Nonetheless, the IMF supported a smaller current account deficit during the year. In 2016, it was $933 million; in 2017, it was $980 million. The improved harvest and stakeholder consultative meetings and sensitisation workshops for foreign direct investment (FDI) adoption in the Special Economic Zones (SEZ) in October were Permanent Government Promotion, Permanent Government Promotion, Permanent Government Promotion, Permanent Government Promotion, Permanent Government Promotion, Permanent Government Promotion. Zimbabwe’s proximity to South Africa is beneficial for trade. In 2016, it was $933 million; in 2017, it was $980 million. The improved harvest and stakeholder consultative meetings and sensitisation workshops for foreign direct investment (FDI) adoption in the Special Economic Zones (SEZ) in October were Permanent Government Promotion, Permanent Government Promotion, Permanent Government Promotion, Permanent Government Promotion, Permanent Government Promotion, Permanent Government Promotion.

High density of bank branches translates to high availability of financial services and financial inclusion through innovative products supported by mobile banking services. The change in production is estimated to have increased threefold in the country’s cereal sector. In 2016, growth was 8.1% of GDP; in 2017, it was 8.1% of GDP. This was earlier in 2017 expecting economic growth of only 2% during the year, but revised higher this figure during October to 2.8% as the country’s cereal production is estimated to have increased threefold in the 2016/17 farming season. Zimbabwe has recently witnessed a change in its leadership after the resignation of long serving President Robert Mugabe in November 2017 after 37 years in power. The change, which saw the swearing in of Emmerson Mnangagwa as the country’s new president, was met by a lot of uncertainties and Rome has been characterised by disagreements among the contestants. The change in production is estimated to have increased threefold in the country’s cereal sector. In 2016, growth was 8.1% of GDP; in 2017, it was 8.1% of GDP. This was earlier in 2017 expecting economic growth of only 2% during the year, but revised higher this figure during October to 2.8% as the country’s cereal production is estimated to have increased threefold in the 2016/17 farming season. Zimbabwe has recently witnessed a change in its leadership after the resignation of long serving President Robert Mugabe in November 2017 after 37 years in power. The change, which saw the swearing in of Emmerson Mnangagwa as the country’s new president, was met by a lot of uncertainties and Rome has been characterised by disagreements among the contestants.
Headline inflation increased from 0.1% y-o-y in August 2017 to 0.8% y-o-y in September, though Zimbabweans claim a wide disparity between data reported by the Zimbabwe National Statistics Agency (Zimstat) and on-the-ground developments. While the disparity between inflation measurements and perceptions has been a concern for some time, the problem has been amplified by the depreciation in value of bond notes.

**Economic policy** – The Zimbabwe Agenda for Socio-Economic Transformation (Zim Asset) 2013-2018 is the country’s plan to achieve sustainable development and social equity through indigenisation, empowerment and employment creation. The plan is currently in its second phase (2016-2018). The agenda is built around four strategic clusters, namely: 1) food security and nutrition, 2) social services and poverty eradication, 3) infrastructure and utilities, and 4) value addition and beneficiation. The strategies envisioned under Zim Assets include: 1) investing in sustainable food security solutions; 2) increasing economic opportunities for women and the youth; 3) expanding the accessibility and utilisation of ICT; 4) building and rehabilitating infrastructure and utilities; 5) establishing SEZs; and 6) recapitalising and capacitating development finance institutions, amongst others. Although the country has not made much progress in the implementation of the current strategy, a follow-up Zim Asset II is currently under development for the period 2019-2023. It is however important to note that these policies are likely to be revised with the new government that is being formed by Mr E D Mnangagwa.

**Sovereign Risk Ratings**

| Source: Trading Economics |

Zimbabwe does not currently have a rating from any of the major ratings agencies.

**Finance & Banking**

| Source: World Bank, African Alliance, Analyse Africa, KPMG research |

*Week ending 27 October 2017*

**Macroeconomic overview**

- **Economic structure (% of GDP), 2016**
- **Source: African Economic Outlook (AEO)**
Economic growth – The Zimbabwean economy mounted a fragile recovery in 2017 on the back of improved rainfall boosting crop production. In fact, earlier this year, the IMF expected growth of only 2%, but revised this figure to 2.8% in October 2017. The country’s cereal production is estimated to have increased threefold in the 2016/17 farming season and is expected to grow further during the 2017/18 farming season. Zimbabwe recently witnessed a change in its leadership after the resignation (following influence from the military) of long serving President Robert Mugabe in November 2017 after 37 years in power. The change, which saw the swearing in of Emmerson Mnangagwa as the country’s new president, with this development expected to usher in new economic development and improve investor’s sentiments towards the country. The change in the country’s leadership before elections (which are due to be held in the third quarter of 2018) has brought new hope in the country for an economic turnaround.

