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ZIMBABWE

Current Economic Conditions

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ECONOMIC BACKGROUND AND PROGRAM JUSTIFICATION

A. GENERAL ECONOMIC BACKGROUND

1. Macro-Economic Setting

The basic data on the Zimbabwe economy are presented in the Statistical Annex. While a small lower middle income country by international standards (per capita GNP was US$694 in 1980) the economy is the largest in Southern Africa after South Africa in terms of total GDP, equal to the total of Mozambique and Angola combined. It is a highly diversified economy with important agricultural (12.9% of GDP), manufacturing (25.8% of GDP), and mining (8.6% of GDP) sectors. Each of these sectors, in turn is divided into a variety of sub-sectors. The major agricultural crops are tobacco, cotton, maize, sugar, wheat, beef and dairy products, groundnuts, tea and coffee. The mining industry produces a number of products including gold, asbestos, nickel, copper, and chrome. The main manufacturing industries are iron, steel, and metal fabrication (26%), chemicals and petro-chemicals (14%), food processing (14%), beverages and tobacco (11%), and textiles (19%). Although the primary sectors, agriculture and mining together only produce about 21% of GDP, they provide about 57% of Zimbabwe's export earnings. On the other hand, while manufacturing accounts for the remaining 43% of merchandise exports, the sector as a whole is a net user of foreign exchange because of the very large inputs of capital equipment and industrial raw materials.

The economy is well endowed with infrastructure -- a rail system connecting all major economic centers as well as four links to ports in South Africa and Mozambique, 10,000 kilometers of road, and a widespread telecommunications system. With the completion, in 1985, of a major thermal electric complex at Wankie, the country will be self-sufficient in electricity generation. Similarly, Zimbabwe has a much more sophisticated financial structure than is typically the case in an economy of this size, due in part to the restrictions sanctions placed on access to international capital markets.

Gross Domestic Income in 1980 amounted to Z$3.3 billion which was roughly shared between wage and salary earners and investors on a 2:1 basis. Thus, corporations, unincorporated enterprises which are mostly private farms, and parastatals had gross operating profits of approximately 1.1 billion Zimbabwe dollars. However, investment expenditures in the private sector were very low, about Z$250 million in 1980 or 8% of GDP. Consumption expenditures have averaged approximately 60% of GDP over the latter half of the 1970s, while government non-capital expenditures have increased throughout the period, reaching 23% in 1980.

While per capital income is high by African standards, the economy is highly dualistic with sharp, perhaps unequaled, disparities in income between the white and black populations. Per capita income for the white

population is probably around US$10,000,while for the black population it may be as low as $150 per year. In other words, the white 4% of the population earns about 65% of the pre-tax income. The immediate reasons for this striking inequality are obvious. Probably two-thirds of the African labor force depend on the traditional economy for their income, and yet this economy produces no more than 4% of total GDP.

Of those 900,000 Africans who have wage-paying jobs in the modern economy, about 48% are employed in the low-paying agricultural and domestic service sectors. The average white/black wage differential is eleven to one, due partly to differential stocks of skills. Average black wages are Z$750 while average white wages are Z$8,250. Added to the wage difference is the fact that probably 90% of profits are earned by white Zimbabweans.

Many of these inequalities are the result of discrimination practiced by the various white-dominated governments of the pre-majority rule period. The clearest instance of this is the division of the country's land into commercial areas (largely, though not solely reserved for whites), and Tribal Trust Lands (TTLs) reserved for blacks. The land was divided approximately in half, which meant that black farms in the TTLs averaged five hectares of arable land while white commercial farms averaged 100 hectares. Equally important the best lands were reserved for whites, who own 72% of the land in Regions I and II, the most productive areas.

These inequalities are reinforced by conscious government policy of allocating resources to the white sectors. For example, marketing structures and institutions, which are fully developed to serve the commercial farm sector are almost non-existent in the TTLs. Similarly, agricultural research is geared almost exclusively to service the needs of the commercial sector, and while there is approximately one extension agent to every 60 farmers in the commercial sector, there is only one to every 800 farmers in the TTLs. Education and health services were equally skewed. Per pupil expenditures in white schools were ten times per pupil expenditures in black schools, and while virtually all white students graduated from Form IV, only 4% of the black students were able to do so.

The other side of this depressing picture is that in many ways the black population is better prepared for rapid development and entree into the modern sector than is the case in most other African countries. African university graduates number around 11,000, a stock of high level manpower which is unprecendented for a newly independent African country. Moreover, the share of the labor force employed in the modern sector is large and with the right mix of investment programs, black incomes can be expected to rise rather quickly in the future.

While Zimbabwe does have a thriving private market economy, the role of government is pervasive. All major utilities, the railroad, and the airline are solely owned by the Government of Zimbabwe and managed through public corporations. The government owns 49% of the country's iron and steel industry and provides subsidies to exporters. Foreign exchange controls

are very stringent both in the area of import licensing and repatriation of capital. Almost all of the marketing in the commercial farm sector is controlled by a government parastatal, the Agricultural Marketing Agency. There are minimum wage laws and controlled prices for important consumer commodities.

The primary task facing the present government is to redress the inequities inherent in the economy, without at the same time eroding the vitality of the modern sector, which offers the best hope for increasing black standards of living in the future.

With the coming of majority rule the government faced a number of severe problems -- primarily the integration of the liberation armies into both the National Army and the civilian economy; the resettlement of refugees; the fears of whites that they would be excluded from the new order; and the need to maintain the vitality of the white dominated modern economy while at the same time moving quickly to a more equitable distribution of incomes and assets.

The strategy adopted by the Mugabe government to deal with these problems is essentially fourfold:

(1) the maintenance of traditional government policies toward the modern economy;

(2) the beginning of a settlement program moving some African farmers from the Tribal Trust Lands to underutilized land in the commercial sector;

(3) a program of investment and reconstruction in the tribal trust areas; and

(4) a vast expansion of government services to the black African population, particularly in the areas of health and education.

By moving on all these fronts at once, the GOZ hopes to generate economic growth and thus increase the share of income going to black workers, to increase production and incomes in the TTLs, to assuage, to some degree, the land hunger of the black population, and, through the provision of health and education, to meet the aspirations of the majority population for a better quality of life.

2. Recent Economic Trends

Between 1969 and 1974, the Zimbabwean economy experienced a rate of growth of GDP of 7.4% per annum, and a rate of growth of per capita income of approximately 4% per year. From the end of 1974, however, the economy experienced a significant downturn which lasted until the middle of 1978. Since that time the economy has shown progressive signs of recovery. Between 1975 and 1978, GDP, in real terms, fell by 12.1% and in per capita terms the decline was over 20%, which indicates the severity of the recession. Indeed, by the end of 1979 real per capita income was only

three Zimbabwe dollars greater than per capita income in 1964. In real terms private consumption fell by 12.4% and gross fixed capital formation by 50.2%, whereas net government expenditures, fueled by the war, rose by 34.3%.

The decline was caused by a number of factors. In the first instance the impact on the economy of the international recession following the 1975 oil crisis was severe. The decline in Zimbabwe's terms of trade, coupled with the closing of ports to Rhodesian trade in Mozambique following Mozambique's independence, caused a severe deterioration in the balance of payments. In order to restore equilibrium there was a substantial cut back in non-petroleum product imports. The volume of total imports by the end of 1979 was only 67% of 1964 levels. Restrictions in the importation of raw materials slowed manufacturing output which declined by 14%. Agricultural output, due to weather conditions, and the increased violence in the countryside declined 28.5%. The declines in output in the goods sector (17.6%) led to equivalent declines in the service industries -- particularly construction and distribution. Finally, the recession was caused by lack of confidence in the business community due to the unstable political situation. This uncertainty is evidenced by the profound decline in investment expenditures to 11.2% of GDP.

