MONTHLY ECONOMIC REVIEW

OCTOBER 2022

Zimbabwe Coalition On Debt And Development
ZIMCODD

INVESTING IN PEOPLE FOR SOCIAL AND ECONOMIC JUSTICE

EXECUTIVE SUMMARY

This October 2022 Economic Review tracks, analyze, and discuss the performance of key macroeconomic indicators such as money supply, exchange rates, price inflation, and public accounts. It also reviews the latest developments in some key sectors of the economy. These were the key findings for the month:

- The globe is experiencing various economic headwinds such as raging inflation, financial tightening, and a major war in Europe impacting international trade and cooperation due to increased sanctions and countersanctions between Russia and the West. As such, global output growth is expected to moderate to 3.2% in 2022 from 6% recorded in 2021.
- IMF downgraded 2022 Sub-Saharan Africa growth forecasts reflecting tightening financial and monetary conditions as authorities grapple with rampant inflation, lower trading partner growth, and a negative shift in the commodity terms of trade. The obtaining situation of high inflation is increasing the risk of social unrest as rising debt balloons debt servicing costs thereby crowding out essential public services.
- Treasury which initially projected the economy to grow by 5.5% in 2022 had revised its GDP forecasts downwards to 4.6% as stated budget assumptions failed to hold true. While ZWL exchange rate depreciation and price growth have moderated between August-October, the balance of risks to the outlook remains strongly tilted to the downside.
- As of October 2022, Zimbabwe was amongst the 7 countries with three-year cumulative inflation rates exceeding 100%. The latest official statistics show the year-on-year (YoY) inflation rate for October 2022 at 268.8%, shedding 11.6 percentage points from the September 2022 outturn of 280.4%. Month-on-month (MoM) price inflation was recorded at 3.2% from the 3.5% reported in September 2022.
- In October, the Zimbabwe dollar lost 1.8% of its value against the US dollar in the official market to close the month at 632.77 ZWL/USD. However, the local unit witnessed a reversal of the prior 2-month trend of gains in the parallel market losing about 13.3% of its value against the US dollar. This reversal likely emanated from the rising cost of money and tumbling market confidence in the ZWL.
- Latest RBZ statistics showed the ZWL component of broad money (total money supply in the economy) mounting by 217.6% (year-on-year) in August 2022 to settle at ZWL617.82 billion. On a month-on-month basis, the monetary aggregate rose by 19.6% in August 2022 from ZWL516.73 billion in July 2022. This alarming statistic puts RBZ on a collision path with its year-end inflation target.
- Zimbabwe exported merchandise worth US$4.22 billion in the first 8 months of 2022 versus merchandise import bill totalling US$5.52 billion to give a trade balance of -US$1.29 billion. For the comparable period in 2021, the deficit came in at -US$994.29 million.
- In the third quarter of 2022, Zimbabwe Revenue Authority (ZIMRA)'s net collections came in at ZWL641.16 billion, 28.17% above the target of ZWL500.25 billion. For the full year, ZIMRA is targeting to collect revenues to the tune of ZWL1.6 trillion, a target we expect to be easily met given the hive of economic activity associated with the festive season.

- The electricity supply situation remained precarious for most of October 2022 as the power utility continued implementing prolonged load-shedding schedules. Although official statistics show an upward trend of electricity imports in 2022, the paltry amounts being spent are inadequate to augment depressed domestic generation.
- Global crude oil prices mounted in October 2022 after a cartel of top global producers surprised the markets with a larger-than-expected cut to its output targets. This had tightened the global crude oil supply thus forcing prices to burgeon. We expect prices to remain elevated in the coming months as Europe is set to institute a ban on Russian oil starting January 2023.

1 INTRODUCTION

Since the re-introduction of the Zimbabwe dollar (ZWL) in the first half of 2019, authorities have struggled to contain ZWL depreciation pressures. To date, ZWL fragility remain the major source of price instability punching fixed income earners like pensioners the most. The resultant income imbalance between the poor and the rich widened significantly in the last 48 months through October 2022. About 70% of the population is now wallowing in poverty with estimates pointing out that at least 40% of Zimbabweans are in extreme poverty where households are severely deprived of basic human needs including food, quality sanitation facilities, safe drinking water, housing, education, and affordable health care. Also, importing businesses are disproportionately bearing exchange rate losses sparking risks of inflation-inducing market shortages as business operating costs continue to escalate. In our view, the free flow of the exchange rate is being driven largely by perpetual flip-flopping monetary policymaking subduing market confidence in the ZWL. The obtaining dire economic situation shows that it is difficult to build and sustain the momentum of confidence, especially in an environment where the central bank continues to hugely miss its inflation targets and frequently renege on its prior commitments. Also, compounding the situation are poor public institutions. Development economists regard institutions as the rules of the game which are essential if robust economic growth and equitable distribution of the national cake are to be attained and in sync with the aspirations of Vision 2030. Regrettably, inferior public institutions are perpetuating exchange rate fragility & income inequality, entrenching costly command economics, fuelling asset mispricing, weakening property rights, and aiding pricing distortions in the market. Fortunately, the last four months witnessed a moderation of exchange rate swings in alternative markets and this has helped in cooling inflationary pressures. However, given out-of-control corruption, impunity, and the prevailing high structural rigidities causing excessive market concentration, it remains to be seen if the trajectory will be sustained. This becomes the main focus for our October 2022 economic review.

2 ECONOMIC OUTLOOK

2.1 GLOBAL ECONOMIC PERFORMANCE & OUTLOOK

In 2022, the global economy is experiencing various headwinds which have a significant bearing on the global economic outlook. These headwinds include inter-alia galloping price inflation last seen in decades, increasing financial tightening by many monetary[1] authorities across the globe to clamp out-of-control inflation, the indeterministic future path of the COVID-19 pandemic, and a major war in Europe that is exerting severe impacts on global trade and cooperation largely because of increased sanctions and countersanctions between Russia and the West.

