all monetary aggregates (M1, M2, and M3) was expanded to include "Other banking institutions" (OBIs).
- 2/ Reserve Bank of Zimbabwe's net foreign assets and net domestic assets have been adjusted for memorandum of deposits.
- 3/ Includes commercial banks, discount houses, finance houses, building societies, and post office savings banks.
- 4/ Defined as money supply (M3) divided by reserve money.
- 5/ Defined as notes and coins in circulation divided by total deposits.
- 6/ Defined as reserves held by deposit money banks at the RBZ divided by their total deposit liabilities.

Table 32: Assets and Liabilities of Monetary Authorities, 1994-2000 1/  
(In millions of Zimbabwe dollars)

	1994	1995	1996	1997	1998	1999	2000
			December				Sep.
Net foreign assets 1/ 3/	361	2,067	3,888	-6,868	-18,839	-11,845	-14,819
Foreign assets	4,152	6,700	8,929	4,944	8,837	11,003	4,833
Gold	753	1,156	1,249	1,918	6,142	4,018	...
Foreign exchange	3,398	5,536	6,354	3,019	4,842	10,167	9,986
SDR holdings	1	7	106	7	16	42	...
Other assets	...	...	...	...	...	...	...
Foreign liabilities	-3,791	-4,633	-5,041	-11,812	-27,676	-22,848	-21,101
Of which: Fund credit	-3,153	-4,293	-4,732	-7,182	-15,134	-14,080	-15,157
Net claims on government	2,772	-2,113	-1,146	6,939	7,216	3,936	8,982
Claims on government	8,470	12,847	21,795	28,467	36,814	51,243	82,460
Loans and advances	8,470	12,789	20,653	25,754	35,668	51,243	80,598
Treasury bills	0	58	1,142	2,713	1,146	...	1,862
Government stock	0	0	0	0	0	...	...
Government deposits	5,698	14,960	22,941	21,528	29,598	47,306	73,478
Claims on nonfinancial public enterprises	134	131	160	188	674	653	653
Net claims on private sector	-1,395	629	1,622	1,764	7,497	11,569	11,928
Claims on deposit money banks	448	1,330	1,337	1,403	6,689	10,475	10,178
Claims on nonbank private sector	207	216	285	361	808	1,095	1,750
Reserve bills outstanding	-2,050	-917	0	0	0	0	0
Other items (net; asset +)	1,760	3,007	1,650	6,037	14,658	13,473	12,651
Reserve money	3,632	3,722	6,174	8,059	11,052	17,786	19,394
Reserves of deposit money banks	2,027	1,804	3,590	4,291	6,144	10,116	10,358
Reserves of other banking institutions 2/	...	158	221	335	465	583	517
Currency in circulation	1,467	1,751	2,342	3,396	4,265	6,884	8,313
Nonbank deposits	138	10	21	37	178	202	207
Of which: Nonfinancial public enterprise deposits	-60	0	0	0	0	0	0

Source: Reserve Bank of Zimbabwe.

- 1/ Net foreign assets are valued at current exchange rates and reflect the Fund's records for transactions with the Fund.  
2/ Includes finance houses, building societies, and post office savings banks.  
3/ Reserve Bank of Zimbabwe's net foreign assets and net domestic assets have been adjusted for memorandum of deposits.



Table 33: Zimbabwe: Consolidated Accounts of Deposit Money Banks, 1994-2000 1/  
(In millions of Zimbabwe dollars)

	1994	1995	1996	1997	1998	1999	2000 Sep.
	December						
Net foreign assets	-2,322	-5,022	-5,722	-5,723	-8,416	-3,360	-1,223
Foreign assets	2,695	2,561	3,250	5,854	6,709	5,985	7,828
Foreign liabilities	-5,017	-7,583	-8,972	-11,578	-15,126	-9,345	-9,051
Reserves	2,019	1,819	3,598	4,279	6,045	10,109	10,257
Of which: currency	253	335	330	680	573	1,272	856
Credit from Reserve Bank	1,621	-750	-1,331	-951	-6,689	-10,360	-10,244
Reserve Bank bills held	2,050	579	0	0	0	0	0
Net claims on government	529	5,337	6,071	5,350	5,025	9,240	15,938
Claims on government	969	6,031	7,149	7,103	6,727	11,235	20,462
Treasury bills	747	6,627	6,939	6,673	6,499	10,880	19,820
Government stock	216	391	209	201	177	107	26
Loans and advances	6	13	1	229	51	248	615
Government deposits	-440	-694	-1,078	-1,753	-1,702	-1,995	-4,523
Claims on nonfinancial public enterprises	745	628	837	825	1,671	2,513	4,956
Claims on private sector	12,350	15,707	20,207	27,935	37,952	43,828	62,470
Loans and advances	11,155	14,516	16,421	25,702	34,945	38,892	47,852
Of which: on-lent external borrowing	3,866	6,711	7,874	10,081	12,713	7,200	7,081
Bills discounted	544	328	1,357	1,399	1,374	1,646	6,995
Bankers' acceptances	354	611	1,852	441	552	1,977	3,950
Other investments	297	438	577	393	1,082	2,570	3,674
Other items (net; asset +)	-2,719	-4,674	-7,455	-9,003	-8,542	-13,700	-22,533
Deposits	12,223	13,044	16,205	22,712	27,046	38,270	59,621

Sources: Reserve Bank of Zimbabwe; and staff estimates.

1/ Includes commercial banks, merchant banks, discount houses, and acceptance houses.

Table 34. Zimbabwe: Required Reserves and Liquid Asset Ratios, 1994-2000  
(In percent of liabilities to the public)

	1994	1995	1996	1997	1998	1999	2000 1/
<b>Required reserve ratios</b>							
Deposit money banks 2/	17.5	17.5	20.0	20.0	25.0	30.0	30.0
Finance houses 3/	4.0	4.0	4.0	4.0	5.0	5.0	5.0
<b>Liquid asset ratios 4/</b>							
<b>Commercial banks</b>							
Prescribed	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Actual	29.0	31.0	26.0	27.0	23.2	31.0	25.0
<b>Accepting houses</b>							
Prescribed	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Actual	82.0	82.0	106.0	82.0	86.7	116.0	66.0
<b>Finance houses</b>							
Prescribed	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Actual	12.0	11.0	12.0	11.0	12.0	18.0	15.0
<b>Building societies</b>							
Prescribed	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Actual	55.0	67.0	65.0	81.0	50.6	62.0	75.0

Source: Reserve Bank of Zimbabwe.

