



**TREASURY QUARTERLY BULLETIN:**  
*July – September 2016*

**Ministry of Finance and Economic Development**

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## **INTRODUCTION**

1. The Third Quarter Treasury Bulletin provides fiscal and economic developments for the period July to September 2016.
2. The country's domestic macroeconomic conditions remain challenging. Output expansion continue to slow down on the dictate of acute drought and liquidity crisis, which transmute into cash shortages.
3. The country's external risks remain elevated as global and regional economic growth remain subdued.

## **REAL SECTOR DEVELOPMENTS**

4. Major highlights for the 3<sup>rd</sup> Quarter are as follows:-
  - Gold output stood at 5 914 .1 kgs against 5 254.8 kgs of the second quarter.
  - Tobacco delivery stood at 202.3 million kgs, surpassing 198 million kgs recorded in the previous season.
  - Total electricity generated amounted to 1 758.2 GW/h against the target of 1 923.4 GW/h.
  - Annual headline inflation averaging -1.4% against the second quarter of -1.6%.
  - Import bill amounted to US\$1.284 billion, against exports receipts of US\$641 million;

- Revenue collections for the Second quarter amounted to US\$899.1 against the target of US\$975.3 million;
- Total expenditures for the quarter amounted to US\$1.167 billion against a target of US\$986.4 million; and
- Industrial index opened the third quarter at 101.04 points and close at 98.8

## **Agriculture**

5. Performance of the sector during the year 2016 continue to be hindered by the prevailing drought condition. This has left several water sources dry during the third quarter of the year.
6. The dwindling water reservoirs has compromised winter cropping and preparations for the forth coming summer. The water situation has also severely affected livestock production, as farmers were forced to de-stock.
7. Notwithstanding the current drought, there are positive prospects with regards to the forth coming season. This follows the prediction of normal to above normal rainfall pattern by the Meteorological and Climate Change Experts for SADC.

## *Tobacco*

8. As at 10 October 2016, tobacco sales stood at 202.3 million kgs, surpassing 198 million kgs recorded in the previous season by 2.6%.
9. The higher output was on the account of late rains received in the second half of the season.
10. Similarly, tobacco exports were also 3% higher than the previous year. Major export destinations were China, South Africa, Indonesia and Belgium.
11. The surge in exports was mainly on account of increase in quantities rather than prices.

#### Tobacco Sales as at 10 October 2016

SEASONAL	AUCTION	CONTRACT	TOTAL 2016	TOTAL 2015	% CHANGE
Mass sold(kg)	35 915 132	166 360 556	<b>202 275 688</b>	<b>197 210 175</b>	2.57
Value(US\$)	91 218 213	504 709 311	<b>595 927 523</b>	<b>581 470 968</b>	2
Avg.price US\$/kg	<b>2.54</b>	<b>3.03</b>	<b>2.95</b>	<b>2.95</b>	<b>(0.1)</b>
Exports (US\$)			<b>253 678 302.03</b>	<b>246 533 647.55</b>	<b>3</b>

**Source: TIMB**

#### *Milk Production*

12. Milk production continued on a rising trend. Production growth which stood at 2% during the month of July and August, sprung to 6% during the month of September.
13. The increase is attributed to the ongoing dairy rebuilding programme under the auspices of the Dairy Revitalization Strategy. This involves training and capacitation of farmers by the Zimbabwe Association of Dairy Farmers Association (ZADF), as well as sharing and fusion of knowledge and expertise among farmers.
14. Furthermore, about 4 00 imported heifers were handed over to farmers during the month of September.

### *Beef*

15. Cattle slaughters during the quarter stood at 76 650, representing 7% increase from the previous quarter of 71 518 slaughters. This brought cumulative slaughters to 215 499 as at 30 September 2016.
16. The increase in slaughters is explained by water shortages and depleted pastures.

### *Pork*

17. Pork slaughters grew to 43 191 from 41 871 recorded in the second quarter. This brought cumulative slaughters to 126 202 as at end of September 2016.
18. The increase in pig slaughters is attributable to stock feeds shortages. This trajectory is expected to maintain in the outlook to December 2016.

## **Food Security Situation**

### *2016/17 Grain Marketing Board (GMB) Local Grain Intake*

19. Cumulative grain deliveries as at 6 October 2016 stood at 207 584 mt valued at US\$81.6 million. Of this total, 198 897 mt was maize valued at US\$77.6 million, 5 920 mt relates to wheat valued at US\$2.9 million and 2 767 mt are small grains valued at US\$1.1 million.
20. Government has availed US\$74.7 million towards payment for grain deliveries by farmers, leaving an outstanding balance of US\$6.9 million.

### *Grain Importation Programme*

21. Government in partnership with development partners is currently importing maize for vulnerable households, school learners and prison inmates.
22. As at 6 October 2016, Government had imported 336 309 mt valued US\$134.5 million.

