



## **TREASURY QUARTERLY BULLETIN:**

***Oct – Dec 2015***

**Ministry of Finance**

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## **INTRODUCTION**

1. The Fourth Quarter Treasury Bulletin is coming at a time when the implementation of the 2015 national budget is also being concluded. The bulletin seeks to provide both fiscal and economic developments for the last quarter of the year and also assesses the extent to which the National budget was effectively implemented.
2. The period under review was characterized by major policy events, which included the gazetting of the indigenization guidelines, which are key to dealing with obstacles stifling investment flows in the country as well as eliminating discretionary application of the law. The clarity in the implementation modalities for the indigenization policy is expected to improve the investment climate in the country.
3. On the downside, the quarter was characterized by dry spells, and heat waves emanating from the effects of climate change as well as the looming drought, posing a challenge on the start of the agriculture season. This has also affected water levels at the Kariba dam, hence shortages in electricity were also topical in this period.
4. The economy also grappled with the effects of adverse global developments that resulted in fall in commodity prices such as gold and platinum prices.

5. The appreciation of the US\$ against other currencies did not help the situation as local products became uncompetitive relative to our trading partners especially South Africa, our major trading partner.

## **REAL SECTOR DEVELOPMENTS**

6. The economy is estimated to have grown by 1 % in 2015, with mining and manufacturing sectors registering a marginal growth of 0.2% each.
7. Overall economic growth was on the back of strong performance in the service sectors which contributed more than 60% of the growth realized.
8. Finance and Insurance sector, came out strong, registering growth of around 4.6%, as the sector benefitted from various monetary policy reforms, with respect to the introduction of the interbank market (Aftrades), continued efforts to deal with NPLs through ZAMCO, and continued efforts to increase financial literacy in the economy by the Central Bank.
9. Reflecting these key developments, the major highlights for the 4<sup>th</sup> Quarter are as follows:-

- Conclusion of the marketing of seed cotton, which saw a total of 1.8 kilograms being sold at an average of \$0.60 per kg.
- Strong performance of gold production, with an out turn of 20.2 tonnes against a target of 18 tonnes.
- Imports of US\$1.45 billion during the period October - December in 2015, fell by 19% in comparison to US\$1.719 billion realised during same period in 2014;
- Exports of US\$864.5 million for the period October - December in 2015 fell by 18% compared to US\$1015.9 million during the same period in 2014;
- Value Added Tax (US\$302.3 million) during the period October - December in 2015 increased by 7% compared to US\$280.69 million collected during the same period in 2014;
- 41% fall in capital expenditure (US\$61 million) during the period October - December in 2015 compared to US\$ 105 million during the same period in 2014; and
- Total Electricity generation amounting to 2092.1 GW/h against the previous quarter of 2545.7 GW/h, representing a decline of 18%.

## **Agriculture**

10. The fourth quarter of every year usually marks the beginning of the agriculture season, however, the 2015/2016 season started on a low note with the late onset of rainfall.
11. The Metrological Services Department of Zimbabwe had forecasted, normal to below normal rainfall during the first half of the season (October – December 2015), however, 95% of the country received below normal rainfall with the exception of few dry areas like Beitbridge and Victoria Falls which received above normal rainfall.
12. Some areas only received first rains in late December while others did not even receive rains at all for the entire first half of the season.
13. The late onset of rainfall is attributable to the effects of climate change and has been compounded by the *El-Nino*.
14. This development is going to severely impact on agriculture production for the current season, should the situation persist for the rest of the season.

## *Farming Preparations for the 2015/2016 Agricultural Season*

### *Cloud Seeding*

15. In preparation of the below normal rainfall pattern, Government budgeted US\$300 000 for cloud seeding to improve rainfall in the current season. However, due to the tight fiscal space, these resources have not been disbursed and are anticipated to be released in the 1<sup>st</sup> quarter of 2016.

### *Arrears to Input Suppliers*

16. During the fourth quarter of 2015, Government managed to clear arrears to input suppliers for inputs supplied during the 2014/15 season, valued at US\$6.6 million, thereby enhancing capitalisation of both seed houses and fertilizer companies, in preparation for the upcoming season.

### *Presidential Input Scheme/ Vulnerable Households Inputs Scheme*

17. In addition to the Presidential input support scheme, Government, set aside US\$28 million as input support for 300 000 vulnerable households for the 2015/16 agricultural season under the Vulnerable Household Scheme.

18. Under the scheme, the input support package is comprised of the following:

- 1 x 10 kgs of maize seed;
- 1 x 50 kgs of compound D; and
- 1 x 50 kgs Ammonium Nitrate.

19. During the fourth quarter of 2015, distribution of inputs under both the Presidential and vulnerable house hold scheme was as follows:

<b>Scheme</b>	<b>Inputs</b>	<b>Quantity (mt)</b>	<b>Number of beneficiaries</b>
<b>Vulnerable Household</b>	Maize Seed	2 338	233 803
	Compound D	12 615	252 294
	Top Dressing	6 018	120 364
<b>Presidential Input</b>	Compound D	13 337	266 745
	Top Dressing	5 319	106 375

*Source: GMB*

20. The value of inputs supplied to farmers amounts to US\$10.2 million.



*Resource mobilization by the Banking Sector: US\$1 billion facility*

21. The banking sector was targeting to mobilise US\$1 billion for financing of crop and livestock production during the 2015/16 agriculture season.
22. As at 30 November 2015, about \$650.5 million had been mobilised by banks to finance agriculture activities. Of the amount mobilised, only US\$101.7 million had been accessed by farmers between August and December.
23. The slow uptake of loans by farmers was mainly as a result of the looming drought, which posed challenges in the repayment of the loans.

*Maize and Small Grains Deliveries to the GMB*

24. As at 30 December 2015, a total of 66 713 tonnes of maize valued at US\$26 million had been delivered to the Grain Marketing Board. A total of 70 tonnes of small grains valued at US\$27 300 was also delivered.

25. Of the US\$53.3 worth of grain delivered, a total of of US\$10.8 million had been paid by Government as of the 23<sup>rd</sup> of December, with an outstanding ammount of US\$8 million for 2015/16 maize deliveries.
26. This is in addition to the payment of US\$85.9 million to clear arrears for all maize delivered in the the previous seasons.
27. Government will continue to expedite the payment of grain deliveries to the Grain Marketing Board to capacitate farmers and also encourage growing of the country's staple foods.

#### *Wheat Production*

28. Winter wheat production for the year 2015 stood at 62 261 tonnes, a 6% increase from the previous year's production level of 58 738 tonnes. The increase in production is consistent with an increase in area under planted which increased from 14 648 hactares in 2014 to 14 789 hectares in 2015.
29. In addition, productivity also increased marginally from 4.01 tonnes per hectare in 2014 to 4.21 tonnes per hectare in 2015 despite the shortage of power that was experienced during the year.

30. As a result, wheat deliveries to the GMB were 39 910 tonnes valued at US\$20 million. Of this, 14 500 tonnes were paid at US\$7.3 million leaving a balance of 25 410 valued at US\$12.7 million.
31. Wheat production remains dominated by commercial farmers accounting for about 98% both in the current and previous season.

## Mining

32. The mining sector has remained resilient in 2015, notwithstanding the fall in international prices and electricity shortages in the economy. Consequently, the sector is estimated to have grown by 0.2% in 2015 with key minerals such as gold and platinum performing well above targets.
33. Growth for the mining sector was however weighed down by underperformance of coal, chrome, nickel and diamond.

