

# Weekly Economic Review

6 June 2023

## RBZ Interbank Rate

WEEK 30.05.23	WEEK 06.06.23
ZWL 1989.11 per USD1	ZWL 2769.94 Per USD1

## Consumer Price Index

APR	MAY
280.48	324.63

## Blended Inflation

APR M.O.M.	MAY M.O.M.
2.4%	15.7%
APR Y.O.Y	MAY Y.O.Y
75.2%	86.5%

## avg. Parallel Market Rate

WEEK 30.05.23	WEEK 06.06.23
ZWL 3.600	ZWL 3.800

## Consumption Poverty Line

APR	MAY
ZWL23 000	ZWL 39 927

## Trade

Exports	Imports
MAR US515.3m	US744.5m
APR US554.6m	US698.5m

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## 1. Summary

This week's issue of the Weekly Economic Review (WER) focused on the recent economic stabilization measures announced by Treasury, the challenges associated with blending inflation statistics, prevailing existential threats to ZWL and public comment on the recently passed Patriotic Bill which is now before the Senate. It also contains a section with articles for further reading covering primary education curriculum, challenges in public education sector, and infrastructural challenges hindering women participation in informal sector.

## 2. Weekly Economic Review and Analysis

### 2.1 Treasury Announces Additional Economic Stabilization Measures

The major talk for the week under review has been the economic stabilization measures announced by Treasury on the 29th of May 2023. These measures buttress the economic measures Treasury announced three (3) weeks earlier on the 2nd of May 2023<sup>1</sup>. They include inter alia assumption of Reserve Bank of Zimbabwe (RBZ) external loans by the Treasury, sterilization of excess liquidity, tightening of monetary policy, introduction of gold traceability system, 1% tax on foreign payments, maintenance of 2% USD cash withdrawal levy, further finetuning the RBZ foreign currency auction market, promotion of use of Zimbabwe dollar (ZWL), and taking over the role of collecting and paying for all foreign currency ceded by RBZ.

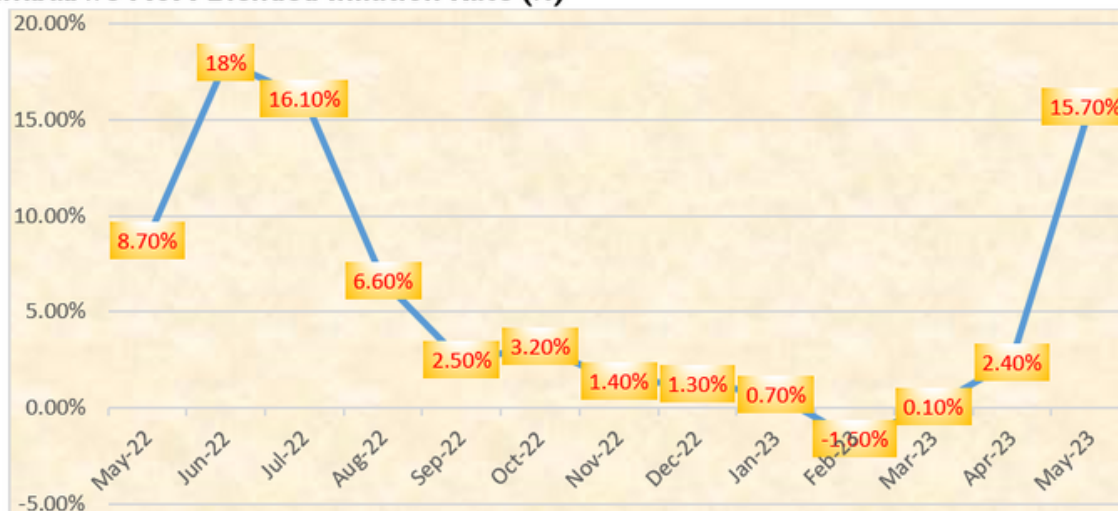
The latest measures proposed by Treasury are arguably bold and could help clamp ongoing massive ZWL exchange rate depreciation and skyrocketing ZWL prices if fully implemented. However, the bypassing of Parliament in the assumption of RBZ debt is unconstitutional. Secondly a lack of comprehensive debt audit before assumption of this debt risks taking over of odious and illegitimate debts by already overburdened taxpayers. It also remains to be seen if Treasury will be able to pay for forex surrendered by exporters without incurring huge payment backlogs or jeopardizing its financial books and raising taxes on poor citizens. For an in-depth analysis of these economic measures, kindly visit the navigable ZIMCODD website: ([https://zimcodd.org/?sdm\\_process\\_download=1&download\\_id=6461](https://zimcodd.org/?sdm_process_download=1&download_id=6461))