#### *Status on Strategic Grain Reserves*

23. As at 6 October 2016, Strategic Grain Reserves stood at 313 228 mt valued at US\$131.4 million. Of this amount, 320 218 mt was maize and 16 798 mt was wheat.
24. The available maize reserves provides eight months cover at a drawdown rate of 40 000 mt per month.

#### *Private Sector Grain Importation Programme*

25. As at 5 October 2016, cumulative maize imports by private companies including World Food Programme stood at 250 681 mt against a target of 380 000 mt of maize.



26. In addition, the private companies imported 10 649 mt of maize meal, 111 452 mt of wheat and 25 367 of wheat flour.

#### Private Sector Grain Importation

<b>Grain Type</b>	<b>Mt</b>
Maize	250 681
Maize meal	10 649
Wheat	111 452
Flour	24 367

#### *Preparations for the Special Maize Production Programme.*

27. Preparations for the Special Maize Production Programme which is targeting 400 000 ha are at an advanced stage with financial requirement already secured.
28. Distribution of some of the inputs has already commenced.

#### **Mining**

29. Notwithstanding weak mineral prices and infrastructural rigidities, gold displayed staling performance. Other minerals such as platinum and palladium, however, were subdued.

## Quarterly Mineral Production: 2016

	QI	QII	QIII
Gold/kg	5104.84	5254.7678	5914.0861
Nickel/t	4,874.17	4,227.01	4,056.42*
Coal/t	754,318.72	529,809.00	-
Chrome/t	12,624.00	35,289.00	-
Platinum/kg	4,320.95	3,646.68	2,934.97*
Palladium/kg	3,462.71	2,939.76	2,432.97*
Diamonds	656560.7	481008.7	

Source: MOFED, RBZ, Ministry Of Mines, Chamber of Mines, 2016

\*August output was used to estimate September for nickel, platinum and palladium

## Monthly Mineral Production: 2016

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Cum Total
Chrome \t	5,031.00	5,546.00	2,047.00	2,500.00	15,467.00	17,322.00			<b>47,913.00</b>
Coal \t	204,043.72	237,108.00	313,167.00	227,243.00	110,971.00	191,595.00			<b>1,284,127.72</b>
Cobalt \t	32.91	46.01	42.13	27.82	30.75	33.96	27.38	35.15	<b>276.10</b>
Copper \t	759.47	963.40	847.31	702.16	702.56	807.46	429.20	747.68	<b>5,959.23</b>
Gold \kg	1,507.7201	1,828.8911	1,768.2288	1,555.0382	1,907.2264	1,792.5032	1,798.3063	2,174.2397	<b>14,332.15</b>
Graphite \t	625.20	474.00	572	428.40	462	475.2	412.80	625.20	<b>4,074.80</b>
Iridium \kg	46.80	86.09	57.52	44.83	43.63	50.01	17.25	49.21	<b>395.34</b>
Nickel \t	1,534.25	1,494.37	1,845.55	1,286.27	1,385.08	1,555.67	1,104.01	1,621.15	<b>11,826.35</b>
Palladium \kg	970.32	1,394.28	1,098.11	944.65	932.53	1,062.58	297.31	1,067.83	<b>7,767.61</b>
Platinum \kg	1,222.87	1,728.30	1,369.78	1,178.78	1,147.55	1,320.36	367.67	1,283.65	<b>9,618.95</b>
Rhodium \kg	107.70	139.23	118.73	103.69	103.75	117.57	31.80	116.29	<b>838.76</b>
Rhuthenium \kg	94.13	112.03	102.58	94.08	92.95	107.11	25.74	103.42	<b>732.03</b>
Diamonds	241,595.74	164,804.50	250,160.50	261,645.99	120,686.42	98,676.28			<b>1,137,569.43</b>

30. With this trend, it is envisaged that the overall 2016 growth rate for the mining sector will be further revised downwards.

## *Gold*

31. About 5 914 .1 kgs of gold were produced during the third quarter compared to 5 254.8 kgs of the second quarter.
32. Cumulatively gold production as at September 2016 amounted to 15 318 kgs against 13 139 kgs produced during the same period in 2015.
33. Primary producers dominated gold production in the country contributing around 57%, as reflected below.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Cum Total
<b>Primary Producers</b>	868	877	932	928	1087	953	1041	1186	929	7872
<b>Scale producers</b>	628	737	669	604	602	743	776	746	1013	5504
<b>Total</b>	<b>1496</b>	<b>1614</b>	<b>1601</b>	<b>1532</b>	<b>1689</b>	<b>1696</b>	<b>1817</b>	<b>1932</b>	<b>1942</b>	<b>15318</b>
<b>Average Price(USD/ ounce)</b>	1097	1200	1246	1242	1259	1276	1337	1341	1326	

34. The increased output was on account of the gold mobilisation initiatives that managed to plug leakages and improved deliveries to Fidelity Printers and Refiners (FPR). The rise is also attributed to reduction in royalties.