However, with the Lancaster House settlement, the ending of sanctions, and the reopening of the economy, there was a substantial recovery on almost every economic front in 1980. Real GNP rose by 13.5% and per capital income by over 10%, while inflation was held to 8.6%. The recovery was led by the major goods sectors -- agriculture, mining and manufacturing -- with output increases in nominal terms of 30.2%, 32.7%, and 29.2% respectively. Similarly, the distribution sector, fueled by increased demands and increased availability of goods, had a nominal growth of output of 34.8%. Import volumes increased by 37.6% over 1979, and by the end of 1980 had reached the pre-U.D.I. level. Despite this impressive record there are some indications that the near-term prospects are not quite as bright. While agriculture, manufacturing and distribution are likely to continue bouyant, and there is likely to be an upsurge in construction and government services, the mining sector is beginning to be affected by declining commodity prices. There are four areas of concern: employment, private investment, balance of payments, and the government budget. The first two areas are discussed in this section, while the latter two will be discussed in the following section.

a) Employment. Critical to the future of Zimbabwe is a rapid expansion in wage employment. Given the extensive pressure on the land, a rapid rate of population growth, and the slow pace of settlement, the economy must provide 50,000 new jobs per year, or an increase of about 5% in the labor force. In 1980, despite the high rate of real growth, employment in the modern economy increased by an average of only 21,000 or 2.2% and by December, 1980, employment was only 6,000 above the December 1979 level.

This situation is not quite as distressing as it first seems. In the first place it is normal for firms to maintain employment levels in the midst of a recession. Thus, during the 1974-1978 recession, while real output fell by 12.5%, employment fell only 5.2%. The recovery in 1980 was relatively easy due to the substantial excess capacity that existed in the economy, not only in terms of capital but also in terms of labor. As the recovery proceeds, one will expect that capacity limitations will be met in terms of existing labor force, and employment will grow at a much faster rate.

Secondly, in line with its concerns for equity, the government substantially raised minimum wages in all sectors of the economy. These increases led to large increases in the average wages in most sectors of from 16% in manufacturing to 30% in domestic service. (There are no data yet available on agricultural wages). If this wage adjustment is not followed by similar increases in the future, then future employment growth is likely to be more substantial. However, the acceptance of the Riddell Commission Report on Wages, Prices and Incomes may be the occasion for another increase in the minimum wage.

Lastly, the main culprit in the failure of the economy to provide jobs in 1980 was the agricultural sector. Non-agricultural employment increased by 4.6%, while agricultural employment actually declined despite the enormous increase in value added. However, much of this increase was due to two factors -- a change in relative prices which favored agriculture and a shift from tobacco to maize plantings. Real output in volume terms, recovered to 1978/79 levels, and only in the case of tobacco was output significantly above historical levels. Most of the 1980 tobacco output represented previous year's plantings. With high producers prices for maize and declining tobacco prices, there was a large shift to maize production which is much less labor intensive. With the recovery of tobacco prices farmers may begin moving back toward tobacco with substantial employment generation. It is yet to be determined whether the dramatic increase in agricultural output expected in 1981/82 will be accompanied by a concommitant increase in employment, or whether the increase in agricultural wages has led to the adoption of more capital intensive technologies.

b) Investment. The recovery of 1980 was led by increased government expenditures and increased consumption spending, due in part, no doubt, to rising wage levels for blacks. As the economy begins to reach full capacity, investment will have to pick up or a prolonged period of inflation and slow real growth lies ahead. Investment in 1980 was approximately 15% of GDP, about the same level as in previous years, despite a substantial increase in government capital expenditures in the reconstruction of damaged infrastructure. Private investment was about 30% of gross operating profits, indicating that investment was not constrained by lack of financial resources. In fact excess liquidity in financial institutions rose to 28.6% of total liabilities at the end of 1980, up from 15% in 1979. Interest rates remain very low, and for most financial assets, are negative in real terms, with

nominal rates ranging from 7.5% for commercial banks to 11-17% for consumer credit. Short-term bills had interest rates of under 4%.

There are two factors limiting a resurgence of private investment. The first is a limited availability of foreign exchange. Despite a record increase in import volumes, and despite a careful channeling of import licences into raw materials and capital goods (61% of all imports, including petroleum products), there is a very real shortage of foreign exchange. It is estimated that there are three times as many requests for foreign exchange licences as are granted.

Secondly, investor confidence remains unsettled, as private corporations continue to read the Zimbabwe tea leaves. This is especially true of multinational corporations, and despite substantial interest, there has been little capital inflow to date in terms of direct private investment.

In late 1981, a new surge in private investment is likely to begin, reaching even higher levels in 1982 and beyond. The evidence for this is the dramatic increase (24%) in building permits approved in 1980 over 1979. The total of Z$ 152 million was 36% higher than the previous peak in 1973. Industrial building plans are of particular interest, and the Z$31 million approved in this category was over three times the 1979 level, and 35% above the 1974 peak. As is illustrated in the graphs below, an upsurge in building plans has been in the past associated with an upsurge in construction lagged about two years. Similarly increases in investment in buildings and civil engineering are associated with an increase in investments of all types.

B. ECONOMIC PROGRAM JUSTIFICATION

1. Balance of Payments

On the surface, Zimbabwe's balance of payments has been relatively strong throughout the second half of the decade of the 1970's. Between 1975 and 1980, reserves have increased by US$212 million with most of this change occuring since 1978. By December, 1980, the Reserve Bank of Zimbabwe held US$270 million, while the banking system held an additional US$59 million, sufficient to cover three months of imports at 1980 levels, a rate somewhat higher than the average middle income country. Since that time reserves have fallen by US$106 million to the present level of US$213 million, barely one month's import cover. Even this balance of payments picture is largely due to very stringent foreign exchange controls in the importation of goods and in the movement of capital. There are no hard estimates on the effect upon the deficit of removing exchange controls, but guesses range from US one billion dollars to upwards of US two billion. This conservative policy towards imports has been partly responsible for the recent recession and continued controls are likely to limit the expected recovery.

Figure 1.