Table 1: Global Economic Outlook Projections

	2020	2021	2022 Proj.	2023 Proj.
World	-3.1	6.0	3.2	3.2
Advanced	-4.5	5.2	2.4	1.1
Emerging Asia	-0.9	7.2	4.4	4.9
M. East & Central Asia	-2.8	4.5	5.0	3.6
Latin America & Caribbean	-6.9	6.9	3.5	1.7
Sub-Saharan Africa	-1.7	4.7	3.6	3.7

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

According to the International Monetary Fund (IMF), the future health of the global economy will depend on the successful calibration of monetary policy, the course of the war in Ukraine, and the possibility of further pandemic-related supply-side disruptions[1]. Global inflation is projected to increase by 4.1 percentage points from 2021 levels to close 2022 around 8.8% as energy and food price shocks are expected to cause persisting inflationary pressures. Also, the global financial tightening (rising interest rates) could trigger widespread debt distress in emerging and developing nations whilst disruptions of gas supplies to Europe by Russia could subdue GDP in the Euro area. As alluded to earlier, the ongoing geopolitical fragmentation could impede trade and capital flows, further hindering climate policy cooperation. As such, global output growth is expected to moderate to 3.2% in 2022 from 6% recorded in 2021. If realized, this GDP growth outturn will become the weakest since 2001 save for the 2008/9 global financial crisis and the 2020 peak phase of the COVID-19 pandemic.

2.2 REGIONAL ECONOMIC PERFORMANCE & OUTLOOK

The latest projections by the IMF show a slightly weaker growth outlook for the sub-Saharan Africa (SSA) region than the earlier forecasts released in July 2022. The commodity-dependent SSA region's GDP is now forecasted to mount by 3.6% in 2022 relative to 4.7% in 2021.

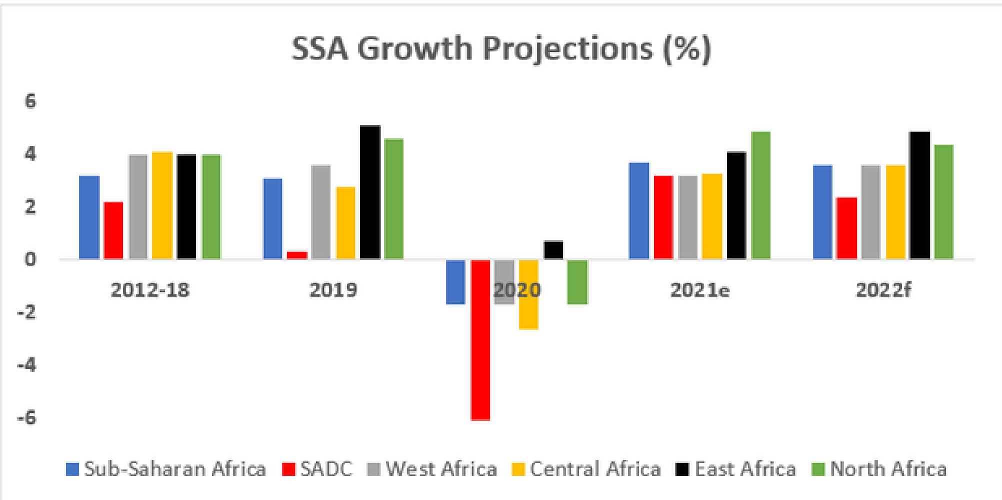

Fig 1: Sub-Saharan Africa Growth Projections
Source: *African Development Bank (AfDB)*

1. https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022

The downward revisions of GDP growth forecasts reflect tightening financial and monetary conditions as authorities grapple with rampant inflation, lower trading partner growth, and a negative shift in the commodity terms of trade. As we highlighted in our last issue, the fears about global food shortages remain elevated due to food supply disruptions being caused by the war in Ukraine. This is exacerbating inflationary pressures and could cause a famine in the net-importing SSA region. The obtaining situation is increasing the risk of social unrest in SSA as it battles unbearable inflation and burgeoning debt stock which is due for debt servicing.

2.3 ZIMBABWE ECONOMIC OUTLOOK

Treasury initially projected the economy to grow by 5.5% in 2022, a forecast that was later revised downwards in the second half of the year to 4.6%. According to the initial 2022 national budget, the projections were made under the assumptions that exchange rate depreciation would decelerate, price inflation stabilizes, domestic electricity generation increases, global mineral commodity prices remaining elevated, and increasing agricultural activity due to normal-to-above-normal rainfall patterns across most parts of the country.

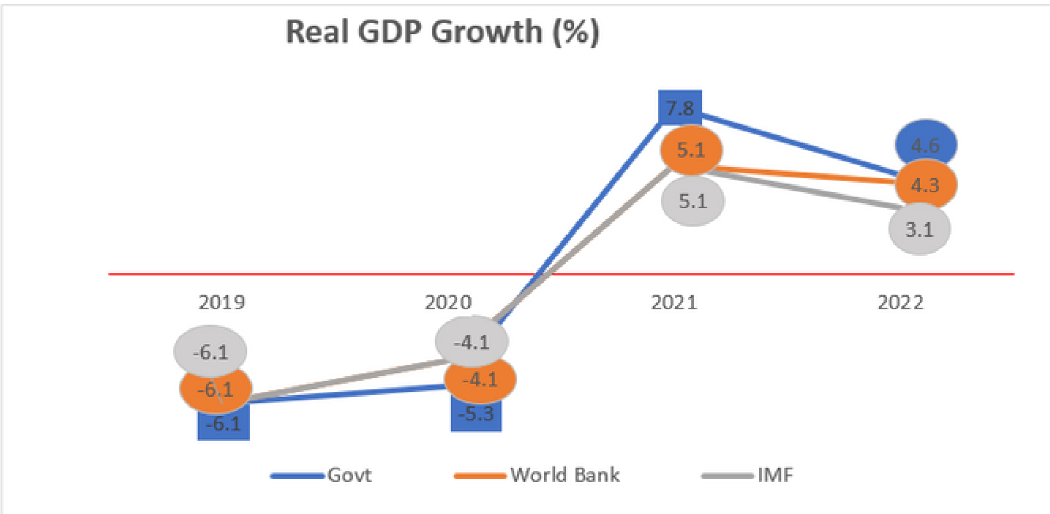

Fig 2: Zimbabwe Real GDP Growth (%)
Source: *Ministry of Finance, IMF & World Bank*

However, the downward revision of 2022 GDP growth was inevitable as stated budget assumptions failed to hold true for 2022. The Zimbabwe dollar (ZWL) heavily plummeted against the US dollar particularly in the 1HY22 thereby fuelling rampant price inflation. ZWL fragility largely emanated from vast factors including among others, fiscal indiscipline, unsustainable ZWL liquidity growth, overvaluation of the official ZWL exchange rate, huge forex auction allotment backlog, and the principle of rationality -agents acting (speculation and arbitrage) in the most adequate way according to the objective situation. Apart from the exchange rate pass-through to inflation, prices were also driven by the poor 2021/22 agriculture season which affected crop yields and ultimately subdued both food and industrial input supply in the market. Also, the ripple effects from the Russia-Ukraine war particularly on global energy and food prices worsened domestic inflation for import-dependent Zimbabwe.

