MONTHLY ECONOMIC REVIEW

AUGUST 2022

Zimbabwe Coalition On Debt And Development
ZIMCODD

INVESTING IN PEOPLE FOR SOCIAL AND ECONOMIC JUSTICE

EXECUTIVE SUMMARY

The August 2022 Economic Review tracks the movement and evaluates the performance of key indicators like national output, money supply, exchange rates, price inflation, public debt, and balance of payments position as well as a selected sectoral review. The following were the key highlights:

- The global economic outlook remains dismal and is characterized by high uncertainties. While it was still reeling from the effects of the 2018 trade war and COVID-19 pandemic, the global economy is now being perturbed by the negative spill overs from the Russia-Ukraine war.

- Zimbabwe's fiscal authorities have revised their 2022 GDP growth projections to 4.6% from the initial 5.5% on the back of erratic rainfall patterns received in the 2021/22 Agriculture season, currency deterioration, chronic inflation, poor energy production, and effects of the Russia-Ukraine war.

- In August 2022, month-on-month price inflation mounted by 12.4% shedding 13.2 percentage points on the July 2022 outturn of 25.6%. This marked the second consecutive month of disinflation (moderation of price growth), the first occurrence in about 17 months.

- ZWL gained some of its lost value against the greenback in the parallel market. The local unit that closed July trading at an average of ZWL850 per US dollar has scaled down to close August 2022 at an average of ZWL750 -a ZWL gain of about 12% versus the US dollar.

- In the second quarter of 2022, reserve money spiked by an unsustainable 20%, and the official exchange rate lost about 62% of its value against the US dollar in the official market. While reserve money went on to moderate in July and August, the broad money supply continues to burgeon.

- Treasury requested a ZWL929 billion Supplementary Budget in July, nearly 96% of the ZWL968.3 billion initial budget. Due to increased spending pressure, the Treasury is now requesting another ZWL851 billion barely two (2) months after a Supplementary Budget.

- The statistics show Treasury Bills held by banks jumping by 125% from ZWL38.64 billion in January 2022 to ZWL86.97 billion in July 2022 -a sign of ballooning domestic debt. Public debt is in distress as US$6.6 billion (50%) of external debt is currently in arrears.

- Although electricity imports have scaled down in July, importation of electrical energy has maintained an upward trend year to date. Cumulatively (January - July 2022), Zimbabwe had spent US$85.75 million importing electricity mainly from Zambia, South Africa, and Mozambique.

- In August, the price of a litre of diesel fell by US$0.02 to close at US$1.74 while that of petrol settled at US$1.58 from US$1.61 end of July. Despite the decline, pump prices remain high translating into an increased value of fuel imports for net importers like Zimbabwe.

- While the United Nations (UN)'s Food and Agriculture Organization (FAO) Food Price Index (FFPI) for August was 2.7 points (1.9%) down from July level, its fifth consecutive monthly decline, the index remained 10.1 points (7.9%) above its value a year ago.

- Zimbabwe earned about US$1.14 billion from gold exports alone (Jan-July 2022) compared to US$0.715 billion earned in the same period in 2021. Gold is Zimbabwe's traditional export earner and is expected to contribute US$4 billion as per the 2023 Mining Vision.

1 INTRODUCTION

The month of August 2022 has witnessed a moderation of parallel market rates and increased disinflation. Generally, market stability is a function of consumer and business confidence and trust. This comes through maintaining consistency in the implementation of credible and inclusive market-driven socio-economic policies.

However, with Zimbabwe relapsing into hyperinflation thrice since the turn of the millennium and having a track record of policy inconsistency as it had followed at least four (4) exchange rate determination and management mechanisms since 2019, it remains to be seen if the ongoing moderation of ZWL depreciation in parallel markets will be sustained. As such, the publication seeks to fairly analyse the factors that contributed to this moderation witnessed in August 2022, reflect on the outlook risks, and proffer alternative policy actions to maintain the same.

2 ECONOMIC OUTLOOK

2.1 GLOBAL ECONOMIC PERFORMANCE & OUTLOOK

As highlighted in our July 2022 Economic Review, the global economic outlook remains gloomy and characterized by high uncertainties. The global economy which was still battling the effects of the 2018 trade war between the USA and China and a pandemic, is now experiencing the negative spillovers from the Russia-Ukraine war.

Table 1: Global Economic Outlook Projections

	2020	2021	2022p	2023p
World	-3.1	6.1	3.2	2.9
Advanced	-4.5	5.2	2.5	1.4
Emerging Asia	-0.9	7.3	3.6	3.9
M. East & Central Asia	-2.8	5.7	4.8	3.5
Latin America & Caribbean	-6.9	6.8	3.0	2.0
Sub-Saharan Africa	-1.7	4.5	3.8	4.0

Source: *IMF World Economic Outlook (April 2022)*

The war and its associated sanctions and countersanctions are greatly impeding global trade and cooperation. Because of this, the world is now experiencing a record price inflation which is estimated to close 2022 at 6.6% and 9.5% in advanced and developing economies respectively. To fight back, major global central banks like the US Federal Reserve and European Central Bank (ECB) are implementing interest rate hikes which could in turn slow economic growth and induce debt distress in developing nations. Also, China's strict COVID-19 containment measures pose a threat to global economic activity. In the end, developing nations with limited resources to cushion their economies will disproportionately shoulder the burden of the likely global stagflation.

2.2 REGIONAL ECONOMIC PERFORMANCE & OUTLOOK

The International Monetary Fund (IMF) maintained its growth projections for the sub-Saharan Africa (SSA) region at 3.6%. The SSA region is commodity-dependent and is benefitting from upscaling global commodity prices, especially in the mining and oil extractive sector.