BUILDING PLANS APPROVED AND BUILDING CONSTRUCTION PERFORMED. 1968-1980

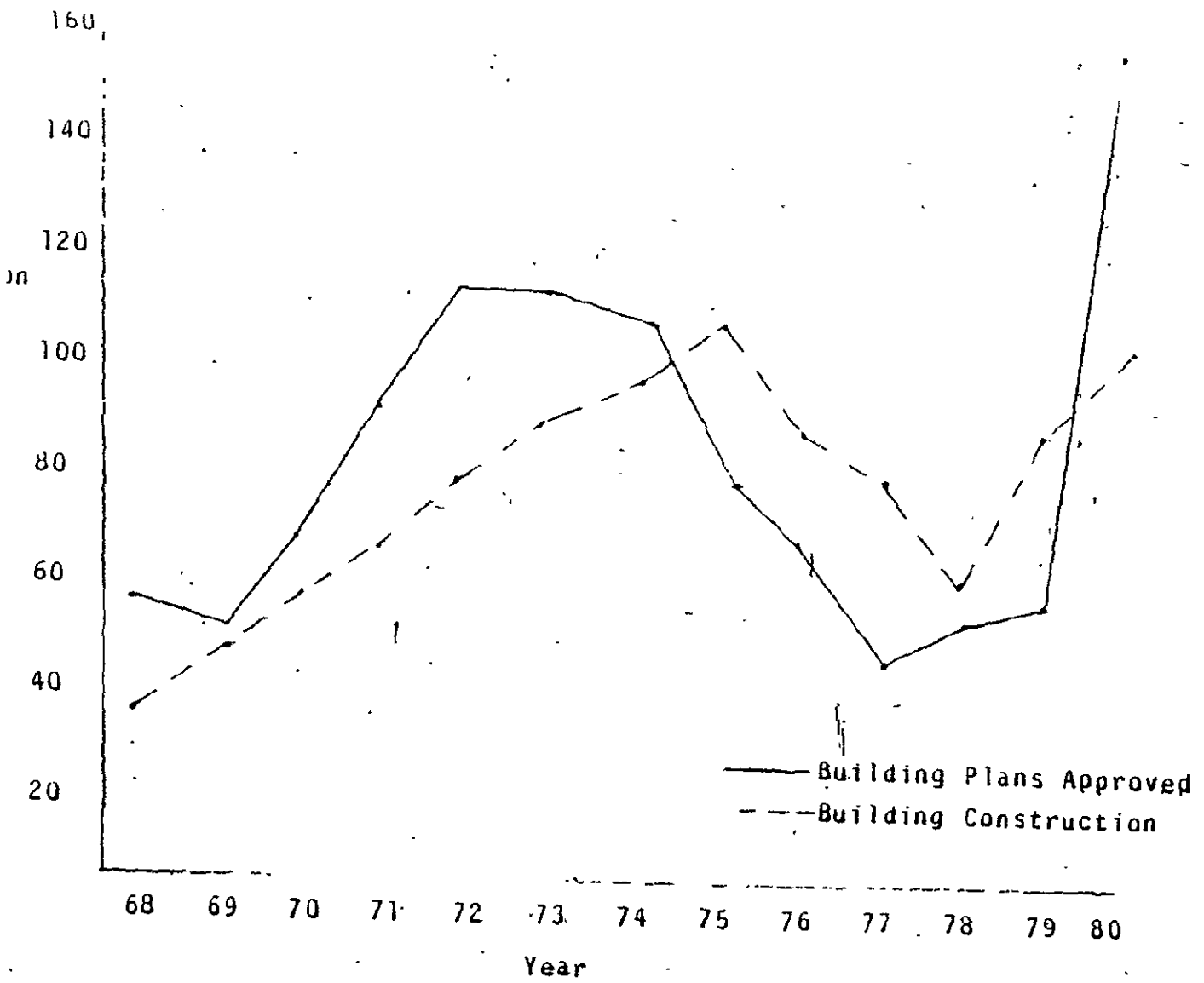
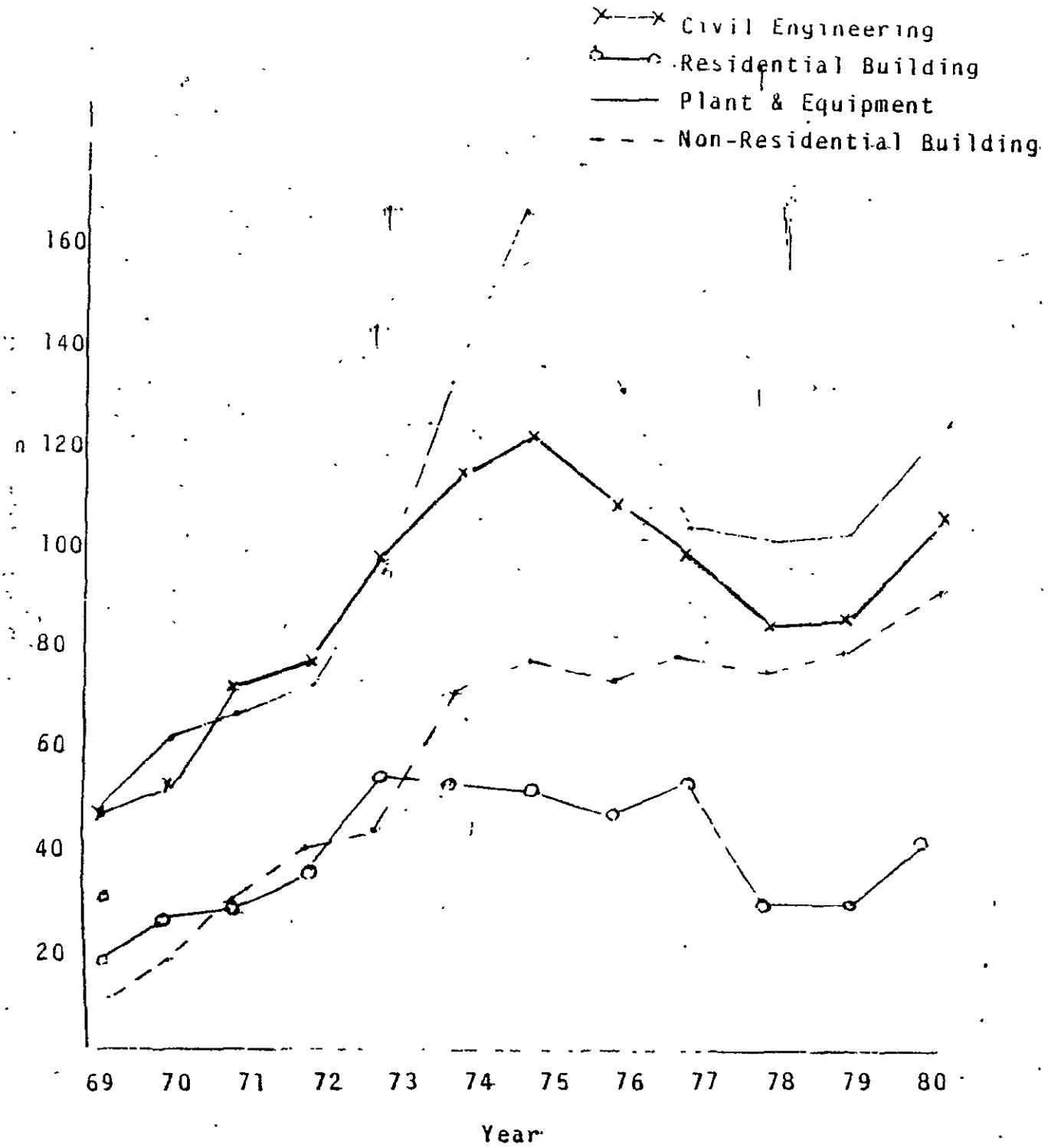


Figure 2

GROSS FIXED CAPITAL FORMATION BY CATEGORY
(1968-1980)



a) Current Account. While the trade balance has been positive throughout the period, ranging from US$76 million in 1975 to a peak of US$270 million in 1978, this surplus has rarely been sufficient to overcome deficits in other current account items. The main problems in the goods accounts have been the severe downturn in the terms of trade, which by the end of 1979 stood at 56.4, with 1964 = 100. There are a number of factors responsible for this downturn, although the inflation of import prices, primarily due to the increase in oil prices, was predominant. Import prices in 1980 were 2.2 times their 1975 level. While mineral prices rose in 1980, tobacco prices were weak, and consequently export prices stood at only 1.5 times their 1975 level. In addition, the closing of the Mozambique border and the imposition of sanctions probably raised import prices by 5% and lowered export prices by 15-20%.

The terms of trade improved by 24% in 1980, with import prices increasing by only 7% while export prices increased by 32.5%. However, this trend is not expected to continue through 1981, despite a strengthening of tobacco prices, due to a softening of mineral prices. In fact, current estimates call for negative trade balances of US$198 million in 1981 and US$108 million in 1982. In addition to the decline in the terms of trade, transport problems, due to both port congestion and shortages of locomotives and trained manpower, are likely to constrain exports in the near future. In fact transport constraints are likely to be the critical factor in inhibiting the growth of exports.

The service balance has been substantially in deficit throughout the period, due largely to freight and insurance charges, but also to a negative tourism and travel account. This deficit reached US$196 million in 1980 and is likely to continue to increase in 1981 and 1982.

The government has strict restrictions on repatriation of profits, allowing foreign corporations to remit no more than 50% of after tax profits. Because of sanctions, repatriation of profits to firms in the U.S., U.K., and Canada were totally blocked during the UDI period. Consequently, net flows of investment income have averaged about negative US$40 million per year. The unblocking of U.S. and U.K. assets will lead to increased dividend outflows which are expected to reach US$104 million by 1982.

The transfer balance has remained negative despite aid flows. Partly this is due to the emmigration of whites together with their goods, the payment of pensions, and other remittances. These negative flows of approximately US$255 million dwarf projected grant assistance until 1982, when disbursements from ZIMCORD are expected to reach levels of US$150 million.