## *Platinum*

35. Platinum output has been on the decline with the third quarter output recording 2 935kgs against the second quarter output of 3 647kgs. This was attributable to the scheduled maintenance at Zimplats.
36. In the outlook to December, platinum output is expected to pick up on the assumption that Zimplats scheduled maintenance will be completed coupled with anticipated firm up in international prices.

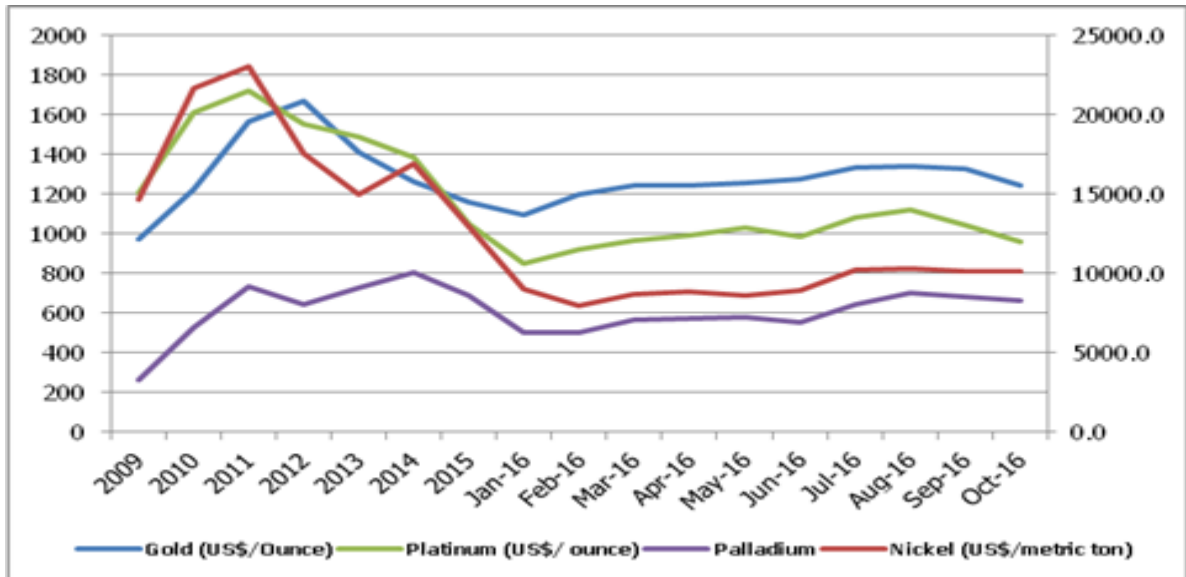
#### *Nickel*

37. Despite rump up production by primary producers, nickel output during the quarter was lower than the previous quarter. A total of 4 227 tonnes were produced against the previous quarter output of 4 056 tonnes.
38. The weak performance was due to low output from secondary producers.

#### *Mineral Prices*

39. International mineral prices for most commodities remain weak and are expected to remain depressed in the outlook to December 2016.

40. With the exception of nickel prices, which recorded some improvements, other prices of gold, palladium and platinum remain depressed during the third quarter.



Source: kitco charts & data

## Manufacturing Sector

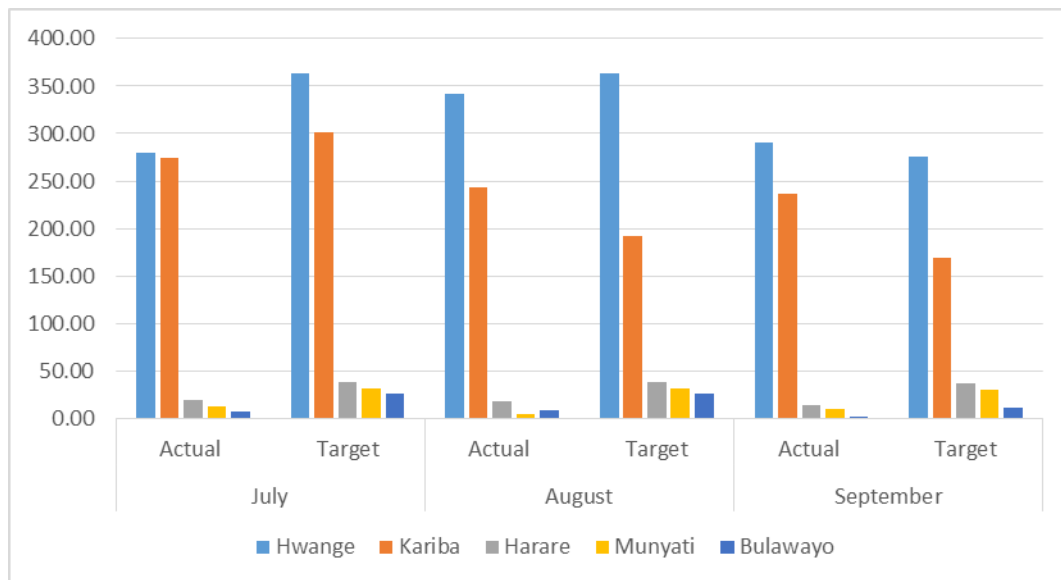
41. During the third quarter, the Confederation of Zimbabwe Industries (CZI) reported that capacity utilisation in the manufacturing sector grew by between 30 and 50 percentage points. This was in response to the promulgation of the Statutory Instrument 64 of 2016 by the Government.
42. The Statutory Instrument removed 42 products from the open general import licence, implying that importation of the restricted products require a permit.