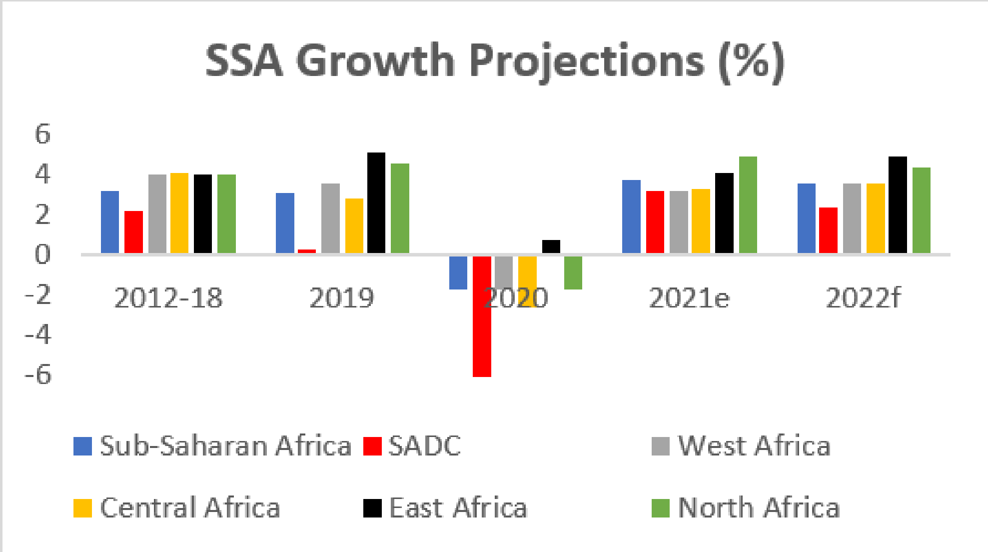

Fig 1: Sub-Saharan Africa Growth Projections
Source: *African Development Bank (AfDB)*

Nevertheless, the balance of risks to the SSA region's economic outlook is tilted to the downside. With the region enjoying a lion's share of global poverty, rising global inflation is exacerbating the situation by eroding real incomes. This is subduing aggregate consumer demand, widening income inequalities, and risks triggering social unrest and insecurity. Also, with many nations including Zimbabwe already facing unsustainable debt levels, monetary and financial tightening in advanced nations will exert enormous pressure on their debt servicing as well as the cost of contracting new loans. As we alluded to in July, fiscal space could narrow further if spending pressures to curb the impact of rising food and fuel prices continue to build up.

2.3 ZIMBABWE ECONOMIC OUTLOOK

Zimbabwean fiscal authorities have revised their 2022 GDP growth projections to 4.6% from 5.5% which was initially reported in the 2022 national budget.

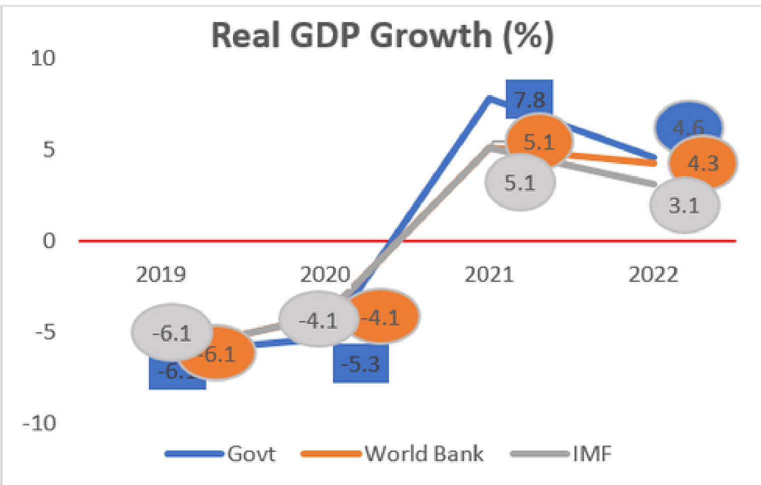

Fig 2: Zimbabwe Real GDP Growth (%)
Source: *Ministry of Finance, IMF & World Bank*

The downward revision of GDP was inevitable as almost all of the assumptions anchoring the 2022 budget had turned out to be unrealistic. These included inter alia:

- Normal-to-above normal rainfall: The nation experienced erratic rainfall patterns that greatly affected the 2021/22 agriculture season. For instance, staple maize harvest slipped by 44% to about 1.5 million tonnes from 2.7 million reported in the 2020/21 season. This had a bearing on domestic production since the agriculture sector is estimated to supply at least 60% of industrial inputs.
- Stable exchange rate: The January - July period experienced massive ZWL depreciation against the US dollar. The local unit lost at least 78% of its value with parallel market exchange premia exceeding 100%.
- Stable prices: Due to limited forex availability on the auction market, weak ZWL price discovery process, and elevated ZWL liquidity supply, the parallel market rate (PMR) skyrocketed. With businesses benchmarking prices at or above the PMR, price inflation ballooned thus lowering aggregate consumer demand and private sector investment.
- Increased energy production: The Treasury expected electricity production to increase in 2022. However, due to aging thermal power plants breaking down frequently coupled with dwindling dam levels at the gigantic Kariba Dam, the nation experienced increased load shedding schedules since the beginning of the year to date. Power shortages during times of higher prices of substitutes such as fuel subdue both household and business budgets.

However, in recent weeks the nation has experienced PMR stability, with the gap between official and alternative rates declining and the two (2) rates heading toward convergence. Also, global oil prices are gradually scaling down largely powered by increasing investor fears of a global recession. Consequently, monthly price inflation has slowed down in July and is expected to slow further in August. If this stability is sustained, business and living costs will moderate thereby stimulating the momentum of GDP recovery and growth. Thus, it will become a growth with a 'human face' as per Vision 2030 economic aspirations.