Overall the balance of payments on current account was in deficit by US$260 million in 1980 and is expected to balloon to US$591 million in 1981 before declining to manageable proportions in 1983 and 1984.

b) Capital Account. Major capital flows during the next few years are expected to come from several sources as shown in Table I below:

TABLE I

Capital Account (1980-1984) (US $ Million)

	1980	1981	1982	1983	1984
t Government					
Air Force Line of Credit	-	-22.4	64.7	-10.2	-10.2
External Bonds	3.3	-49.2	-50.4	-50.4	-60.3
Reconstruction Loans	0.8	21.8	4.8	-	-
Zimcord	-	69.0	190.5	205.5	375.0
Other	-36.5	+32.4	-35.8	-38.7	-34.7
tal Government	-32.4	+51.6	+173.8	+106.2	269.8
Public Authorities					
Air Zimbabwe	-	9.9	-2.3	-2.3	-2.3
Railways	-3.5	119.4	61.5	-31.5	-26.0
Wankie Thermal Station	-	41.9	129.0	-2.6	-49.5
Other	-1.0	-3.7	-6.0	27.4	1.9
Total Public Authorities	-4.5	167.6	182.3	-9.0	-75.9
her Capital Transactions					
IMF Credit Tranche	-	46.5	-46.5	-	-
Private Investment	22.7	30.0	38.3	45.0	51.0
Repatriation of Capital	-21.2	-24.0	-27.0	-30.0	-33.0
Other	170.3	+53.9	18.1	-4.0	-24.0
tal Other Transactions	168.8	106.4	17.1	11.0	-6.0
tal Capital Transactions	131.9	325.6	373.2	108.2	187.9

The Zimcord agreements of almost US $2 billion will be very slow in disbursing. By 1984, the GOZ estimates that 70% of the amount pledged will have been disbursed, with some 42% of that amount, or 30% of the total being expended in 1984. Thus the critical years for Zimbabwe, 1981 and 1982, will not see large aid inflows (about US$195 million in loans and US$290 million in grants). Nor is it expected that direct private investment will be substantially positive through 1984. As of now the major source of external capital flows, aside from foreign assistance, will be commercial borrowing by public corporations for major infrastructure projects. Excluding Zimcord loans, the government is expected to make larger repayments than borrowings. However, whether these plans will be actualized is a serious question. It well may be that drawdowns of foreign assets along with substantial domestic budgetary financing needs may force the GOZ to enter international capital markets to a much larger extent than is currently planned. Otherwise reserves will fall to levels below any safe margin -- less than two weeks of imports.

An element in the balance of payments picture that remains unclear is Zimbabwe's relationship with the IMF. Early in 1981, the IMF gave Zimbabwe a standby of US$46.5 million. Negotiations are currently taking place for a further US$100 million standby to be concluded in September. There is, in addition, some talk of an EFF for calendar years 1982-1984, although these discussions are very preliminary. To the extent that funds are forthcoming from the IMF, the GOZ can avoid entering commercial markets to meet foreign exchange and budgetary gaps.

C. EXCHANGE RATES

Given Zimbabwe's system of exchange controls for both current account and capital account entries, there is some concern that the Zimbabwe dollar may be overvalued. However, current indications are that exports are constrained by transport difficulties, and that a devaluation would not appreciably change the volume of exports. Moreover, while import controls currently restrict the volume of imports to one third of what they might be without controls, many of these demands are a result of the long U.D.I. period during which a substantial amount of Zimbabwe's plant and equipment became obsolete. These demands for replacement of capital goods represent a discontinuous jump and will undoubtedly taper off once normal replacement takes place. It is, therefore, probably inappropriate at the present time to devalue but the situation will have to be watched carefully in the future.

2. GOVERNMENT BUDGET

A consolidated expenditures account for the fiscal years 1979/80 and 1980/81 is presented in Table VII in the Statistical Annex. Total expenditures in 1980/81 are projected to increase by 23.8% over 1979/80, while revenues are projected to increase by 28.0%. Thus, the government

deficit, which was 40.8% of total expenditures in 1979/80 would decline to 35.8% of total expenditures in 1980/81. However, current estimates of expenditures show that the original budget erred by Z$100 million on the conservative side, and that, therefore the budget deficit will be closer to 40%. More disturbing however are projections for the future. The fiscal year 1981/82 could see extremely large government deficits with attendant problems of monetary growth, inflation, and the "crowding out" of private investment. Recent indications, however, point to a relatively severe budget with the deficit held to Z$600 million, some Z$100 million over the deficit of 1980/81. Equally important the expected budgetary cuts in the areas of defence and subsidies mean that the structure of government expenditures is being changed and that future years should see a return to a reasonable balance.

a) Expenditures. The high rate of growth of expenditures has been forced upon the new government by the political situation in which it finds itself. It must make moves toward equity and the provision of the basic services without substantially discomfitting the white economy. In order to do so it has used the main lever at its disposal, government expenditures. Table II clumps expenditures into categories appropriate for analyzing government policy.

Because of the need to integrate the liberation armies into the National army, the government was unable to enjoy a dividend due to the end of the war, and the security forces accounted for 38% of current expenditures on goods and services. The first six categories of Table I represent important political priorities. In these categories expenditures increased between 1979/80 and 1980/81 by Z$202 million. If we add the change in uncontrollable outlays to the top six categories, then these represent 68% of the increase in expenditures. Thus, given the political pressures on the government, it is going to be very difficult to reduce the growth of expenditures.

In recent days the Government has announced in general terms two measures which are politically difficult, but financially necessary -- a reduction of the National Army to a full time strength of 40,000, effectively cutting the army by 50%, and a reduction in subsidy levels which will raise the cost of living of the urban consumer.

b) Resources. Probably more than 90% of tax revenues is derived from the white dominated modern economy. For the 1980/81 budget year, 58% of tax revenues came from income and profits taxes and another 40% from indirect taxes. Since food and rent are excluded from indirect taxation, and since income taxes are only levied on families with incomes in excess of Z$3,000, the tax structure is probably progressive on the whole. Non-tax revenues account for about 25% of total resources and are divided between payments for services and use of property (40%) and a variety of miscellaneous transfers.

TABLE II

EXPENDITURES BY MAJOR CATEGORY*
(thousands Zimbabwe dollars)

	(1) 1979/80	(2) 1980/81 (original estimate)	(3) 1980/81 (revised estimate)	(4) Ratio Column (3) to column (1)	1980/81 revised share of budget (%
National Security	384,655	315,985	262,985	0.94	23.6
Settlement	2,521	8,301	8,301	3.58	0.5
Reconstruction and Investment in TTLs	9,180	42,487	42,487	4.62	2.8
Education	120,437	194,494	236,494	1.96	15.4
Health	54,226	91,795	91,795	1.69	6.0
Food Subsidies	37,729	68,700	68,700	1.82	4.5
General Administration	111,495	124,083	124,083	1.11	8.1
Economic Ministries	108,238	128,695	128,695	1.19	8.4
Other Capital Budget	52,886	55,760	55,760	1.05	3.6
Relatively Uncontrollable Outlays	250,523	305,964	305,964	1.22	19.9
Other	30,383	103,720	114,720	3.78	7.4
TOTAL	1,162,073	1,439,984	1,535,984	1.33	100.0

Table II does not include the $114 million of grant assistance that has been earmarked for reconstruction and emergency feeding of refugees. These funds are placed in a special account and do not enter either the revenue or expenditure accounts.

Since a very high proportion of tax revenue is functionally related to income, it should not be surprising that real revenues fell between 1977 and 1979 by about 12% at the same time that real income fell by 3%. In 1980, however, real revenues are expected to exceed 1977 levels, and be 22% higher than in 1979. At the present time, taxes represent 22.5% of the total national income. Given the rise in expenditures, the government is giving serious consideration to raising tax levels. However, there are serious problems attached to increasing the rates of direct taxation, which are 49.5% on corporations and probably average 35% on personal income. Early in 1980 the government instituted new sales and excise taxes in order to reduce the deficit in fiscal year 1980/81. These taxes fell disproportionately on the poorer segments of the population as can be seen from the fact that the low-income consumer price index increased by twice the rate that the high income consumer price index increased. This rapid rise in prices facing the low-income consumer was mainly due to the very large increase in the prices of tobacco and beverages due to new excise taxes.

c) Financing the Government Deficit. Clearly, the most difficult financial problem facing the Government of Zimbabwe is financing the very large deficit to be incurred in fiscal year 1980/81, and the even larger deficit expected in 1981/82. With expenditures on the order of Z$1,440 million and revenues of Z$925 million, the total deficit in 1980/81 is on the order of Z$515 million, or 14% of projected GDP during the 1980/81 fiscal year. In the past the government has largely relied on the domestic market to finance its deficits, borrowing a total of Z$1,093.9 million over the past five years, including Z$397 million in fiscal year 1979/80. Consequently, total domestic debt by June, 1980 reached Z$1,302.7 million, approximately half of GDP.

Domestic borrowings of this magnitude were possible in the past because of the highly liquid nature of the private sector. With low investor confidence, coupled with strict foreign exchange controls, the private sector has savings substantially in excess of investment requirements. Much of these savings were in the form of liquid assets in the banking system, which by the end of 1980 were approximately Z$200 million above required liquidity needs. Consequently, even with substantial government borrowing, interest rates have remained at low levels ranging from 4-1/2% for 3-month bills to 10-1/4% for commercial mortgages. The average yield on local stocks was 10-12%, while government stock yield ranged from 4.05% on one year certificates to 9.75% on 30 year certificates. Given the underlying inflation rate of 8-10%, almost all of these returns were negative in real terms.