While it is commendable that ZWL exchange rate depreciation and price growth have significantly moderated between August-October 2022 due to a cocktail of policy measures instituted by authorities since May 2022,[2] the balance of risks to the outlook remains strongly tilted to the downside. We, therefore, maintain our view that this moderation will be short-lived unless the prevailing risks are swiftly addressed. For instance, fiscal spending is rising in 2HY22 in line with historical trends as Treasury intensifies the distribution of agricultural subsidies ahead of the 2022/23 summer cropping season. The 2HY22 period is also associated with the 13th cheques for public servants. There is also a high possibility for the government awarding its workforce another cost-of-living adjustment (COLA) before year-end as current pathetic remuneration is constantly lagging monthly poverty datum lines (PDLs). Since 2019, it is increased fiscal spending and RBZ's quasi-fiscal operations that have been fuelling ZWL liquidity growth in the market thereby destabilizing the exchange rate. As we succinctly explained in the August 2022 issue,[3] the other economic outlook risks include among others ever-rising public resource leakages (corruption & illicit financial flows), impunity, debt distress, regressive taxes, high market interest rates, 2023 general election risk, COVID-19 pandemic, and the uncertainties around the Russia-Ukraine war.

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

Zimbabwe lapsed into hyperinflation twice during the last decade. As of November 2021, the nation was amongst the seven countries with three-year cumulative inflation rates exceeding 100%. However, after reaching an annual high of 285% last August, price inflation seems to have reversed course. The latest official statistics show the year-on-year (YoY) inflation rate for October 2022 at 268.8%, shedding 11.6 percentage points from the September 2022 outturn of 280.4%.

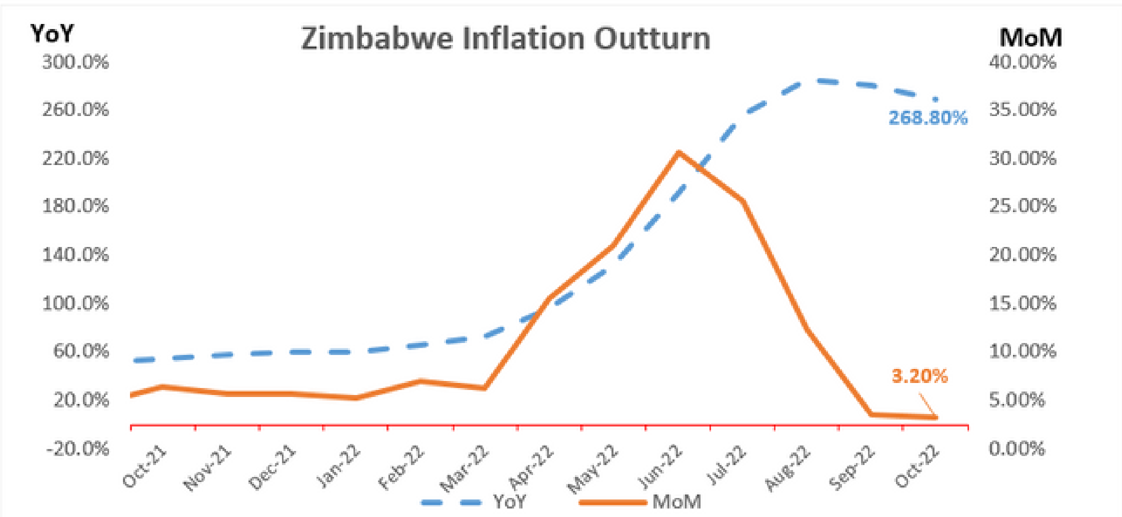

Fig 3: Zimbabwe Annual Inflation Trends (%)
***Source:** ZimStat*

2. https://zimcodd.org/sdm_downloads/september-2022-economic-review/
3. https://zimcodd.org/sdm_downloads/august-2022-economic-review/

Also, the statistics show a significant moderation of month-on-month (MoM) price inflation since July 2022. For the month under review, monthly prices fell by 0.3 percentage points to settle at 3.2% from the 3.5% reported in September 2022. As alluded to earlier, the moderation of prices is largely credited to government policy actions that have managed to clamp excessive ZWL depreciation in alternative markets.[4] These include setting the RBZ policy rate at 200% (a global record), high statutory reserve requirements, the introduction of gold coins, increased relaxation of the willing-buyer willing-seller interbank market, entrenching multicurrency regime into law, tightening equity market trading rules, suspension of import duty on basics, and introduction of a Value for Money Process to increase due diligence in public procurement processes. Also, despite them starting to spike in November 2022, global crude oil prices which were suppressed in the previous three months largely helped to exert downward pressure on imported inflation through fuel prices. Fuels constitute a lion's share of Zimbabwe's total monthly imports.

While the obtaining price situation in recent months is encouraging, it is worrisome to note that parallel market rates have started to uptick again showing that it is still a long way for the nation to attain a sustained stable price trajectory. The fragility is largely emanating from low market confidence in ZWL and a lack of trust in policymakers. Whereas the prevailing high-interest rates are reducing speculative borrowing tendencies, they are also ballooning the cost of borrowing which in turn subdues industrial activity. This occurs at a time savings uptake in Zimbabwe is dwindling as evidenced by an 11-percentage point decline in adults' savings rate between 2014 (47%) and 2022 (36%).[5] As such, most businesses with antiquated production technologies are failing to retool hence being rendered regionally uncompetitive. The situation risks cementing Zimbabwe's position as a regional supermarket economy thus increasing US dollar demand at the expense of the ZWL. Also, the embrace of command economics by the government amid high perceived public corruption and illicit financial flows (IFFs) is causing immense pricing distortions in the market.

3.2 Exchange rate

In October, the Zimbabwe dollar lost 1.8% of its value against the US dollar in the official market to close the month at 632.77 ZWL/USD from 621.88 ZWL/USD as of the end of September 2022. However, the local unit witnessed a reversal of the prior 2-month trend of gains in the parallel market. The statistics show the ZWL losing an average of 13.3% of its value against the US dollar in the alternative markets.

