



**TREASURY STATE OF THE ECONOMY REPORT:
MARCH 2014**

Ministry of Finance

INTRODUCTION

1. This report gives an update on economic and fiscal developments for the month of March 2014.

Highlights

Real Sector

Agriculture

2. As at 28 March 2014, about US\$121.3 million had been realised from the sale of 38.96 million kgs of tobacco at an average price of US\$3.11 per kg.
3. In terms of milk production, about 4.5 million litres of milk was produced during the month against the February production of about 3.97 million.

Manufacturing

4. During the month, sales of consumer goods continue to fall reflecting, intensification of the liquidity crisis in the economy.

Mining

5. Mineral output is beginning to show signs of improvement during the month of March 2014, with gold, coal and chrome registering significant increases.
6. This was however, weighed down by the underperformances in nickel, platinum and palladium.

Inflation

7. Deflation persisted during the month, with year-on-year inflation recording -0.91% against -0.49% of February.

Public Finances

8. Total revenue collections for the month of March stood at US\$317.17 million against a target of US\$321.4 million, resulting in a negative variance of US\$3.7 million.
9. Total expenditures for the month of March amounted to US\$266.1 million against a target of US\$321.4 million.

Financial Sector

10. Money supply grew by 3.4% in February to reach US\$4.021 billion. On the other hand, domestic credit increased by 2.7% to record about US\$4.102 billion.

External Sector

11. During the month of February, exports decreased by 31% to US\$ 192.3 million, from US\$278.2 million realised in January 2014.
12. Similarly, imports declined by 2% from US\$487.5 million to US\$478.4 million.

STATE OF THE ECONOMY

Agriculture

Tobacco

13. As at 28 March 2014, about US\$121.3 million was realised from the sale of 38.96 million kgs of tobacco at an average price of US\$3.11 per kg. This is compared US\$117.2 million realised from the sale of 31.7 million kgs at an average price of US\$3.7 during the previous season, as indicted in the Table below.

SEASONAL	TOTAL AUCTION	CONTRACT	CUMULATIVE TOTAL AS AT MARCH 2014	CUMULATIVE TOTAL AS AT MARCH 2013	% CHANGE
Mass sold(kg)	11,933,938	27,023,938	38,957,876	31,704,802	22.88
Value(US\$)	32,612,142	88,676,029	121,288,171	117,196,479	3
Avg.price US\$/kg	2.73	3.28	3.11	3.70	(15.78)

Source: Tobacco Industry Marketing Board

14. According to the TIMB, as at 28 March 2014, about 2.3 million kgs of flue cured tobacco valued at US\$5 million was sold through the regional auction floors in Karoi, Mvurwi and Rusape, which fall under Mashonaland Tobacco Company.
15. Of the total regional sales, about 1.1 million kgs valued at US\$2.8 million was sold in Karoi, 377 138 kgs valued at US\$920 916 was sold in Mvurwi while Rusape traded 816 969 kgs valued at US\$1.9 million.

Milk Production

16. About 4.5 million litres of milk was produced by formal producers during the month, up from 3.97 million litres produced in February.
17. This compares well with 4.4 million litres that was produced during the same period in 2013.

18. The table below summarises formal milk production from 2010 to 2014 on a monthly basis.

Month	2010	2011	2012	2013	2014
Jan	3,419,076.0	4,147,528.0	4,519,340.0	4,783,325.0	4,586,860.0
Feb	3,520,932.0	3,780,655.0	4,024,268.0	4,114,696.0	3,971,596.0
March	3,791,812.0	3,997,131.0	4,265,844.0	4,422,363.0	4,510,930.0
April	3,535,061.0	4,006,650.0	4,354,210.0	4,367,170.0	
May	3,721,286.0	4,160,577.0	4,596,053.0	4,441,293.0	
June	3,749,035.0	4,101,905.0	4,611,712.0	4,361,772.0	
July	4,064,473.0	4,352,584.0	4,943,659.0	4,581,131.0	
August	4,241,343.0	4,476,975.0	4,993,219.0	4,806,548.0	
Sept	4,453,410.0	4,287,726.0	4,787,577.0	4,571,390.0	
Oct	4,040,900.0	4,487,674.0	4,910,202.0	4,581,425.0	
Nov	4,191,821.0	4,122,423.0	4,816,118.0	4,560,279.0	
Dec	4,458,944.0	4,681,517.0	5,107,492.0	5,075,703.0	
Total	47,188,093.0	50,603,345.0	55,929,694.0	54,667,095.0	13,069,386.0

Source: Dairy Association of Zimbabwe

International Commodity Prices as at 31 March 2014

- 19. International agriculture commodity prices increased by 4.1% in March.
- 20. Major positive changes were noted in the prices of soyabean which increased from US\$496.8 per ton in February to US\$522.0 in March due to strong imports from China and lower stock estimates for the United States.