RISKS TO ECONOMIC OUTLOOK

While the PMR stability being witnessed currently is commendable, the balance of risk to the outlook remains tilted to the downside:

- Increased government spending: Fiscal spending remains highly elevated in the 2nd half of 2022 with the nation set for unprecedented spending on agriculture subsidies, likely civil servant salary hikes & 13th cheques, ongoing infrastructure projects, and food aid to vulnerable and marginalized communities.
- Election risks: The nation is geared for general elections next year. Generally, elections are associated with policy slippages, fiscal indiscipline due to the embrace of populism, police brutality & harassment, the politicization of the judiciary, and political violence.
- PVO Bill: This Bill poses a great threat to civic space and operations of NGOs. These NGOs and development partners are injecting direly needed forex supporting humanitarian causes, fighting climate change, and health support.
- Geopolitical risks: The end of the war in Ukraine is not deterministic. The longer the war period, the higher the global economic costs such as disruptions in trade & elevated inflation.
- Climate change: Due to limited fiscal space, government is failing to adequately finance climate change mitigation & adaptation measures. For instance, the Agric sector remains rainfall dependent in the era of frequent El-Niño- induced droughts.
- Public debt: Zimbabwe is facing an unsustainable public debt that continues to balloon. This will constrain countercyclical effects of fiscal policies, increase debt service & borrowing costs, deplete forex reserves, lead to unsustainable resource extraction, and heightened interest, tax, and inflation rates.
- Leakages: Due to weak institutions and inadequate political will, corruption and illicit financial flows will remain rampant[1] in Zimbabwe. This is reducing government revenues, crowding out public service delivery, and causing costly sector-wide pricing distortions.
- Tax regime: The tax regime remains highly regressive while the government continues to award unsustainable tax incentives, especially to foreign corporates. This is failing to bring meaningful GDP growth and development except for the "race to the bottom" which only favours the rich and connected few.
- Investment climate: Despite the "Zimbabwe is Open for Business" mantra, the domestic investment climate remains risky for investors. For example, Zimbabwe has a high (6.79) Basel AML Index and this has a huge impact on business financing as correspondent foreign banks are de-risking.

3 MACROECONOMIC INDICATORS

The section analyses the performance of selected key macroeconomic indicators to establish the direction being taken by the economy.

3.1 INFLATION

In August 2022, month-on-month (July-August) price inflation mounted by 12.4% shedding 13.2 percentage points on the July 2022 (June-July) outturn of 25.6%.

This marked the second consecutive month of disinflation (moderation of price growth), the first occurrence in about 17 months. However, on a year-on-year basis (August 2021-August 2022), prices have increased by 280%, the highest annual outturn since February 2021 when annual inflation was recorded by the Zimbabwe National Statistics Agency (ZimStat) at 321.59%.

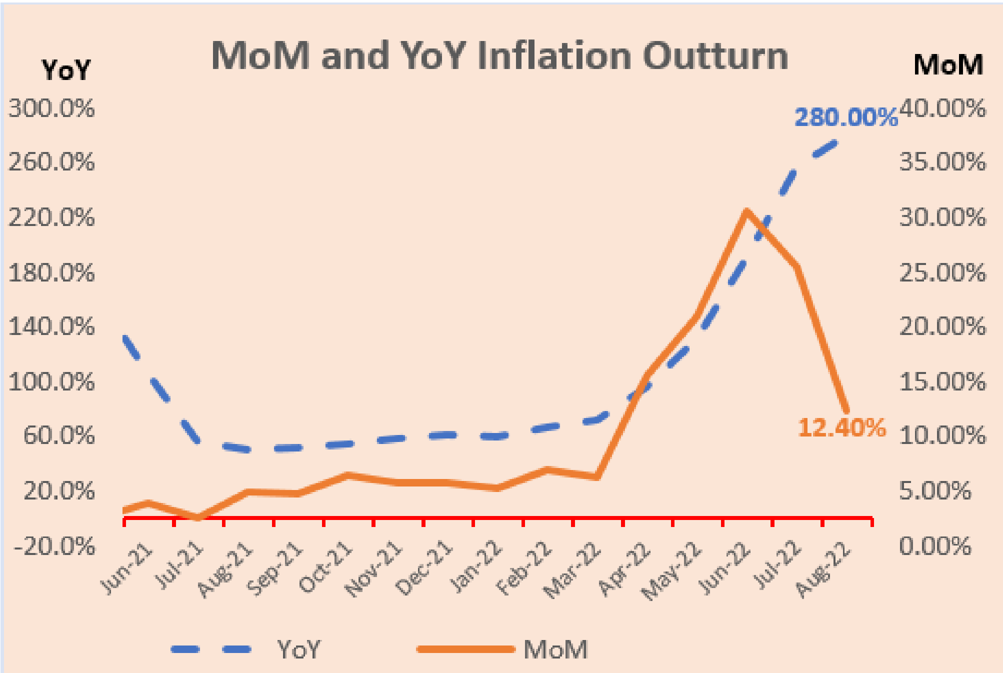

Fig 3: Zimbabwe Annual Inflation Trends (%)
Source: *ZimStat*

The moderation of prices in the month under review is broadly attributed to the government policy actions instituted since May 2022. This validates our position since January 2022 that it is the authorities that were contributing largely to market instability, not the Russia-Ukraine war or human behaviours. The policy measures instituted to stabilize the market since May 2022 include among others:

- The entrenchment of a multicurrency regime into law to thwart public speculation around a monocurrency – exclusive use of the Zimbabwe dollar as legal tender.
- The introduction of gold coins, in addition to ongoing Open Market Operations (OMO), is helping to mop excess ZWL in the system while rivalling the US dollar as a lucrative investment asset for value preservation.
- A record high Reserve Bank of Zimbabwe's (RBZ) benchmark policy rate to curb speculative borrowing in the market.
- A low quarterly reserve money growth target. This is because reserve money (currency in circulation & banks' deposits at the RBZ) is the most price-sensitive component of the money supply as it is injected directly and at the discretion of the RBZ. Also, its components function more as a medium of exchange rather than storing value.
- Suspension of duty: The Treasury had suspended import duty on basics so that those with free funds (forex) can import from abroad.