43. As result, notable improvement in business activities was reported in subsectors such as foodstuffs, drinks and beverages, builder-ware, wood and furniture as well as chemicals.
44. In the foodstuffs and beverages subsector, major gains were in cooking oil, meat processing, sugar, water, dairy products as well as opaque beer. The average capacity utilisation levels in the subsectors was reported to be above 60 percent.
45. In terms of the builder-ware, strong performance was observed on roof and floor tiles, cement, iron and steel products, among others.
46. There was also rebound in the chemicals subsector. This was mainly driven by high demand for fertilizers and chemicals following the launch of the Command Agriculture Programme by Government.
47. In addition, the much anticipated favourable 2016/17 rain season has also stimulated activity in the subsector.
48. Notwithstanding the above positive developments during the quarter, business environment was constrained by cash shortages.
49. In addition, there is an emerging risk of water supply shortages due to depleted water reservoirs and this has caused production interruptions.

## Electricity

50. Underperformance in generation capacity was witnessed during the quarter. Actual generation capacity totaled 1 758.2 GW/h against the target of 1 923.4 GW/h.
51. The negative variance was on account of forced outages at Hwange Power Station and delays in return to service of Turbo-Alternator at Harare Power Station.
52. The graph below summarises electricity generation in the country during the third quarter of 2016.

### Electricity Generation Outturn

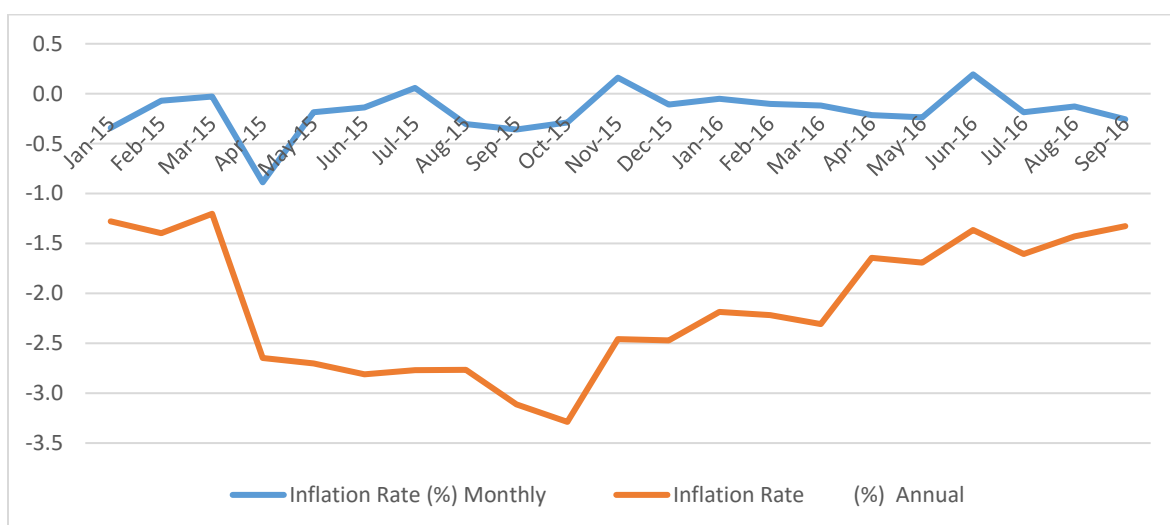


Source: ZPC

## Prices

53. Deflation persisted during the third quarter despite notable price increases in some commodities. The year on year inflation for the months of July, August and September stood at -1.6%, -1.4% and -1.3%, respectively.
54. Similarly, month on month inflation stayed negative throughout the quarter at -0.2%, -0.1 and -0.3% in July, August and September respectively.

### 2016 Inflation Profile



Source: ZIMSTAT

55. Major drivers of price reductions during the period quarter were telephone services, fruits and vegetables, milk and cheese products, rentals and gas.



56. In general the aggregate fall in price is due to weak aggregate demand, low international oil and food prices, as well as weak regional currencies against the US dollar, particularly the South African rand.

