# Weekly Dashboard

## Forex Auction Weighted Rate

| Week | 22.11.2022 | 29.11.2022 |
|---|---|---|
| Per USD1 | 643.3081 | 652.7132 |

## Consumer Price Index

| Month | October | November |
|---|---|---|
| | 13 113.95 | 13 349.42 |

## Inflation

| Month | October | November |
|---|---|---|
| M.O.M. | 3.2% | 1.80% |
| Y.O.Y. | 268.8% | 254.96% |

# WEEKLY REVIEW

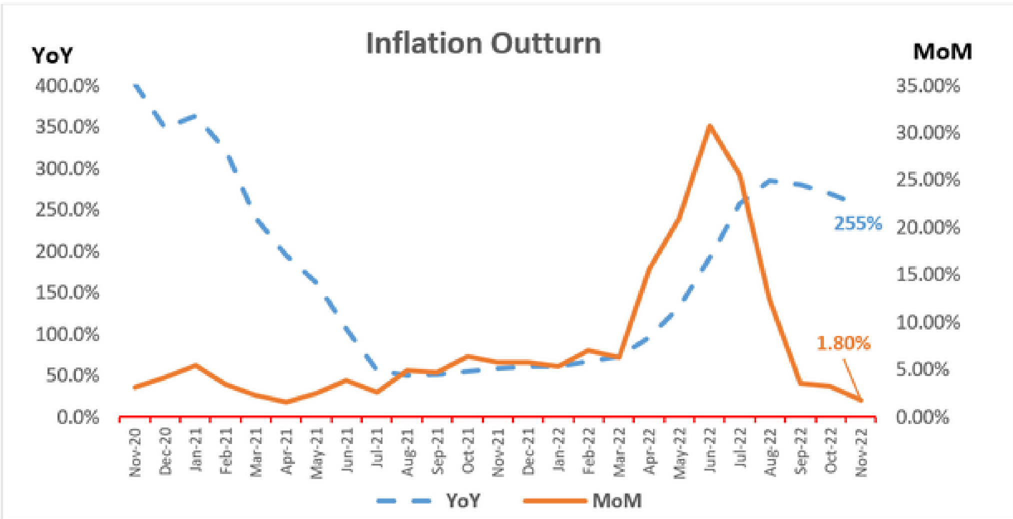
## 6 December 2022

## CONTENTS



# 1. Inflation Eased in November: Is the 1-3% monthly target realistic for 2023?

According to the statistics authority, Zimbabwe National Statistics Agency (ZimStat), price inflation eased in the month under review. The statistics show that general prices as measured by the all-items Consumer Price Index (CPI) spiked by 255% in the last 12 months ending November 2022, down by 13.8 percentage points from the previous month's outturn. From a month-on-month (MoM) perspective, the inflation rate decelerated from 3.2% recorded in October 2022 to 1.8% in November 2022.




***Source:*** *ZimStat*

The ZimStat disaggregated inflation data by province shows that Mat South had the highest monthly outturn followed by Harare (2.8%), Mat North (2.7%), and Bulawayo (2.1%). Granular analysis of the figures shows that at 301.4% YoY & 0.9% MoM, the Food category (which is 30.34% of the total consumer basket) was the main driver of inflation. Meat (4.4%), fruits (1.9%), food (0.9%), fish &sea food (0.8%), and food products N.E.C (0.4%) were the groups with high inflation in the month. Accordingly, an individual required about ZWL21 652.27 in November 2022 to meet the minimum needs basket cost (Food Poverty Line, FPL). The FPL is the minimum income required by a person to afford a daily energy intake of 2 100 calories. As for the Total Poverty Consumption Line (TCPL) -the total minimum income an individual need to purchase both non-food & food items for them not to be deemed poor- official statistics show it closing November 2022 at ZWL28 516.73, up 1.3% when compared to

October 2022 amount of ZWL28 144.07. It, therefore, means an average household of four (4) needed a minimum income of ZWL114 066.92 in November 2022 to be considered out of poverty.

The public applauds both monetary and fiscal authorities on some of the policy actions they have implemented in recent months to slow inflation growth. November 2022 completed five (5) consecutive months of disinflation trajectory, a trajectory that began in July 2022 when monthly prices slid by 5.1 percentage points to 25.6% from 30.7% recorded in June 2022. Now, buoyed by this rapid disinflation path, the government has projected an average monthly inflation of between 1-3% in 2023. The authorities expect this inflation target to be anchored by a tight monetary policy stance, stable Zimbabwe dollar (ZWL), and sustainable fiscal spending as shown by projections of a "sustainable" fiscal deficit of 1.5% of national output (GDP) as stated in the 2023 budget statement.