While the recession is over, and the economy is recovering, primarily due to a revitalized foreign sector, plus heavy government expenditures, private investment is still lagging. Consequently, the government should be able to borrow from the private sector on the order of Z$280 to Z$300 million, during the present fiscal year, without exerting any inflationary pressure. This would finance about 60% of the 1980/81 deficit. Probably

another $100 million can be financed through a variety of means including greater tax collection (Z$20 million), underspending (Z$20 million), loans from building societies to finance housing construction (Z$20 million), disinvestment bonds (Z$20 million), and miscellaneous revenues (Z$20 million). This leaves another Z$115 million to be financed from external sources of which approximately Z$30 million is budgeted to come from aid flows.

The government's reconstruction and refugee program is financed out of a separate fund which does not appear in budget estimates. Total spending in these accounts amounted to Z$29.6 million for refugees, and Z$50.5 million for reconstruction. Approximately 90% of these monies came from foreign grants. Without these aid flows these critical programs would have had to be funded from domestic sources thus increasing the budgetary deficit by a further Z$71 million.

For fiscal year 1981/82, the Government will be facing a somewhat larger deficit of Z$600 million. With the expected resurgence in private investment, government borrowing from the domestic economy will probably be limited to some Z$300 million. This implies the need for external financing of a like amount to keep inflationary pressures in reasonable check. The GOZ expects to sign a further standby agreement with the I.M.F. for 90 million SDR's, or about 79 million Zimbabwe dollars. If aid inflows are anything close to what is projected, the GOZ should be able to finance its deficit without recourse to large levels of commercial borrowing. Much depends on whether such assistance will be tied to increased levels of government programs or whether it can be used to substitute for allocations already programmed.

There is every indication that the government budget problem which seemed so unmanageable several months ago is now coming increasingly under control. Decisions taken for FY 81/82 will have profound implications for future years. If the GOZ can control both its defence budget and its subsidy program, as well as moderately reduce the rate of expansion of social services, the budgetary gap is likely to be a less important constraint than the balance of payments problem.

CONCLUSIONS

1. Future Prospects

The problems facing Zimbabwe must be viewed from two perspectives - one looking over the near term (one to three years), and the other over a longer horizon (ten to twenty years). In the near term the government of Zimbabwe must instill a feeling of confidence in two separate constituencies: the commercial and business community, both domestic and foreign; and the black majority, both peasants and wage-earners.

The long-term problem, restructuring the economy so as to provide growth with equity, can be dealt with if a firm base is provided, both politically and economically over the next few years. Zimbabwe can become a regional economic growth pole for all of Southern Africa if transport constraints are overcome, and if the economy is managed correctly. If the near-term problems are carefully dealt with the future should see substantial private capital inflows which will generate employment and provide savings for rural development. But the critical period is the next two years.

The business community must be given a specific set of rules of the game: labor relations, the degree of government intervention in the economy, guidelines for the role of foreign investment, tax policies, etc. It must also have confidence that the government can handle the short-term problems that face it and lay the groundwork for sustained growth. The black majority must see the development of greater equity, of a larger share in the fruits of growth. The government's task is to balance these often conflicting goals.

In the near-term several problems loom large. Growth in 1980 has been demand led, largely due to increased private consumption and government expenditures. So far the economy has been able to supply the goods demanded, because of substantial excess capacity. However, three supply constraints are likely to become increasingly binding in the near-term - capital goods, skilled labor and imports. Demand is likely to continue at high levels despite government attempts to check its own spending, as the private economy begins to increase investment expenditures. The critical question is whether supply can keep up with demand.

The skilled labor constraint is being dealt with through a number of activities, including several USAID initiatives. Private investment is likely to be sufficiently bouyant to expand productive capacity if imports can be increased. Import levels, in turn, are directly dependent on the level of exports, the terms of trade, and the size of capital inflows. The terms of trade outlook is not particularly sanguine, although there is some hope for a rise in gold prices. At the present time export levels are clearly limited by transport difficulties, both to the coast and north to Zambia, Malawi, Zaire, and beyond. While there is some room for increased commercial borrowing, the expected high level

of capital inflows due to Zimcord is not likely to materialize until late in the planning horizon, and even then, may be so tied to development projects as to be ineffective in raising the availability of foreign exchange to the modern economy.

At the same time black aspirations for a greater share of national income must be met in the near term, or the political situation will become increasingly unstable. The critical time for Zimbabwe, both economically and politically is the next two years.

2. AID'S RESPONSE:

The Zimbabwe CDSS described the following strategies for aiding Zimbabwe in achieving its national goals:

(1) providing substantial, flexible, and immediate assistance so as to help Zimbabwe overcome its macroeconomic problems

(2) direct assistance to alleviating transport and manpower constraints

(3) to provide assistance to directly raise the incomes of the poor through increased agricultural productivity, increased employment, and increased provision of social services.

Other projects in the USAID portfolio deal directly with many of these concerns. This C.I.P. has a two fold objective - the provision of fast-disbursing foreign exchange that can be used to import critical capital goods for the private sector, and the programming of local currencies for training, development of the TTL's, and better services delivery. Thus, we can contribute to both growth and equity.

STATISTICAL ANNEX

I National Income

II Domestic Product by Industry at Factor Cost

III Percentage Distribution of Domestic Product of Industry

IV Expenditure on Gross Domestic Product at Current Prices

V Historical Trends in the Zimbabwe Economy

VI Wage Employment by Sector

VII Real Wages of African Workers by Sector, 1970-78

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IX Zimbabwe: Central and Local Government Debt

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XI Composition of Aid Commitments to Zimbabwe

XII Prices, Interest Rates, and Money Supply

XIII Commodity Composition of Imports and Exports, 1975-80

XIV Zimbabwe: External Debt and Reserve Position

XV U.S. Exports to Zimbabwe

TABLE 1 - NATIONAL INCOME

Z$million

Item	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
and salaries	625	669	781	904	1049	1154	1249	1335	1504	1883
uted for owner-occupied wellings	17	19	21	22	22	23	24	22	21	36
tral and local government	11	12	14	15	17	19	21	22	23	23
Total	28	31	35	37	39	42	45	44	44	59
operating profit 1/										
ncorporated enterprises	166	188	159	237	225	246	238	219	228	294
panies (non-financial)	286	345	419	532	532	546	479	510	606	784
ancial institutions	17	24	27	34	42	44	49	54	58	75
lic corporations (non-financial)	51	60	41	70	62	83	72	122	87	42 2/
tral and local government enterprises (non-financial)	18	19	21	19	19	18	20	21	25	32
s imputed banking service charges	-23	-30	-33	-42	-52	-56	-65	-69	-77	-85
Total	515	606	634	850	828	881	793	857	927	1142
domestic income (factor st)	1167	1136	1450	1791	1916	2077	2087	2236	2475	3084
s indirect taxes	98	107	118	129	137	170	223	238	262	268
s subsidies	-22	-24	-15	-59	-41	-68	-94	-135	-92	-100
domestic income (market ices)	1243	1419	1553	1861	2012	2179	2216	2339	2645	3252
s net investment income aid abroad 3/	-30	-35	-39	-40	-31	-43	-30	-25	-25	-23
national income (market ces)	1213	1384	1514	1821	1981	2136	2186	2314	2620	3229
national income at 1965 ces	1098	1204	1241	1357	1345	1325	1229	1188	1192	1353

fore receipt or payment of interest and dividends and before allowing for preciation.

e steep drop in profits is accounted for through changes in payments for railway bsidies which until July 1980 were paid yearly; but thereafter are paid monthly.

s from 1975 figures include: a) Income from Botswana Railway operations
b) Migrants income remitted abroad.