21. Cotton prices on the other hand increased to 96.9 cents per pound in March from 94.1 cents per pound in February benefiting from lower than anticipated production in the United States.
22. Cereal prices, also increased in March 2014 due to reduced exports from Canada and Argentina, dry weather conditions in the United States, threatening winter crops, as well as the tensions between Russia and Ukraine which have continued to lift maize prices.
23. Maize prices increased to US\$222.3 per ton in March from US\$209.3 per ton in February. Wheat prices also increased to US\$323.6 per ton in March from US\$292.3 in February.
24. Sugar prices increased by 6% to 17.6 cents per pound in March, from 16.7 cents per pound in February, due to depressed exports from Brazil following adverse weather.
25. Groundnuts prices also jumped up to US\$2 386.6 per ton in March, from US\$2 323.8 per ton in February.
26. The Table below indicates some selected international agricultural prices for the period under review.

Selected Agriculture International Commodity Prices

Commodities	Units	Annual			2013 Quarterly				2014 Monthly		
		2011	2012	2013	QI	QII	QIII	QIV	January	February	March
Wheat	\$/MT	223.7	316.2	313.3	355.7	321.4	313.8	307.8	275	292.3	323.6
Maize	\$/MT	186	291.8	298.4	317.3	305.1	290.9	199.5	198.7	209.3	222.3
Rice	\$/MT	520.6	551.7	580.2	580.3	570.7	550.7	449.9	440.0	447.0	435.3
Soybeans	\$/MT	384.9	484.2	537.8	544.4	532.8	540	479.4	476.1	496.8	522.0
Groundnuts	\$/MT	1239.4	1724	2318.2	2091.8	2521.0	2347.1	2312.7	2431.2	2323.8	2386.6
Sugar	cts/lb	20.9	26.2	21.4	19.6	18.5	17.3	17.7	15.6	16.7	17.6
Cotton	cts/lb	103.5	154.6	89.2	82.1	89.9	92.7	87.2	91.0	94.1	96.9

Source: IMF Commodity Prices

Domestic Commodity Prices as at 28 March 2014

27. The Table below summarises the ranges of prices of some selected domestic commodities for the month of March:

Commodity	Price (US\$/ton)	Buyers
Groundnuts	500/1240	GMB(unshelled)/ Kurima Gold/National Foods
Soya beans	530-600	National Foods/Olivine
Wheat	466/400	GMB/Kurima Gold/National Foods
Maize	360/379/380/420	National Foods/GMB/ ETG Parrogate /Staywell
Barely	450	Delta
Sugar Beans	1250/1300	FSG/GMB /Kurima Gold/National Foods

Source: Zimbabwe Farmers Union and AMA

Mining

28. Mineral output is beginning to show signs of improvement during the month of March 2014, with gold, coal and chrome registering significant increases.
29. This was however, weighed down by the underperformances in nickel, platinum and palladium.

Gold

30. Gold output increased from 1 059.5 kgs in February to 1 168.8 kgs in March. This was mainly on account of improved production by both large and small scale producers as shown from the Table below.

Primary Producers Gold Deliveries Jan - Feb 2014(Kgs)

Type of Producer	14-Jan	14-Feb	14-Mar	Total
Large Scale Producers	784.28	761.58	802.52	2 348.38
Small Scale Producers	142.51	169.77	237.97	550.25
Total Production	926.796	931.35	1 040.49	2 898.63

Source: Fidelity Printers

Platinum, Palladium and Rhodium

31. Similarly, platinum output during the month decreased marginally from 1 044 kgs in February to 980.09 kgs.

32. Reflecting decreased platinum output, production for the other related metals such as palladium and rhodium, which similarly decreased from 832 kgs and 96 kgs in February to 785.96 kgs and 88.52 kgs, respectively.

Nickel

33. Nickel output for the month slightly decreased to 1 098.13 tons from 1 557.1 tons produced in February 2014, reflecting also decline in PGMs.

Chrome

34. Chrome output , however, increased from 36 794 tons in February to 39 839 tons in March, benefitting from increased capacity utilisation at ZIMASCO.

Coal

35. Similarly, coal output for the month rose from 513 597 tons in February to record 519 329 tons.

Monthly Mineral Production - January – February 2014

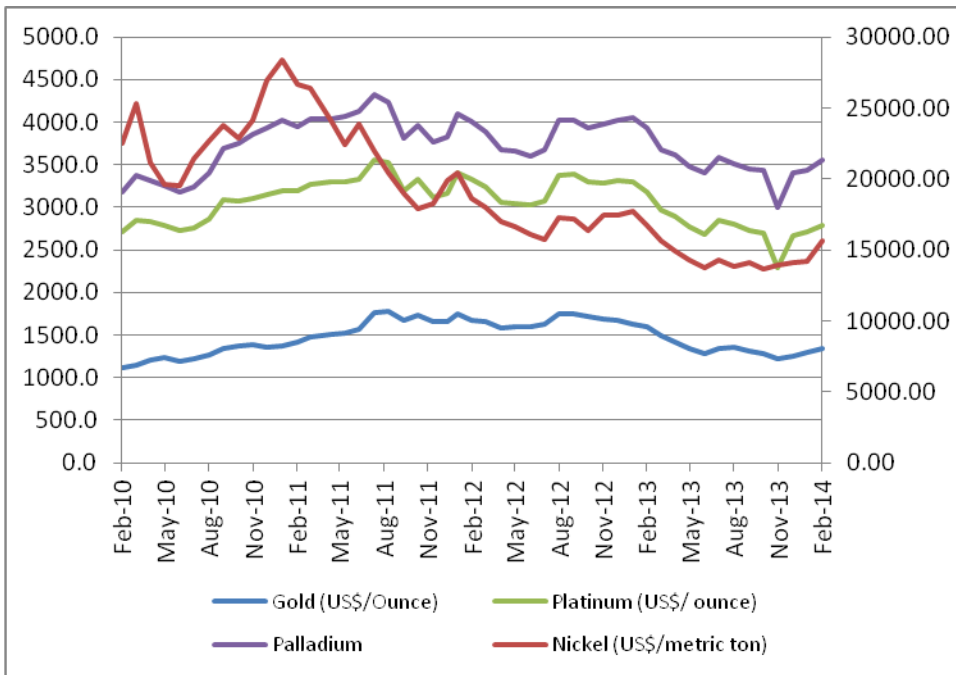
Mineral	Jan-14	Feb-14	Mar-14	Cum Total	2014 Org Proj	2014 Rev