### Mineral Production and forecasts: 2013-2016

		2013	2014	2015 Budget	2015 Revised	2016 Budget	2016 Revised
		10.1	-3.4	-2.5	0.2	1.6	17.9
Black Granite \t	1.0	174	180	182	182	183	183
Chrome \t	3.1	450	511	350	211	500	200
Coal \t	4.9	4,980	6,345	5,500	4,200	7,500	4,860
Cobalt \t	0.2	319	358	344	355	284	360

Copper \t	2.1	8,275	8,261	7,611	8,262	7,347	8,300
Gold \kg	27.5	14,065	15,347	18,000	20,200	18,400	25,500
Graphite \t	0.2	6,934.00	6,853	7,500	6,362	7,900	6,500
Iridium \t	0.3	523.63	544	523	548	513	550
Nickel \t	7.3	14,057	16,633	16,000	16,109	17,680	17,680
Paladium \kg	7.4	10,153	10,137	9,600	10,138	10,000	10,160
Phosphate \t	0.2	6,100.00	6,100	6,200	6,200	6,500	6,500
Platinum \kg	22.5	13,066	12,483	12,000	12,564	12,500	12,700
Rhodium \kg	2.2	1,146.11	1,139.92	1,095.84	1,147.34	1,096	1,150
Ruthenium \kg	0.1	1,012	983	945	989	968	996
Diamonds	20.9	9,589	4,773	3,500	3,214	3,800	6,000

Source: Chamber of Mines, Ministry of Mines and Mining Development, Ministry of Finance and Economic Development, RBZ, Ministry of Macro-economic Planning and Investment Promotion, ZIMSTAT

34. The mining sector continues to face the following challenges:-

- Shortage and high cost of capital;
- Intermittent power outages and high cost of power;
- High cost of labour;
- Deteriorating ore grades due to lack investment in exploration by both government and private sector; and
- High cost of supplies.

### *Gold*

35. Gold output is estimated at 20.2 tonnes in 2015 compared to 15.3 tons delivered in 2014.

36. On a quarterly basis, the mineral registered a 4.2 percent growth from 4.957 tonnes produced in the third quarter to 5.165 tonnes produced in the final quarter of 2015.
37. Gold production strongly benefited from the favourable measures that were put in place by the government in 2015.

### *Platinum*

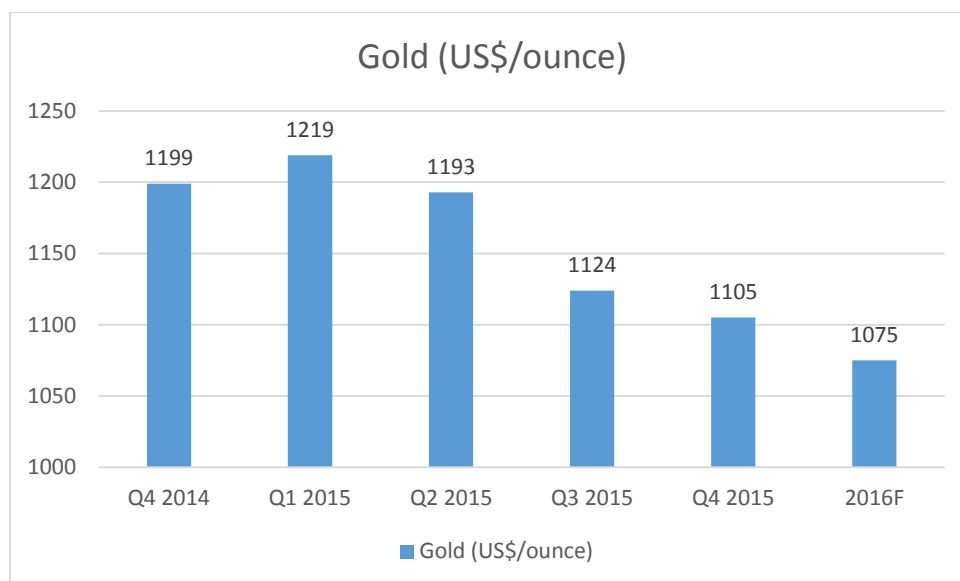
38. Platinum output in the last quarter of 2015 improved to 3 524 kgs compared to 3 479 kg recorded in the previous quarter. This follows continuous developments of the Ngezi open cast mine and the development of the Mupfuti mine.
39. Cumulatively, platinum output recorded 12 564 kgs thereby, surpassing the target of 12 000kgs for 2015.

### *Nickel*

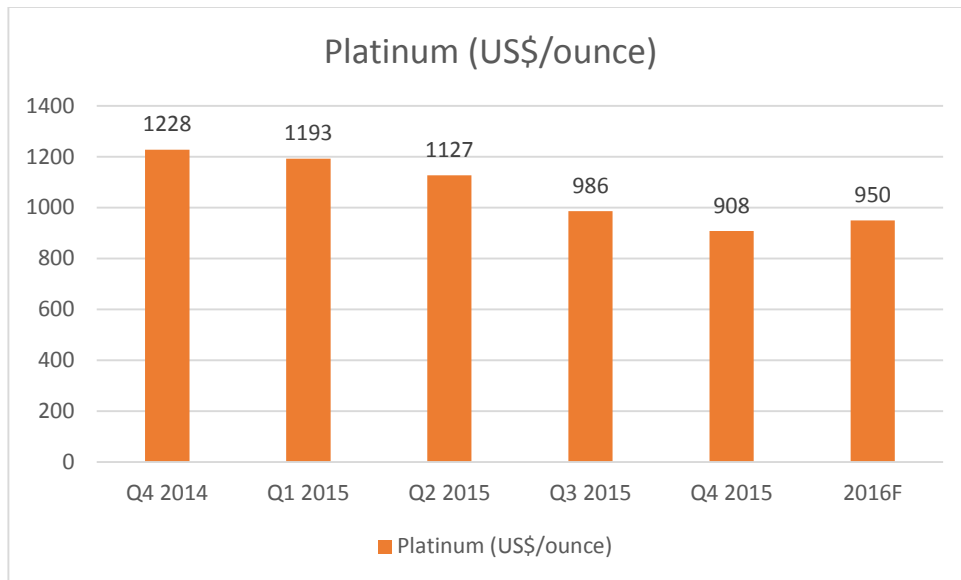
40. Nickel output for 2015 was 16 109, down from 16 633 tonnes in 2014, weighed down by declining nickel prices which fell 11 percent due to weak global demand, destocking from the stainless steel sector (which consumes about two-thirds of the world's re-fined nickel), and rising LME inventories.

### *International Mineral Prices*

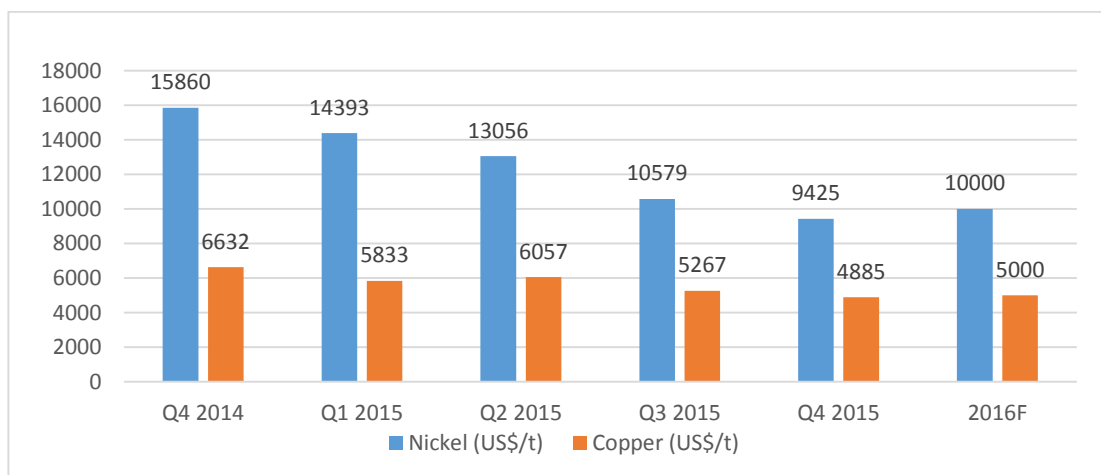
41. International mineral prices remained depressed in 2015. Precious metal prices fell by 2 percent in the fourth quarter of 2015 on weakening investment demand. Gold and silver prices fell 2 and 1 percent, respectively, as U.S. dollar appreciation and the start of the U.S. Federal Reserve's tightening cycle dampened investor sentiment.
42. The table below shows the evolution of gold prices in 2014 and 2015.