TABLE II

GROSS DOMESTIC PRODUCT AT FACTOR COST BY INDUSTRY OR ORIGIN

Z$million

Item	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
ıculture and forestry	200	234	215	315	323	350	334	305	305	397
ıng and quarrying	72	76	104	136	131	152	149	158	199	264
ıacturing	250	297	343	421	447	480	460	514	616	796
·tricity and Water	34	38	41	42	50	57	56	64	71	87
·ruction	58	74	81	82	94	88	84	68	82	96
·ncial and insurance	41	53	59	73	86	92	102	109	119	139
l Estate	35	39	43	46	44	47	47	45	44	46
·ribution, hotels and ·staurants	171	192	198	258	258	262	242	296	290	391
..sport, communications and ·orage	103	114	122	138	159	172	184	191	210	225
..ic administration	71	79	93	109	130	163	204	241	270	322
·ation	40	43	48	55	65	73	76	86	96	114
·th	25	27	28	33	38	43	49	54	61	73
estic service	33	35	37	40	45	49	52	54	55	60
·er services, n.e.s.	57	65	71	85	98	105	113	120	134	159
·imputed banking service ·harges	-23	-30	-33	-42	-52	-56	-65	-69	-77	-85
·s domestic product (factor ·ost)	1167	1336	1450	1791	1916	2077	2087	2236	2475	3084

Table III

PERCENTAGE DISTRIBUTION OF DOMESTIC PRODUCT BY INDUSTRY

	1975	1976	1977	1978	1979	1980
Subsistence Agriculture	4.4	4.7	4.6	3.8	2.9	12.9
Commercial Agriculture	12.4	12.2	11.4	9.9	9.5	
Mining and Quarrying	6.6	7.2	7.0	7.0	7.9	8.6
Manufacturing	23.5	22.9	22.0	23.0	24.8	25.8
Electricity and Water	2.6	2.7	2.7	2.8	2.8	2.8
Construction	4.9	4.3	4.0	3.1	3.3	3.1
Finance, Insurance, Real Estate	6.8	6.7	7.2	6.9	6.6	6.0
Distribution	13.5	12.7	11.6	13.3	11.8	12.7
Transportation and Communication	8.3	8.3	8.8	8.6	8.5	7.3
Public Administration & Defense	6.8	7.9	9.8	10.8	11.0	10.4
Education	3.4	3.5	3.7	3.9	3.9	3.7
Other Services	6.7	6.8	7.2	7.1	7.0	6.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Reserve Bank of Zimbabwe, Quarterly Economic and Statistical Review (Sept. 1980)

Table V

HISTORICAL TRENDS IN THE ZIMBABWE ECONOMY
(1965 Z$ Million)

	Gross Domestic Product (Market Prices)	Gross Fixed Capital Formation (% of GDP)	GDP per Capita (Market Prices)	Gross Fixed Capital Formation	Annual Real Growth Rate (GDP per capita)	Inflation Rate
1965	737	13.2	164	97		
1966	749	10.9	162	82	-1.2	-2.0
1967	810	12.0	169	97	4.3	1.0
1968	826	16.6	167	137	-1.2	4.0
1969	944	13.8	184	130	10.2	2.9
1970	980	15.3	185	150	0.5	3.8
1971	1,098	16.3	200	178	8.1	2.7
1972	1,204	16.1	211	194	5.5	4.4
1973	1,241	19.2	211	238	0	5.9
1974	1,357	20.0	223	272	5.7	9.6
1975	1,345	19.9	213	267	-4.5	9.5
1976	1,325	15.5	203	205	-4.7	9.3
1977	1,229	13.7	182	168	-10.3	10.4
1978	1,188	11.2	171	133	-4.9	8.8
1979	1,192	11.9	167	155	-2.3	10.7
1980	1,353	12.9	185	176	9.5	9.7

ource: Central Statistical Office, National Accounts of Zimbabwe Rhodesia, 1978

Table IV

EXPENDITURE ON GROSS DOMESTIC PRODUCT AT CURRENT PRICES : $ MILLION

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Government Final Expenditure	143	157	180	214	256	326	387	454	594	742
Private Final Expenditure	844	926	961	1 108	1 197	1 306	1 327	1 468	1 681	2 101
Gross Fixed Capital Formation	222	256	331	422	467	403	368	330	337	421
Increase in Stocks	56	40	51	128	114	69	0	13	55	69
Net Export of Goods and Services	-22	40	30	-11	-22	75	44	74	-22	-81
EXPENDITURE ON G.D.P.	1 243	1 419	1 553	1 861	2 012	2 179	2 216	2 339	2 645	3 252

Source: Central Statistics Office, Government of Zimbabwe

Table VI

WAGE EMPLOYMENT BY SECTOR

(thousand)

	1964	1966	1968	1970	1972	1974	1976	1978	1980
Agriculture	299.5	278.4	288.6	297.8	342.3	365.6	356.1	341.4	327.0
Mining	44.4	48.5	51.7	57.2	58.4	62.0	63.8	58.1	65.8
Manufacturing	76.7	80.5	95.8	114.7	130.7	151.3	153.6	139.3	159.2
Electricity, Water	4.9	5.1	5.5	5.6	6.1	6.9	6.7	6.5	6.7
Construction	26.9	27.8	34.2	42.4	49.5	64.3	51.6	40.9	42.1
Finance, Insurance, Real Estate	7.6	7.9	8.2	9.0	10.4	11.6	12.1	12.0	12.5
Distribution	61.5	56.1	61.8	65.6	72.1	76.2	74.7	69.1	70.3
Transportation	33.3	35.8	36.2	36.5	41.0	43.8	45.7	44.0	45.5
Public Administration	26.7	31.8	35.5	39.0	40.1	43.4	53.8	68.3	70.8
Education	27.8	30.2	30.2	31.0	31.9	34.7	36.9	34.9	41.6
Health	8.8	9.4	10.2	10.7	12.1	13.0	13.5	14.7	15.3
Private Domestic	93.7	95.7	102.0	109.3	119.4	124.4	122.8	115.9	105.1
Other Service	24.5	27.8	30.1	34.5	38.9	42.7	42.1	41.1	43.9
Total	736.0	735.0	790.0	853.0	953.0	1040.0	1033.0	986.0	1005.8

Government of Zimbabwe, Central Statistics Office, Supplement to the Monthly Digest of Statistics, April, 1981

Table VII

ZIMBABWE - REAL WAGES OF AFRICAN WORKERS, 1965 AND 1970-78 /a

(Z$ per annum in 1964 prices)

	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978
Agriculture & Forestry	120	113	114	112	117	121	125	130	129	126
Mining and Quarrying	291	307	305	302	315	333	352	357	366	365
Manufacturing	406	429	417	446	463	484	503	505	510	526
Electrifying and Water	369	350	421	430	433	458	472	493	497	572
Construction	352	359	408	426	392	419	456	426	411	414
Finance, Insurance & Real Estate	511	630	656	653	702	764	817	882	959	979
Distribution, Restaurants & Hotels	336	382	408	402	405	419	449	446	450	472
Transport and Communications	608	583	635	613	635	661	667	669	665	680
Public Administration	336	401	449	511	550	584	592	621	611	628
Education	456	584	654	644	670	697	724	728	707	810
Health	427	510	535	563	568	599	649	669	660	733
Private Domestic Service	218	246	250	248	246	245	247	244	236	227
Other Services	310	379	364	364	383	390	402	412	414	420
All Services	240	272	282	284	292	307	322	326	327	336

a/ Deflated by Index numbers of consumer prices: low income group.

Source: Table 1.04, Average Earnings, and Monthly Digest of Statistics, July 1980, Central Statistical Office, Salisbury, p.5

TABLE VIII

CONSOLIDATED CENTRAL GOVERNMENT ACCOUNTS
(Z$ million)

	1976/77	1977/78	1978/79	1979/80	1980/81 1/
	Actual				Estimated
Revenue					
Taxes on Income and Profits	280	288	261	316	407
Taxes on Goods and Services	165	199	208	238	282
Miscellaneous Taxes	5	5	6	8	11
Total Taxes	450	492	475	562	700
Revenues from Investments & Property	41	44	44	48	58
Fees	12	13	15	17	14
Other	27	61	46	48	91
Total Revenue	531	610	580	674	863
Expenditure					
Recurrent Expenditure	523	685	806	972	1,245
Goods and Services	311	411	482	601	721
Salaries, wages, allowances	190	228	274	316	379
Other	121	183	208	285	342
Transfers	212	274	324	372	524
Interest	37	42	54	70	107
Subsidies	68	119	123	78	113
Public Corporations	3	3	2	62	80
Pensions	29	40	56	48	63
Grants and Transfers	75	70	84	114	159
Capital Expenditure	68	60	54	55	82
Total Expenditure	591	745	860	1,027	1,327
Budget Account Deficit(-)/ Surplus(+)	+60	+135	+280	+353	+460
Repayments of Borrowings	86	61	55	87	127
Long Term Loans and Investments	38	38	28	30	60
Short Term Loans (net increase (+) or decrease (-)	33	43	-6	7	13
Contributions to Sinking Funds	7	7	8	10	12
Total Financing Requirements	223	238	365	490	672
Financed by					
Domestic Borrowing	177	172	236	397	300
Treasury Bills	45	6	26	40	n/a
Refinancing of Mature Debt	37	19	33	36	80
Stock and Bond Issues	95	147	177	321	n/a
Foreign Loans	-	70	129	97	201
Extraordinary Income	-	-	-	-	49
International aid	-	-	-	-	30
Other	25	-22	-14	-17	50
Loan Recoveries	22	18	13	13	12
Total	224	238	365	490	672