### 2.2 Blended Inflation Is Masking Cost of Living Crisis

The latest blended inflation statistics released by the Zimbabwe National Statistics Agency (ZimStat) show month-on-month (MoM) inflation mounting unsustainably in May 2023, gaining 13.3 percentage points on April 2023 rate of 2.4% to 15.7%. Blended inflation method which was officially adopted in February 2023 takes into account weights of both local and foreign currency transactions when measuring general price changes in a multicurrency system. On a year-on-year (YoY) perspective, general prices in the economy increased by 86.5% in May 2023 relative to 75.6% recorded in April 2023.

1. [https://zimcodd.org/?sdm\\_process\\_download=1&download\\_id=6429](https://zimcodd.org/?sdm_process_download=1&download_id=6429)

**Zimbabwe MoM Blended Inflation Rate (%)**



**Source:** ZimStat

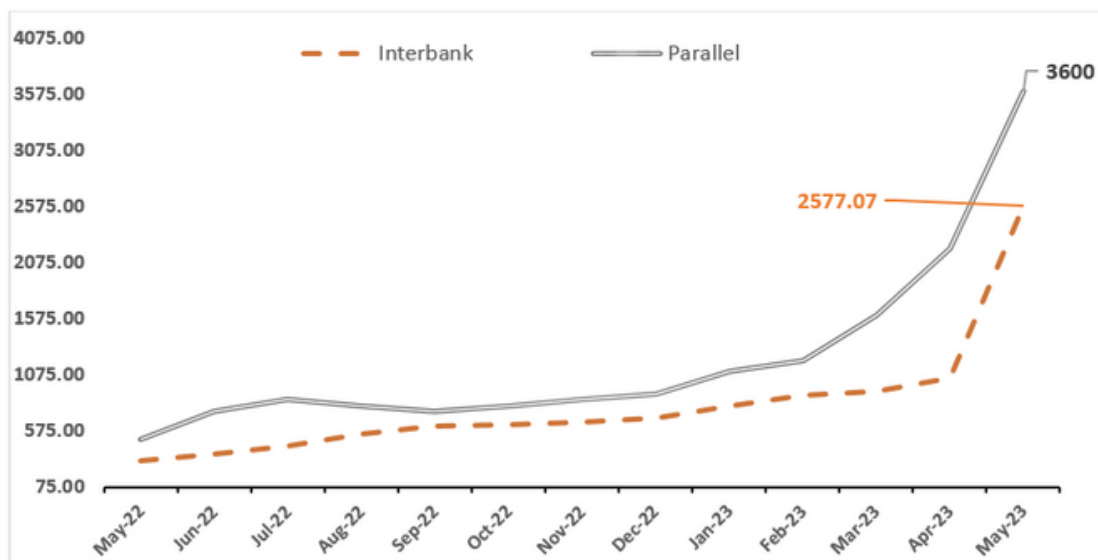
Although the May 2023 blended inflation statistics show a jump in general prices, it seriously underestimates the inflation burden choking households as the ZWL massively nosedives against the USD (see next section). ZWL price inflation estimates from independent sources like the John Hopkins University’s Hanke Inflation Satellite measured ZWL inflation at 761% in May up from 717%. ZWL prices are rapidly increasing in a fashion last seen during the build up to the record 2008 hyperinflation. This increased volatility of ZWL prices risks causing total market rejection of ZWLs and full dollarization of the economy. Already, many shops are either rejecting or limiting ZWL transactions for certain products.