4. https://zimcodd.org/storage/2022/11/ZIMCODD-Weekly-Review-1-November-2022.pdf
5. https://www.zimbabwesituation.com/news/fcb-savings-campaign-set-to-end-on-high-note/

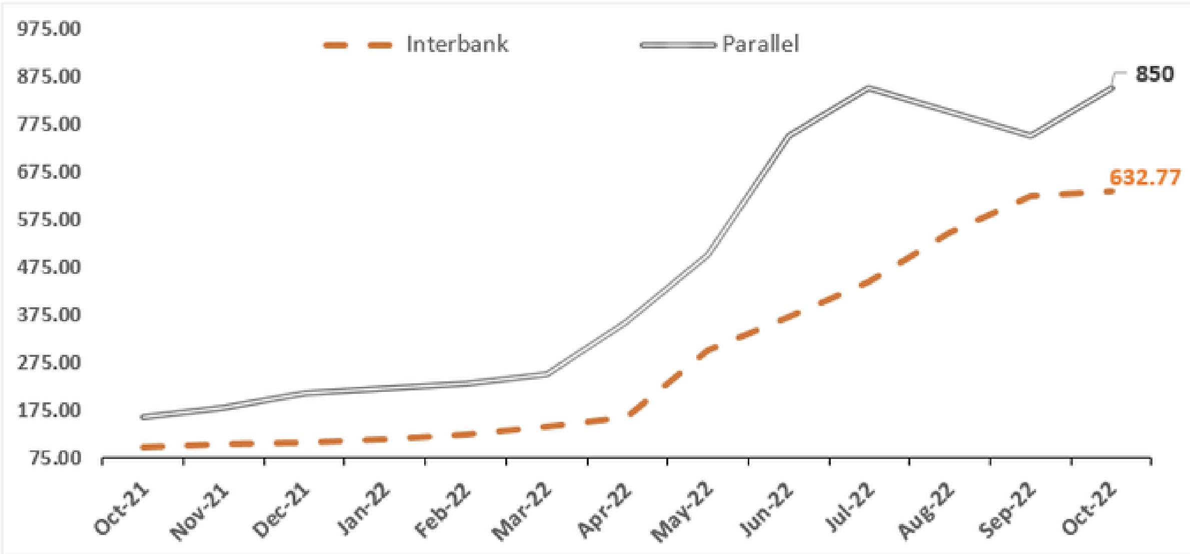

Fig 4: Interbank and Parallel Exchange Rate
Source: *RBZ, ZIMCODD*

The reversal of ZWL appreciation witnessed in alternative markets likely emanated from the rising cost of money in the formal channels. For instance, the microfinance sector which relies largely on onward financing is tumbling due to prevailing punitive market interest rates at a time allocation of forex at the auction market has also nosedived. This leaves the parallel market as the only reliable source of funds, especially for informal traders. Also, the Treasury has resumed payments for goods and services to most of its suppliers after a prior suspension on allegations of inflated invoices.[6] In October 2022, Treasury reported payments to the tune of ZWL186 billion. As shown in the next section, the spiking ZWL liquidity as a result of elevated fiscal spending continues to pile more pressure on the local currency to depreciate.

3.3 Money Supply

Preliminary statistics show the ZWL component of reserve money (base level of money supply comprising of currency in issued and banking sector deposits at the RBZ) mounting by 4.9% in October 2022 to close at about ZWL45.26 billion. In the prior month, the balances registered a 15.2% growth from ZWL37.47 billion recorded end of August 2022 to ZWL43.15 billion. These figures clearly show that RBZ's quarterly reserve money growth target of 0% is turning out to be a tall order.

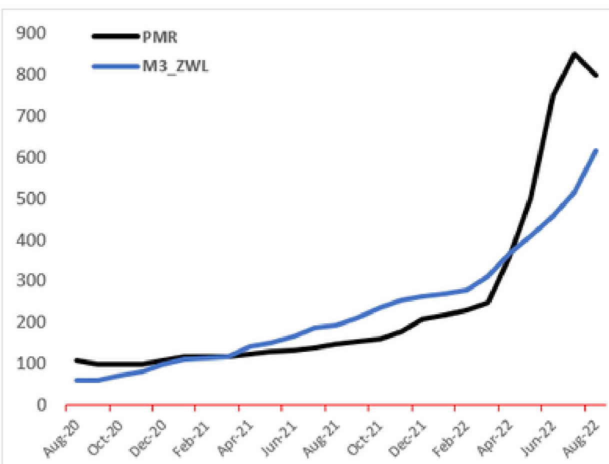

Fig 5.1: ZWL Broad Money vs PMR
Source: *RBZ*

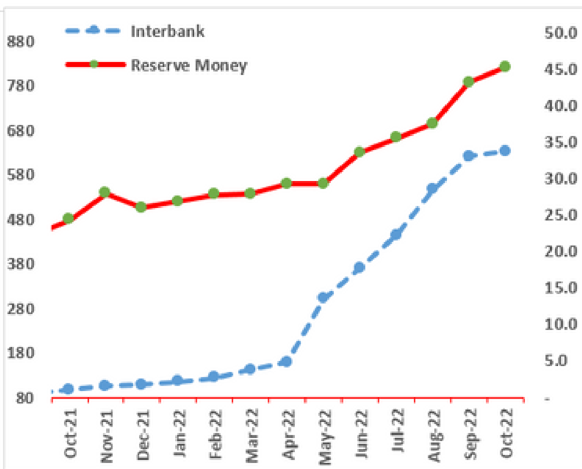

Fig 5.2: Reserve Money vs Interbank
Source: *RBZ*

6. https://www.263chat.com/treasury-pays-zw-184-billion-to-suppliers/

The latest RBZ statistics also show the ZWL component of broad money (total money supply in the economy) mounting by 217.6% (year-on-year) in August 2022 to settle at ZWL617.82 billion from ZWL194.55 billion recorded as of August 2021. On a monthly basis, the monetary aggregate rose by 19.6% in August 2022 from ZWL516.73 billion in July 2022. According to Monetarists, the growth of the money supply should be commensurate with the rate of growth of activity in the real sector for stability to hold. Is this the obtaining scenario in Zimbabwe? In our view, the rate of money supply growth is inconsistent with business activity registered to date. This is because real economic activity is being suppressed by rising public sector borrowing requirements, debt distress, exorbitant market interest rates, acute electricity shortages, high fuel pump prices relative to the regional average, regressive tax regime, and chronic inflation subduing aggregate consumer demand. As such, we expect persisting ZWL depreciation pressures in the medium to long-term horizon.