If realized, a stable price environment will bring great relief to citizens, particularly the poor majority who are earning way below the poverty datum line (PDL). The massive ZWL depreciation and elevated prices experienced for most of 2022 have eroded real incomes, lowered aggregate consumption, widened income disparities, and plunged the majority into poverty. The World Bank estimates that at least 40% of the population is living in extreme poverty in Zimbabwe. Also, the local currency & price volatilities have hugely affected business predictability. Generally, predictability is key in business as it enables great market fit and quality customer service while eliminating waste and inefficiencies to build a strong foundation of sustainable enterprise. An astronomical spike in the Reserve Bank of Zimbabwe's (RBZ) benchmark policy rate has fuelled the cost of money. More so, high fuel prices as well as prolonged electricity load-shedding schedules compounded the cost of doing business in 2022. Generally, a high-cost environment feeds chronic inflation and scares away private-sector investment which is key in powering GDP, incomes, and employment growth.

However, it remains to be seen if the Reserve Bank of Zimbabwe (RBZ) will be able to meet this inflation target given the risks to the outlook. The forthcoming general election will likely derail the sustainability of the Treasury spending path. For instance, a projected 136.8% jump in budget expenditure ceiling to ZWL4.5 trillion in 2023 from 2022's ZWL1.9 trillion can attest to this assertion. If the national output growth is expected to decelerate further in 2023 from 2022 levels, the public can then ask: What is informing the Treasury's projected jaw-dropping spike in revenue collections by Zimbabwe Revenue Authority (ZIMRA) next year? From an outsider's perspective, it is evident that fiscal authorities are anticipating elevated ZWL depreciation and sustained price increases in 2023 -high prices mean increased revenue collection for ZIMRA. Also, based on recurring deadly political clashes like the Gutu case[1], there is a high chance for the upcoming election season to degenerate into full-blown political violence, civil unrest, and abuse of human & political rights.

1. https://tellzim.com/political-violence-rears-ugly-head-in-gutu/

Furthermore, the 2023 proposed budget shows that the government is facing an increased public borrowing requirement in 2023 yet the country is currently being choked by debt distress. This unsustainable debt is constraining the countercyclical effects of fiscal policies and heightening long-term market interest, tax, and inflation rates. Electricity shortages will likely persist in the first half of 2023 due to constrained production at Kariba hydropower and continued breakdowns of the nation's aging thermal power stations. Electricity is a key business enabler; its scarcity increases business costs, balloons the inflation burden, and strains household budgets. The COVID-19 pandemic and Russia-Ukraine war with an indeterminate end also pose a greater risk to the price inflation outlook. For instance, the sanctions and countersanctions caused by the war are negatively affecting global supply chains, trade, production, and cooperation. As such, the resultant elevated global inflation expected to continue for most of 2023 presents a great risk for perennial net importers like Zimbabwe.

Therefore, to help suppress excessive price growth in 2023, the authorities should consider some of the alternatives proffered herein:

- The authorities should implement complementary monetary and fiscal policies, with the latter spending sustainably to ensure and maintain the sustainability of ZWL liquidity growth in the market.
- Government should intensify engagement & offer lucrative incentives to independent power producers (IPP) to increase domestic production of renewable energy. These incentives can be extended to businesses and households to increase their uptake of solar energy thus bringing relief to the constrained national grid.
- The existing high tax environment is adding to business costs and subduing disposable incomes. Hence, domestic resource mobilization (DRM) should be expedited in 2023:

1. ocurbing leakages from corruption & illicit transactions
2. olowering tax compliance costs
3. oreducing capital controls
4. ostrengthening taxpayer motivation & education
5. oformalizing informal businesses.

- Robust reforms (economic, structural, electoral, etc.) should also be part of the policy mix to reduce prevailing growth-retarding pricing distortions, avoid crowding-out of public service delivery, protect rule of law & property rights, and help Treasury secure the direly needed support from its creditors to meaningfully resolve the decades-long debt conundrum.