Table IX

ZIMBABWE: CENTRAL AND LOCAL GOVERNMENT DEBT

(Z$ million)

ar End c. 31	Domestic Debt of Local Government	Domestic Debt Central Government	Total Domestic Debt	Foreign Debt	Total Debt	Debt GDP	Foreign Debt/ GDP
64	49	244	293	178	471	.69	.26
65	47	259	306	174	480	.65	.24
66	44	344	388	172	560	.76	.23
67	40	416	456	148	604	.75	.18
68	44	412	456	144	600	.71	.17
69	45	426	471	137	608	.61	.14
70	47	480	527	125	652	.61	.12
71	51	481	531	121	652	.52	.10
72	59	513	572	119	691	.49	.08
73	73	551	624	100	724	.47	.06
74	94	600	694	95	789	.42	.05
75	108	597	705	74	799	.40	.04
76	125	706	831	78	909	.42	.04
77	139	776	915	89	1,004	.45	.04
78	153	923	1,076	224	1,300	.56	.10
79	168	1,126	1,294	353	1,647	.67	.14
80	185	1,429	1,614	415	2,029	.62	.12

Source: Central Statistical Office, Supplement to the Monthly Digest of Statistics, April, 1981

BALANCE OF PAYMENTS ACCOUNTS CURRENT AND CAPITAL TRANSACTIONS

(U.S. $ million)

	Actual						Forecast			
	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Current Account										
Goods	76.4	248.2	222.8	270.0	206.3	95.6	-198.0	-107.7	261.3	104.6
Imports	-791.4	-672.0	-651.1	-656.6	-882.4	-1314.1	-1749.0	-2041.1	-1855.5	-2167.1
Exports	867.8	920.2	873.9	926.6	1088.7	1409.7	1551.0	1933.4	2116.8	2271.7
Services	-134.2	-169.0	-164.6	-159.7	-187.9	-243.9	-345.0	-359.9	-353.1	-372.8
Freight	- 48.0	- 55.1	- 55.3	- 56.2	- 57.4	- 93.4	-123.3	-146.1	-130.2	-155.1
Investment income	- 49.4	- 68.8	- 46.8	- 36.3	- 37.2	- 36.6	-114.0	-115.1	-136.2	-129.6
Other	- 36.8	- 45.1	- 63.5	- 67.2	- 93.3	-113.9	-107.7	- 98.7	- 86.7	- 88.1
Transfers	- 55.9	- 54.0	- 60.4	- 63.9	-126.4	-111.8	- 48.2	40.1	18.3	107.1
Private	- 55.9	- 54.0	- 60.4	- 63.9	-126.4	-170.6	-186.1	-142.9	-118.2	-117.9
Official	-	-	-	-	-	58.8	137.9	183.9	136.5	225.0
of which Zimcord	-	-	-	-	-	-	63.0	147.0	136.5	225.0
Balance on Current Account	-113.6	25.2	- 2.2	46.4	-108.0	-260.1	-591.2	-427.5	- 73.5	-161.1
Net Capital Transactions	112.3	- 6.1	- 6.5	34.2	256.0	131.8	325.5	373.2	108.2	188.0
Government	- 6.2	- 6.6	- 8.6	179.9	175.0	- 34.2	51.6	173.9	106.2	269.9
of which Zimcord	-	-	-	-	-	-	69.0	190.5	205.5	375.0
Public Authorities	- 3.8	4.8	- 2.6	- 6.2	- 9.5	- 4.8	167.6	182.3	- 9.0	- 75.9
Other*	102.3	- 4.3	- 4.7	-139.5	90.5	170.8	106.3	17.0	11.0	- 6.0
Total Capital + Current Transactions equals net change in Reserves	- 1.3	19.1	- 8.6	80.6	148.0	-128.3	-265.7	- 54.3	34.7	26.9

Source: Ministry of Finance, Government of Zimbabwe

*Includes net errors and omissions for 1975 - 1980

[illegible] OF ALL COMMITMENTS TO ZIMBABWE

[illegible] March 1981)

	Gross Total Original Curr 000		Exch Rate	Gross Total Z$000	Grant	Soft Loan	Comml Loan	Confir-mation	New Pledge	Non-ZIMCORD Pre-ZIMCORD R & R	Pre-ZIMCORD Other	Post ZIM	Natl Infra	Comml Imports	Total Non-ZIM	ZIMCORD R & R	Land & Rur Dev	Tres Tech Asst	Un-specified	Total
ev Bk	AUA	54 000	1,358	39 763	-	39 763	-	-	39 763	-	-	-	-	-	-	-	19 125	-	20 638	39 763
ralia	A$	21 000	1,438	14 604	14 604	-	-	7 650	6 955	2 433	974	-	-	-	3 407	-	1 453	953	6 791	11 197
	LS$	50 000	1,600	31 250	-	31 250	-	-	31 250	-	-	-	-	-	-	-	-	-	31 250	31 250
ium	BFr	400 000	8,000	8 000	6 000	2 000	-	-	8 000	-	-	-	-	2 000	2 000	-	-	6 000	-	6 000
da	C$	60 000	1,800	33 334	16 667	16 667	-	5 556	27 778	-	-	11 667	-	-	11 667	-	-	-	21 667	21 667
a	Z$	17 500	-	17 500	-	17 500	-	17 500	-	-	-	-	-	8 750	8 750	-	-	-	8 750	8 750
ark	DKr	110 000	8,834	12 452	7 924	4 528	-	9 622	2 830	1 132	-	-	-	-	1 132	-	-	2 830	8 490	11 320
t	US$	2 000	1,600	1 250	1 250	-	-	-	1 250	-	-	-	-	-	-	-	-	1 250	-	1 250
Ec Com	EUA	137 160	1,143	120 000	96 000	24 000	-	12 139	107 862	12 139	-	26 965	-	-	39 104	-	-	-	80 897	80 897
and	FM	31 000	6,000	5 167	167	5 000	-	2 667	2 500	84	-	-	-	2 500	2 584	-	-	-	2 583	2 583
ce	FFr	500 000	7,000	71 430	-	28 572	42 858	35 715	35 715	-	-	-	-	62 858	62 858	-	-	-	8 572	8 572
any	DM	174 500	2,800	62 321	19 464	42 857	-	30 714	31 607	21 786	8 928	-	-	-	30 714	-	-	6 607	25 000	31 607
a	US$	100	1,600	63	63	-	-	-	63	-	-	-	-	-	-	-	-	-	63	63
See	US$	20 000	1,600	12 500	12 500	-	-	8 125	4 375	-	-	-	-	-	-	-	12 500	-	-	12 500
y	US$	37 000	1,600	23 125	8 125	15 000	-	11 250	11 875	-	-	-	-	15 000	15 000	1 250	1 250	1 250	4 375	8 125
an	Yen	1100 000	375,14	3 080	3 080	-	-	1 960	1 120	1 960	-	-	-	-	1 960	-	1 120	-	-	1 120
aey	Z$	75	-	75	75	-	-		75	-	-	-	-	-	-	-	-	75	-	75
ait	US$	52 000	1,600	32 500	625	31 875	-	-	32 500	-	-	-	19 375	-	19 375	-	13 125	-	-	13 125
	US$	3 000	1,600	1 875	1 875	-	-	1 875	-	1 875	-	-	-	-	1 875	-	-	-	-	-
and	I£	30	0,6835	45	45	-	-	45	-	45	-	-	-	-	45	-	-	-	-	-
embourg	LFr	94,500	48,500	1 969	1 969	-	-	94	1 875	94	-	-	-	-	94	-	1 875	-	-	1 875
erlands	Fl	53 000	3,265	16 233	7 963	8 270	-	6 126	10 107	6 126	-	-	-	-	6 126	-	-	-	10 107	10 107
Zealand	NZ$	250	1,438	174	174	-	-	-	174	-	-	-	-	-	-	-	-	174	-	174
eria	Naira	10 733	0,866	12 440	12 440	-	-	12 440	-	562	-	-	-	3 125	3 687	-	-	8 753	-	8 753
way	NKr	90 000	8,000	11 250	11 250	-		1 250	10 000	1 250	-	-	-	-	1 250	-	-	-	10 000	10 000
	US$	10 000	1,600	6 250	-	6 250	-	-	6 250	-	-	-	6 250	-	6 250	-	-	-	-	-
idi Ar	US$	5 000	1,600	3 125	3 125	-	-	3 125	-	3 125	-	-	-	-	3 125	-	-	-	-	-
rra Le	Le	100	1,778	56	56	-	-	-	56	-	-	-	-	-	-	-	-	-	56	56
den	SKr	367 000	6,745	54 411	54 411	-	-	9 933	44 478	2 372	-	-	-	6 672	9 044	-	-	-	45 367	45 367
tzerland	SFr	42 350	2,603	16 270	8 202	8 068	-	903	15 367	538	365	-	-	-	903	-	3 458	-	11 909	15 367
ted Kgd	£	121 000	0,6835	177 031	114 851	62 180	-	140 454	36 577	11 704	13 168	-	24 872	14 631	64 375	7 315	43 891	38 039	23 411	112 656
ted Nats	US$	42 250	1,600	26 406	26 406	-	-	11 250	15 156	3 750	-	-	-	-	3 750	1 250	1 875	19 531	-	22 656
ted Sta	US$	276 213	1,600	172 633	172 633	-	-	32 008	140 625	18 750	-	-	-	-	18 750	-	12 500	758	140 625	153 883
ld Bank	US$	460 000	1,600	287 500	-	287 500	-	-	287 500	-	-	-	62 500	-	62 500	-	-	-	225 000	225 000
oslavia	Din	135 000	48,000	2 813	2 813	-	-	938	1 875	938	-	-	-	-	938	-	-	-	1 875	1 875
monwlth	£	2 000	0,6835	2 926	2 926	-	-	1 565	1 361	-	1 565	-	-	-	1 565	-	-	1 361	-	1 361
TOTAL				1 281 821	607 683	631 280	42 858	364 904	916 919	90 663	25 000	38 632	112997	115 536	382 828	9 815	112 172	67 551	689 420	878 958