Although this is fuelling dollarization and crowding out non-forex earners, the measure is helping to reduce market shortages while instilling pricing discipline in some of the profiteering domestic manufacturers.

Apart from the actions of the authorities, disinflation is also attributable to the weakening of the economy. The highly inflationary environment has collapsed total savings which are generally considered to be the backbone of private sector investment. In the same vein, chronic inflation which, since Q4:21, was largely fuelled by the Treasury's fiscal indiscipline, weak & corrupt ZWL price discovery process through the forex auction system, and excessive ZWL liquidity supply had greatly subdued consumer aggregate demand.

Granular analysis of inflation drivers since 2019 shows that price inflationary pressures will likely remain elevated in the second half of 2022. Fiscal spending pressure keeps mounting which risk jeopardizing government financial books, force increased domestic borrowing together with quasi-fiscal operations (QFOs) financed through the RBZ. Due to the poor 2021/22 agricultural season, food price inflation will keep mounting at least until the next harvest around April 2023. Last but not least, the uncertainty around the COVID-19 pandemic as well as the likely continuation of the Russia-Ukraine war means elevated inflation for perennial importers with inefficient domestic manufacturing firms like Zimbabwe.

3.2 Exchange rate

In the month under review, ZWL gained some of its lost value against the greenback in the parallel market. The local unit that closed July trading at an average of ZWL850 per US dollar in alternative markets has scaled down to close August 2022 trading at an average of ZWL750 -a ZWL gain of about 12% versus the US dollar.

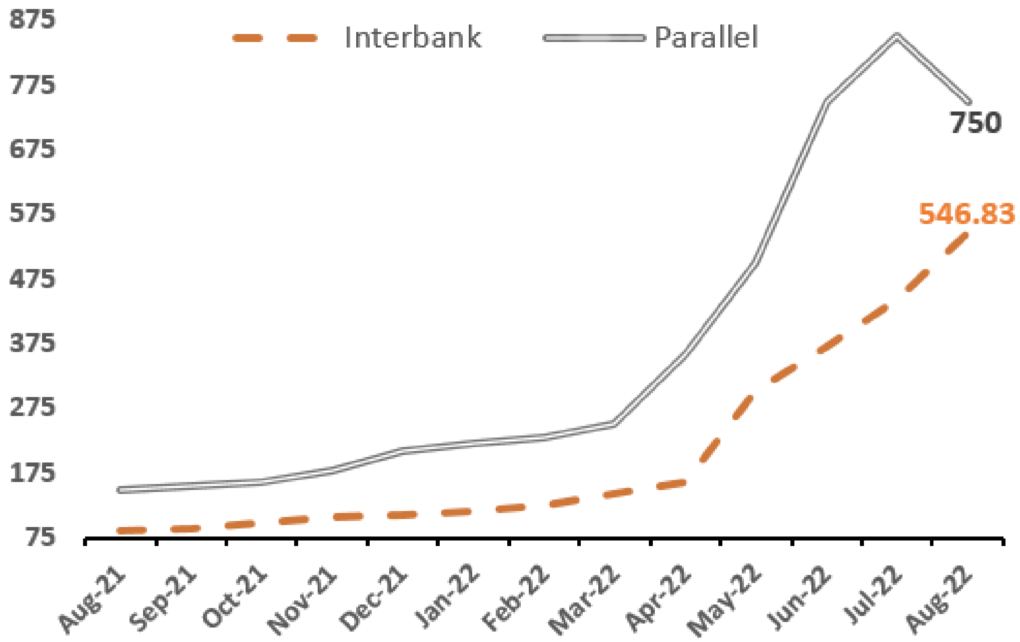

Fig 4: Auction and Parallel Exchange Rate
Source: *RBZ, ZIMCODD*

In the official market, the ZWL depreciated for four consecutive weeks of the month under review thus shedding a cumulative 18.8% to close at US$1: ZWL546.83 from US$1: ZWL443.88 end of July. Resultantly, the parallel market exchange premia that were above the 100% mark in June 2022 had plunged to close August 2022 below 40%. This is a movement toward conventional thresholds which should be typically at or below 20% for sustained exchange rate stability to hold. As such, the two (2) exchange rates will likely attain near convergence at least in the short run, ceteris paribus. However, we continue to maintain our view that this stability will probably be short-lived considering the risks to the outlook period explained in earlier sections. Therefore, we will continue to monitor fiscal spending as this is the major driver of excessive ZWL liquidity growth. We will also continue to lobby and advocate for prudent, market-driven economic policies and structural reforms to dampen existing pricing distortions in the market.

3.3 Money Supply

Typically, the quantity of money should move in tandem with the rate of growth of economic activity in the real sector. If this fails to hold, the economy will end up with excess local dollars in circulation chasing too few or the same quantity of goods thereby forcing prices to balloon.