Apart from undermining living costs, blended inflation figures also affect many other facets of the economy inter alia financial reporting, asset valuation, contract & wage negotiations, tax policy & regulation, indexation, pay setting, research & analysis, and estimation of production costs. In light of these challenges posed by inflation blending, some private entities have already started tracking ZWL inflation on their own. However, unofficial statistics generally use small samples thus lack representivity. Unofficial statistics maybe also be based on speculation which can potentially exacerbate prevailing exchange rate and price crisis. As such, there is a need for ZimStat to promote data transparency – publicly sharing separate USD & ZWL metrics.

### **2.3 Zimbabwe Dollar on the Verge of Complete Market Rejection**

The Zimbabwe dollar (ZWL), which was re-introduced by the Reserve Bank of Zimbabwe (RBZ) in 2019 is on the verge of collapse and complete market rejection. The local unit is incessantly plummeting against the USD in both forex exchange markets.

In May 2023 alone, the ZWL lost almost 40% in the parallel market from an average of ZWL/USD 2200 in April to ZWL/USD 3600 (range: 3200–4000). Year-to-date (YTD), it is down by a staggering 75% which is slightly lower than a 77% decline registered in entire 2022. In the official interbank market, the ZWL lost 59% of its value to close May 2023 at ZWL/USD 2577.07. Thus, giving a parallel market premium value of 40%. Granular analysis further shows that the ZWL has officially erased 73% of its value in the first five (5) months of 2023 relative to an 84% decline that was realized in the preceding whole year.



Source: RBZ, ZIMCODD

The foregoing numbers are highlighting that the ZWL is struggling to perform store of value function. As such, economic agents are relentlessly substituting the ZWL – flight to safety to preserve earnings value. Largely driving incessant ZWL decline is the excess ZWL liquidity in the economy that was created by RBZ paying for forex ceded by tobacco farmers and exporters. Treasury is also to blame for the ensuing economic chaos since it is failing to curtail mounting fiscal spending pressures. It is funding ongoing infrastructure projects, supporting agriculture, cushioning civil servants, and resourcing ZEC to conduct 2023 harmonized elections slated for the 23rd of August.

Starting on the 1st of June 2023, Treasury will assume all RBZ foreign obligations and undertake payments for all forex ceded by exporters. All this will greatly contribute to excessive money supply circulating in the economy. In the end, the increased ZWL liquidity amid adverse expectations and high economic uncertainties posed by 2023 elections risks a total collapse and market rejection of the local currency. However, if there is adequate political will to allow the Treasury to fully implement some of its recent policy proposals like the promotion of ZWL use, sterilization of excess liquidity, and monetary policy tightening by RBZ, ongoing ZWL depreciation against the USD will likely moderate and help contain inflation.

Be that as it may, the pending elections are likely promoting opportunistic political business cycles – volatile changes in fiscal spending and taxation which worsens macroeconomic volatility.

#### **2.4 Parliament Must Guard Against Repressive Legislation**

The recent passage of the Patriotic Bill by the National Assembly last week risks ushering in a new political ecology of authoritarianism, despotism and fear.<sup>1</sup> The Patriotic Bill is viewed by many as a potential tool targeted at political opponents. Although the Bill has not yet been debated in the Senate, its passing in the National Assembly is a cause for concern. The passing of the Bill by the National Assembly is also reportedly viewed by political scientists as a calculated and strategic move meant to influence the electoral processes by alienating the opposition political parties from international sympathy. This is because, the Bill is vague on what it regards as “undermining sovereignty and national interest”.