## 2. The Economic Consequences of Brain Drain

Brain drain is the emigration of highly trained people from a particular country into another country where they are able to find better opportunity. These individuals are educated in their native countries but generally seek work in foreign nations as they find it[1] more desirable, either because of higher living standards, better wages, or both. Brain drain mostly affects skilled human resources for trade, education and trained health professionals. Once educated, these professionals feel they can live a better life elsewhere. This emigration can make it difficult for a country to maintain a high intellectual standard, as many of its educated and most intelligent people leave. While talented people should not be burdened by a country's limitations or boundaries, educated people are key to creating a more educated and professional society.

Brain drain can have a negative impact on the sending country such as reduction of human capital, limited capacity to innovate, reduced economic growth, demographic shifts and a higher cost of public goods. The main reason for leaving a country is normally cited as high rate of unemployment within that country. The Labour Market Diagnostic Analysis Report indicated that majority of emigrants mentioned lack of employment opportunities as the number one motive for leaving the country.[2] Zimbabwe is plagued by lack of economic opportunities emanating from a failure to adhere to the rule of law and the non-creation of a secure environment for domestic and foreign investment. The International Labour Organisation (ILO) revealed that in 2020, 580 000 youth fled Zimbabwe for greener pastures.[3]

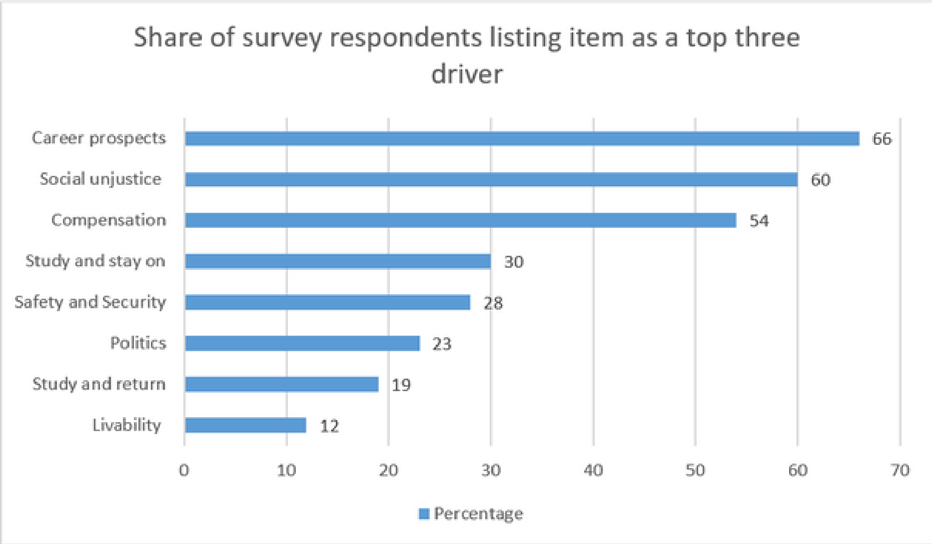
Development requires an engaged citizenry that drives social, political and economic reform through participation. The inclusion of women in political, economic and social activities is instrumental for development and achieving gender equality as women and young workers are four times more likely to be inactive than men and adult workers. Therefore, it is important to fast-track gender mainstreaming through youth and women affirmative action into positions of influence by advancing political representation. Increasing living standards and promoting economic and social development in Zimbabwe requires improving employment opportunities. Nurse aid and health care training and working opportunities in the United Kingdom have been on the rise and this has resulted in increased numbers of emigration. The impact of this brain drain on developing countries such as Zimbabwe has a negative effect on the economy but also on larger and more developed countries.

Even though there are some positive effects of brain drain, such as bringing talented people into a growing atmosphere and promoting globalization, on the whole, there are more negative effects on both the country where the brain drain is happening and the economies of the countries to which skilled professionals emigrate. Brain drain causes developing countries to lose the ability to progress.

2. Zimbabwe Labour Market Diagnostic Analysis Report (LMDA).
3. Zimbabwe Labour Market Diagnostic Analysis Report (LMDA).

Another negative impact is that countries develop slower once they lose their talented and skillful citizens. Where developing countries lose their talent, developed countries end up gaining it and having an overabundance of skilled workers trying to enter the workforce and fewer available jobs. Developing countries might also suffer from economic loss, which reduces their development even further and their production of more talented people.

As shown in the figure below, the top three main reasons why people choose to leave their country are: career prospects, social injustice, and compensation, with career prospects being the highest percentage with 66%.