1/ At end-June.

2/ Deposit money banks are required to keep 20 percent of their domestic deposit liabilities and 17.5 percent of currency deposits as reserves.

3/ Base for requirements since May 1981 is liabilities to the public.

4/ The liquid asset ratio is defined as the ratio of liquid assets to the liabilities to the public. Liquid assets consist of the following: (i) notes and coins; (ii) balance with the Reserve Bank and discount houses; (iii) short-term debt (treasury, trade and agricultural marketing authority); (iv) government and municipal stocks with less than one year remaining to maturity; and (v) net external positions.

Table 35. Zimbabwe: Selected Interest Rates, 1994-2000  
(In percent per annum; end of period)

	1994	1995	1996	1997	1998	1999	2000
	December						July
Rediscount rate (maximum) 1/	29.50	29.50	27.00	31.50	39.50	74.41	73.68
Treasury bills (90 days)	29.58	29.46	18.46	29.91	35.19	69.41	68.85
Call money (maximum)	32.00	29.50	23.50	31.00	37.00	87.00	75.00
Certificates of deposit (maximum)							
3 month	30.25	31.00	19.88	32.50	42.00	80.00	75.00
6 month	31.00	30.75	20.00	32.50	47.00	80.00	75.00
12 month	30.00	30.50	19.63	32.50	41.00	75.00	77.00
24 month	29.75	30.50	19.25	32.50	40.00	70.00	67.00
Government stock							
15 years' maturity	17.00	0.00	0.00	21.50	0.00	0.00	0.00
30 years' maturity	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Savings accounts (maximum)							
Commercial banks	20.33	18.25	15.75	13.25	27.50	44.00	44.00
Building societies	14.00	14.00	14.00	13.50	14.00	14.00	14.00
Post Office Savings Bank	19.75	19.75	13.50	11.50	21.00	21.00	21.00
Fixed deposits							
Commercial banks							
3 month	27.25	24.75	16.75	23.63	40.00	50.00	53.50
12 month	24.00	23.00	15.75	21.00	39.00	48.50	47.00
24 month	23.13	21.50	15.88	19.50	32.00	39.75	42.10
Acceptance houses							
3 month	28.50	24.00	18.50	28.00	40.00	70.50	65.50
12 month	23.00	21.25	17.00	26.94	35.25	51.25	48.00
24 month	19.75	20.00	15.75	28.00	34.75	34.88	35.00
Finance houses							
3 month	28.25	25.00	19.00	30.25	40.25	64.00	56.50
12 month	25.00	25.00	16.75	26.50	42.00	57.00	53.00
24 month	25.00	24.00	16.25	26.50	35.00	54.50	46.50
Post Office Savings Bank							
12 month	21.75	21.75	20.00	18.00	24.00	24.00	24.00
Average cost of funds							
Commercial banks	18.15	14.74	10.75	13.34	15.75	21.84	27.40
Lending rates							
Commercial banks (minimum)	31.50	31.56	30.10	31.59	40.50	56.00	60.50
Commercial banks (weighted average)	35.40	35.03	33.59	34.73	49.25	66.00	69.25
Building societies (low-cost housing)	18.50	18.00	18.00	17.75	24.50	21.50	21.50
Agricultural Finance Corporation							
Short term	22.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Reserve Bank of Zimbabwe.

1/ On December 1, 1998, the rediscount rate and overnight rate were replaced with a Reserve Bank rate.

Table 36. Zimbabwe: Sectoral Analysis of Commercial Banks' Loans and Advances, 1994-2000  
(In millions of Zimbabwe dollars)

	1994	1995	1996	1997	1998	1999	2000 1/
Agriculture	2,007	2,195	3,345	2,965	4,052	5,772	9,952
Construction	206	266	303	301	575	553	1,596
Communication	5	2	4	115	333	588	581
Distribution	1,176	1,110	1,173	1,306	5,668	6,358	5,156
Financial and investments	391	355	366	343	1,120	1,121	4,049
Financial organizations	55	142	205	880	439	972	1,551
Manufacturing	1,740	1,905	1,832	2,538	4,182	6,447	7,296
Mining	275	207	184	414	633	2,641	2,276
Services	934	1,027	1,067	2,971	5,041	7,264	2,966
Transport	251	298	370	342	787	1,219	1,611
Individuals	867	820	957	1,059	2,169	3,193	3,506
Other	4	14	2	115	9	439	112
Total	7,911	8,341	9,808	13,349	25,008	36,567	40,653

Source : Reserve Bank of Zimbabwe.

1/ As of end-June.

Table 37. Zimbabwe: Sectoral Analysis of Merchant Banks' Loans and Advances, 1994-2000  
(In millions of Zimbabwe dollars)

	1994	1995	1996	1997	1998	1999	2000 /1
Agriculture	78	114	392	683	926	826	864
Distribution	667	381	364	1,240	4,392	1,547	1,975
Financial and Investments	80	149	264	262	164	58	333
Financial organizations	4	58	57	150	200	143	263
Manufacturing	497	682	547	805	2,358	2,017	2,426
Mining	190	248	705	1,125	1,732	681	978
Services	52	148	172	437	822	570	812
Transport	76	24	69	146	186	235	278
Individuals	4	15	57	93	135	167	218
Other	8	81	76	170	756	793	1,132
Total	1,656	1,900	2,703	5,111	11,671	7,038	9,278

Source : Reserve Bank of Zimbabwe.

1/ As of end-June.