3.4 External Trade

In August 2022, Zimbabwe exported merchandise worth US$493.59 million and spent about US$701.77 million on foreign-produced goods, the latest official trade statistics have shown. Resultantly, the nation registered a trade deficit of US$208.18 million, a deterioration from a deficit of US$179.91 million recorded in July 2022. Cumulatively, Zimbabwe's merchandise exports in the first 8 months of 2022 totalled US$4.22 billion versus merchandise imports totalling US$5.52 billion to give a trade balance of -US$1.29 billion. For the comparable period in 2021, the deficit came in at -US$994.29 million.

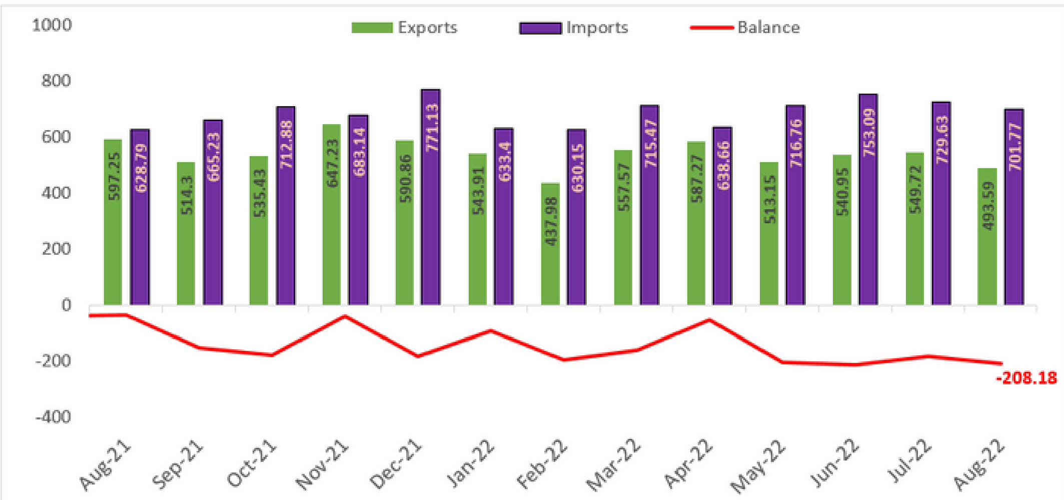

Fig 7: Zimbabwe External Trade (US$ Millions)
Source: *ZimStat*

Disaggregated trade data show that the main exports were semi-manufactured gold (30.2%), nickel mattes including the platinum group of minerals (PGMs), (19.7%), nickel ores and concentrate (14.3%), tobacco (9.0%), ferrochromium (7.3%), unwrought platinum (3%), and coke & semi-coke of coal (2.6%)[7]. South Africa remained Zimbabwe's major trading partner accounting for 44.5% of August exports followed by the United Arab Emirates (30.6%), Mozambique (6.5%), and China (6.4%).

7. https://www.zimstat.co.zw/wp-content/uploads/2022/10/Trade_Report_for_Aug2022_10_2022.pdf

The data also show that at 22.2% mineral fuels & mineral oil products remained Zimbabwe's major imports followed by machinery & mechanical appliances (12.7%), vehicles (8%), cereals (5%), fertilizers (4.9%), and plastics (4.8%). The bulk of imports came from South Africa (38.3%) followed by Singapore (16.2%), China (12.0%), Mozambique (4.5%), Zambia (3.8%), and India (3.2%). For the coming months, we expect the value of imports to continue surging in line with rising global crude oil prices. The rising import bill means increased US dollar demand which in turn has a bearing on the ZWL value.

Government Accounts

In the third quarter of 2022 (Q3:22), Zimbabwe Revenue Authority (ZIMRA)'s net collections came in at ZWL641.16 billion, 28.17% above the target of ZWL500.25 billion as set by the Treasury. These net collections are up 452.88% and 47.78% in nominal and real terms respectively relative to the same period in 2021.[8] Also, all revenue heads surpassed the set targets in Q3:22 except net value added tax (VAT) on Local Sales, which performed below target by 4.21% and 2.18% in nominal and real terms respectively on account of a huge refund bill amounting to ZWL 44.67 billion. Figure 8 shows revenue contribution by tax head.

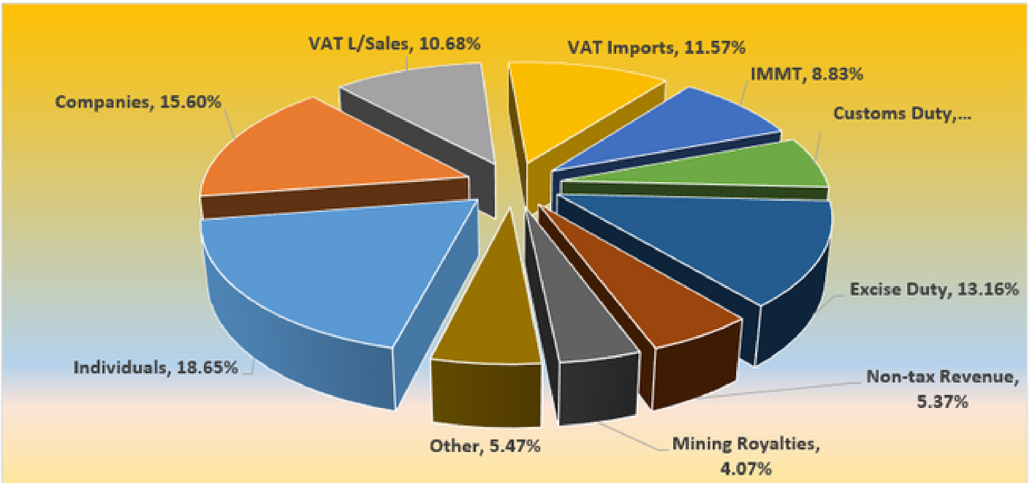

Fig 8: Zim Q3 Revenue Contribution by Tax Head
Source: *ZIMRA*

Cumulatively (January-September 2022), ZIMRA net revenue collections are totalling ZWL1.1 trillion. For the full year, the quasi-governmental entity is targeting to collect revenues to the tune of ZWL1.6 trillion. This means that ZIMRA should collect about ZWL500 billion in the fourth quarter of 2022 (Q4:22) to meet the 2022 target. And, our analysis shows that ZIMRA will easily surpass this target for various reasons chief among them being the hive of activity during the festive season. Generally, consumption is high in Q4 and also the inflow of goods is relatively high as those in the diaspora flock into the country to celebrate festivities with their families and relatives resulting in increased import duty. However, it remains to be seen if collected revenues will match the government spending ceiling which is typically at its peak in Q4 driven by increased agriculture support and annual bonus payments. Spending pressure is also emanating from populist initiatives, particularly in the agriculture sector designed to boost incumbent ratings ahead of the 2023 general elections.