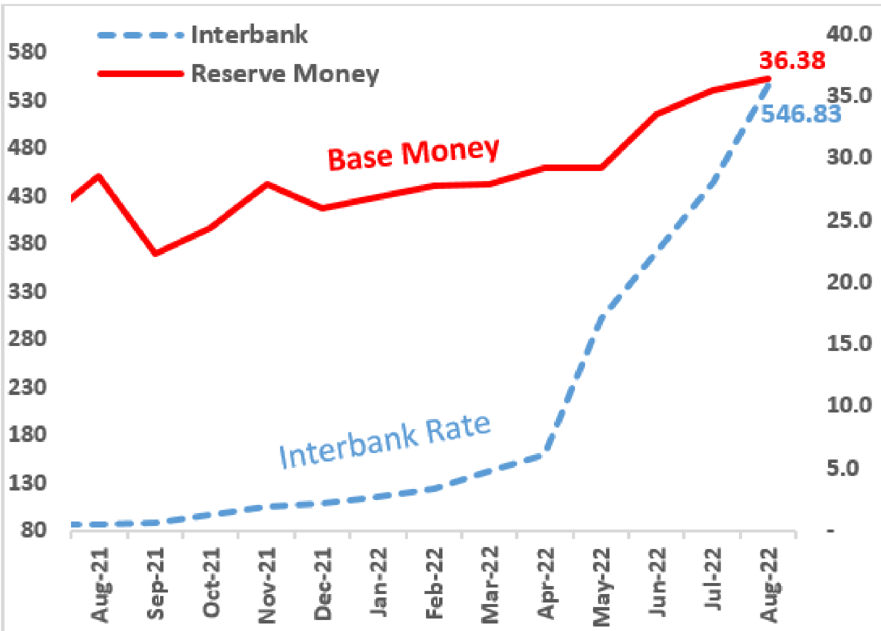

Fig 5: Base Money and Interbank Rate
Source: *RBZ*

In the second quarter of 2022, RBZ statistics show reserve money spiking by an unsustainable 20% (quarter-on-quarter) and the official exchange rate losing about 62% of its value against the US dollar in the official market. In response, monthly price inflation slipped into a double-digit territory and maintained an uptrend from 6.3% in March to 30.7% in June.

It is worrisome to note that while reserve money has moderated in July and August, the broad money supply continues to mount. The latest statistics show this monetary aggregate rising by 265% in July (year-on-year). Accounting for exchange rate movements, the ZWL component of broad money has mounted by 49% which is also an unsustainable and highly inflationary growth rate. As such, the monetary authority should always keep the money supply under check to achieve and maintain exchange rate and price stability in the economy.

3.4 External Trade

The latest ZimStat statistics show that Zimbabwe incurred an external trade deficit (exports minus imports) of about -US$179.91 million in July 2022, down 15.2% from a US$212.14 million deficit recorded in June 2022. Merchandise exports came in at US$549.72 million against merchandise imports of US$729.63 million.

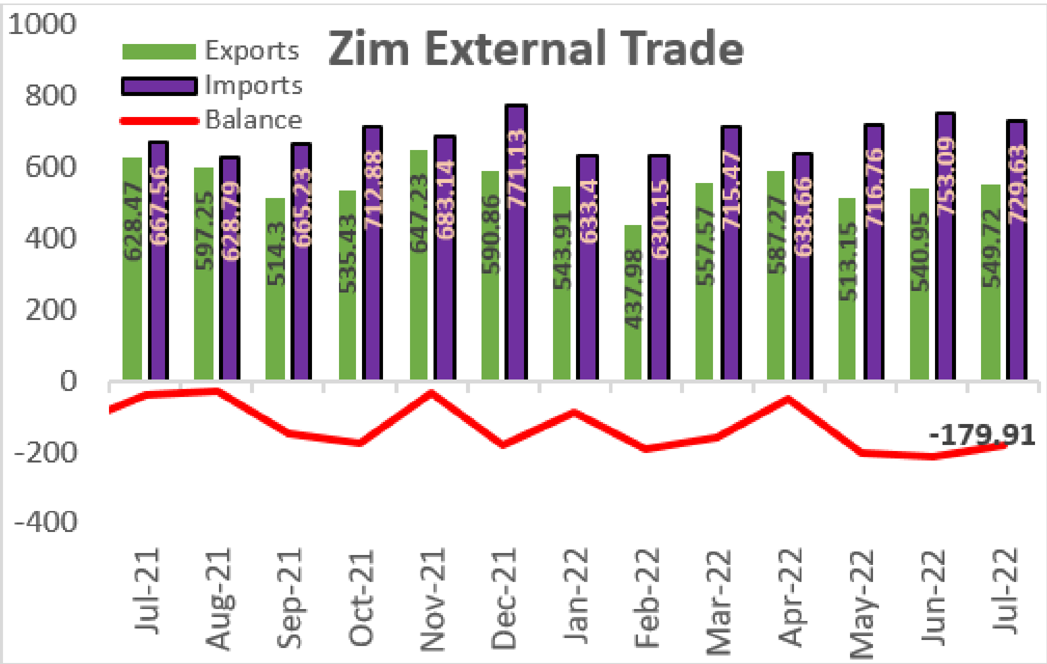

Fig 7: Zimbabwe External Trade Position (US$ Million)
Source: *ZimStat*

ZimStat trade report shows that the main exports in July were semi-manufactured gold (35.6%), nickel ores & concentrates including Platinum Group Metals (PGMs) (30.8%), ferrochromium (7.4%), and unwrought platinum or in powder form (3.3%). Also, the report showed top imports as mineral fuels & mineral oil products (19.2%), machinery & mechanical appliances (5%), plastics (4.7%), vegetable fats & oils (4.1%), iron & steel (3.2%), cereals (3.1%), and pharmaceutical products (1.9%). Cumulatively, Zimbabwe had exported merchandise valued at US$3.73 billion in the first seven (7) months of the year (Jan-July), 18.4% up from US$3.15 billion recorded in the same period in 2021. For the same period, the nation spent a cumulative US$4.82 billion on foreign-produced goods, 17.3% up from US$4.11 billion spent during the comparable period in 2021. This gives a January - July 2022 trade deficit of -US$1.09 billion, which is US$0.13 billion lower than a deficit of -US$0.96 billion achieved in the same period last year.