Gold \ kg	1109	1 059.5	1 168.8	3 337.3	15 000	15000
Nickel \ ton	1559	1 557.1	1 098.13		15 000	15020
Coal \ ton	525 060	513 597	519 329	1 557 986	6 450 000	6 450
Chrome \ ton	28207	36 794	39 839	104 840	50 000	500
Platinum \ kg	1015	1 044.1	980.09	3 039.09	14 000	14000
Palladium \ kg	809	832.4	785.96	2 427.36	11 200	11200

Source: Chamber of Mines and Fidelity Printers

International Mineral Prices

36. The increasing geopolitical tension between the West and Russia over Ukraine, along with concerns about the Chinese economy, has sparked demand for gold in recent weeks. The metal is up 10 per cent for the year. Although it is argued that this has happened without any strong conviction.
37. On the other hand, the platinum group of metals are being supported by a continuing miners' strike in South Africa, which supplies about three-quarters of global platinum and about a third of palladium output.
38. Generally, most mineral prices showed signs of improvement during the month of March 2014 as indicated below.



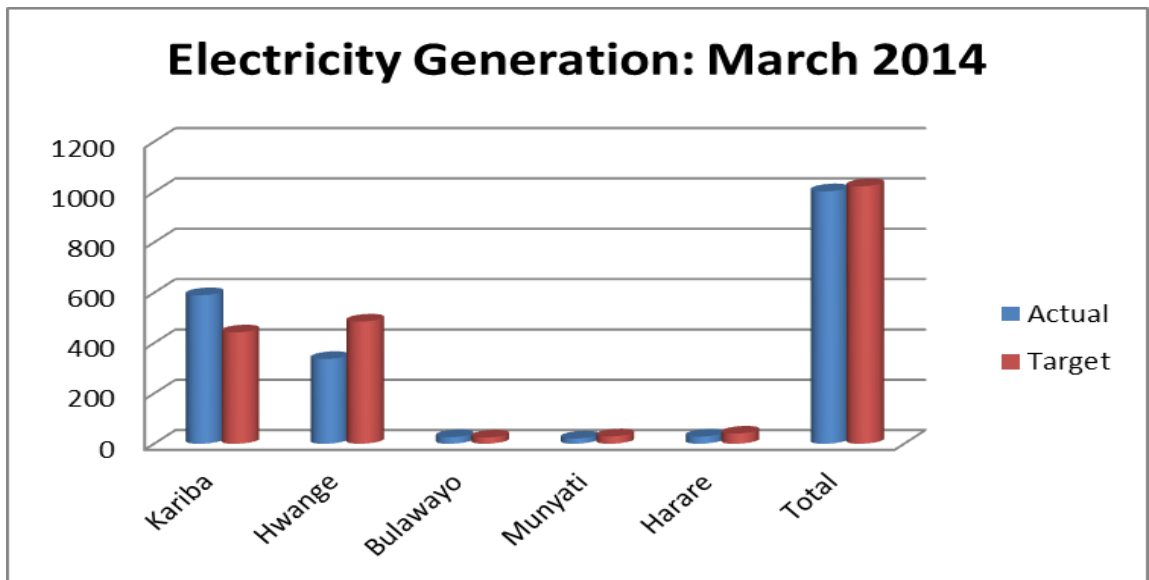
Source: kitco charts & data

Manufacturing

39. The manufacturing sector remained under pressure, with a number of companies facing acute financing challenges. The liquidity constraints affecting the economy have resulted in weak demand, with consequences of decline in sales volumes.
40. However, the anticipated 2013/14 good agricultural season, is expected to breathe hope in the agro-processing industries. The most beneficial sub sector will be in the category of tobacco processing, oil processing and milling.