43. Platinum prices also fell by 8 percent, mainly on oversupply driven by rising production in South Africa. This is shown in the table below.



44. Nickel prices were the most hit, declining by 11 percent in the 4th quarter, as shown below.



45. In the outlook, performance of the mining sector will continue to be affected by the depressed prices. However, companies are trying to come up with survival strategies such as targeting high grade ores, and other cost cutting measures, to remain afloat.

## **Manufacturing**

46. In the fourth quarter of 2015, performance in the manufacturing sector was mainly driven by dairy processing, oil expressers, cement production, leather and footwear sub-sectors. Average capacity utilization in these sectors was above 50%.
47. The sub-sectors benefitted from the trade measures which were put in place by Government over the past two years. Reflecting this, the country is now self-sufficient in cooking oil production and laundry soaps due to increased capacity. This follows re-tooling exercises that were carried out by companies in the sub sectors.
48. In addition, the intensification of dialogue between the Government and private sector led to convergence on the key issues constraining the manufacturing sector. As a result, Government put in place policy measures that addressed some of the concerns raised by the industry.
49. Despite the supportive measures which were put in place by Government to support the local industry, capacity utilization was subdued in other sub-sectors such as, paper, printing and publishing, metals and metal products as well as chemical and petroleum products. Average capacity utilization in these sectors was oscillating around 30%.



50. The sub-sectors are struggling to recover mainly due to a myriad of challenges that include stiff competition from imports, liquidity challenges, low aggregate demand, high cost of doing business (regulatory fees, licensing costs and high cost of borrowing) and infrastructure challenges (water, rail), among others.
51. In the beverages sub-sector, the effect of low aggregate demand saw Delta Beverages, a major player reporting a 7 percent decline in revenue. Lager beer volumes registered a 14 percent decline in the three months to December.
52. The fertilizer industry was also hard hit by the impending drought which saw the up-take of fertilizers and chemicals going down in the 4<sup>th</sup> quarter. Sable Chemicals which is a major producer of ammonium nitrate closed operations in the same period, due to huge debts and operational costs.
53. Overall, the year 2015 witnessed the manufacturing sector growing by a meagre 0.2 %, whilst capacity utilization declined by 2.2% from 36.5% in 2014 to 34.3%.
54. In the outlook, the clarification on the implementation of the Indigenization Law is expected to boost the much needed investor confidence in the sector in order to unlock new financing.

55. In addition, the implementation of the Special Economic Zones is expected to increase manufactured exports and job creation thereby spurring activity in the sector.
56. Activity in the agro-processing and related subsectors is expected to be subdued as a result of the drought and the complexities associated with obtaining import permits. In order to keep these companies in business, Government is in the process of streamlining the issuance of import permits to allow the industry to import raw materials.

## **Tourism**

### *2015 Tourist Arrivals*

57. The tourism industry is working towards a vision of achieving 5 million tourists and a US\$5 billion tourism economy by 2020.
58. Preliminary indications are that international tourist arrivals closed the year at 2 056 588, up by 9% from 1 880 028 in 2014. Mainland Africa continues to provide 86% of tourists while the overseas market provides the 14%, down from a 30% market share in 1999.
59. Tourists from the overseas markets have very high spending patterns compared to those from mainland Africa. Therefore, it remains critical for more resources and efforts to be invested in growing the share of arrivals from the overseas markets. Critical work has to be done in

order to resuscitate the key falling markets particularly in Europe and the Asian region and this requires budgetary support.

### *Visitor Exit Survey*

60. The Visitor Exit Survey (VES) commenced in July 2015 with support from Government and African Development Bank. The survey, which is a critical input into the development of a Tourism Satellite Account, is running for a period of twelve months and will end in June 2016.
61. The survey will play a critical role in supplying data into the Tourism Satellite Account, an instrument which will be used measure the actual contribution of tourism into the economy and thereby inform its contribution to GDP.

### *Tourism Master Plan*

62. Government, through the Ministry of Tourism and Hospitality Industry initiated the process of developing a National Tourism Masterplan, which will provide direction in tourism development and coordination. The Plan is being done by an international consulting company with support from local strategists and this will give it an international appeal but customized to local realities. The process which started in December 2015 is expected to be completed by mid-2016.

### *Community Based Tourism Enterprises*

63. The Ministry of Tourism and Hospitality Industry and key stakeholders in the tourism industry with support from Development Partners initiated the process of developing a Community Based Tourism Enterprises Strategy. This will guide in developing communities as well as unlock potential for tourism revenue in those communities as a way of addressing poverty.
64. The Ministry of Tourism is also in the process of developing a CBT manual with Japan International Agency (JICA). To date they have selected four pilot projects to assist in product development, marketing and packaging of products.

### *ICASA Conference*

65. Zimbabwe hosted the 18th edition of the International Conference on AIDS and STIs in Africa (ICASA) in November 2015, under theme 'HIV/AIDS in Post 2015 Era: Linking Science, Leadership and Human Rights'.
66. According to the ICASA Report, an estimated 4 700 delegates from across the globe attended the Conference. There were several downstream benefits for businesses within Harare and its environs that included hotels, lodges, restaurants, taxis, tour operators, saloons, airtime vendors, event organizers. Some delegates took time to fly to Victoria Falls before and after the conference.

67. According to the Report, the Conference provided an excellent opportunity for Zimbabwe as well as Africa to take stock of the achievements and the challenges in the response to HIV and AIDS, STIs, Tuberculosis and Malaria as well as Ebola in order to strengthen partnership among Governments, civil societies, the private sector and development partners.

## **Electricity**

68. During the quarter, generation of electricity was faced with challenges resulting in total generation amounting to 2092.1 GW/h against the previous quarter of 2545.7 GW/h.
69. This brings cumulative electricity generation for the year 2015 to 9 215 GW/h compared to 9 876 GW/h of 2014.
70. The lower generation performance was due to generation challenges relating to water rationing at the Kariba power station following severely declining water levels in the lake. Moreover, other power stations were affected by inconsistency generation due to unplanned outages.