As such, if assented into law by the President, this Patriotic Bill together with the Private Voluntary Organization (PVO) Amendment Bill which was passed by Parliament in late 2022 pose great threats on the already shrinking civic space and injure other constitutionally guaranteed rights and freedoms like freedom of expression, movement, and association. Ideally, the government must listen to the differing views of its citizens irrespective of their age, gender, wealth, or geographical location as this is key in building a thriving democracy. There are numerous benefits which can be missed if government limits citizen participation including among others:

- Public policy improvement – stakeholder consultations provide well informed advice
- Legitimation – public acceptance in policy-making procedures and outcomes increases policy durability
- Co-optation – subduing public criticism by recruiting potential critics in the policy-making process
- Assessment of public opinion – allows the government to evaluate what citizens want, expect, or will tolerate in public policy.
- Relationship building – creating and institutionalizing a routine of consultation between the government and its agencies and interested public.

From the foregoing, it must be emphasized that Parliament must guard against repressive laws which in turn constrain its ability to discharge its oversight role. The oversight function allows Parliament to assert the system of checks and balances on the executive branch of government and acts as the defender of citizens’ interests.

2. <https://www.newsday.co.zw/local-news/article/200012497/anger-grows-over-patriot-bill>

Parliamentary oversight function also ensures that government policies and actions are both efficient and commensurate with the needs of the public, helps identify misconduct or deficits, and allows for remedial actions against the executive. In light of the foregoing, oversight is a central means of ensuring good governance and holding the executive to account to prevent or sanction the abuse of authority as well as prevent undermining of rights – political, environmental, women’s, children’s rights etc.

### **3. Articles for Further Reading**

#### **3.1 Curriculum Widens Inequality Gaps**

The Continuous learning assessment activity (CALA) curriculum, which was introduced in 2017 and assesses ZIMSEC candidates continuously through coursework contributing to thirty percent of their final grade, continues to widen the inequality gap in the education sector.<sup>3</sup> While the curriculum carries good intentions such as developing skills for every learner and allowing them to excel in areas that are not limited to academic study, the system has proven to be very expensive and inaccessible to children in disadvantaged communities.

Last week, the Ministry of Primary and Secondary Education carried out nationwide consultation meetings with parents, guardians, and other stakeholders to assess and review the curriculum and these are the concerns that were noted: The syllabus continues to heighten the already existing inequalities that exist in the education system. The syllabus that is economically demanding in an ailing economy continues to put a strain on parents as it is costly and making a lot of demands on their pockets because of the material needed for the various subjects. Parents have had to purchase expensive gadgets for their children to catch up with the syllabus, a privilege enjoyed by those with the financial means to do so, while leaving those who cannot trailing behind.

Although it is well intentioned, the syllabus cannot be applied in a uniform manner, thus it continues to disadvantage a certain section of the population particularly those in the rural areas as it is demanding technologically. The promotion of technology in schools particularly in the rural areas, continues to move at a snail pace with most schools not having basic facilities such as computers, internet or even electricity. This is despite the fact that government introduced and approved the National e-strategy 2021,<sup>4</sup> which is a joint initiative of the Ministries of Information, Communication, Technology, Postal and Courier Services and Secondary Education. While the strategy is meant to result in 1500 schools being connected with broadband and 3000 teachers receiving information technology training by 2021, little efforts have been put to ensure the smooth implementation of the e-learning strategy particularly in the rural areas where internet access remains a pipe dream for most.

3. <https://www.sundaynews.co.zw/what-are-the-objectives-of-cala/>

4. <https://www.chronicle.co.zw/just-in-govt-approves-schools-e-learning-strategy/>

Parents have also been accused in some instances for doing entire projects that form part of the final mark for their children. Poorly paid teachers have also been complaining about the strain of the curriculum, the value of their labour does not correspond to the demands of the curriculum.

With the curriculum under review, there is need to streamline it into a mode that fits the local setting, that fits Zimbabwean society given the current social-economic standing of the country. There is need to ensure that the curriculum is aware and awake to the realities of the Zimbabwean economy and Zimbabwean society.

### **3.2 The Realities of Public Education in Zimbabwe**

In recent years Zimbabwe has seen the conversation on education being dominated by phrases such as, low wages for teachers, strikes/sit ins, high cost of fees, extra lessons and the impact of COVID-19 on the sector. These realities are all but true, particularly when talking of government provided education popularly known as public education. These are schools, colleges and universities provided for by the government.