Table 38: Zimbabwe: Nonbank Financial Institutions Financing of the Budget Deficit, 1994-2000  
(in millions of Zimbabwe dollars, unless otherwise indicated)

	1994	1995	1996	1997	1998	1999	2000 June
<b>Post Office Savings Bank, total assets</b>	<b>3,662</b>	<b>4,466</b>	<b>6,227</b>	<b>7,638</b>	<b>6,662</b>	<b>7,325</b>	<b>8,016</b>
Claims on government	2,154	1,993	1,713	1,713	1,542	1,839	2,075
Claims on public enterprises	387	341	417	798	859	1,388	1,138
Claims on the private sector	41	41	743	1,593	889	942	942
Interbank NCD and call money <sup>1/</sup>	480	2,088	3,341	3,517	2,107	1,888	2,385
Other assets	0	0	0	0	0	0	0
Reserves	600	74	13	17	1,265	1,270	1,478
<b>Building societies, total assets</b>	<b>5,808</b>	<b>10,888</b>	<b>13,843</b>	<b>18,288</b>	<b>18,054</b>	<b>24,324</b>	<b>32,402</b>
Claims on government	750	1,862	2,372	1,570	1,955	6,928	11,542
Claims on public enterprises	547	1,806	150	57	220	44	30
Claims on the private sector	2,802	3,609	8,236	9,610	11,128	10,917	11,271
Interbank NCD and call money <sup>1/</sup>	764	1,516	1,951	5,353	2,312	2,890	5,003
Other assets	429	681	658	999	1,487	2,940	3,152
Reserves	518	615	477	699	953	606	1,404
<b>Finance houses, total assets</b>	<b>1,908</b>	<b>2,866</b>	<b>4,270</b>	<b>5,921</b>	<b>6,983</b>	<b>6,899</b>	<b>7,056</b>
Claims on government	84	177	325	439	554	467	456
Claims on public enterprises	27	5	40	21	26	40	0
Claims on the private sector	1,614	2,402	3,295	4,947	5,888	5,806	5,595
Interbank NCD and call money <sup>1/</sup>	18	36	37	94	57	121	158
Other assets	110	123	355	189	172	197	519
Reserves	55	87	148	206	262	213	268
Foreign assets	0	36	70	25	24	55	61
<b>Consolidated other banking institutions, total assets</b>	<b>11,377</b>	<b>17,420</b>	<b>24,340</b>	<b>29,712</b>	<b>31,697</b>	<b>38,548</b>	<b>47,475</b>
Claims on government	2,987	3,962	4,410	3,722	4,050	9,233	14,072
Claims on public enterprises	951	2,152	607	877	1,105	1,472	1,168
Claims on the private sector	4,457	6,051	12,273	16,149	17,905	17,665	17,808
Interbank NCD and call money <sup>1/</sup>	1,262	3,640	5,328	8,964	4,475	4,899	7,546
Other assets	1,710	1,615	1,722	0	4,162	5,279	6,881
Other assets	2,972	5,255	7,050	8,964	8,637	10,178	14,427
<b>Insurance and pension funds, total asset base</b>	<b>13,882</b>	<b>14,462</b>	<b>18,023</b>	<b>22,026</b>	...	...	...
Life insurance	12,442	12,977	16,106	19,860	...	...	...
Professional life reinsurance	84	87	126	181	...	...	...
Nonlife insurance	598	619	806	833	...	...	...
Professional nonlife reinsurance	758	779	986	1,152	...	...	...
<b>Prescribed securities</b>	<b>7,427</b>	<b>7,871</b>	<b>8,413</b>	<b>8,902</b>	...	...	...
Life insurance	7,015	7,383	7,659	8,248	...	...	...
Professional life reinsurance	53	53	95	108	...	...	...
Nonlife insurance	192	253	368	249	...	...	...
Professional nonlife reinsurance	167	183	292	299	...	...	...
<b>Total nonbank financial sector</b>							
Total assets	13,882	14,462	18,023	22,026	...	...	...
Of which claims on government	7,427	7,871	8,413	8,902	...	...	...
Share in total (in percent)	53.5	54.4	46.7	40.4	...	...	...
Claims on government and public enterprises	7,426	7,871	8,413	8,902	...	...	...
Share in total (in percent)	1	1	1	1	...	...	...

Source: Reserve Bank of Zimbabwe.

<sup>1/</sup> NCDs are negotiable certificates of deposits.

Table 39. Zimbabwe: Balance of Payments, 1994-99  
(In millions of U.S. dollars, unless otherwise indicated)

	1994	1995	1996	1997	1998	1999
Current account balance (excluding official transfers)	-317.0	-369.0	-180.0	-823.0	-355.0	27.0
Trade balance	169.0	89.0	249.0	-230.0	-95.0	249.0
Exports, f.o.b.	1,947.0	2,216.0	2,496.0	2,424.0	1,925.0	1,924.0
Imports, f.o.b.	-1,778.0	-2,128.0	-2,247.0	-2,654.0	-2,020.0	-1,675.0
Nonfactor services	-277.0	-252.0	-259.0	-314.0	-40.0	21.0
Receipts	416.0	502.0	612.0	659.0	630.0	621.0
Payments	-693.0	-754.0	-871.0	-973.0	-670.0	-600.0
Investment income	-295.0	-325.0	-319.0	-405.0	-348.0	-358.0
Interest	-177.0	-151.0	-144.0	-147.0	-147.0	-143.0
Receipts	27.0	40.0	34.0	37.0	30.0	36.0
Payments	-204.0	-191.0	-178.0	-184.0	-177.0	-178.0
Other (net)	-119.0	-175.0	-175.0	-258.0	-201.0	-215.0
Private transfers (net)	86.0	120.0	149.0	126.0	128.0	115.0
Capital account (including official transfers)	517.0	437.0	109.0	102.0	134.0	180.0
Official transfers (net)	181.0	167.0	85.0	85.0	77.0	101.0
Direct investment (net)	30.0	98.0	35.0	107.0	436.0	50.0
Portfolio investment (net)	50.0	64.0	-3.0	32.0	11.0	21.0
Long-term capital (net)	69.0	134.0	67.0	9.0	-269.0	34.0
Short-term capital (net)	187.0	-26.0	-75.0	-131.0	-121.0	-26.0
Errors and omissions	67.0	142.0	50.0	-19.0	16.0	-1.0
Overall balance	268.0	210.0	-21.0	-739.0	-204.0	205.0
Financing	-268.0	-210.0	21.0	740.0	204.0	-205.0
Gross official reserves (- increase)	-232.0	-254.0	30.0	558.0	-24.0	-180.0
Net use of Fund resources	74.0	77.0	-9.0	-27.0	5.0	-27.0
Net other liabilities	-109.0	-33.0	0.0	208.0	224.0	-107.0
Memorandum items:						
Gross official international reserves						
In millions of U.S. dollars 1/	584	882	830	272	296	478
In months of imports of goods and services	2.8	3.7	2.9	0.9	0.2	0.2
Current account/GDP (in percent)						
Excluding official transfers	-4.6	-4.8	-2.1	-9.6	-5.6	0.5

Sources: Zimbabwean authorities; and staff estimates.