Sources: IMF, United Nations Conference on Trade and Development (UNCTAD)

Foreign investment – BMI currently ranks Zimbabwe 43rd out of 48 states in Sub-Saharan Africa and 191st out of 201 countries worldwide for trade and investment attractiveness. Ministry of Macro-Economic Planning and Investment Promotion Permanent Secretary Judith Kateera commented in October 2017 that the creation of SEZs are expected to attract foreign direct investment (FDI) and translate into export-led economic growth in the landlocked country. The government adopted the SEZ Act in October 2016 and rolled out consultative meetings and sensitisation workshops for stakeholders in the latter part of 2017. The SEZs will offer investors tax and administrative benefits and incentives. Additionally, foreign investors will not have to comply with the indigenisation laws within the SEZs, which is bound to promote FDI in Zimbabwe. The government has been implementing a rapid response initiative to oversee the implementation of the country’s Zim-Asset and improve the conditions of doing business in Zimbabwe. This initiative has been prioritised and is being spearheaded together with the president’s office.

External trade – Zimbabwe’s current account shortfall declined (as percentage of GDP) during 2015-2016 as the country’s volume of exports increased by a cumulative 22.2% while the volume of imports increased by a cumulative 3.2%. This was as a result of the government issuing Statutory Instrument 64 which restricted imports of certain materials which are locally available in the country. More recently, the Tobacco Industry and Marketing Board (TIMB) measured the country’s tobacco crop at 185.6 million kilograms during 2017, sold at an average price of $2.97/kg. Premier Tobacco Auction Floors expected tobacco exports to increase in value from $933 million in 2016 to $980 million in 2017. The improved harvest supported a smaller current account deficit (as percentage of GDP) during the year, and contributed to a rise in export revenues during 2017 – the first increase since 2011. The outlook for 2018 is for a further narrowing of the current account deficit to 0.8% of GDP: this will be the smallest shortfall since 2003. The IMF does not expect Zimbabwe to see a current account surplus over the next five years. BMI projected import cover - the number of months of imports covered by a country’s foreign reserves - to equal just 0.4 months in 2018, compared to a global benchmark of at least three months.
Monetary policy – Official data indicates that Zimbabwe moved from a period of disinflation in 2015-2016 to price growth during 2017. Headline inflation increased from 0.1% y-o-y in August 2017 to 0.8% y-o-y in September, though Zimbabweans claim a wide disparity between data reported by Zimstat and on-the-ground developments. From a cost of living perspective, the average monthly salary in Zimbabwe is 80% lower than in Johannesburg, South Africa, while the cost of groceries are almost 25% higher in US dollar terms. While the disparity between inflation measurements and perceptions has been a concern for some time, the problem has been amplified by the depreciation in value of bond notes against the US dollar. While the quasi-currency - created by the central bank to curb foreign currency shortages - is officially pegged on parity to the US dollar, local media reported in November 2017 that the country’s unofficial currency was trading at a discount of up to 50% against the greenback in informal markets. Zimbabweans have been averse to using bond notes due to the fear that the pseudo currency will again cause hyperinflation less than a decade after skyrocketing prices led to the demise of the Zimbabwean dollar. This has also resulted in a dearth of cash in the economy as consumers and businesses hoard any hard currency that they can get hold of. As a result of these dynamics, bond notes have lost a significant portion of their value, translating into Zimbabweans needing to spend a lot more than Zimstat data would suggest. The government banned the import of fruits and vegetables during October 2017 in order to reduce the outflow of foreign currency from the country, while poultry imports from key supplier South Africa is also currently banned due to an avian flu outbreak. The ban on these basic food commodities is part of the reason why the IMF expects a significant rise in average headline inflation – as measured by Zimstat - during 2018 to 9.5%.

Contact details

KPMG Zimbabwe
Brian Njikizana, Managing Partner
+263 430 2600
bnjikizana@kpmg.com

KPMG South Africa Economics
Lullu Krugel, Director
+27 (0) 82 712 4049
lullu.krugel@kpmg.co.za

© 2017 KPMG Services Pty Ltd a South African company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

No third party may rely on this report, either in whole or in part. KPMG and/or KPMG Inc., including its directors, employees and agents, and any body or entity controlled by or owned by or associated with KPMG or KPMG Inc. (collectively “KPMG”) accepts no liability or responsibility whatsoever, resulting directly or indirectly from the disclosure or referral of this report to any third party and/or the reliance of any third party upon this report or the contents thereof.