Table XII

PRICES, INTEREST RATES, AND MONEY SUPPLY

(1970-1981)

	C.P.I. Low-Income (%Δ)	C.P.I. High Income (%Δ)	Interest Rates (12 month CD's)	M 1 (%Δ)	M 2 (%Δ)
0	1.7	2.7	4.50	4.1	13.0
1	3.1	2.9	5.25	12.8	15.4
2	2.8	4.4	5.50	17.7	13.9
3	2.9	3.6	5.10	10.6	12.6
4	6.6	7.6	6.00	17.2	18.5
5	10.0	7.7	5.25	-0.7	4.9
6	9.7	7.2	5.15	8.6	17.6
7	7.6	6.8	4.50	6.4	6.6
8	9.9	10.6	4.60	10.8	13.3
9	13.2	10.6	4.85	11.6	13.4
0	6.3	10.0	5.20	36.6	34.2
1	33.5*	17.8	7.50	-6.7**	-4.1**
n-Apr)					

Annualized on the basis of data for the first quarter, 1981. The major element in this extraordinary rise is a 50% increase in the prices of drink and tobacco, due to a new excise tax. It is unlikely that the final 1981 rise in consumer prices for low income consumers will approach this figure.

Money supply normally falls in the first quarter of each calender year.

Source: Central Statistical Office. Monthly Digest of Statistics (May, 1981)

Table XIII

COMMODITY COMPOSITION OF IMPORTS AND EXPORTS 1975-80
(percentages)

EXPORTS

	1975	1976	1977	1978	1979	1980
ood	28.5	18.3	19.8	19.4	18.3	13.1
of which:						
Sugar (raw and refined)	(9.4)	(4.2)	(2.6)	(2.0)	(3.4)	(6.0)
Maize	(10.4)	(4.3)	(4.5)	(4.7)	(2.8)	(0.9)
Beef (fresh and frozen)	(5.2)	(5.5)	(6.5)	(5.9)	(5.2)	(2.4)
Beverages and Tobacco	14.8	15.9	15.2	18.0	13.6	15.6
of which:						
Tobacco (unmanufactured)	(13.6)	(14.8)	(14.2)	(16.8)	(12.7)	(15.0)
Crude Materials	19.4	23.3	25.6	23.0	24.2	21.6
of which:						
Asbestos	(10.5)	(11.7)	(12.9)	(10.5)	(11.8)	(10.2)
Cotton lint	(4.1)	(7.1)	(7.4)	(7.4)	(7.7)	(7.3)
Metal Products	18.2	23.4	18.5	17.0	18.6	34.0
of which:						
Nickel	(3.4)	(6.1)	(8.2)	(7.3)	(5.4)	(6.7)
Ferrochrome	(8.8)	(11.3)	(5.3)	(4.2)	(7.3)	(11.2)
Oils and fats, mineral fuels and chemicals	2.2	2.9	3.3	3.4	3.5	1.3
Machinery and transport equipment	3.4	2.5	2.4	2.6	2.5	1.9
Other manufactured goods	13.6	13.7	15.1	16.7	19.4	12.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

IMPORTS

Food	3.1	1.9	1.7	1.1	1.8	3.5
Beverages and Tobacco	0.3	0.3	0.3	0.3	0.4	0.5
Crude materials	3.7	3.7	3.1	3.3	3.4	3.2
Fuels, Lubricants, Electricity	14.7	20.0	22.6	22.3	29.5	24.1
Oils and Fats	0.5	0.5	0.4	0.1	0.4	0.8
Chemicals	13.4	12.8	12.6	15.1	13.9	10.7
Machinery, Transport vehicles	36.0	31.4	28.4	25.5	23.2	25.8
Other Manufactured Goods	28.2	29.4	29.5	32.2	27.5	31.4
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Source: Data provided by Zimbabwean Authorities

Table XIV

ZIMBABWE: EXTERNAL DEBT AND RESERVE POSITION

	Foreign Assets (million US$)	Imports (million US$)	Months of Import Coverage of Reserves	External Debt	External Debt GNP
75	116.6	791.4	1.8	118.5	.037
76	121.2	672.0	2.2	126.0	.036
77	107.5	651.1	2.0	137.4	.040
78	185.2	656.6	3.4	331.9	.096
79	267.6	882.4	3.6	523.6	.144
80	329.2	1314.1	3.6	657.8	.147
81	63.5	1749.0	0.4	983.3	.172
82	9.2	2041.1	0.1	1356.5	.182
83	43.9	1855.5	0.3	1464.7	.151
84	70.8	2167.1	0.4	1652.7	.131

Table XV

U.S. EXPORTS TO ZIMBABWE

I. Annualized Flow of U.S. Exports to Zimbabwe Compared to Other Major Exports (million US $)

	Value (a)	Rank (b)
Belgium	15.9	12
Botswana	19.1	11
France	33.8	7
Italy	23.7	10
Japan	67.7	5
Malawi	22.7	11
Netherlands	25.1	9
South Africa	379.3	1
Switzerland	27.8	8
United States	120.4	3
West Germany	94.0	4
Zambia	40.5	6
United Kingdom	126.0	2

(a) Based on Aug. - Dec. 1980, Jan - Mar. 1981

(b) Excluding oil exports

II. Commodity Composition of U.S. Exports to Zimbabwe - Major Capital Goods and Selected Raw Materials (thousand US $)

Vehicles and vehicle parts	3,628
Agricultural machinery	2,876
Electronic Data Processing equipment & parts/office equipment	2,515
Earthmoving equipment	5,192
Textile machinery	397
Other Industrial machinery	4,972
T.V. and Radio parts	313
Telecommunications equipment	1,267
Other electrical equipment	452
Fertilizers	2,743
Insecticides	623
Resins and plastic	578

Source: Central Statistics Office