Government Accounts

The massive exchange rate depreciation and mounting price inflation in the past eight (8) months had wiped the real value of the 2022 initially approved national budget. To balance elevated nominal spending needs, Treasury had requested Parliament for a ZWL929 billion Supplementary Budget in July. This was nearly 96% of the ZWL968.3 billion initial budget thus showing the magnitude of economic decay because normally additional spending requests range between 10-15%. Barely two (2) months after this huge [1] supplementary budget, Treasury is now requesting to spend another ZWL851 billion which will put the 2022 expenditure ceiling at ZWL2.7 trillion, an amount that risks further jeopardizing PMR stability.

3.5 Public Debt

Zimbabwe is facing an unsustainable public and publicly guaranteed (PPG) debt which continues to balloon as shown by rising domestic borrowing. The latest RBZ statistics show Treasury Bills held by commercial banks jumping by 125% from ZWL38.64 billion in January 2022 to ZWL86.97 billion in July 2022. Worryingly, the total PPG debt is now in distress, that is, Treasury is struggling to honour its financial obligations to its creditors. For instance, of the US$13.2 billion external debt, US$6.6 billion (50%) is in arrears, representing 48.2% of the total official PPG debt stock (US$13.7 billion) as of June 2022.

However, due to a lack of debt transparency as no debt audit has been undertaken since 1980 and the Executive's continued side-lining of Parliamentary in loan contracts, it is likely that some external debts are not disclosed or are underreported. A clear example to substantiate this claim is the latest revelation by Treasury, after being compelled by legislators to itemize the value of agreements entered into between the Government of Zimbabwe and China, revealed that the former had borrowed the latter about US$200 million in October 2006 for farm mechanization equipment.[2] The ironic part is that the loan was collateralized with mining rights to the 26 million ounces of platinum resources which are owned by the government through the Zimbabwe Mining Development Corporation (ZMDC) -a resource-backed loan (RBL). To date, the loan is in arrears amounting to US$172 million. For starters, RBLs are loans given to a government where repayment is either made directly in natural resources or from a resource-related future income stream.

While it is highly commendable that the President of the African Development Bank (AfDB) has agreed to be Zimbabwe's debt champion[1] and a debt forum with all stakeholders is expected to be conducted this year, the debt-ridden remains far off the international community's expectations. The nation is lagging in terms of the implementation of required economic reforms. Also, the pending PVO Bill and increasing cases of police brutality and incarceration of political and human rights activists set Zimbabwe on a collision path with the West which controls major international financial institutions including the AfDB.

1. https://www.bing.com/search?q=mthuli+blows+his+supplement/

2. https://zambianobserver.com/zim-govt-borrowed-us200m-from-china-using-assets-worth-us52-billion/

Therefore, for meaningful debt resolution and arrears clearance, Zimbabwean authorities should fully implement the required reforms and safeguard the independence of the judiciary to ensure respect for human & property rights.

4 Sectoral Review

4.1 Energy Sector

As alluded to in our last publication (July), energy is one of the most critical industrial production enablers, its scarcity is an albatross to the national output growth of a country. As such, countries should invest wisely by diversifying their energy mix and attaining energy self-sufficiency.

4.1.1 Electricity Sector

Although electricity imports have scaled down in July, importation of electrical energy has maintained an upward trend year to date. Cumulatively (Jan-July 2022), Zimbabwe had spent US$85.75 million importing electricity mainly from Zambia, South Africa, and Mozambique.

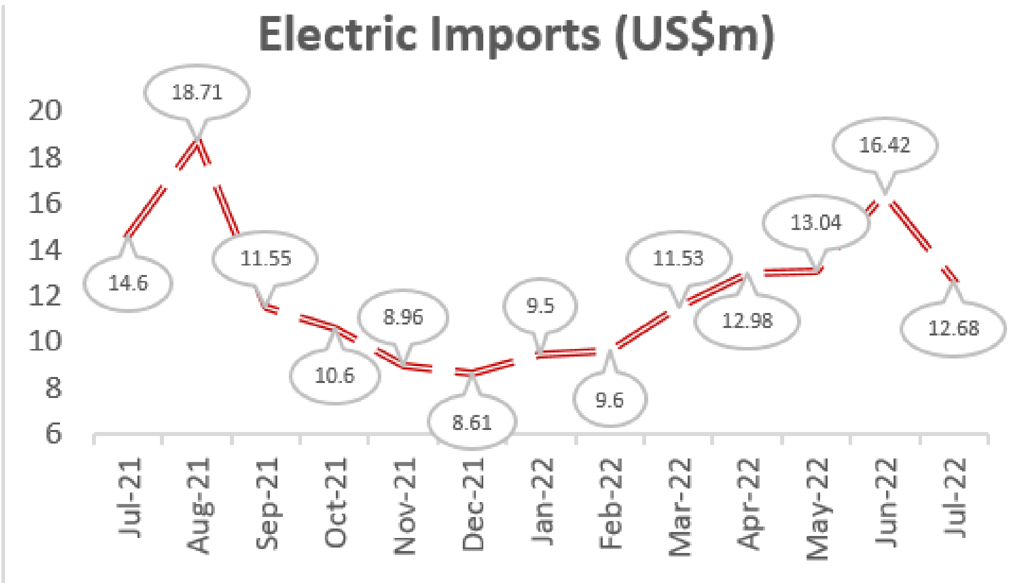

Fig 8: Zimbabwe Electricity Imports (US$m)
Source: *ZimStat*

The increased electricity import is due to limited domestic production. The country is witnessing increased load shedding schedules owing to the frequent breakdown of its aging thermal power plants. Also, falling dam levels at Kariba Dam due to climatic changes are affecting hydroelectricity production. Kariba Hydropower Plant is the government's sole hydro plant. We, however, expect power challenges to ease in Q4:22 as a new 300MW Hwange Unit 7 is set to be commissioned while another 300MW unit, is expected to join the national grid in Q1:23, ceteris paribus.