*Source: World Bank*

Zimbabwe must mitigate brain drain and its negative economic effects. The government must look inward and discover why citizens are leaving. The government must mitigate or eliminate the factors causing dissatisfaction by providing an enabling environment for citizens to thrive and lead healthy and happy lives through a decent standard of living. It remains important for Zimbabwe to recognize and keep talent, not through limiting freedom, but granting better opportunities for individuals to thrive.

## 3. Vision 2030 A Case of Hope and Hopelessness

The term vision 2030 gained momentum in 2018 with the emergence of the second republic and became synonymous with the same. Vision 2030 is term that is used to describe Zimbabwe`s ambitions for an upper-middle class income economy by 2030.An upper-middle class income economy is one of World Bank classification of economy according to income. The income classification is based on a measure of national income per person, or Gross National Income (GNI) per capita, calculated using the Atlas method.[4] In 1978, the first World Development Report[5] (WBR) introduced groupings of "low income" and "middle income" countries using a threshold of $250 per capita income as threshold between the groups. In the 1983 WDR, the "middle income group" was split into "lower middle" and "upper middle" groups, and in 1989 a "high income" country definition was introduced. Since then, the thresholds to distinguish between the income groups have been adjusted for prices over time. The classifications are listed hereunder.

4. https://datahelpdesk.worldbank.org/knowledgebase/articles/378832-what-is-the-world-bank-atlas-method
5. https://openknowledge.worldbank.org/handle/10986/5961

- Low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of $1,025 or less;
- Lower middle-income economies are those with a GNI per capita between $1,026 and $3,995;
- Upper middle-income economies are those between $3,996 and $12,375;
- High-income economies are those with a GNI per capita of $12,376 or more.

In contextualising vision 2030, the Zimbabwean government does not only aim to attain a GNI between US$ 3, 996 to US$ 12, 375 per capita but to revive industries, retain to the glory days of agriculture, establish competitive human capital, build critical infrastructure, close the digital gap, establish national resilience, urbanise rural areas, re-engage with other nations as well as build decent homes to mention but a few. While this is a great national aspiration of hope for a better future sentiment among Zimbabweans over vision 2030 are divided with others believing that it is now too late to attain the objectives of the vision as prescribed in the National Development Strategy 1 (NDS1). The other group still believes vision 2030 is attainable. This makes vision 2030 a case of hope and hopelessness.

Therefore, given the above scenario, this article seeks to examine if attaining vision 2030 is still a possibility given the current social and economic challenges being experienced in Zimbabwe. Zimbabwe is ranked 31, with a score of 0.4974, out of 52 countries on the African Industrialisation Index (AII) published by the African Development Bank (AfDB), with respect to strengthen knowledge around drivers of industrial development. An extract from the report shows that, Zimbabwe was among the main loser ranking with other nations such as Mali, Congo, Cabo Verde, Sudan, Seychelles, Lesotho, Malawi and Niger. The category of main losers had countries that had experienced a decline in manufacturing sector performance and a shrinking pace in enhancing key input of industrial development. This can be depicted by the table below.

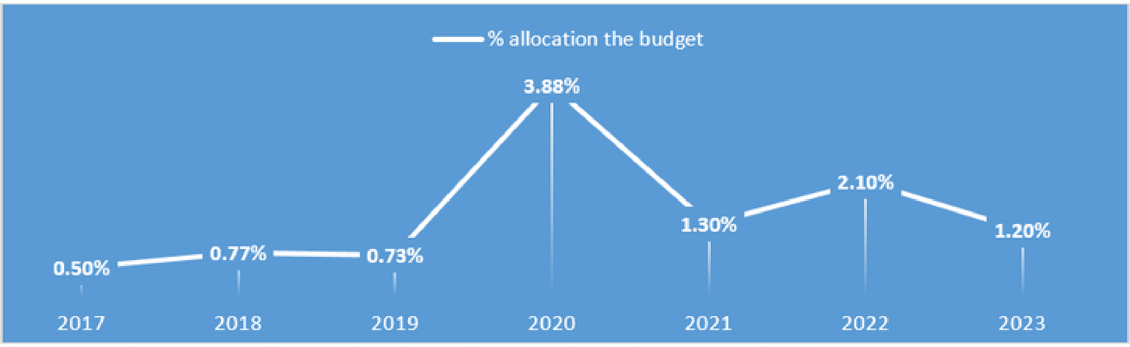
**Table 8. Main losers in terms of ranking**