71. The table below summarises electricity generation in the country for the year 2015.

Electricity Generation Sent Out (GW/h)

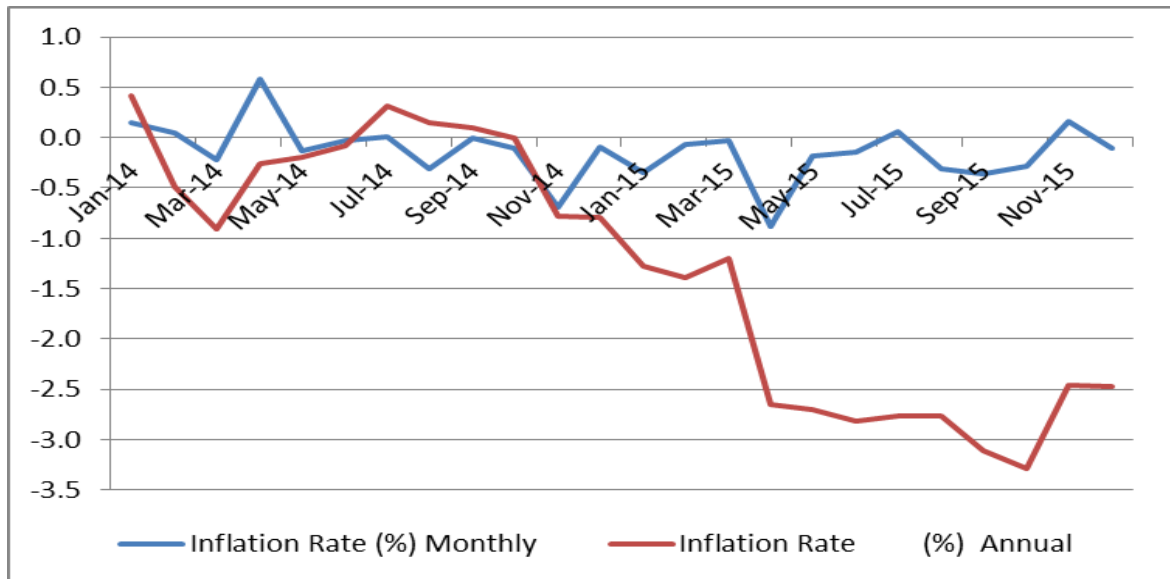
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Hwange	322	202	229	255	262	363	433	337	326	310	351	330	<b>3721</b>
Kariba	419	376	464	447	493	465	469	492	341	360	304	310	<b>4938</b>
Harare	17	13	18	12	21	17	21	16	19	18	20	17	<b>209</b>
Munyati	15	16	16	16	14	16	15	13	14	14	12	11	<b>173</b>
Bulawayo	17	14	17	15	16	12	18	17	14	9	11	15	<b>174</b>
<b>Total</b>	<b>790</b>	<b>622</b>	<b>743</b>	<b>744</b>	<b>806</b>	<b>872</b>	<b>956</b>	<b>875</b>	<b>715</b>	<b>711</b>	<b>697</b>	<b>684</b>	<b>9215</b>

*Source: ZPC*

## Prices

72. Deflationary pressures remained elevated during the last quarter of 2015. The year on year inflation for the month of October was -3.3% before gaining and maintaining at -2.5% in November and December, respectively.
73. Consequently, annual inflation for the year averaged -2.4% against the previous year of -0.2%.
74. Month on month inflation during the quarter recorded -0.1%, -0.7% and 0.1% in October, November and December respectively.

## Inflation Developments



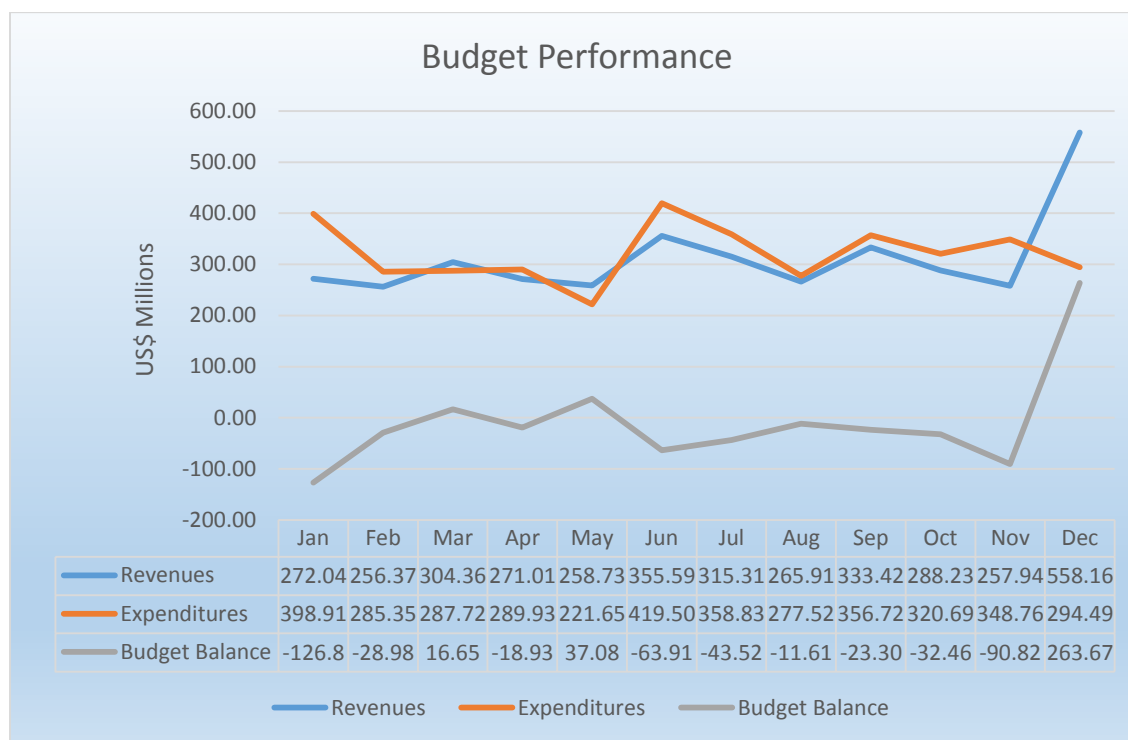
**Source: ZIMSTAT**

75. Major drivers of price changes during the period under review were food and communication.
76. Weak aggregate demand, low international oil and food prices, as well as the depreciation of the South African rand were the major determinants of price formation during 2015.

## FISCAL PERFORMANCE

77. Total Government revenues for the year 2015 amounted to US\$3.7 billion against expenditures of US\$3.86 billion. Revenues remained subdued, and only performed above the expenditures for only three months, March, May and December.

### January-December 2015 Revenues, Expenditures and Budget Balance



Source: Ministry of Finance and Economic Development

78. However, expenditures have generally been constrained to match the under-performing revenues. Cumulatively, Government ran a deficit of US\$123 million.

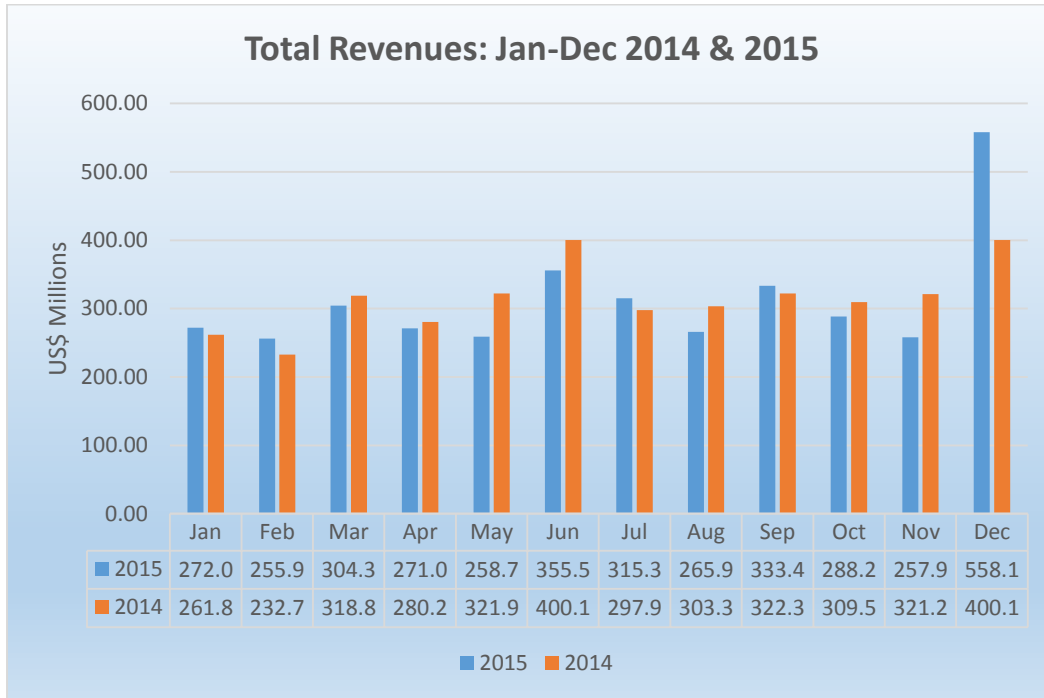


79. In December, revenues surpassed expenditures by US\$263.7 million, mainly due to postponement of payment of December salaries to the rest of service.
80. During the period under review, October to December 2015, total revenues amounted to US\$1,104.3 million while expenditures were at US\$963.9 million. This resulted in a quarterly surplus of US\$140.4 million. This is mainly attributed to December performance as well deferred expenditures cited above.