Electricity

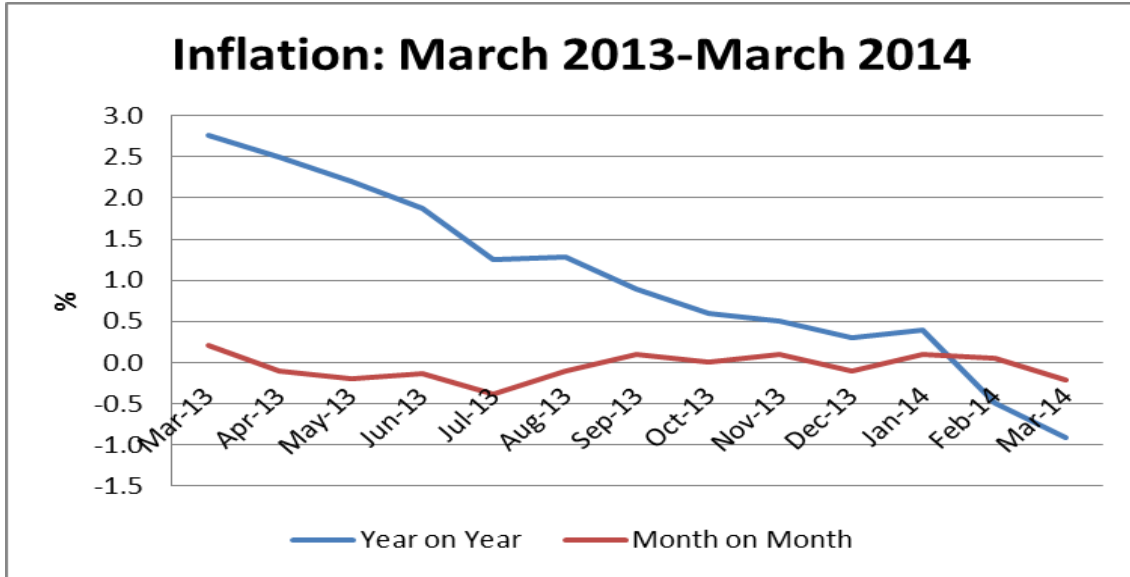
41. Average electricity generation capacity in March was 1 002.9 MW/h against a target of 1 023.1 MW/h. However, despite falling below target, it compares well with 991 MW/h of February.
42. The improvement in generation compared to the previous month was mainly on account limited faults and plant breakdowns.



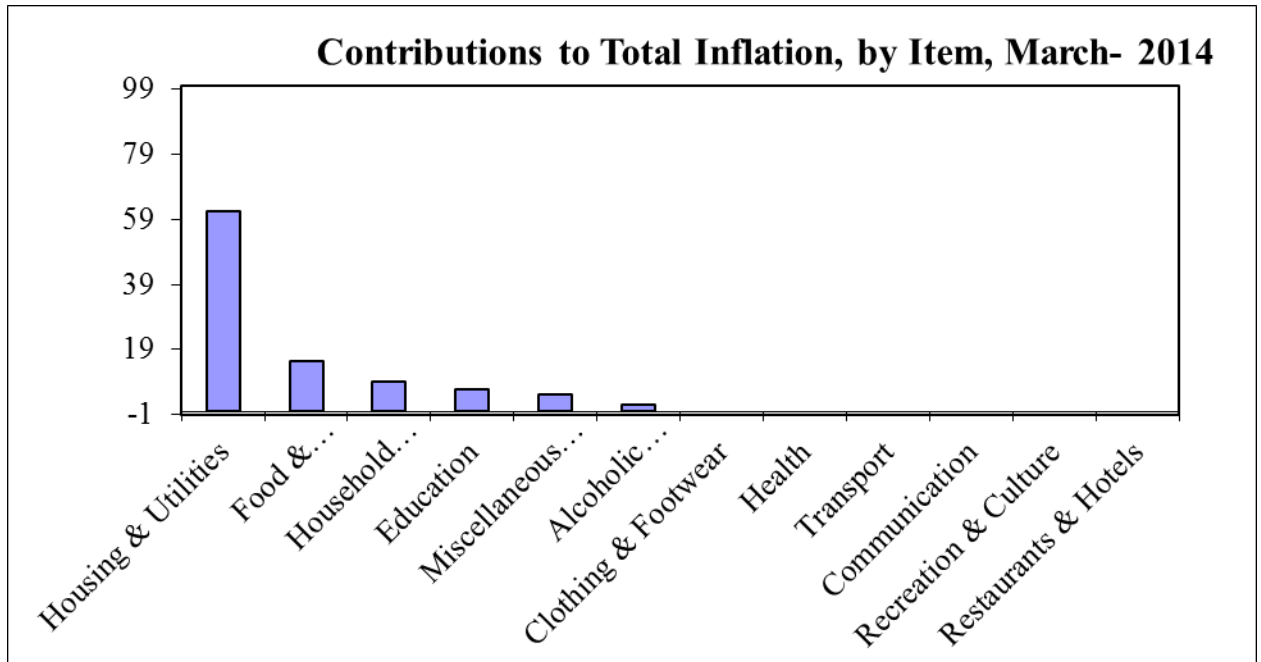
Inflation

43. Deflation persisted during the month, with year-on-year inflation recording -0.91% against -0.49% of February.

44. Reflecting this, month on month inflation also slowed down to record -0.22% from 0.05% of the previous month.



45. Major drivers of deflation were housing and utilities, food and food and non-alcoholic beverages, and household equipment among others.