| Country | 2010 | | 2019 | | 2020 | | 2021 | |
|---|---|---|---|---|---|---|---|---|
| | Score | Rank | Score | Rank | Score | Rank | Score | Rank |
| Niger | 0.4393 | 35 | 0.4462 | 41 | 0.4701 | 39 | 0.4606 | 39 |
| Lesotho | 0.5350 | 17 | 0.5567 | 18 | 0.5518 | 19 | 0.5372 | 22 |
| Zimbabwe | 0.4939 | 26 | 0.4995 | 32 | 0.4941 | 33 | 0.4974 | 32 |
| Malawi | 0.4351 | 36 | 0.4277 | 44 | 0.4333 | 43 | 0.4229 | 43 |
| Seychelles | 0.5106 | 20 | 0.5465 | 20 | 0.5752 | 15 | 0.5097 | 27 |
| Sudan | 0.4501 | 34 | 0.4667 | 36 | 0.4614 | 41 | 0.4522 | 41 |
| Cabo Verde | 0.5061 | 23 | 0.5003 | 31 | 0.5124 | 31 | 0.5007 | 31 |
| Congo | 0.5477 | 15 | 0.5286 | 25 | 0.5431 | 22 | 0.5322 | 23 |
| Mali | 0.4645 | 30 | 0.4614 | 37 | 0.4867 | 35 | 0.4612 | 38 |
| Angola | 0.5076 | 22 | 0.4725 | 34 | 0.4923 | 34 | 0.4865 | 34 |

Source: AfDB, Statistics Department.

The industrial sector is the nerve-centre of economic development in any nation. Zimbabwe`s ranking is rather worrisome as it does not resonate with vision 2030. The industry in Zimbabwe is in a dire situation coupled with infrastructure gaps, macroeconomic volatility and national power outages that last for 12 hours a day. Power outages have become the new order bring ruminations and reminiscences of the 2008 days. It is such power outages that makes one hopelessness about vision 2030 as the industry is the driving force of an upper-middle income economy.

In addition, vision 2030 was to be sustained by optimum human capital development and innovation. While it is worth noting that, on innovation thrust Zimbabwe made positive strides when it launched its first satellite ZIMSTAT 1 in October. However, one satellite is not enough for Zimbabwe`s aspirations, also the human capital development aspect is being neglected. The 2023 national budgetary allocations are a clear testament, as the government failed again to meet the 4.5% allocation of social protection prescribed by the African Social Policy of 2008 which Zimbabwe is a signatory. A trend analysis of social protection allocation presents a gloomy and hopelessness for social protection.



**Source:** *Compiled by ZIMCODD From The 2017-2023 National Budgets*

A trend analysis of Zimbabwe`s social expenditure since 2017 shows that the government has not made sufficient efforts to meet the 4.5% social expenditure benchmark. The 7 budget years reviewed shows that, the highest allocation towards social expenditure was in 2020 when the government channelled 3.88% to social protection. While the government has failed to channel significant resources towards social protection, the following contextual issues remain worrisome if the country desires to move towards poverty eradication and human capital development:

- 7.9 million people are in extreme poverty
- 3.8 million rural people and 1.6 million urban people facing food insecurity
- 4.6 million children with Severe Acute Malnutrition and 1.6 million children live in extreme poverty.[6]
- 4.8 million children in need of BEAM assistance,
- 60% of rural girls and women encounter period poverty thus they lack access to menstrual supplies and education.[7]

Given the allocations in social protection, the Zimbabwe National Council for the Welfare of Children (ZNCWC) has been financially crippled to undertake its mandate. Key programs such as the Victim Friendly System, National Residential Child Care Standard, Social Protection interventions for Children in Zimbabwe and the Child Led Protection Committees have failed to execute their duties. Health Assistance Programs, Basic Module Education Assistance (BEAM) and Harmonized Cash Transfers (HCT) are no longer viable in capturing the reality on the ground.

Infrastructure rejuvenation and development is another critical aspect of vision 2030. The Zimbabwean road network was declared a state of national disaster in 2021. Although commendable efforts have been witnessed in redressing this challenge particularly on Harare-Beit bridge road.