## **Revenue Performance**

81. Revenue collections for the year 2015 amounted to US\$3.7 billion against an initial target of US\$3.99 billion. Of this total, the bulk at US\$3.5 billion were tax revenues while non-tax revenues accounted for US\$188.6 million.
82. The US\$3.737 billion total revenue for 2015 compared to US\$3.770 billion collected during the same period in the preceding year, is a clear indication of the slowdown in economic activity. The slowdown in revenues is a culmination of economic challenges that the country is facing resulting in company closures, low capacity utilization, informalisation of the economy, among others.

## Total Revenues: 2014 – 2015 (Jan – Dec)

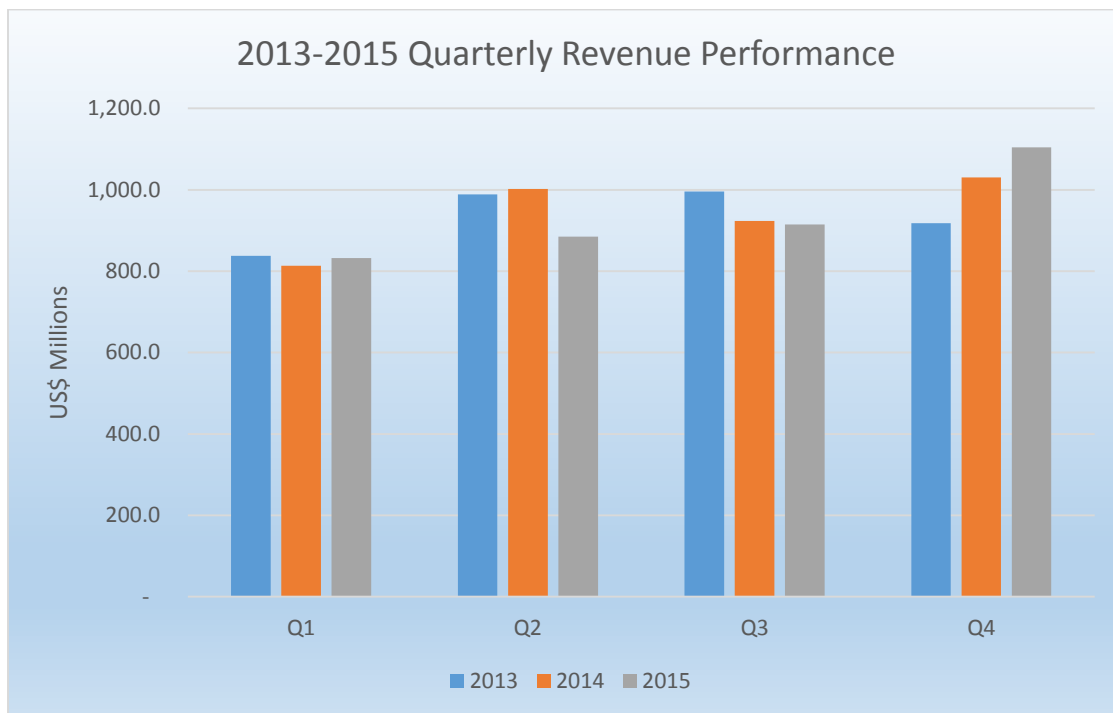


Source: Ministry of Finance and Economic Development

83. The fourth quarter alone recorded total revenues amounting to US\$1.104 billion against a quarterly target of US\$1.1 billion. Fourth quarter revenues performed best during the year, accounting for 29.6% of the total revenues collected in 2015 compared to 22.3%, 23.7% and 24.5% collected during first, second and third quarters, respectively.
84. Tax revenues for the quarter, were US\$1 billion while non-tax revenues were US\$79.5 million.

85. Furthermore, 2015 fourth quarter revenues compare favorably to the prior years', as shown in the graph below, wherein US\$918 million and US\$1.0 billion were collected in 2013 and 2014, respectively.

Total Quarterly Revenues: 2013 - 2015



Source: Ministry of Finance and Economic Development

86. The Table below shows revenue performance for the 2015 fourth quarter.

*Tax vs Non-tax Revenues US\$ (Oct-Dec)*

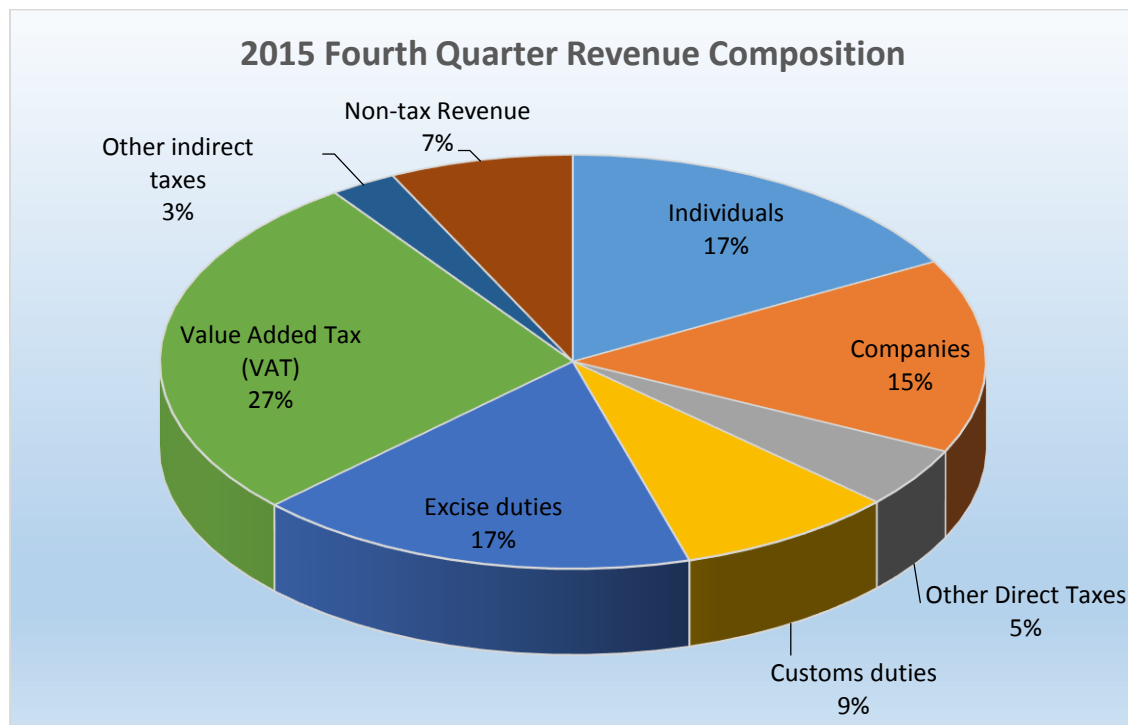
	<b>Tax</b>	<b>Non Tax</b>
<b>October</b>	279,840,226.3	8,389,725.3

<b>November</b>	249,140,177.8	8,796,118.2
<b>December</b>	495,876,026.6	62,282,492.4
<b>Total</b>	1,024,856,430.7	79,468,336.5

Source: Ministry of Finance and Economic Development

87. Total collections for the quarter amounted to US\$1.1 billion, constituting 92.8% from tax revenue, with the remaining 7.2% being non tax revenue.
88. The performance of the various revenue heads is as shown in the graph below.