1/ End period, with gold at 100 percent market valuation; includes pledged and illiquid assets.

Table 40. Zimbabwe: External Trade Indicators, 1994-99  
(1990=100, unless indicated)

	1994	1995	1996	1997	1998	1999
<b>Exports</b>						
Value (in U.S. dollars terms)	111.1	126.4	142.4	138.3	109.8	109.8
Percentage change	20.9	13.8	12.7	-2.9	-20.6	-0.1
Volume	114.4	115.2	122.1	122.2	109.1	113.3
Percentage change	12.0	0.7	6.0	0.1	-10.7	3.8
Unit value (in U.S. dollars terms)	97.1	109.7	116.6	113.2	101.4	96.8
Percentage change	8.0	13.0	6.3	-2.9	-10.4	-4.5
<b>Imports</b>						
Value (in U.S. dollars terms)	117.7	140.8	148.7	175.6	133.7	110.9
Percentage change	17.6	19.6	5.6	18.1	-23.9	-17.1
Volume	121.9	136.7	148.9	183.5	155.0	125.8
Percentage change	14.0	12.1	8.9	23.2	-15.5	-18.8
Unit value (in U.S. dollars terms)	96.5	103.0	99.9	95.7	86.2	88.1
Percentage change	3.1	6.7	-3.0	-4.2	-9.9	2.2
<b>Terms of trade</b>						
Percentage change	4.7	5.9	9.7	1.2	-0.6	-6.6

Sources: Reserve Bank of Zimbabwe; and staff estimates.



Table 41. Zimbabwe: Exports by Commodity, 1994-99  
(Values in millions of U.S. dollars; volumes in thousands of kilograms unless otherwise indicated)

	1994	1995	1996	1997	1998	1999 Prov.
<b>Agricultural exports</b>	<b>884.4</b>	<b>718.1</b>	<b>927.2</b>	<b>886.3</b>	<b>805.5</b>	<b>844.4</b>
Tobacco	422.5	477.8	702.1	608.6	523.8	612.0
Volume	200.7	174.3	194.8	162.0	173.3	216.2
Unit value	2.1	2.7	3.6	3.8	3.1	2.8
Sugar	92.9	70.0	68.4	80.5	62.9	51.5
Volume	199.3	196.1	166.9	232.5	203.3	166.0
Unit value	0.5	0.4	0.4	0.4	0.4	0.4
Maize	67.3	22.3	23.0	36.1	46.3	9.1
Volume	545.8	214.9	166.7	266.6	311.7	84.5
Unit value	0.1	0.1	0.1	0.1	0.1	0.1
Cold Storage Company beef	50.6	45.2	29.0	26.2	32.1	32.6
Volume	14.8	11.8	7.6	7.0	8.5	8.7
Unit value	3.5	3.8	3.8	3.8	3.8	3.8
Coffee	12.3	27.0	27.1	41.6	51.3	37.2
Volume	4.3	9.9	10.9	9.2	12.7	10.0
Unit value	2.9	2.7	2.5	4.5	4.0	3.7
Horticulture	27.1	45.9	53.5	64.9	67.0	82.6
Volume	15.9	44.0	52.2	60.6	67.7	80.2
Unit value	1.7	1.6	1.0	1.1	1.0	1.1
Other agricultural	21.5	30.0	24.2	28.3	22.2	19.4
<b>Mineral exports</b>	<b>436.0</b>	<b>520.4</b>	<b>514.2</b>	<b>462.0</b>	<b>375.9</b>	<b>371.8</b>
Gold 1/	252.3	303.4	297.4	288.0	236.1	229.7
Volume	655.3	786.1	756.7	770.0	821.5	825.0
Unit value	385.0	386.0	393.0	348.0	287.0	278.0
Asbestos	56.0	89.8	63.2	48.3	36.1	35.6
Volume	129.3	173.2	151.2	143.3	112.9	113.0
Unit value	0.4	0.4	0.4	0.3	0.3	0.3
Nickel	82.1	87.7	75.6	71.3	44.2	48.1
Volume	13.3	11.1	10.5	12.2	10.1	8.1
Unit value	6.2	7.9	7.2	5.9	4.4	5.9
Platinum	0.0	0.0	1.5	0.4	2.3	2.0
Volume	0.0	0.0	4.4	1.1	6.4	5.4
Unit value	0.0	0.0	0.3	0.4	0.4	0.4
Copper	7.3	12.2	16.9	15.2	4.1	5.2
Volume	3.3	4.7	7.8	5.3	2.6	3.4
Unit value	2.2	2.6	2.2	2.9	1.6	1.5
Other mineral	38.3	47.1	60.9	58.7	53.1	71.2
<b>Manufacturing exports</b>	<b>749.6</b>	<b>828.7</b>	<b>846.7</b>	<b>899.7</b>	<b>646.6</b>	<b>623.6</b>
Ferrous alloys	124.7	238.4	202.0	178.2	162.6	166.5
Volume	214.2	270.8	257.8	289.1	255.5	257.0
Unit value	0.6	0.9	0.8	0.6	0.6	0.6
Cotton lint	58.6	46.3	96.0	146.1	150.0	111.9
Volume	47.1	27.3	53.7	88.3	79.7	84.2
Unit value	1.2	1.7	1.8	1.7	1.9	1.3
Iron and steel	9.6	4.8	9.6	10.1	8.3	12.6
Volume	59.7	36.2	55.1	47.5	36.8	55.0
Unit value	0.2	0.1	0.2	0.2	0.2	0.2
Textiles and clothing	139.0	114.7	100.4	98.3	58.0	59.3
Machinery and equipment	31.3	21.9	22.8	25.4	12.4	17.0
Chemicals	22.1	24.3	40.9	41.8	25.8	27.3
Other manufacturing	360.4	378.3	374.1	399.8	231.5	229.0
<b>Total exports 2/</b>	<b>1,870.0</b>	<b>2,216.3</b>	<b>2,496.2</b>	<b>2,423.7</b>	<b>1,924.9</b>	<b>1,923.7</b>

Sources: Reserve Bank of Zimbabwe; and Central Statistical Office.