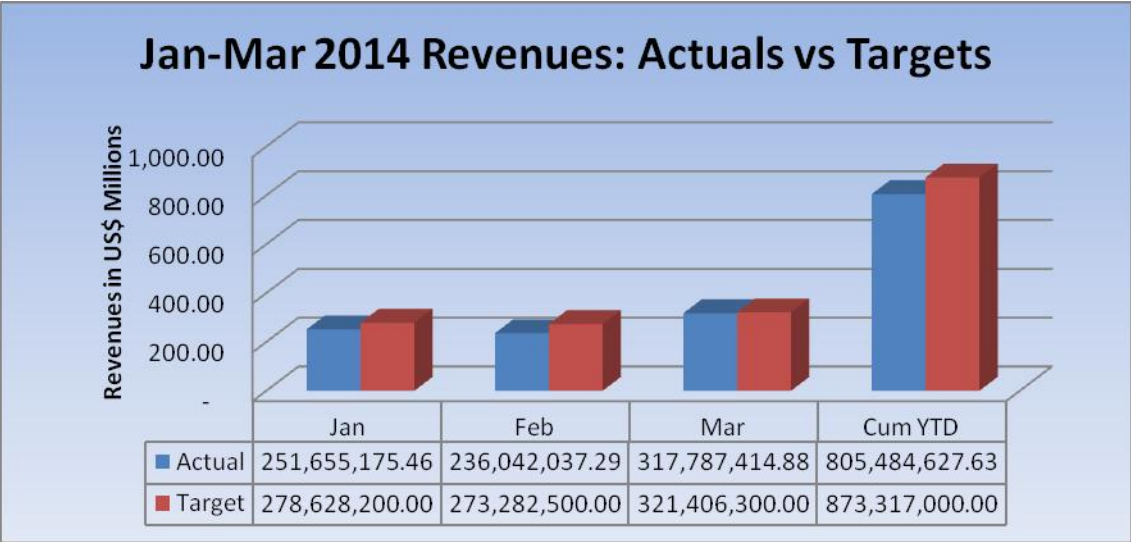
46. Going forward, deflation will persist due to depressed aggregate demand, stable international oil and food prices, as well as appreciation of the country's real effective exchange rate.

PUBLIC FINANCES

Revenue Performance

47. Total revenue collections for the month under review amounted to US\$317.79 million against a target of US\$321.41 million, giving a negative variance of US\$3.6 million.

48. Cumulatively to March, total revenue collections amounted to US\$805.48 million against a target of US\$873.3 million, giving a variance of -8.4%.



49. The increase in revenue compared to the previous month was on account of the First Quarterly Payment Date for the year, which was due within the month.

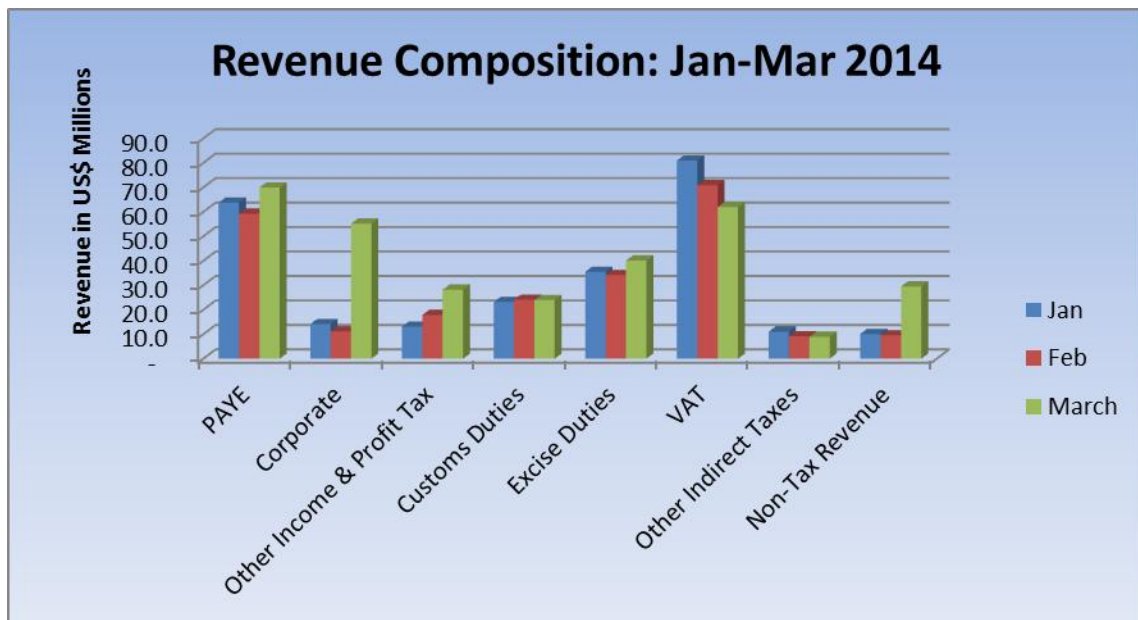
50. Furthermore, collections for the month were marginally higher by 1.2% than those collected during the same period last year.

51. Cumulative revenue collection to March for the year 2014 was, however, 3.8% lower than what was collected during the same period in 2013.