#### 2015 Fourth Quarter Revenue Contribution



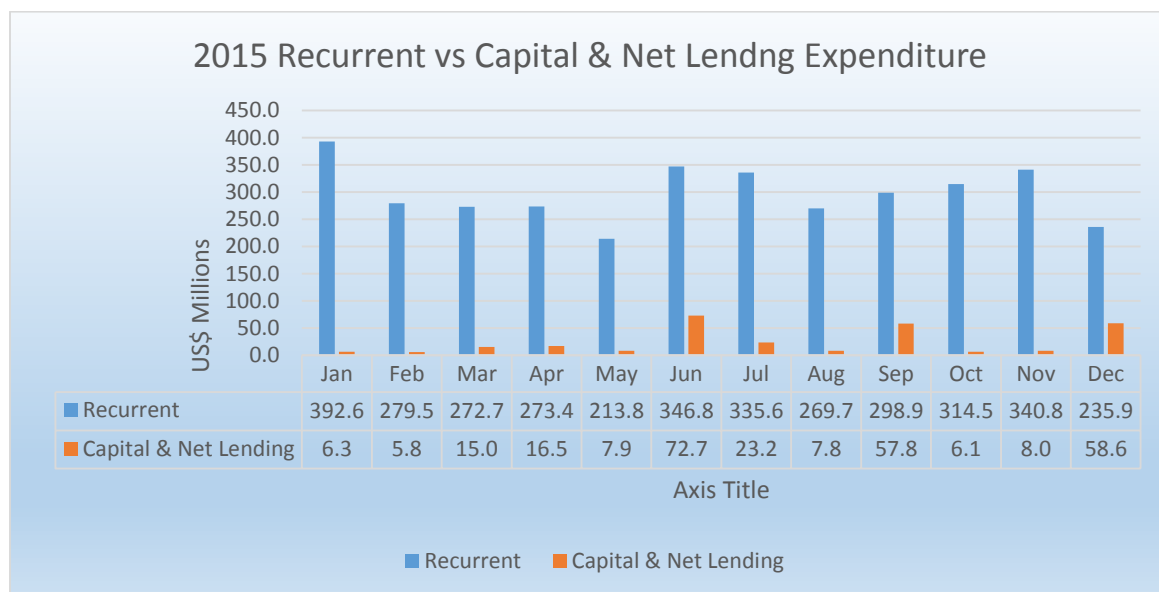
Source: Ministry of Finance and Economic Development

89. Respective revenue heads contributions were: Value Added Tax (27%), Pay As You Earn (17%), Excise Duty (17%), Corporate tax (15%) and Non Tax Revenue (7%).

## Expenditures

90. Total expenditures for the year 2015 amounted to US\$3.86 billion against an initial target of US\$4.1 billion. This represents a US\$240 million expenditure under-performance, compared to the projection.
91. Of the total, US\$3.6 billion or 92.6% went towards financing recurrent expenditures while the remainder at US\$285.8 million went towards capital expenditures and net lending.

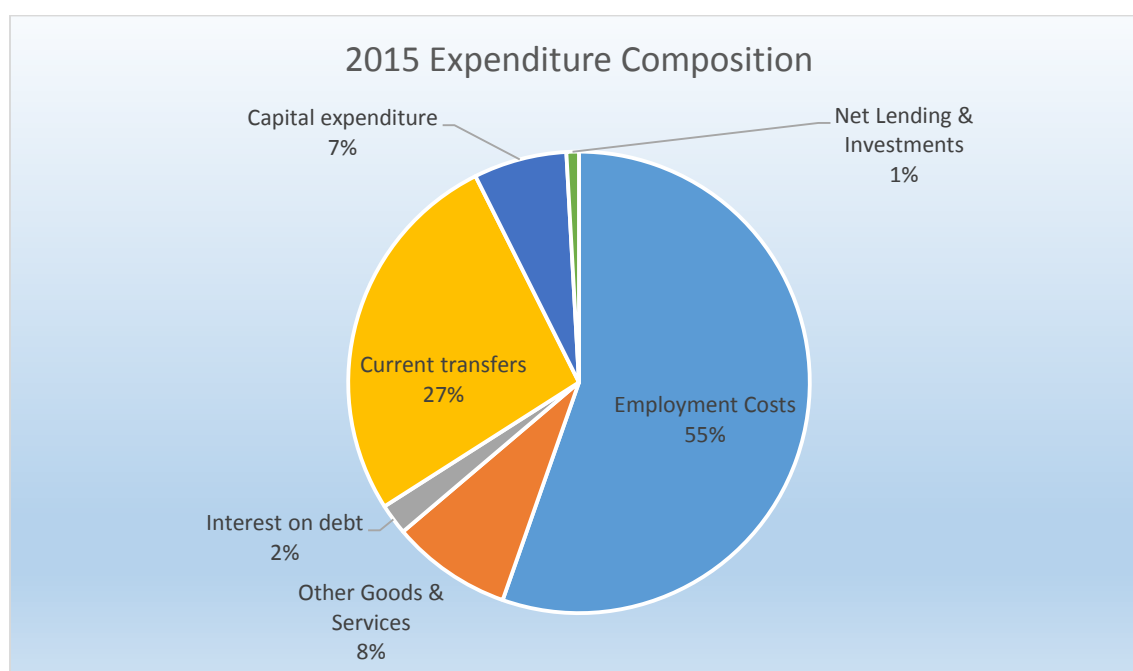
## 2015 Recurrent vs Capital and Net Lending



Source: Ministry of Finance and Economic Development

92. As indicated on the pie chart below, 55% went toward employment costs followed by 27% towards current transfers. Other goods and services accounted for 8% while capital expenditures accounting for 7% of the total expenditures.

### 2015 Expenditure Composition by Expenditure Head



Source: Ministry of Finance and Economic Development

93. Total expenditures for the period October – December 2015 amounted to US\$963.9 million. Recurrent expenditures accounted for the bulk as usual at US\$891.3 million while capital expenditure and net lending were at US\$72.7 million.
94. Of the total recurrent expenditures, US\$488.4 million or 54.8% went towards employment costs of the quarterly total expenditure. This

compares to 49.1% and 49.4% during a similar period in 2013 and 2014, respectively.

## **Financing**

95. Taking the budget deficit and the loan repayments into account, financing needs amounted to US\$588.4 million in 2015. Guided by the capacity of the market, a total of US\$184.7 million was mobilised, against US\$329 million planned to be mobilised from the domestic market in 2015.
96. Of the US\$184.7 raised, US\$124.5 million (67%) were roll-overs while new money amounted to US\$60.2 million (33%).
97. However, the amount raised in 2015 lies far below the US\$260.4 million raised in 2014. This is a 29% drop when compared to the amount raised in 2015 and may indicate that the taste for the Government paper is fading away faster than anticipated.
98. On the external front, no new money was raised.