#### **Low Salaries**

This has been arguably the biggest conversation with regards to the education system and these calls go back to 2008 when teachers bemoaned the low salaries and wages that could not even put food on their tables. These cries have grown over the years especially after the introduction of the RTGS dollar in 2017 and hyperinflation took over the local currency. Over the years the country's educators have had to look for other streams of income including starting small businesses, becoming cross boarder traders, and leveraging on extra lessons which I will talk about later.

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#### **Strikes/ Sit ins.**

Previous years have seen the Amalgamated Rural Teacher Union amongst other teachers' Unions calling for sit ins.



This is a situation whereby teachers go to their respective schools but instead of teaching they spend the rest of the day socialising amongst each other in the staff rooms or just sitting in class with no lessons being done. They can do anything besides teach. This was necessitated by the government's repeated threats to fire teachers who could not report for duty during teachers' nationwide strikes which had become a norm because of low wages.

### **Extra Lessons**

As part of measures to keep afloat most educators in the public education sector have leveraged on extra lessons as practical streams of income. These are lessons given by teachers, usually after school, on weekends and on holidays to students that feel they need the extra help in particular subjects. Prices range between \$15 and \$30 United States dollars depending on the student's current educational level, whether they are at Primary or secondary school. Prices can also differ with the demands of the subject in question, with science subjects such as Mathematics being amongst the most expensive. In some cases, there have been reports of teachers refusing to teach during normal work hours and only being available for the extra lessons, thus causing students to pay for these extra lessons whether they want to or not.

### **High Cost of Education**

A report by World Remit 2022 Cost of School ranked Zimbabwe's education as one of the most expensive, noting that the price of education was six times more than the average income for a family. The high cost of fees is also further exacerbated by the high cost of education itself where through the Continuous Assessment Learning Activities (CALA) parents and guardians have had to cater for extra cost through having to provide extra materials for their children so that the children are at par with other students. Over the past five years, there have been many #FeesMustFall movements by university students a further public outcry on the astronomical fees pegged by the tertiary institutions, most of them public ones. At tertiary level, students are met with a high cost of tuition fees and extra costs on accommodation and food, leaving female students vulnerable to sextortion.

### **Being Turned Away**

It is common practice in government schools for students without updated fees to be turned back home to remind their parents to pay fees. The students arrive at their respective schools only to find the gate locked in some cases and the entrance blocked in instances where they are not able to provide an up-to-date receipt as proof of payment. In some cases, students who have not paid their fees are embarrassingly taken out of class amid lessons and in front of their classmates. This 'reminding' exercise can go up to a week or more until most students decide to just stay home until their fees are paid so they are not sent back home.

## **School Dropouts**

Being turned away from school because of non-payment of fees is amongst some of the many reasons that have led to students in recent years dropping out of the school system. Chief amongst them has been poverty exacerbated by the COVID-19 worldwide pandemic. According to statistics 67% of Zimbabweans live in extreme poverty this can explain why in a survey conducted by the Amalgamated Rural Teachers Union in November 2022, 63% of rural students dropped out of school because of poverty. A United Nations Education Fund (UNICEF) report in 2022 found that nearly half the youth in Zimbabwe are not in school because of poverty aggravated by the COVID-19 pandemic. Teenage pregnancies and harmful cultural practices such as child marriages and a disregard towards girls' education have been some of the reasons why school going children have dropped out of school in the country.

## **Lack of Infrastructure, Learning Materials**

In 2022 and 2021 Zimbabweans were shocked by headlines of schools; all in the Matabeleland region; who recorded a zero-pass rate at grade seven. Experts have attributed this abnormality to a lack of infrastructure including the schools themselves. There have been reports of children learning under trees, dilapidated buildings, and unsafe places with a lack of reading materials as well.