Monthly Total Revenues: 2013 VS 2014

	Jan	Feb	Mar	Cumulative Rev
2013 (US\$ M)	254.5	269.4	313.9	837.9
2014 (US\$ M)	251.6	236.0	317.7	805.4
Change	-1.12%	-12.40%	1.21%	-3.88%

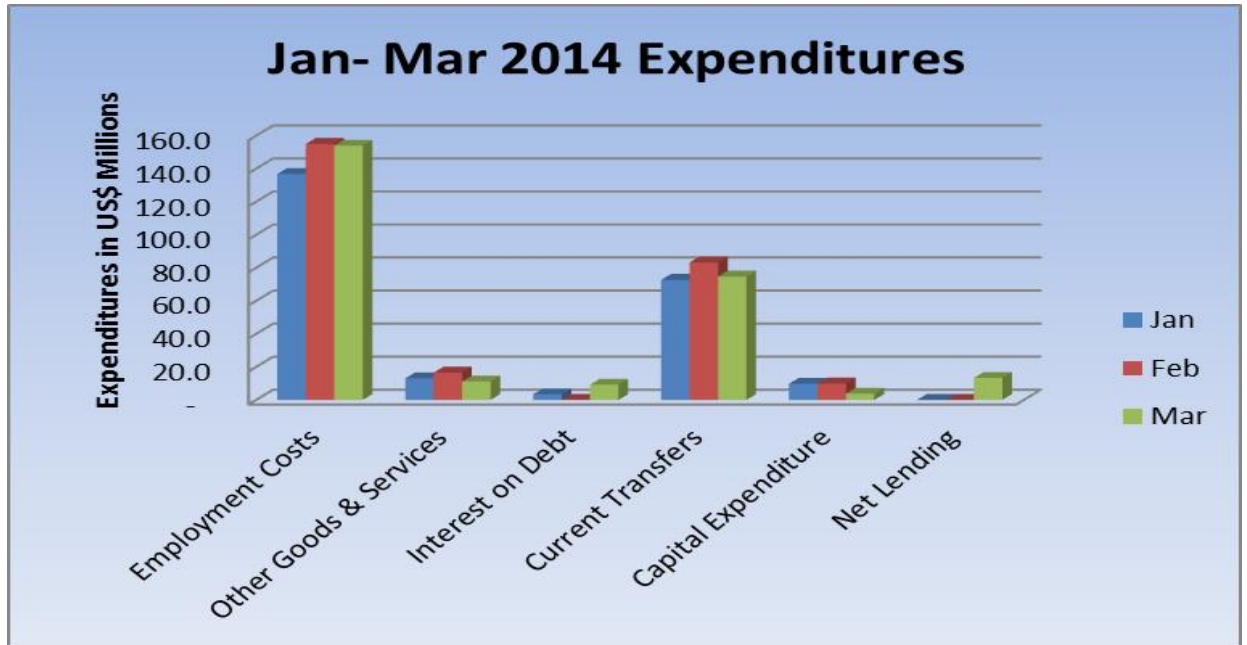
52. Major contributors to growth in revenue were corporate income tax, Pay As You Earn, Non-Tax Revenue, Other income and Profit taxes, among others. Value Added Tax and other indirect taxes, however, posted negative contributions as indicated in the Graph below.



Expenditures

53. Total expenditures for the month of March amounted to US\$266.1 million, against a target of US\$321.4 million. This brings cumulative expenditure to US\$766.8 million against a target of US\$873.3 million.

54. The major expenditure driver remains recurrent and specifically employment costs as indicted below.



55. Out of the total expenditures, 58.5% went towards employment costs and 31.4% were current transfers and only 3.7% went towards capital expenditure.

Budget Balance

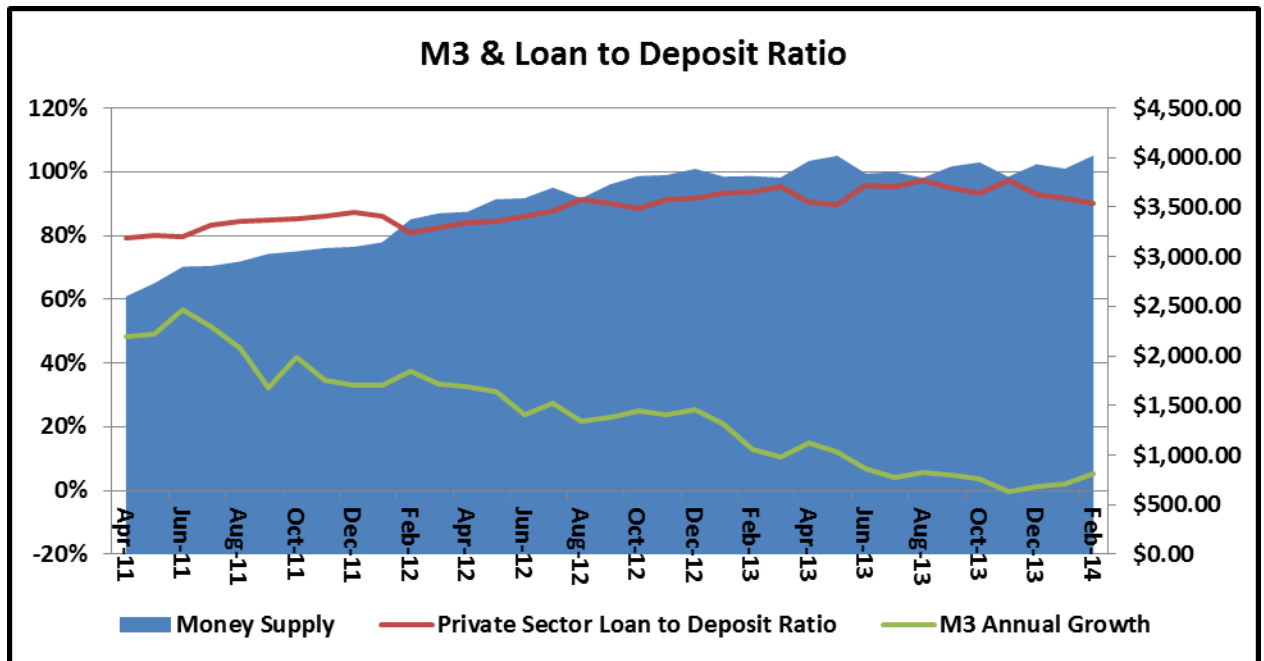
56. A budget surplus of US\$51.6 million was realised during the month and the bulk of which was used to repay domestic and foreign loans.