3. https://zimcodd.org/?smd_process_download=1&download_id=5398

4.1.2 Fuel

Since their peak levels reached in June due to the Russia-Ukraine impact, fuel pump prices have started to decelerate. In the month under review, a litre of diesel fell by US$0.02 to close at US$1.74 while that of petrol settled at US$1.58 from US$1.61 end of July. High global crude prices mean increased value of fuel imports for net-importers like Zimbabwe. ZimStat statistics show the nation spending a combined US$84.27 million on petroleum oils in July 2022, up 142% from US$35.85 million spent in the same period of the previous year.

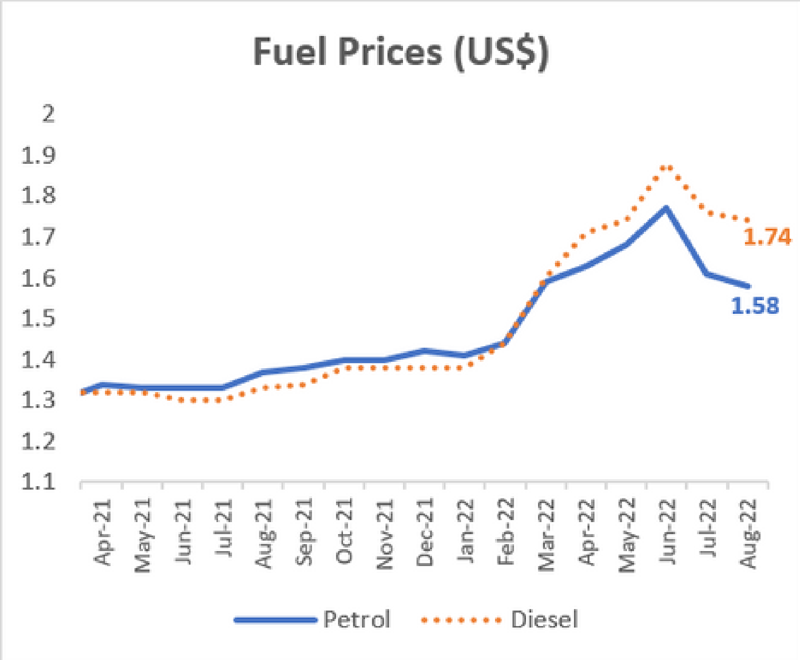

Fig 9: Zimbabwe Fuel Prices (US$)
Source: *ZERA*

Global crude oil prices have nosedived for most of August largely owing to investor worries of a likely slowdown in global economic activity as many advanced nations are instituting steep interest rate hikes to tame out-of-control inflation. These investor fears remain elevated as the war in Ukraine is disrupting international trade and cooperation as well as the strict COVID-19 containment measures in the world's second-largest economy, China. Also, prices have moderated in line with a dip in global oil demand due to high prices and a stronger US dollar. Since oil is generally priced in US dollars, a stronger dollar makes oil more expensive to holders of other currencies.[4]

4.2 Agriculture

Zimbabwe is geared for the 2022/23 summer cropping season with government intensifying preparations to distribute farm input support to smallholder farmers under the Pfumvudza/ Intwasa Scheme. It is reported that about 3.2 million households are targeted this year, an increase from 2.3 million that previously participated.[5] Fortunately, early weather forecasts show that many Southern African Development Community (SADC) nations including Zimbabwe will receive normal-to-above normal rainfall patterns between October - December 2022 and January- March 2023.[6]

4. https://www.reuters.com/business/energy/us-gasoline-prices-are-finally-falling-why-2022-07-14/
5. https://www.herald.co.zw/pfumvudza-targets-35-million-households/
6. https://www.bing.com/search?q=sadc+2022+weather+forecast&cvid