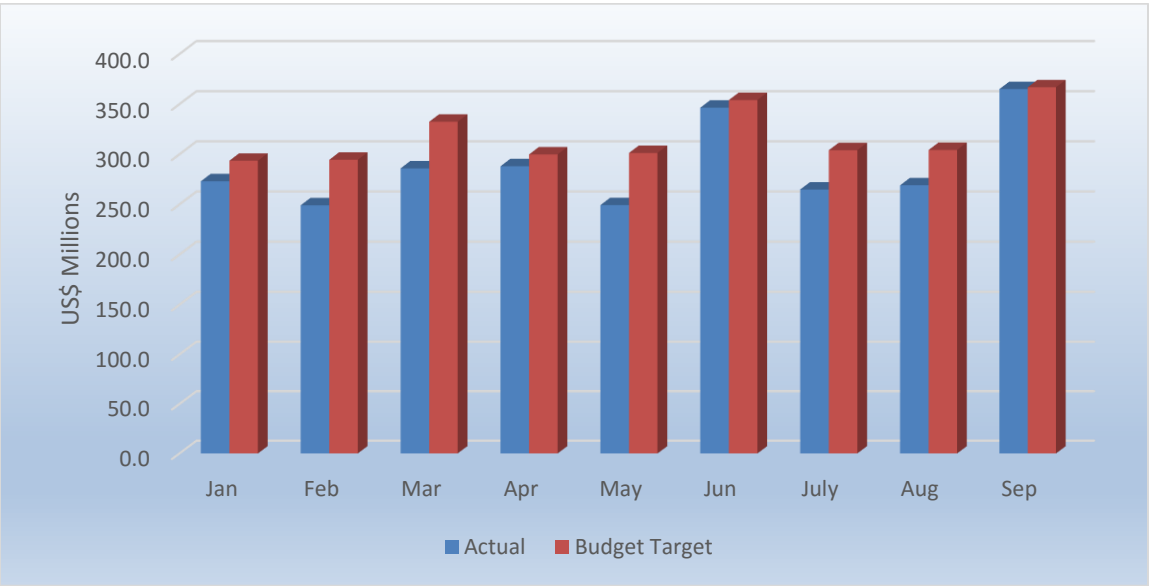
**FISCAL PERFORMANCE**

**Revenue**

57. Revenue collections during the third quarter amounted to US\$899.1 million against the target of US\$975.3, giving rise to a negative variance of US\$76.2 million.