FINANCIAL SECTOR

Deposits

57. Money supply growth in February 2014 increased by 3.4%, from the US\$3.888 billion recorded in January 2014 to US\$4.021 billion. On an annualised basis money supply grew moderately by 5.6% compared to 12.91% recorded over the same period last year.
58. The Chart below shows the growth rate in broad money as well as the loan to deposit ratio since 2011.

Broad Money (US\$ Millions)



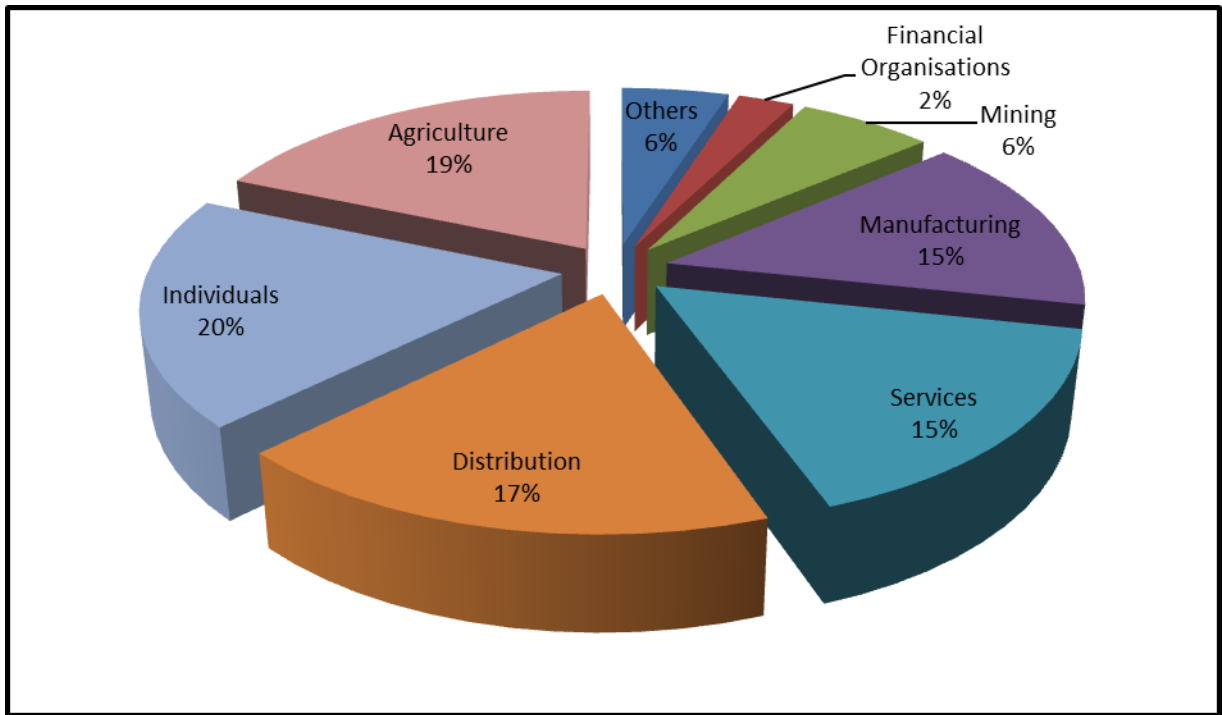
Source: Reserve Bank of Zimbabwe

59. During February 2014, bank deposits composed of demand deposits (50.3%), less than 30 day deposits (30.9%), and over 30 day-deposits (18.8%).