8. https://www.zimra.co.zw/downloads/category/12-revenue-perfomance-reports?download=2708:q3-2022-revenue-performance-report

More so, civil servants deserve an upward salary adjustment in order to catch up with prevailing living costs. As such, we expect the economy to continue experiencing persisting ZWL exchange rate deterioration pressures. Therefore, to avoid a worst-case scenario, we recommend Treasury to guard against spending outside its approved budget.

4. Sectoral Review

4.1 Energy Sector

As we alluded to in our September 2022 issue, energy remains one of the most critical industrial production enablers and also helps in improving the living standards of citizens. As such, countries should invest wisely in diversifying their energy mix as well as attain energy self-sufficiency.

4.1.1 Electricity Sector

The electricity supply situation remained precarious for most of October 2022 as the power utility continued implementing prolonged load-shedding schedules. The situation, however, marginally improved toward the end of the month partly due to the conclusion of the winter wheat season. To avoid an impact on crop yield amid a severe power deficit, ZESA prioritized electricity supply to wheat farmers to support irrigation.

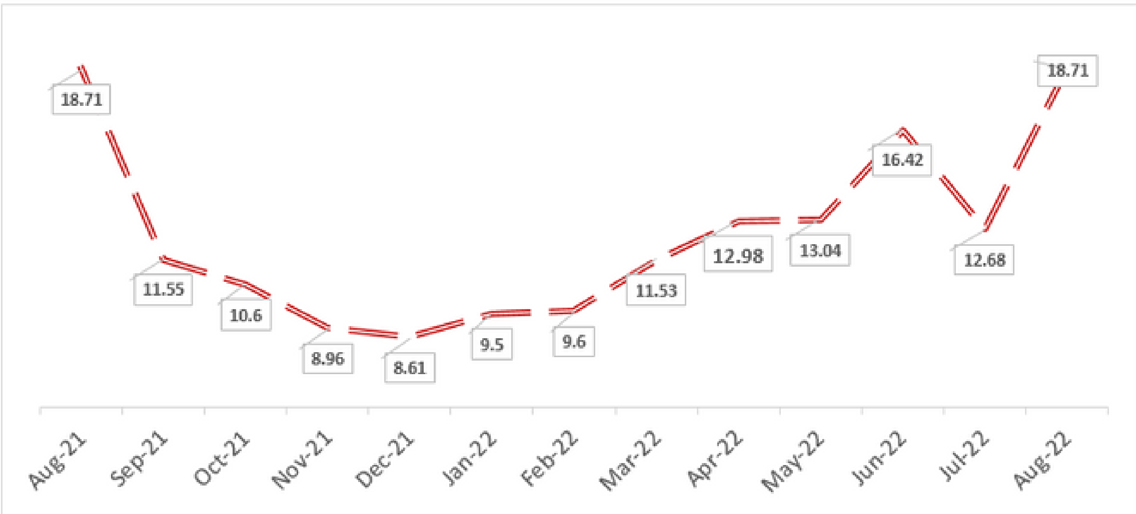

Fig 8: Zimbabwe Electricity Imports (US$m)
Source: *ZimStat*

According to Zimbabwe Energy Supply Authority (ZESA), power rationing is being caused by technical challenges at its aging thermal plants coupled with falling dam levels and import constraints caused by acute forex shortages in the formal channels. Although ZimStat trade statistics show an upward trend of electricity imports since the beginning of the year, the paltry amounts spent per month are inadequate to augment a depressed domestic electricity generation. To boost its net collections in order to improve cost recovery (business viability) after months of retreating ZWL against the USD, the power utility increased its monthly tariffs as follows:

Table 2: 2022 Electricity Tariffs Changes (ZWL/kWh)

CONSUMPTION BAND			Charge per kWh		Total Amount (ZWL)		
			Oct	Sept	Oct	Sept	Change
First 50	0-50kWh	50kWh	18.24	15.00	912.00	750.00	+162.00
Next 50	51-100kWh	50kWh	36.57	30.04	1 828.50	1 502.00	+326.50
Next 100	101-200kWh	100kWh	64.07	52.64	6 407.00	5 264.00	+1 143
Next 100	201-300kWh	100kWh	91.47	75.15	9 147.00	7 515.00	+1 632
Next 100	301-400kWh	100kWh	105.12	86.49	10 512.00	8 649.00	+1 863
Above 400			109.70	90.14			

***Source:** ZESA*

While the electricity tariff review was long overdue, high tariffs when the working class's salaries remain stagnant translates into an increased burden on household budgets. With the majority of the population being considered to be poor, that is, having a high marginal propensity to consume and low savings, many are failing to maintain a smooth consumption path. Also, high tariffs at a time prices of substitutes have gone up leading to increased costs of production. This in turn feeds into headline[10] price inflation. Be that as it may, the power situation will ease as the recently completed 300MW Hwange Unit 7 is expected to join the national grid before the year-end, ceteris paribus. Another 300MW unit, Unit 8, is expected to join the national grid in the second quarter of 2023. Increased domestic electricity production will lower tariffs as well as reduce the rising import bill.

4.1.2 Fuel

Domestic fuel pump prices have nearly breached a record price of US$2 per litre in the first half of 2022 driven largely by the artificial shortages that were created by the Russia-Ukraine war. The global crude oil prices retreated between July-September 2022 period weighed down by Chinese COVID-19 lockdowns, intensification of the war, strengthening US dollar, and faltering global demand.