58. Cumulative revenue collection to September 2016 stood at US\$2.592 billion against the target of US\$2.851 billion.

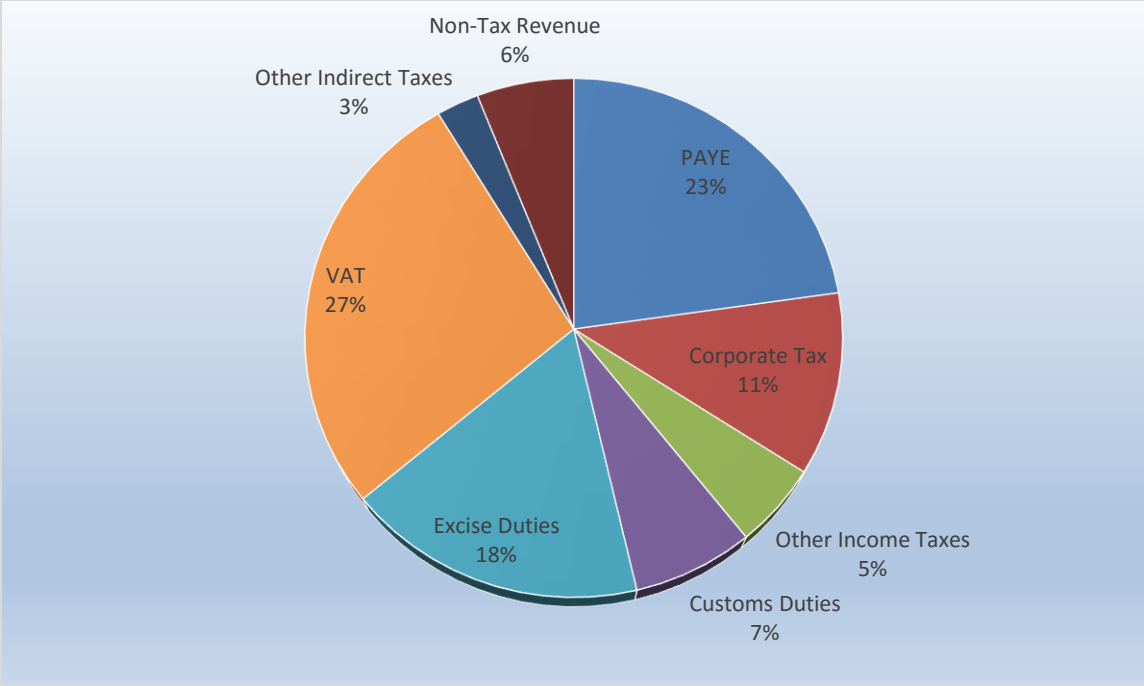
Revenue Performance: Jan-Sep 2016



Source: Ministry of Finance and Economic Development

59. In terms of tax revenue contributions, Value Added Tax, Individual Tax and Excise duty dominated.
60. Improved Vat collections were buoyed by the Tax management System introduced in January 2016 as well as other complimentary enforcement measures.
61. Revenue losses in form of falling Customs Duty collections as a result of the introduction of SI 64 were observed. However, the losses were offset by gains in other revenue heads, which benefited from increased capacity utilization of locally producing companies.
62. With regard to non-tax revenue, pension contributions were the major drivers during the quarter.

Third Quarter Revenue Heads Contribution

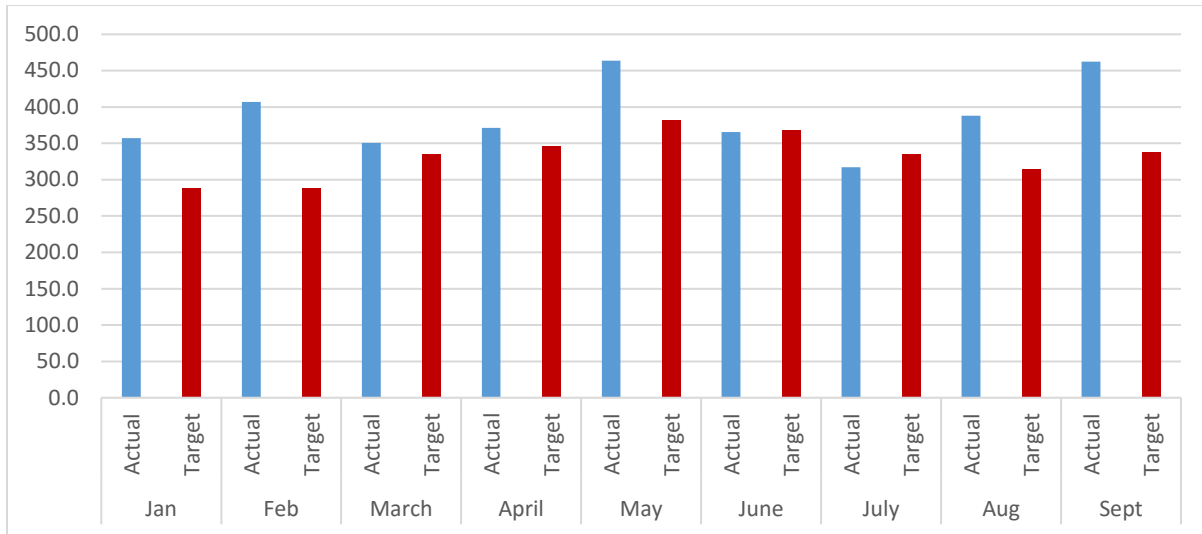


Source: Ministry of Finance

**Expenditures**

63. Total expenditure during the quarter amounted to US\$1.167 billion against the target of US\$986.4 million, giving rise to an expenditure overrun of US\$181.1 million.