1/ Volume in thousands of ounces and unit value in US dollars per ounce.

2/ Excludes estimated unidentified exports and internal freight.

Table 42. Zimbabwe: Direction of Export Trade, 1994-99  
(in percent of total exports)

	1994	1995	1996	1997	1998	1999
Industrial countries	52.0	52.4	48.3	50.5	48.7	50.3
Australia	1.0	0.6	0.7	0.6	0.6	0.5
Austria	0.3	0.4	0.4	0.3	0.5	0.3
Belgium	2.2	2.9	1.7	2.7	3.1	1.6
Denmark	0.5	0.6	0.4	0.7	0.5	0.8
France	1.7	1.7	0.9	1.0	0.9	1.1
Germany	6.9	8.2	7.9	7.8	7.7	8.5
Italy	3.5	4.7	4.3	4.0	3.5	3.9
Japan	5.7	6.8	5.1	6.1	4.8	7.7
Netherlands	4.6	3.5	3.7	3.4	3.0	2.1
Portugal	1.6	2.0	1.8	2.2	1.3	1.1
Spain	1.6	1.7	1.7	2.0	2.3	2.6
Sweden	0.5	0.6	0.6	0.6	0.6	0.7
Switzerland	2.1	1.1	2.3	2.2	2.5	2.7
United Kingdom	13.3	12.9	10.1	11.1	10.7	10.4
United States	6.5	4.7	6.7	5.8	6.7	6.3
Developing countries	31.4	31.6	28.2	30.3	31.5	33.2
Botswana	5.7	4.9	4.0	4.4	4.4	3.9
China, People's Republic of	1.7	3.1	3.4	0.8	1.0	5.9
Malawi	2.8	2.7	2.9	3.7	3.6	4.2
Mozambique	3.3	2.8	3.7	3.3	1.8	2.1
South Africa	13.3	12.6	9.6	12.1	13.1	12.6
Democratic Republic of Congo	0.8	0.5	0.3	0.5	0.5	0.5
Zambia	3.8	5.0	4.3	5.5	7.2	4.0
Other industrial and developing countries	16.6	16.0	23.5	19.2	19.8	16.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Central Statistical Office; and IMF, *Direction of Trade Statistics*.

Table 43. Zimbabwe: Imports by Principal Commodities, 1995-99 1/

	1995	1996	1997	1998	1999
	(In millions of U.S. dollars)				
Food	98.0	200.8	128.4	108.6	103.1
Tobacco and beverages	10.7	28.3	36.4	36.4	31.9
Crude materials	92.4	85.3	102.5	92.8	72.5
Fuel and electricity	262.5	360.6	487.6	374.6	301.1
<i>Of which</i>					
Petroleum products	214.3	253.1	287.5	281.3	216.1
Oils and fats	70.0	91.4	42.7	51.2	48.4
Chemicals	405.8	426.0	510.1	419.8	363.1
Machinery and transport equipment	1,219.2	1,151.0	1,279.8	1,000.8	752.5
Other manufactured goods	412.1	422.2	503.8	405.7	395.3
Other	304.8	301.9	265.6	170.7	142.1
<b>Total</b>	<b>2,875.6</b>	<b>3,067.6</b>	<b>3,356.9</b>	<b>2,660.5</b>	<b>2,210.0</b>
	(In percent of total imports, unless otherwise indicated)				
Food	3.4	6.5	3.8	4.1	4.7
Petroleum products	7.5	8.2	8.6	10.6	9.8
Memorandum item:					
U.S. dollar per Zimbabwe dollar (period average)	0.1155	0.1008	0.0841	0.0422	<u>0.0262</u>

Sources: Central Statistics Office; and IMF, *International Financial Statistics*.

1/ On c.i.f. basis.

Table 44. Zimbabwe: Direction of Import Trade, 1994-99  
(in percent of total imports)

	1994	1995	1996	1997	1998	1999
Industrial countries	38.9	35.9	35.1	34.6	31.6	29.4
Australia	0.7	0.6	1.6	1.7	1.1	0.7
Austria	0.5	0.5	0.4	0.3	0.5	0.3
Belgium	1.2	1.2	1.0	1.2	1.0	1.4
Denmark	0.7	0.6	0.6	0.8	0.4	0.4
France	2.0	3.8	3.1	2.6	3.1	2.9
Germany	5.9	5.1	4.9	4.6	3.7	5.2
Italy	1.9	1.9	2.5	1.8	2.0	1.1
Japan	5.7	6.4	5.1	5.6	4.8	4.0
Netherlands	1.9	1.7	1.8	1.7	1.3	1.4
Norway	0.3	0.3	0.2	0.5	0.3	0.2
Sweden	2.5	1.2	1.0	0.9	0.6	0.6
United Kingdom	10.3	8.1	7.9	7.4	6.8	6.5
United States	5.3	4.5	5.0	5.5	5.8	4.7
Developing countries	43.7	48.6	48.5	48.2	48.7	54.0
Botswana	1.7	2.1	1.4	2.0	1.7	1.9
India	0.6	0.6	1.4	1.1	1.4	1.5
South Africa	32.6	38.1	38.3	36.6	38.5	40.7
Taiwan Province of China	1.3	1.0	1.0	1.2	1.1	0.9
Zambia	0.3	0.6	0.5	0.9	0.8	0.9
Other (petroleum) 1/	7.2	6.2	5.9	6.4	5.3	8.1
Other industrial and developing countries	17.4	15.5	16.4	17.2	19.7	16.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Central Statistical Office; and IMF, *Direction of Trade Statistics*.

1/ Petroleum imports of unknown origin transported through South Africa.