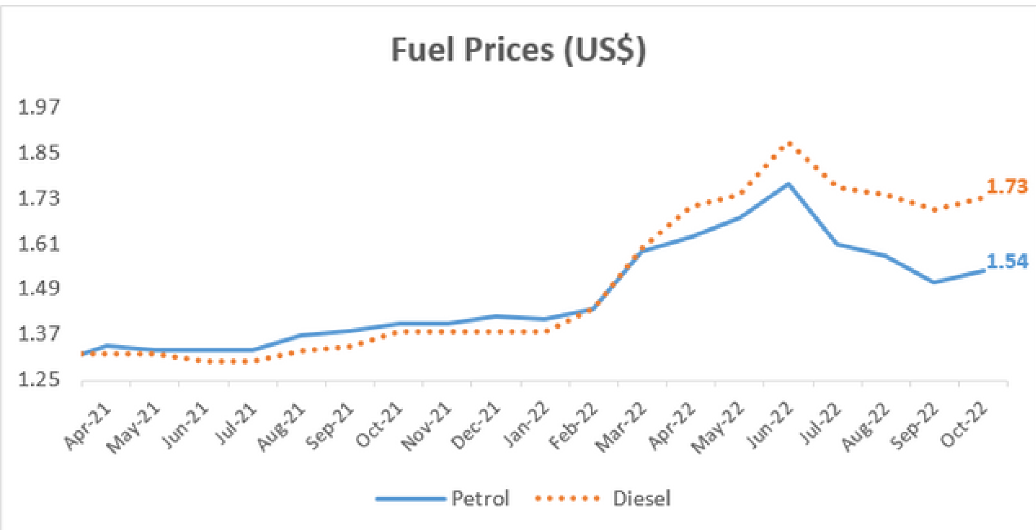

Fig 9: Zimbabwe Fuel Prices (US$)

***Source:** ZERA*

However, global crude oil prices started to mount in October 2022 after a cartel of top global producers, the Organization of the Petroleum Exporting Countries (OPEC), surprised the markets with a larger-than-expected cut to its output targets early in the month. This had tightened the global crude oil supply thus forcing prices to burgeon. We expect prices to remain elevated in the coming month as Europe is likely to institute a complete ban on Russian oil and restrict Russian shippers from the global shipping insurance industry. In light of this, the Zimbabwe energy regulator, ZERA, was forced to revise fuel pump prices and did so thrice in the month under review. A litre of diesel mounted by a cumulative 1.8% to close October 2022 at US$1.73 while that of petrol closed at US$1.54 from US$1.51 as of the end of September 2022.

4.2 Agriculture

The whole country received rainfall in October with the southern and western parts receiving above-normal rains for the month, while the central and northern received below-normal rains[9]. This was in line with the national seasonal outlook which anticipated an increased probability of the nation receiving normal to above normal rainfall between October-December for the southern part of the country and normal to below normal for the northern part. Farming activities like land preparation and planting have started across the nation. It is also reported that the government has started to distribute inputs to farmers leading to increased casual labor opportunities.

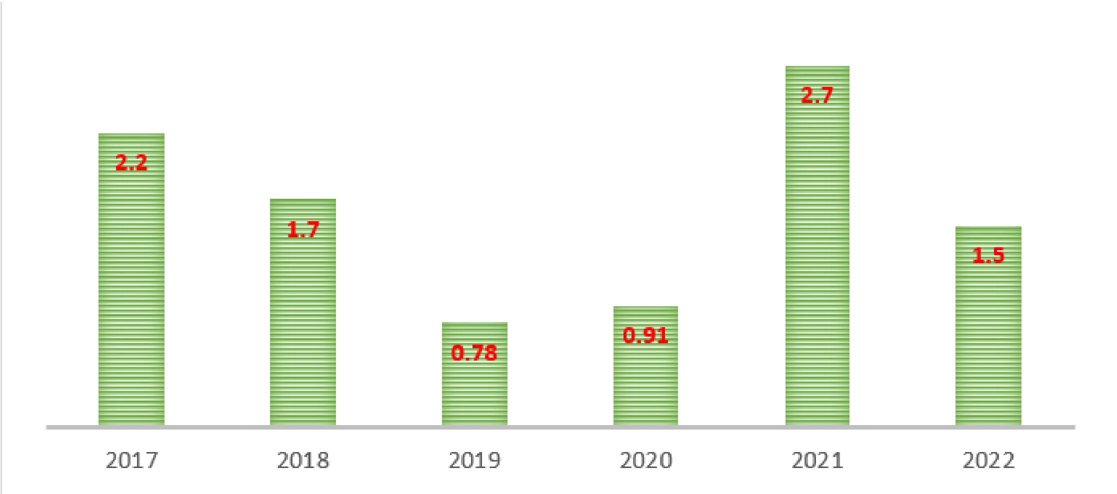

Fig 11: Maize Production (Million Metric Tonnes)
Source: *Ministry of Agriculture*

If rainfall patterns proceed as per the national seasonal outlook with temporal and geographical distribution of the rains and equitable access to inputs, prospects of a good harvest are likely to be high. However, high prices of agricultural inputs such as fertilizers and fuel are expected to increase production costs for private players, with a likely adverse impact on farmers' planting intentions and yields. Be that as it may, the government expects farmers to plant 2 million hectares, 380 000ha, and 250 000ha of maize, sorghum, and pearl millet respectively. This year, from a hectarage of 78 000, the government is expecting a bumper winter wheat harvest of 380 000 tonnes against a national annual requirement of about 360 000 tonnes. The nation has been a perennial wheat importer since 2000.

9. https://reliefweb.int/report/zimbabwe/zimbabwe-food-security-and-markets-monitoring-report-october-2022

4.3 Mining Sector

The elevated global prices of mineral commodities are benefitting commodity-dependent economies like Zimbabwe. Zimbabwe boasts over 40 high-value minerals on global demand like gold, diamonds, nickel, lithium, chrome, and platinum group minerals (PGMs). Mineral prices are supported by supply uncertainty being posed by sanctions and countersanctions between Russia and the West which is exerting pressure on prices to balloon. Also, the ongoing seismic shift from fossil fuels toward renewable energy is boosting demand for green energy-supporting metals like lithium and nickel which are used in the production of batteries for electric vehicles (EVs).