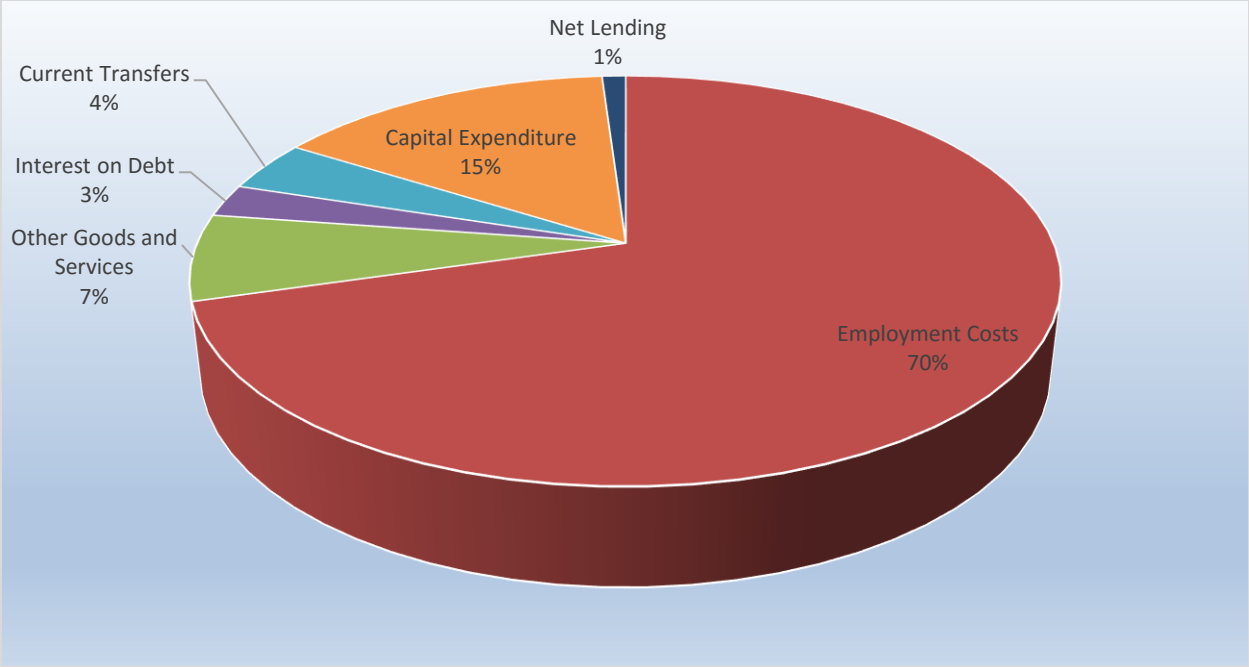
Total expenditure: Actual VS Target



Source: Ministry of Finance and Economic Development

64. Of the total expenditures, recurrent expenditure amounted to US\$1.013 billion.
65. About US\$151.2 million was expended on capital projects and programmes. The bulk of the resources went towards grain importation to avert the impact of drought.
66. Cumulatively, total expenditures to September 2016 amounted to US\$3.48 billion. Of which, 2.9 billion was recurrent expenditure and 560 million was capital expenditure and net lending.

### Expenditure Composition



Source Ministry of Finance and Economic Development

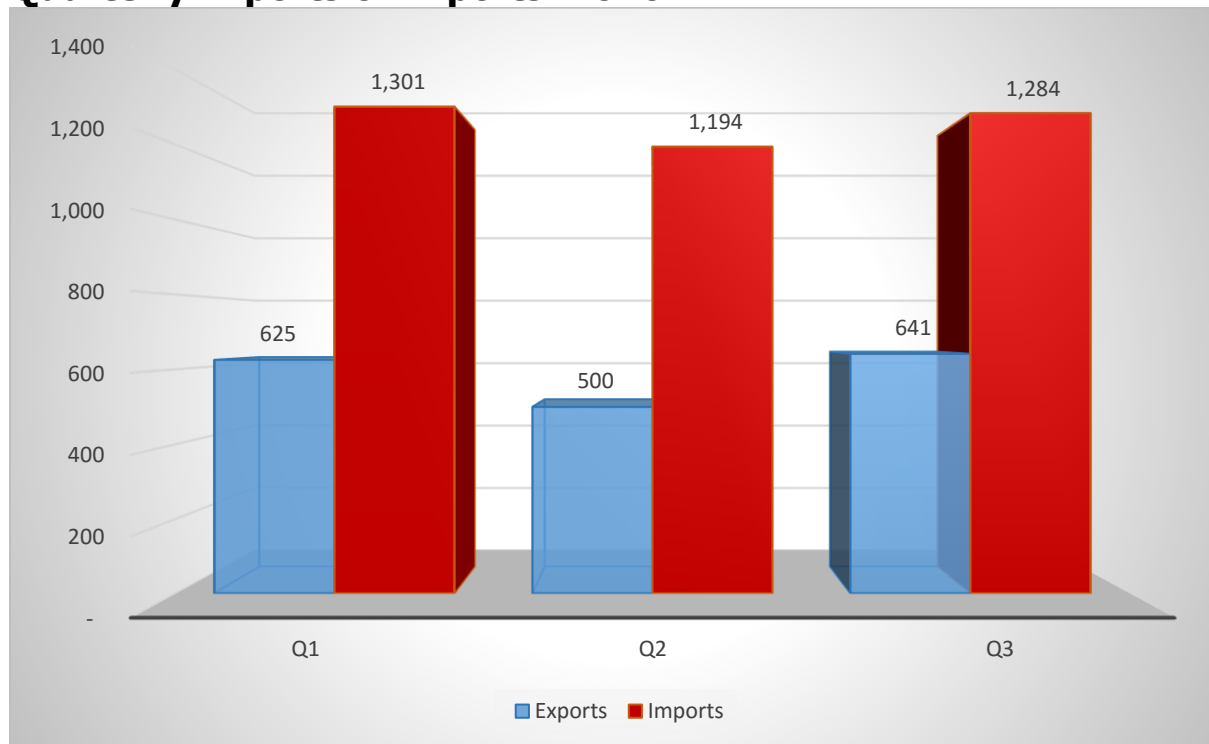
**Financing**

- 67. With revenues falling short of expenditures, a quarterly deficit of US\$268.3 million was incurred. This brought the cumulative deficit to September 2016 to US\$891.5 million.
- 68. The deficit was financed through domestic borrowing and Treasury bill issuance.