Table 45. Zimbabwe: International Reserves, 1994-99  
(In millions of U.S. dollars unless otherwise indicated; end of period)

	1994	1995	1996	1997	1998	1999
Total gross reserves (gold at 50 percent)	492	735	713	216	213	325
Gold 1/	87	140	117	56	83	105
IMF reserve tranche position	0	0	0	0	0	0
SDRs	0	1	10	0	0	0
Foreign exchange	405	594	586	160	130	220
Total foreign monetary liabilities	439	498	460	634	744	599
IMF liabilities	378	461	436	387	407	369
Other short-term liabilities 2/	61	37	24	247	337	230
Net reserves (gold at 50 percent)	53	237	253	-419	-531	-274
Memorandum items:						
Gross reserves (gold at 100 percent)	584	882	830	272	296	486
Net reserves (gold at 100 percent)	141	377	365	-363	-448	-133
Gross reserves (in months of imports of goods, f.o.b.)	3.3	4.1	3.9	0.8	1.3	2.3
Usable reserves (in months of imports of goods, f.o.b.)						
Gold (in millions of fine troy ounces)	0.47	0.76	0.64	0.77	0.62	0.73
Exchange rate (U.S. dollar per Zimbabwe dollar)	0.1192	0.1074	0.0923	0.0537	0.0268	0.0262

Source: Reserve Bank of Zimbabwe (net international reserves tables).

1/ National gold valuation.

2/ Includes open general import license (OGIL) short-term facility, Reserve Bank stand-by credits, foreign currency deposits held by residents, and foreign bank deposits.

Table 46. Zimbabwe: External Debt Outstanding By Creditors, 1994-99

	1994	1995	1996	1997	1998	1999
	(In millions of U.S. dollars)					
Public and publicly guaranteed medium and long-term external debt	3,472.0	3,636.0	3,694.0	3,647.0	3,645.0	3,720.0
Bilateral creditors	1,067.0	1,134.0	1,188.0	1,176.0	1,197.0	1,190.0
Multilateral institutions	1,625.0	1,736.0	1,786.0	1,795.0	1,788.0	1,839.0
IMF	367.0	444.0	435.0	387.0	407.0	400.0
World Bank	753.0	764.0	784.0	848.0	845.0	890.0
Others	505.0	528.0	567.0	560.0	536.0	549.0
Private creditors	780.0	766.0	720.0	676.0	660.0	691.0
Public and publicly guaranteed short-term external debt	182.0	27.0	24.0	216.0	232.0	150.0
Total public and publicly guaranteed external debt	3,654.0	3,663.0	3,718.0	3,863.0	3,877.0	3,870.0
Total debt	-4,290.0	4,419.0	4,695.0	4,965.0	4,510.0	4,507.0
Memorandum items:						
Private sector long-term debt	326.0	366.0	447.0	469.0	196.0	237.0
Private sector short-term debt	310.0	390.0	530.0	633.0	437.0	400.0
	(In percent of total)					
Public and publicly guaranteed medium- and long-term external debt	100.0	100.0	100.0	100.0	100.0	100.0
Bilateral creditors	30.7	31.2	32.2	32.2	32.8	32.0
Multilateral institutions	46.8	47.7	48.3	49.2	49.1	49.4
Private creditors	22.5	21.1	19.5	18.5	18.1	18.6
	(In percent of GDP, unless otherwise indicated)					
Public and publicly guaranteed medium- and long-term external debt	53.0	51.3	43.5	46.1	67.1	71.3
Of which: medium and long-term debt	50.4	51.0	43.2	43.5	63.1	68.6
short-term debt	2.6	0.4	0.3	2.6	4.0	2.8
GDP (in millions of U.S. dollars)	6,891.0	7,134.0	8,545.0	8,388.0	5,775.0	5,425.0

Sources: Reserve Bank of Zimbabwe; and staff estimates.

Table 47. Zimbabwe: Summary of the Tax System as of September 2000

(All amounts in Zimbabwe dollars)

No	Tax	Nature of Tax	Exemptions and Deductions	Rates										
1.	<u>Taxes on net income and profits</u>													
1.1.	<u>Taxes on companies, corporations, and enterprises</u> Company Income Tax (Income Tax Act, Chapter 23:06; amended by Acts 1/80, 11/80, 10/81, 55/81, 30/82, 32/83, 7/84, 24/84, 19/85, 5/88, 10/88, 22/89, 10/90, 19/90, 21/91, 17/92, 12/93, 19/94, 4/95, 17/95, 23/95, and 4/96, 10/96, 13/96, 17/97, 23/97.	Annual income tax is levied on taxable income of companies (including branches of foreign corporations) from all sources within Zimbabwe. Income from other sources is not liable to tax except for interest. Taxable income is defined as gross income (excluding accruals of a capital nature and exempt income) less allowable deductions incurred in the process of production. The assessment year runs from January to December, and tax on the past year's liability (for the tax year ending in December, based on a preliminary assessment) is payable thrice yearly in February, with two other payments close to June and November on a 50 percent, 25 percent, and 25 percent basis, respectively.	Interest on specified government borrowing and postal savings is exempt. Deductions allowed include expenditure and losses (other than of a capital nature) to the extent to which they are incurred for the purposes of the taxpayer's trade or in the process of his production expenditure. These include repairs and maintenance as well as depreciation computed on either the straight line or reducing balance basis. A special initial allowance, equal to 25 percent per annum over 4 years, is available equipment purchases for farm improvements, industrial buildings, licensed hotels, and railway lines erected and used by the taxpayer for the purpose of his trade. Special allowance treatment of commercial buildings allowed for in designated growth point areas. Additional 15 percent investment allowance for new investments in designated growth point areas. Additional 15 percent training investment allowance for training buildings and new training equipment.	<p><u>Basic tax:</u> 37.5 percent of taxable income.</p> <p><u>Other charges:</u> 8.4 percent of taxable income earned by local branches of foreign companies derived from domestic sources, or, the rate fixed by international agreement (branch profit tax).</p> <p><u>Growth point areas:</u> Profits from approved new manufacturing operations in designated growth point areas are taxable at 10 percent for the first five years of operation.</p> <p><u>Export Processing Zones:</u> Income tax rate of 15 percent after a tax holiday of five years.</p> <p><u>Export incentives:</u> Companies which export 50 percent or more of their manufacturing are taxed at 8 percent-age points below the prevailing rate of corporate tax. Also, new companies starting production as of January 1, 1999 and exporting at least 40 percent of their manufacturing output, are taxed at 10 percentage points below the prevailing corporate tax.</p> <p><u>Withholding tax on contracts:</u> Starting in April 1995, firms bidding on government contracts that do not provide evidence of a valid income tax return face 10 percent withholding of the value of the contract.</p>										
1.2.	<u>Taxes on individuals</u> <u>Individual Income Tax</u> (Income Tax Act, Chapter 23:06).	Annual tax on income of individuals derived from all sources within Zimbabwe. Income from other sources is not liable to tax except for interest and dividends. Taxable income is defined as gross income (excluding	Most of the deductions allowed to companies are also allowable to individuals (see 1.1); interest on government borrowing is exempt. Spouses are taxed separately. Special credits of Z\$500 for handicapped persons are allowable. Tax credits include an	<p><u>Basic tax</u></p> <table border="1"> <thead> <tr> <th>Taxable income (In Z dollars)</th> <th>Rate (In percent)</th> </tr> </thead> <tbody> <tr> <td>Up to 24,000</td> <td>--</td> </tr> <tr> <td>24,001 to 48,000</td> <td>20</td> </tr> <tr> <td>48,001 to 72,000</td> <td>25</td> </tr> <tr> <td>72,001 to 96,000</td> <td>30</td> </tr> </tbody> </table>	Taxable income (In Z dollars)	Rate (In percent)	Up to 24,000	--	24,001 to 48,000	20	48,001 to 72,000	25	72,001 to 96,000	30
Taxable income (In Z dollars)	Rate (In percent)													
Up to 24,000	--													
24,001 to 48,000	20													
48,001 to 72,000	25													
72,001 to 96,000	30													