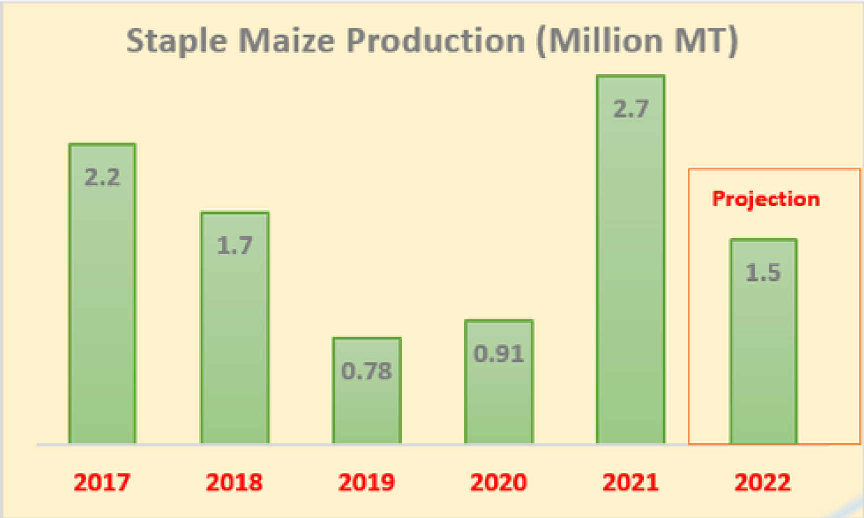

Fig 11: Maize Production (Metric Tonnes)
Source: *Ministry of Agriculture*

However, it remains to be seen if the government will distribute farm inputs to all beneficiaries well on time without jeopardizing its financial books given that global prices of fertilizers, pesticides, and chemicals have increased significantly from 2021 levels. Also, while the United Nations (UN)'s Food and Agriculture Organization (FAO) Food Price Index (FFPI)[7] for August was 2.7 points (1.9%) down from July level, its fifth consecutive monthly decline, the index remained 10.1 points (7.9%) above its value a year ago[8]. This shows that despite the moderation of global food prices, consumers especially in lower-income countries will continue to face food insecurity. For instance, about 40% of Zimbabwe's population is expected to experience food insecurity in 2022 due to the poor 2021/22 agriculture season, perpetual ZWL depreciation, and chronic inflation.

4.3 Mining Sector

The mining sector is Zimbabwe's key sector in terms of generation of foreign currency receipts with the sector estimated to account for about 70% of annual export revenues. Since the beginning of the year to date, mineral commodity prices are rising driven by uncertainties around the Russia-Ukraine war on global supply and distribution chains.

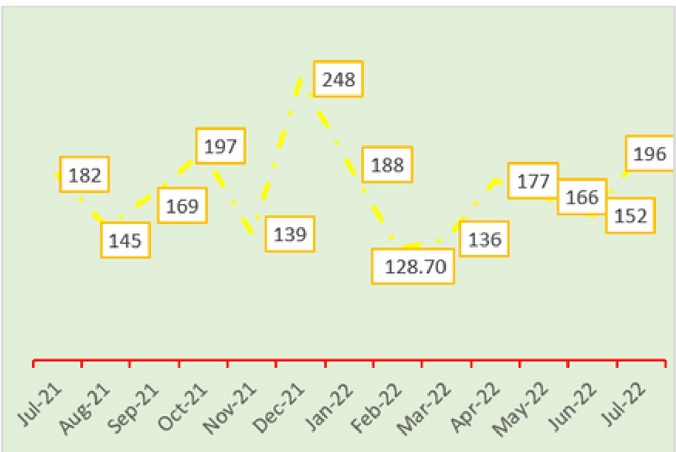

Fig 12: Zimbabwe Gold Exports (US$ million)
Source: *ZimStat*

7. FFPI is a measure of the monthly change in international prices of a basket of food commodities.
8. https://www.fao.org/worldfoodsituation/foodpricesindex/en/

For instance, figure 12 shows that Zimbabwe earned about US$1.14 billion from gold exports alone (Jan-July 2022) compared to US$0.715 billion earned in the same period in 2021. Gold is Zimbabwe's traditional export earner and is expected to contribute US$4 billion to the 2023 Mining Vision -attaining a US$12 billion mining sector economy by 2023. However, the nation is not benefiting from its natural resource endowment due to rampant corruption, illicit financial flows, and smuggling of precious minerals like gold and diamonds. Also, the mining techniques being employed by many miners are not environmentally friendly with many mining communities left with degraded land, polluted air, and water sources, and in the worst case, they are facing forced displacements without compensation.

Therefore, government should ensure that miners always undertake and abide by their Environmental Impact Assessments (EIAs) as well as utilize sustainable resource extraction methods and technologies. Also, there is a need to curb IFFs and increase transparency and accountability in the management of mineral revenue so that all citizens including future generations benefit from God-given natural resources. Authorities should desist from collateralized borrowing using minerals.

4.4 Conclusion

The policy actions which were undertaken by authorities since May 2022 seem to have started bringing gradual economic relief to businesses and citizens. The month of August witnessed a moderation of PMR, with official and alternative rates moving toward convergence. Resultantly, monthly price inflation has substantially declined to 12.4% from 25.6% realized in July. However, it is our view that without addressing economic agents' confidence and trust deficit issues, the PMR stability and price moderation will likely become a short-run phenomenon. As such, authorities should:

- Cultivate a culture of fiscal discipline, for instance, through abolishing all quasi-fiscal operations fuelling unsustainable ZWL liquidity growth.
- Curb leakages from corruption and illicit financial flows such as smuggling, trade mispricing, and transfer pricing.
- Implement institutional, economic, and structural reforms to reduce persisting market pricing distortions. Also, we believe that these reforms are key in ensuring market-driven and inclusive policy design.
- Always maintain policy consistency and predictability. This can be aided by the wide dissemination of public information and timely publication of statistics as this is crucial in the formation of expectations.
- Address ballooning debt, abolish collateralized borrowing, and intensify domestic resource mobilization.
- Infrastructure development: water, road, bridges, dams, education, and health infrastructure among others.
- Improve business access to finance. This is crucial in facilitating industrial retooling and strengthening the competitiveness of domestic firms.
- Depoliticize and demilitarise the economy and revert to commercialisation anchored on competitiveness and efficiency.

5. Disclaimer

All information, data, and analysis provided in this Aug 2022 Economic Review are for informational purposes only. ZIMCODD makes no representations as to the completeness, accuracy, usefulness, timeliness, suitability, and validity, of any information provided herein. ZIMCODD will not be liable for any errors, omissions, losses, injuries, or damages arising from its use. All the information is provided on an "as is" basis without any warranties of any kind whatsoever, express or implied, and confers no rights.

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