## EXTERNAL SECTOR

### Exports

99. Exports stood at US\$864 million in the fourth quarter, compared to US\$607 million recorded in the previous quarter. This represents a 42% increase.
100. Cumulatively, exports for the period January to December stood at US\$2.704 billion compared to US\$ 3.063 billion recorded in the corresponding year in 2014.
101. The annual decrease in exports has been attributed to the low commodity prices, sluggish economic performance and the appreciation of the US\$ against the South African Rand.

### Quarterly Exports

	2015	2014
First Quarter	716,188,199.08	627,077,314.66
Second Quarter	516,113,162.34	601,242,538.20
Third Quarter	607,262,304.52	819,509,315.79
Fourth Quarter	864,532,282.06	1,015,907,441.10
<b>Total</b>	<b>2,704,095,948.00</b>	<b>3,063,736,609.75</b>

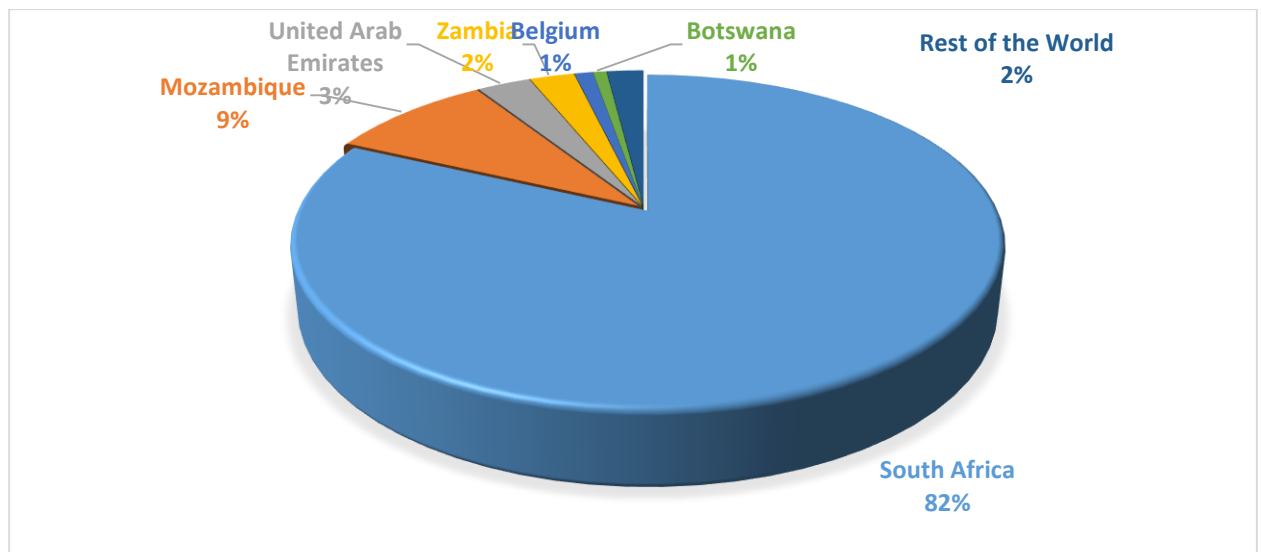
*Source: ZIMSTAT, 2015*



### *Major Exports and Markets*

102. In the fourth quarter, the country's major exports were flue-cured tobacco and semi-manufactured gold. Unprocessed minerals namely nickel ores and concentrates, ferro-chromium and industrial diamonds were also among the top five exports.
103. South Africa (82%) was the major exports destination in the fourth quarter, followed by Mozambique (9%), United Arab Emirates (3%), Zambia (2%) and Botswana (1%), as shown by the figure below.

### **Major Exports Markets**



Source: ZIMSTAT, 2015

### **Imports**

104. Imports stood at US\$1.447 billion in the fourth quarter, compared to US\$1.637 billion recorded in the previous quarter. This represents a 12% decrease.

105. Cumulatively, imports for the period January to December 2015 stood at US\$ 6.002 billion compared to US\$6.379 billion recorded in 2014.

### Quarterly Imports

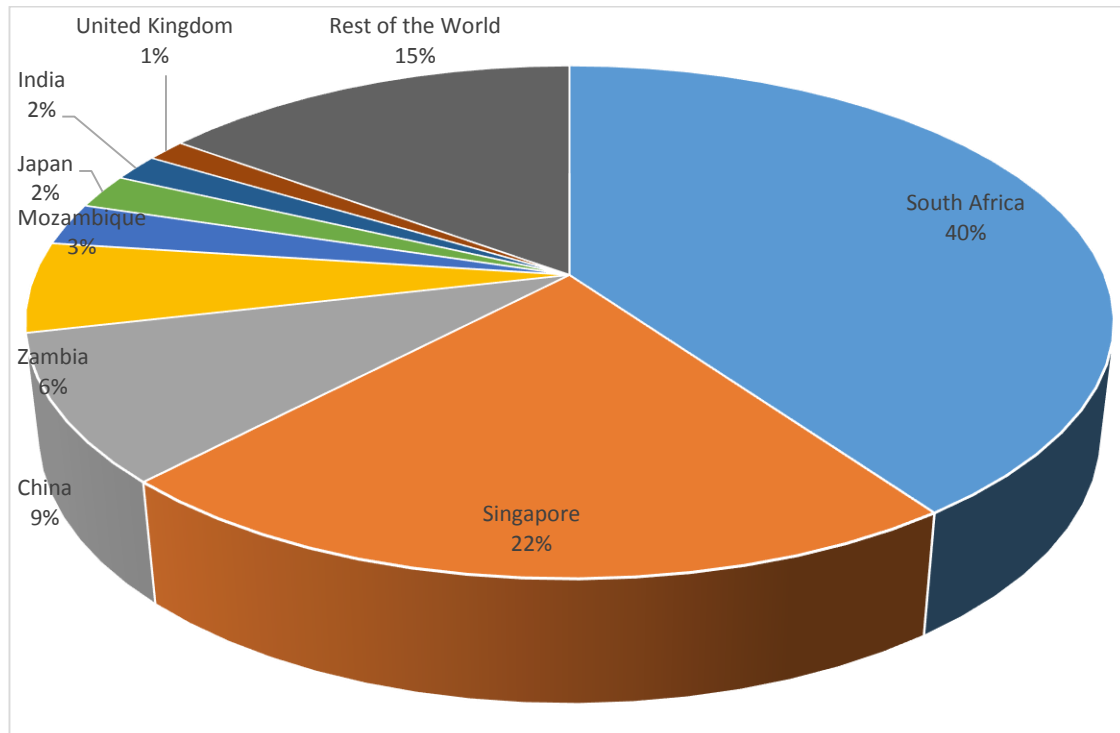
	2015	2014
First Quarter	1,493,396,246.25	1,466,557,573.68
Second Quarter	1,423,685,461.91	1,529,765,367.89
Third Quarter	1,637,567,319.80	1,663,475,103.75
Fourth Quarter	1,447,947,444.60	1,719,959,999.28
<b>Total</b>	<b>6,002,596,472.56</b>	<b>6,379,758,044.61</b>

*Source: ZimStat*

### *Major Imports and Markets*

106. Major imports in the fourth quarter included fuels, medication and maize, where fuels constituted 20%. The importation of maize has been necessitated by drought of the 2014/15 agriculture season and this scenario is expected to continue till midyear 2016.
107. South Africa, Singapore and China have remained the country's major top import sources. However, most local companies have bemoaned the importation of cheap imports from these countries as this has resulted in unfair competition.