Table 44. Zimbabwe: Summary of the Tax System as of September 2000 (continued)

No	Tax	Nature of Tax	Exemptions and Deductions	Rates
		accruals of a capital nature and exempt income) less allowable deductions. The tax payable is determined by calculating the gross tax chargeable by applying the appropriate rate to the taxable income, and deducting from the result the credit that the individual is entitled to. The tax of employed individuals is collected in advance from their weekly or monthly wages based on PAYE (pay-as-you-earn) tax tables. Advances are credited against the tax eventually assessed. Benefits in the form of soft loans (other than for educational or medical reasons) and private use of company cars are taxable. The assessment year runs from January to December. The personal income tax is not fully global, with scheduler taxes for capital gains, domestic dividends, and t-bill interest.	elderly persons credit of Z\$2000, and 50 percent of medical expenses. The first Z\$3,000 of pensions, the first Z\$3,000 of bonuses (or 10 percent of annual pay, whichever is less), is tax. Exemptions from income tax for fringe benefits of persons employed in Export Processing Zones (EPZs), and no income taxation of dividends, interest, royalties, and fees earned from activities in the EPZs. The first Z\$15,000 of employer contributions to pension funds are deductible from taxable income tax.	<p>96,001 to 150,000 35</p> <p>150,001 to 720,000 40</p> <p>720,000 and above 40%+25% surcharge on income tax applicable to taxable income above Z\$720,000.</p> <p><u>Nonresident shareholders' tax:</u> 15 percent on dividends paid by listed domestic companies to nonresident shareholders. 20 percent apply in the case of unlisted companies.</p> <p><u>Nonresident tax on interest:</u> 10 percent withholding tax on interest paid to nonresidents. Creditable.</p> <p><u>Nonresident tax on fees:</u> 20 percent withheld from fees payable to nonresident persons in respect of any services of a technical, managerial, administrative, consultative nature. Creditable where fees are subject to both income tax and nonresidents' tax.</p> <p><u>Nonresident tax on remittances:</u> 20 percent, withheld at source.</p> <p><u>Nonresident tax on royalties:</u> 20 percent, withheld at source.</p> <p><u>Resident tax on interest:</u> 30 percent is deducted at source from interest payable by building societies, banks, discount house, or other financial institutions to a person (including trusts) ordinarily resident in Zimbabwe. T-bill interest is taxed at 15 percent and withheld at source.</p> <p><u>Automated Financial Transaction Tax:</u> A 80 cents tax levied on every automated Teller Transaction i.e. on withdrawal of cash or debit to account through Automated Teller Machines.</p> <p><u>Informal Traders' Tax:</u> 10 percent tax on rentals payable by informal traders.</p> <p>Interest payable by the post office savings bank and certain building</p>



Table 44. Zimbabwe: Summary of the Tax System as of September 2000 (continued)

No	Tax	Nature of Tax	Exemptions and Deductions	Rates
				society investments, as well as interest on Tax Reserve Certificates are exempt from tax.
1.3	<u>Capital gains tax</u>	A tax on the surplus of revenue over cost from the disposal of marketable securities and fixed property (applicable to both individual and companies)	If the gains in any year do not exceed Z\$5,000, no tax is payable. If losses do not exceed that amount, they cannot be carried forward. Local authorities, pension funds, and certain other organizations and agencies are exempt. Rollover is allowed on the principal private residence and business property.	A flat rate of 20 percent. 15 percent of the asset price per annum is deducted from the asset price to offset the effects of inflation on asset prices. A rate of 20 percent for houses, and 10 percent for houses sold by those 60 years and above.
				<u>Gains on securities:</u> Gains related to the disposal of marketable securities that are listed at the Zimbabwe Stock Exchange taxed at 10 percent.
1.4.	<u>Betting and gambling taxes</u> (Betting and Totalizator Control Act, (Chapter 10:02) 33/76, 41/778, 32/79, 1/80, 5/83, 18/89, 15/94, 146/92; Pools Control Act, Chapter 87; and Casino Act, Chapter 77).			<u>Horse racing:</u> 10 percent of winnings and gross turnover.  <u>Pool betting:</u> 10 percent of aggregate.  <u>Casino gambling:</u> 15 percent of winnings.
2.	<u>Social security contributions</u>	Payroll tax instituted in October 1994 for the National Social Security Authority.	Central government employees and domestic (household) workers.	Employers and employees: 3 percent each of wages and salary (excluding benefits), with a maximum wage and salary base of Z\$4,000 per month.
3.	<u>Payroll taxes</u>			None.
4.	<u>Taxes on property</u>			
4.1.	<u>Real estate taxes</u>	A local government tax levied annually on the value of real estate.	The scope of real estate covered and the valuation differ widely among local governments.	Rates differ among local governments. Rates vary from Z\$30 to Z\$150 per unit of land (400 hectares) in commercial farming areas.
4.2.	<u>Net wealth tax</u>			