**EXTERNAL SECTOR**

- 69. The external sector remain weak despite a slight improvement from the second quarter performance.

## Quarterly Exports & Imports: 2016



Source: Zimstat, 2016

### Exports

70. Exports increased by 28 percent to reach US\$641 million in the third quarter, compared to US\$500 million recorded in the second quarter.
71. The increase in exports was driven by strong performance in gold and tobacco production which contributed the bulk of the export basket.
72. Cumulative exports to September stood at \$1.766 billion against US\$1.840 billion recorded in the corresponding period in 2015.

73. The decrease in exports is attributed to general economic slowdown and subdued international commodity prices, among other factors.

### **Imports**

74. During the quarter, imports increased by 7 percent to reach US\$1.284 billion, from US\$1.194 billion recorded in the second quarter.
75. Fuel, electricity and grains contributed the bulk of the imports. The El Nino induced drought has contributed to the huge grain imports, as the country seeks to cover the supply gap.

### **Trade Balance**

76. In the quarter, trade deficit slightly improved to US\$642 million from US\$695 million recorded in the second quarter in 2016.
77. Cumulative trade deficit for the nine months stood at US\$2.013 billion compared to US\$2.715 billion recorded in the corresponding period in 2015.
78. The improvement can be attributed to the Statutory Instrument 64 of 2016, which removed about 42 products from the open general import licence.

## Trade Balance: January to September 2016

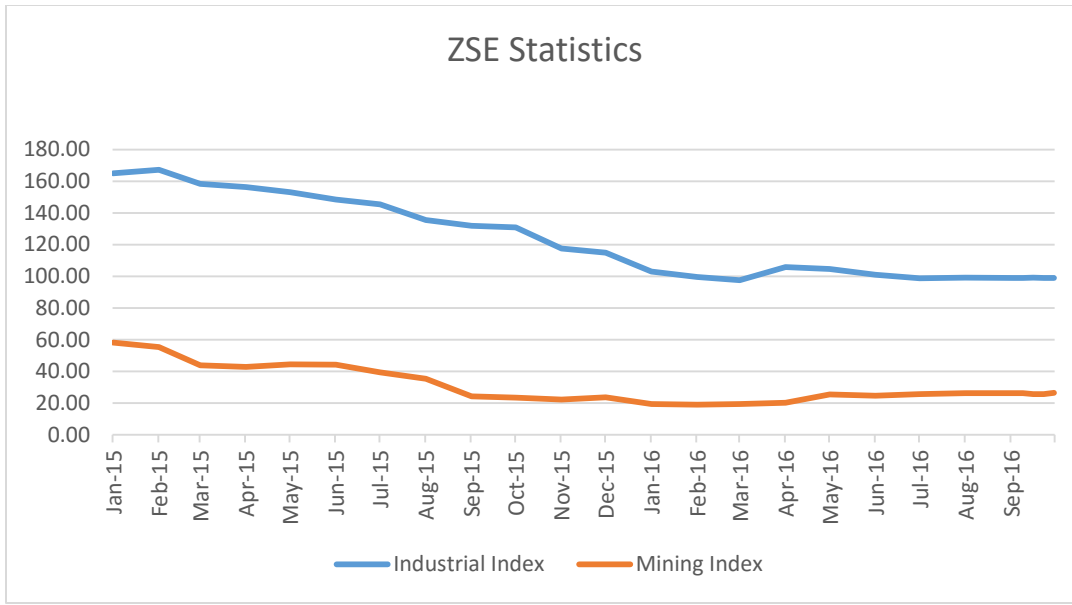
Month	Exports	Imports	Trade Balance
January	249,137,652	395,366,123	(146,228,471)
February	209,548,587	427,727,802	(218,179,216)
March	166,625,010	478,070,748	(311,445,737)
April	157,890,864	356,479,877	(198,589,013)
May	165,270,039	408,491,569	(243,221,530)
June	176,412,457	429,397,972	(252,985,516)
July	184,295,651	394,854,159	(210,558,508)
August	203,092,358	445,025,301	(241,932,944)
September	253,951,534	443,825,420	(189,873,887)
<b>Total</b>	<b>1,766,224,150</b>	<b>3,779,238,972</b>	<b>(2,013,014,822)</b>

## FINANCIAL SECTOR

### Equities Market

79. Bearish sentiments continued unabated during the third quarter. Listed counters consistently posted poor results. Market uncertainty has contributed immensely to the subdued trading.
80. The industrial index opened the third quarter at 101.04 points and marginally declined by 2.08 points (2.1%) to close the quarter at 98.8 points on 30 September 2016.





Source: ZSE

## CONCLUSION

81. The Ministry of Finance and Economic Development will continue to monitor the economic and fiscal developments and provide updates.
82. The next series of the Quarterly Treasury Bulletin will be available in January 2017. However, Monthly State of the Economy Bulletins will continue to be posted on the Ministry website.