## Major Imports Sources Markets



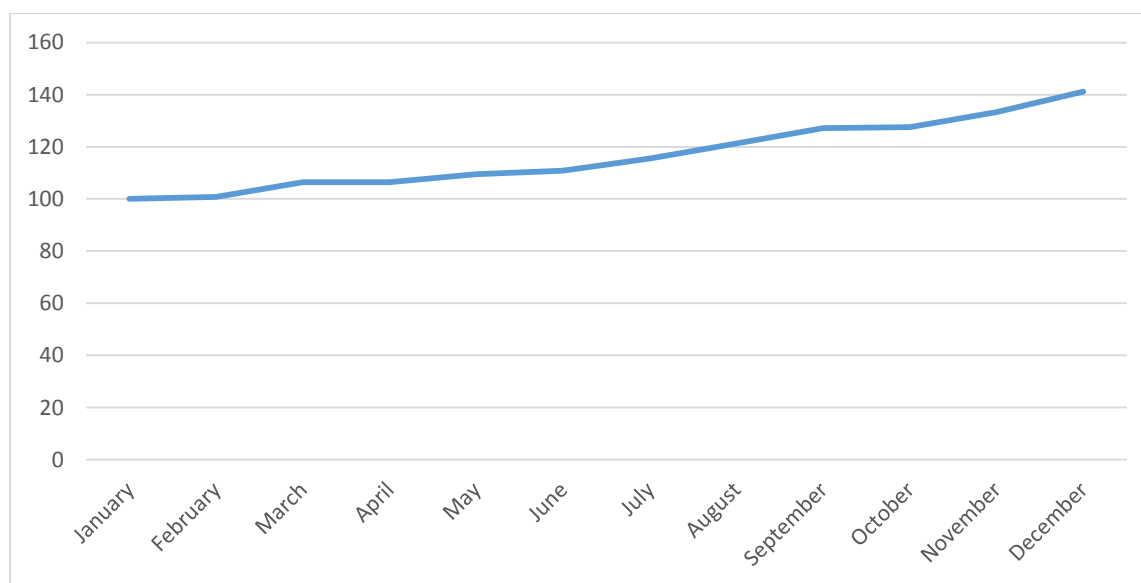
Source: ZIMSTAT, 2015

## Exchange Rate Developments

108. On average ZAR/US\$ nominal exchange rate depreciated by 34 % from 11.57 in January to 15.51 in December 2015. The depreciation of the South African rand against the US dollar is affecting competitiveness of the country's exports, hence, widening the trade balance.
109. However on a positive note, manufacturers and producers should take advantage of the depreciating rand to import raw materials and invest in modern technology.

110. In addition, there is need for export market diversification, since manufactured and agricultural exports to SA are becoming less competitive.

### **Real Exchange Rate Developments**

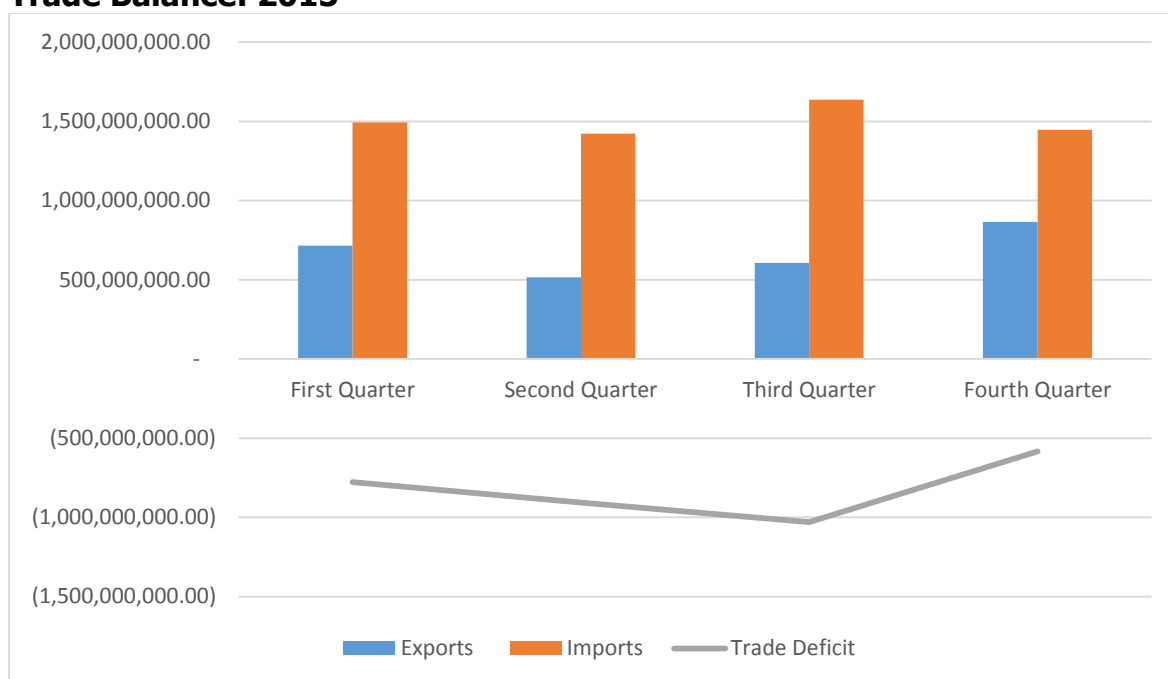


### **Trade Gap**

111. The trade deficit improved in the fourth quarter, reaching US\$ 583 million compared to US\$ 1.030 billion recorded in the last quarter.
112. Cumulatively, trade gap for 2015 stood at US\$ 3.298 billion compared to US\$3.319 in 2014. The huge trade gap is unsustainable for the productive sectors of the economy, as most of the imported goods can be locally produced.

113. Closing the unsustainable trade gap requires both the private sector and Government to embrace value addition, mineral beneficiation improving the competitiveness and diversification of exports.

#### Trade Balance: 2015



Source: ZimStat

#### Remittances

114. In the fourth quarter, total remittances (diaspora and non-Governmental organizations) stood at US\$ 502 million against US\$505 million recorded in the previous quarter. Cumulatively, remittances for the year 2015 were US\$1.962 billion compared to US\$1.756 billion recorded in 2014.

115. The annual increase was on account of improved confidence by the diasporans in sending money through the formal system. This follows a review of the regulatory framework for Money Transfer Agents, including permission to remit funds outside the country.
116. In the outlook, the level of remittance inflows are expected to improve when the National Diaspora Policy implemented. The policy seeks to provide a comprehensive framework for harnessing diaspora remittances.

### Remittances: 2015

MONTH	NGOS	Diaspora Remittances	TOTAL Remittances
January	73,788,867	75,943,245	149,732,111
February	81,066,730	76,526,890	157,593,620
March	86,591,597	78,945,298	165,536,894
April	89,211,534	76,048,379	165,259,913
May	65,895,147	80,349,221	146,244,368
June	99,738,613	70,086,300	169,824,914
July	85,513,190	80,020,649	165,533,840
August	83,137,701	77,075,482	160,213,183
September	98,816,542	81,090,801	179,907,343
October	87,233,713	74,674,200	161,907,914
November	69,319,872	73,547,324	142,867,196
December	106,624,803	91,184,858	197,809,661
<b>Total</b>	<b>1,026,938,311</b>	<b>935,492,647</b>	<b>1,962,430,958</b>

Source: RBZ Exchange Control, 2015

## **CONCLUSION**

117. Government has made firm commitments to improve the doing business environment including clarifying the Indigenisation and Economic Empowerment Act.
118. The efforts have begun to bear fruits as evidenced by the increased scouting foreign missions from both the traditional and non-traditional investors' source.
119. It is anticipated that, with the arrears clearance strategy now in place, coupled with a successful re-engagement process, this will provide an impetus for growth in the medium term.