Table 44. Zimbabwe: Summary of the Tax System as of September 2000 (continued)

No	Tax	Nature of Tax	Exemptions and Deductions	Rates
	None.			
4.3.	<u>Estate duty</u> (Estate Duty Act, Chapter 178; amended by Act 38/76).	Payable on the value of the assessed estate of a deceased person.	An abatement exempts estates valued at less than Z\$125,000 where the deceased did not leave a surviving spouse and Z\$250,000 when the deceased leaves a surviving spouse. The family home is not included in the value of the estate.	Rate varies from a low of 0.02 of a cent per Z\$100 to 20 percent when the dutiable amount is Z\$100,000 or more.
4.4.	<u>Property transfer tax</u>	Stamp duties payable on transfers of property.		35c for every Z\$100, or part thereof, of marketable securities; 10c for every Z\$100, or part thereof, of other moveable property; 35c for every Z\$100, or part thereof, of immovable property; 10c for cheques; and 3c for every Z\$1 of insurance policies.
5.	<u>Taxes on goods and services</u>			
5.1.	<u>General sales tax</u> Sales Tax Act, Chapters 48/76, 27/77, 12/78, 23/78, 35/78, 22/78, 1/80, 11/80, and 55/81). 30/82, 19/83, 24/84, 19/85, 20/86, 17/87, 4/88, 8/88, 16/88, 22/89, 19/90, 17/92, 12/93, 15/94, 19/94, 17/95, 23/95, 4/96, 13/96, 17/97.	Single-stage tax levied and collected on all goods sold locally. The tax is levied on all sales of all goods and services, both domestic and imported, except to other registered traders within the "ring" system. Based for the sales tax charged on imported goods (if sold to a final consumer) is imports c.i.f. plus customs. Effective April 1, 1993, general traders should have annual turnover of Z\$250,000 or more to register, up from Z\$100,000. In the service sector, a lower threshold of Z\$60,000 per annum applies and \$50,000 in the manufacturing industry.	Taxable services include accommodations at hotels and restaurants, and transportation and telecommunications services. The following items are exempt: (i) basic commodities such as fresh meat and fish, milk, maize, bread, illuminating paraffin, and vegetables; (ii) beer, tobacco products, wines, and spirits (subject to excise duties).  Through the operation of the ring system, the following items are also, in effect, exempt: (iii) main input items of mining and agricultural industries; (iv) raw materials of manufacturing industries; (v) goods purchased for resale by traders.  For firms in Export Processing Zones, a refund is given on sales tax paid on inputs.	17.5 percent of retail price of all taxable sales of goods and services except for 25 percent for automobiles and luxury goods. Hotel accommodations taxed at 17.5 percent.
5.2.	<u>Excise duties</u> (Customs and Excise Act,	Dutiable goods include liquor and tobacco	Exports and imports are exempt. Imports that compete with	<u>Cigarettes</u> : 85 percent. <u>Beer</u> : clear beer, 80 percent; opaque

Table 44. Zimbabwe: Summary of the Tax System as of September 2000 (continued)

No	Tax	Nature of Tax	Exemptions and Deductions	Rates
	Chapter 177; amended by Acts 23/79, 24/79, 2/80, and Customs and Excise (Suspension) Regulations, 1980, SI 645/80, and SI 55/81).	products. Tax levied at the manufacturing level.	excisable domestic goods are subject to customs rates that are equal to or greater than the excise tax rate.	beer, 10 percent. <u>Alcoholic spirits</u> : Z\$70 per liter of AA or Z\$28 per liter. <u>Carbonated beverages</u> : 25 percent. <u>Wines</u> : 5 percent.
5.3.	<u>Selective tax on services</u>			
	None.			
5.4.	<u>Business licenses</u> (Shop License Act of 1976).	An annual levy on selected businesses.		Rates vary between urban and rural areas.
5.5.	<u>Motor vehicle tax</u>	Tax on motor vehicles. Heavy vehicles are taxed by the Central Government and all the receipts are granted to local governments. Other vehicles are taxed by local governments. In some regions where local governments do not have tax administration, the Central Government (through post offices) collects this tax and grants it to the regions.		Rates vary between urban and rural areas.
6.	<u>Taxes on international trade and transactions</u>			
6.1	<u>Tax on imports</u>	Customs duty	Imports by the central government are exempt. Special concessions are applied to some goods produced in specified countries by agreement. Firms in Export Processing Zones are allowed duty-free importation of new materials.	Tariff basically consists of a single schedule. Rates are mostly ad valorem and applied to the c.i.f. value. Classification is based on the Harmonized System.  (In percent) Raw materials: 5 Capital goods: 0 Partly processed inputs (unleaded): 15 Intermediate goods: 20-30 Finished goods: 40-85 Gasoline 45 Diesel 25 Jet fuel free  Vehicles: 1000cc-1500cc 65 1500cc-3000cc 75 3000cc and over 80

Table 44. Zimbabwe: Summary of the Tax System as of September 2000 (concluded)

No	Tax	Nature of Tax	Exemptions and Deductions	Rates
				Clear beer—100 percent Carbonated beverages—25 percent Alcoholic spirits—Z\$52.88 per liter or Z\$117.5 per liter of AA. Cigarettes—85 percent Wines—75 percent
				Apparel: 65 percent plus Z\$100 per kilo Batteries: 30 percent to 65 percent plus Z\$100 each Consumer electronics: 40 percent to 65 percent plus Z\$100 each
				<u>Road user levy:</u> An additional duty of Z\$0.18 per liter for diesel, and Z\$.05 per liter for gasoline, introduced in January 1995, is classified as a fee (road user levy) under nontax revenue.
6.2.	<u>Surtax</u>	Surtax on imports of final goods.	Imports by the central government and selected goods for statutory bodies (related to their primary lines of business) are exempt.	(i) 10 percent on goods attracting also 30 percent customs duty and those attracting specific and combine rates of duty. (ii) below 30 percent - free.
6.3.	<u>Taxes on exports</u>			
				None.
6.4.	<u>Exchange taxes</u>			
	<u>Tobacco levy</u>	Tax on turnover at tobacco auctions, which are usually held between April and October. Introduced in May 1996.		5 percent, 2½ percent payable by both buyer and seller.

Source: Data provided by the Zimbabwean authorities.