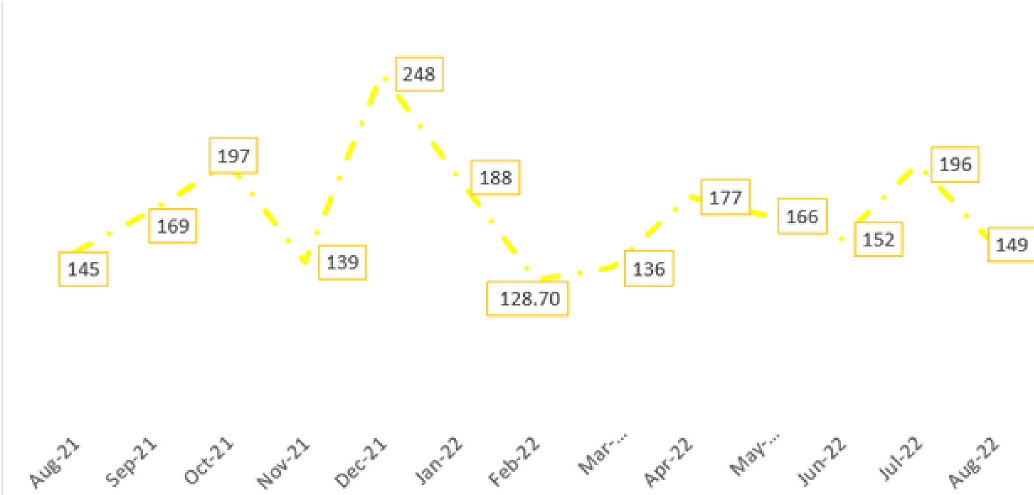

Fig 12: Zimbabwe Gold Exports (US$ million)
***Source:** ZimStat*

The extractives sector is a foreign currency cash cow for Zimbabwe contributing about 70% to total exports annually. ZimStat trade data for August 2022 show that seven (7) minerals contributed 77.1% of total exports for the month. These are gold (30.2%), nickel mattes including PGMs (19.7%), nickel ores & concentrates (14.3%), ferrochromium (7.3%), unwrought platinum (3%), and coke & semi-coke of coal (2.6%). Adding agriculture commodities, particularly tobacco which came in at 9%, it means that commodities account for more than 86% of forex receipts recorded in August 2022. This shows that Zimbabwe over-relies on minerals hence highly susceptible to global fluctuations. As such, it is high time for authorities to invest in commodity value chains to increase value addition and beneficiation. This increases annual forex earnings and also reduces the shipment of jobs overseas.

4.4 Conclusion

October 2022 confirmed our worries about the lack of sustainability of a slow-down of ZWL depreciation and price growth which started in July 2022. The month witnessed an uptick in the parallel market exchange rate as money supply aggregates like broad money began to mount. This is largely attributable to ballooning fiscal spending as the nation gears for summer cropping season, 13th cheque payments for civil servants, and a general election. Also, the economy continues to experience unsustainable resource leakages perpetrated through illicit financial flows and public corruption. More so, the nation is under siege of debt distress which in turn is subduing private sector investment due to its negative impact on long-term interest, tax, and inflation rates.

4.5 Policy Recommendations

In light of the foregoing, ZIMCODD propose that authorities consider the following policy recommendations:

- Political will: The problems being faced by Zimbabwe requires increased political will to allow strict implementation of well-thought economic and structural reforms to reduce waste in government and curb market pricing distortions. Also, political will is needed to guarantee independence of the judiciary and accountability institutions to thwart corruption and impunity.
- Reform agenda: Given the natural resource wealth of the nation, we believe that Zimbabwe has the capacity to undertake a big bang approach to reform. Also, reforms are key in fulfilling the government's engagement and re-engagement agenda with the international community as stipulated in the NDS1 policy framework. The direly needed reforms include inter alia:
- Social reform: This is a movement that seeks to change the social and political views of marginalized groups. They involve marginalized groups and activists in an effort to change political policy while bringing public awareness to the issue through peaceful protests, amended legislature, and the media. The social reform policies include women's rights, child rights, civil rights, environmental rights, voting rights, public school & health systems, homeless shelters, safe water & sanitation, social safety nets, and generational equity, among others.
- Central bank reform: For instance, increasing RBZ's independence will likely fuel transparency and accountability. In our view, this is key in boosting the credibility of monetary policy to propel market confidence and mutual trust.
- Tax reform: The current tax regime is highly regressive as poor individuals are paying relatively more than their rich counterparts. Consider, for instance, the impact of 2% tax on civil servants who are being paid way below the PDL. As for corporates, the prevailing high-income taxes are choking small and medium enterprises (SMMEs), the engine for job creation and growth.
- Institutional reform: Zimbabwe's public institutions are weak as they had warmly embraced corruption and illicit transactions. In some instances, these institutions are politically aligned and captured. This is increasing the cost of doing business in Zimbabwe thus scaring away investment as well as rendering domestic firms uncompetitive.
- Parastatal & state-owned enterprises (SOEs) reform: In the 1980-90s, parastatals and SOEs were contributing at least 40% to national output compared to the measly 2% they are currently contributing. They are perennial loss makers that have become parasites to the fiscus as they are run by incompetent individuals not selected on merit.
- Electoral reform: Reforming electoral processes is the only approach that can bring effective democracy. These reforms will restrict the practices of booth capturing, threat, coercion, bribery, and all other practices which actually stops people from freely casting their vote or from equally contesting elections with other candidates.

- Industrial Policy: Zimbabwe is over relying on primary products which are also being exported in their raw form. This is reducing potential export earnings and shipping local jobs abroad. The nation has also become a net importer as competitiveness of domestic firms has been suppressed by inconsistent policy making, fragile currency and chronic inflation fuelling costs of doing business. As such, there is a need for an adaptive industrial policy (IP) which advance value chains and product beneficiation. Such an IP will also elevate coordination between the industry and government agencies, and the former receive protections, grants, loans, and tax incentives.
- Debt audit: There is a need to undertake an independent public debt audit that will inform the scale and nature of the country's debts, which are often not transparently publicized. An audit will also become a building block to popularise discussion about the legitimacy of certain debts and whether they should be repaid. Further, Zimbabwe needs to revamp its public debt management -a process of establishing and executing a strategy to ensure that the government's financing needs and its payment obligations are met at the lowest possible cost and consistent with a prudent degree of risk.
- Legal and regulatory framework: Sound legal and regulatory frameworks seek to promote transparent, predictable, and non-discriminatory processes. The legal and regulatory framework matrix category covers broad issues related to the laws (family, property, finance, workplace, pay, etc.), regulations, and policies passed by governments, including stakeholder participation and input into the decision-making process; the impact, or lack thereof, of these government efforts on citizens; and mechanisms for citizens to provide feedback.

5.Disclaimer