## **Conclusion**

The realities of the education system in Zimbabwe are elitist and discriminatory to the poor and middle class who need this education. The systems placed those with money at a vantage point that allows them to access quality education with the poor being at the opposite end of the spectrum. In a country which is considered amongst the poorest in the world, human capital is a need if the country ever dreams of acquiring its Vision 2030 status. It is also imperative that the government adheres to the Abuja Declaration which it is a signatory to, which mandates that the national budget should allocate the education ministry 20% of its total budget. This allocation and disbursement would be instrumental in building infrastructure in the form of schools, equipping teachers with adequate teaching equipment such as textbooks. The government also needs to make more provisions in raising the salary of teachers to the living wage of \$540 that they have been calling for, this will be critical in ensuring a motivated, capable, and efficient educating body of teachers which will in turn better the quality of education school going children receive. Section 75(1) of the Constitution says every citizen and permanent resident of Zimbabwe has the right to; (a) a basic state funded education... Education, quality education at that is a fundamental right enshrined in our constitution and not just a preserve for the rich or financially resourced people!

### 3.3 Infrastructural Challenges Hindering Women Participation in Informal Sector

The informal sector has become a haven for many Zimbabweans. Over the years it has been the cushion to a majority of families as it has helped sustain livelihoods and keep food on the table for many of them. It is also one of the few economic activities where women are the majority force, constituting about 67% of the participants in this sector. However, with Zimbabwe being highly patriarchal and women still needing to participate in primary caregiving roles for their children, the informal sector presents several challenges for them.

Most informal traders are found on the streets, along highways, in dirty marketplaces, at bus terminuses and street corners. The number of informal traders that one finds at any place and at any given time is often influenced by the profit returns the place offers. For instance, the number of informal traders found at a busy bus rank is different from the number one might find at a deserted shopping centre in a peri urban area. Furthermore, the amount of profit an informal trader will make on any day is determined by the amount of people that will frequent their area of business and this factor has seen more and more informal traders going for street pavements and illegal bus ranks and terminuses as places to sell their wares. This presents a new challenge for the informal sector being that as noted above, the chief group of the people in this sector are women. Women who are often mothers and still need to be present for these roles despite being economically active citizens.

Having to hire house maids for a family with an already inadequate income to cater for basic needs such as food, rent and education is a luxury for many women as they cannot afford. This means that most women of reproductive ages must take their babies and small children to their workplaces. These workplaces are often busy taxi ranks, dirty pavements, and unhygienic marketplaces. In most markets children are found loitering, or playing in the dusty roads where their mothers are busy serving customers often very loud, and sometimes unsupervised. This is because in a patriarchal society, women are still expected to fulfil their primary roles as caregivers despite being financial providers themselves but the same is not expected for the males in the society, many who choose to be deadbeat fathers.

In previous years, the nation woke up to the heart-breaking news of a two-month year old baby who had been crushed to death by a municipal vehicle which was chasing the baby's mother who happened to be an informal economy vendor. It is either this or overgrown babies are strapped on their backs in the open scorching sun since some of these designated marketplaces do not have built up stalls to protect traders from harsh weather elements.

It is also pertinent to note that for the women who are lucky enough to work in designated marketplaces, the marketplaces still fall short of being gender sensitive or rather accommodative towards women and taking cognizance of their special needs. The toilets do not have nappy changing areas or designated places for women to breastfeed their babies. This goes back to emphasise that historically most cities in Zimbabwe were made for men and not women as shown by the un-accommodative of infrastructure nature to women's needs. But it is 2023, and with legal provisions in the Constitution in Sections 17, 56 and 80 that call for a gender equal society it might be time to start to rethink some of the traditional ways of thinking.

It is my dream to see an informal sector where women can take their children to their work places, with trading stalls that protect them from the sun, the rain, and other weather elements where there are children centres just next to them so that their children can play in a clean, neat, and safe environment while they continue to serve their clients. It is not right for any woman in 2023 to have to choose between staying at home and taking care of their children, or t going out there to fend for them without reservation. They should be able to do both, without risking theirs or their children's lives.