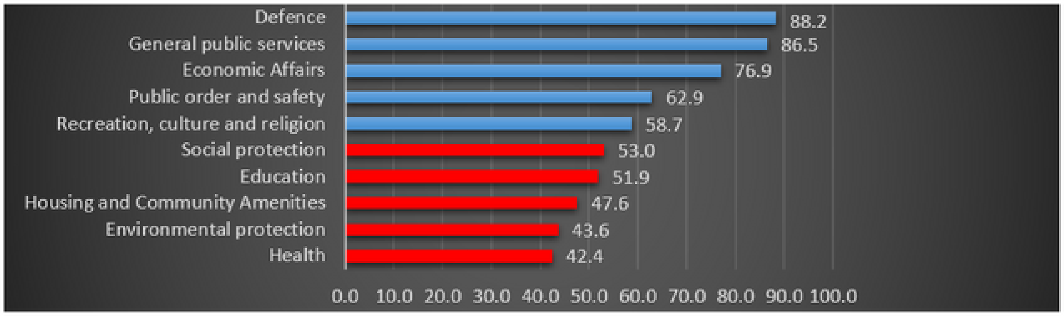
6. https://borgenproject.org/child-poverty-in-zimbabwe/#:~:text=The%20State%20of%20Child%20Poverty%20in%20Zimbabwe%20Zimbabwe,as%20children%20account%20for%2048%25%20of%20the%20population

7. https://www.techwomen.org/girls-education/vheneka-khanyisa-eliminating-the-shame-of-period-poverty

It remains a major concern that up to this day the government has failed to unveil the granular expenditure data. This is because, there is negative correlation between the constructed road and the money being purported to have been used. A clear case point to this mismatch between capital and outcome is the Mbudzi interchange. The total cost of the interchange was pegged at US$ 88 million which makes the Mbudzi interchange the second most expensive interchange in Africa together with Kwame Nkrumah Cycle Interchange. The most expensive interchange in Africa is the LEKKI-IKOYI link bridge in Nigeria valued at US$ 190 million. The marvelous Mount Edge Combe Interchange Upgrade of South Africa is valued at US$ 66 million. Thus, the interchange being constructed at Mbudzi must become a glorious infrastructure that attracts positive media coverage anything less than that is a reflection of overpricing and looting of public funds.

Moreover, an examination of the 2022 government resource utilization according to function shows that, the government is not investing in sectors that bring about national development and transformation. Government`s expenditures are mainly to sectors that promotes political expediency rather than national growth and development. An expenditure compilation from the budget hereunder is a clear testimony.

Resource Utilisation According To Governments Functions




**Source:** *Compiled By ZIMCODD From The 2023 National Budget*

Social protection, education, housing and community amenities, environmental protection and health are the epitome of basic service delivery yet their expenditure capacity does not correlate with the scale and magnitude of the challenges that need to be addressed. It is evident that all sectors that advances social and economic rights did not manage to utilize 55% of the resources allocated to them. Utilizing a power analysis matrix, it is evident that, the need to strengthen political hegemony was a determining factor in resource disbursements.

At 47.6% expenditure of the National Housing and Social Amenities presents a negative correlation between the institution’s resource utilization and the housing challenges on the ground. It is ironic that at a time various housing projects are stalling because of the unavailability of resources National Housing and Social Amenities is underspending. Housing projects which have stalled include Waneka flats, Senondo flats, Shamrock flats, Florida flats, Dombotombo Flats, Bindura flats, Mufakose flats, Seke flats, Tynwald flats and Mabelreign flats. This is due to financial incapacitation.

The under expenditure in Housing and Social Amenities is not surprising since in 2021 it only utilized 17%. In addition, the allocation towards Housing and Social Amenities does not capture the reality on the ground. To address housing challenges which has a backlog of 2 million houses the government proposed to construct 450 000 by 2025. However, the resources allocated for housing ZWL 27.7 billion (US$ 34.6 million) is not sufficient to construct even half of the housing units. The dream is also unattainable as this means that Zimbabwe has to construct 18 750 housing units per year, 616 per day and 25 per hour.

Moreover, the Zimbabwean health sector is in ramshackle with no adequate functioning dialysis machines, ambulances, radio therapy machines coupled with a disgruntled working force. Therefore, an under expenditure in the health sector is not good for the country and undermines the possibility of a competitive and functional health sector by 2030.

Governance anomalies have also become wicked problems with respect to the attainment of vision 2030. Issues of corruption, economies of affection, tender-preneurship, nepotism and patronage have also undermined optimum efficiency in the public sector thereby militating against vision 2030. The situation has been worsened lack of rule of law as well as the rule by law which has created an unpredictable environment for investors.

Although there are many variables to use to determine whether there is still hope for vision 2030 or not, the above variables are sufficient to predict if the government is in the right direction or not.