Domestic Credit

60. During the month of February 2014, domestic credit increased by US\$147.8 million (2.7%) from US\$3.954 billion in January 2014 to US\$4.102 billion of which 59% went to Government.
61. Consequently, loans and advances to Government increased by 26.6% from US\$327.8 million in January 2014 to US\$415.0 million in February 2014.
62. Contrary to the above, loans and advances to the private sector increased by 1.7% from US\$3.566 billion in January 2014 to US\$3.626 billion in February 2014.
63. Of the total banking sector loans and advances, individuals, agriculture and distribution were the main beneficiaries, receiving 20%, 19% and 17% respectively.

Distribution of Loans and Advances

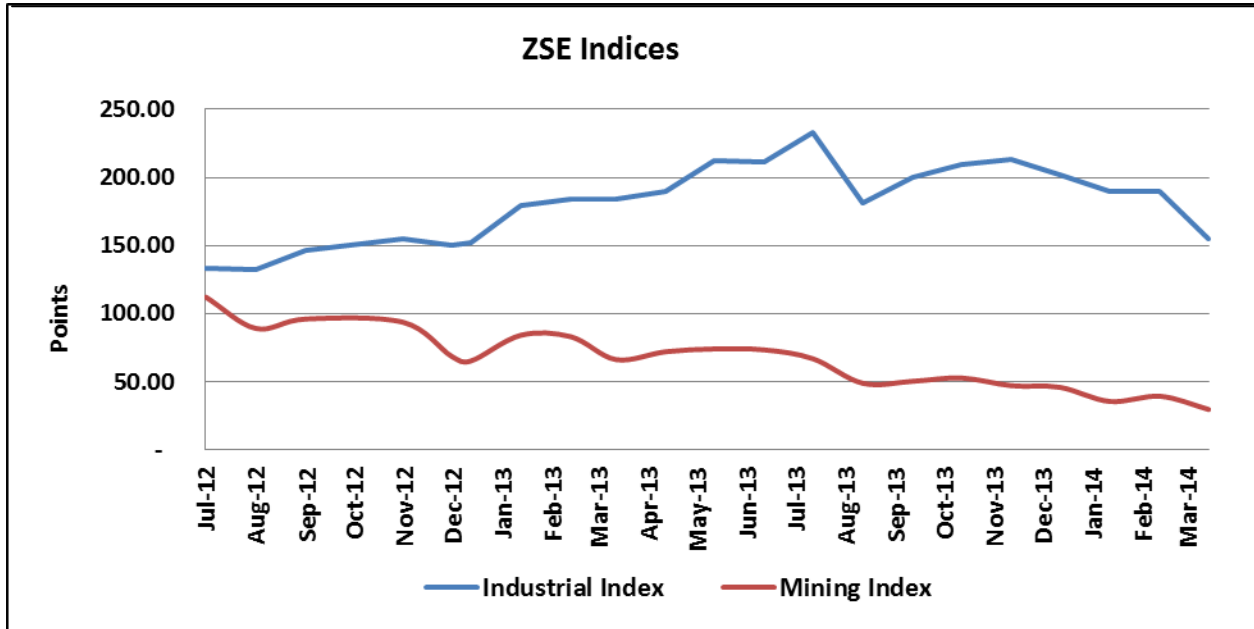


Zimbabwe Stock Exchange

64. Bearish sentiments continued during the month of March 2014, as the market was generally dominated by sellers with thin volumes.
65. The industrial index during the month was on a slide opening the month at 189.45 points and closed at 176.32 points reflecting a decline of 6.9%.
66. Similarly, the mining index continued on a free fall opening the month at 39.40 points and close at 29.51 points.

67. Consequently, total market capitalization decreased by 7.1% from US\$4.906 billion as at 28 February 2014 to US\$4.506 billion as at 31 March 2014.

Zimbabwe Stock Exchange Performance: 2009 – 2014



Source: Reserve Bank of Zimbabwe

External Sector

Exports

68. During the month of February, exports decreased by 31% to record US\$192.3 million. The decrease in exports has been attributed to the declining productivity.

69. Cumulatively, the exports for the two months stood at US\$470.5 million. Minerals contributed the bulk of exports in the period under review.
70. The Table below shows monthly exports for the period, January to February 2014.

Exports: 2013 & 2014 Comparisons

Month	2,013	2014
January	279,555,180	278,192,098
February	279,047,033	192,333,567
Total	558,602,213	470,531,567

Source: ZIMSTAT, 2014

Imports

71. During the month of February, imports declined by 2% from US\$487.5 million to US\$478.4 million. Cumulatively, the imports bill as at February 2014 stood at US\$966.3.
72. The decline in imports (especially raw materials and equipment) can be attributed to the low activity in the productive sectors. Foodstuffs, motor vehicles and fuel contributed the bulk of the imports in the month.
73. The Table below shows monthly imports for the period, January to February 2014.

Imports: 2013 & 2014 Comparisons

Month	2,013	2014
January	606,712,339	487,521,513
February	499,162,650	478,414,079
Total	1,105,874,989	966,308,062

Source: ZIMSTAT, 2014

Trade Gap

74. The trade gap for the month of February worsened to US\$286.1 million from the US\$209.3 million realised in the month of January 2014. Cumulatively, the trade gap stood at US\$495.8 as at February 2014.

CONCLUSION

75. The Ministry will continue updating stakeholders on fiscal and other related matters on a monthly basis.

Ministry of Finance

31 March 2014