



TREASURY QUARTERLY BULLETIN:

January-March 2017

Ministry of Finance & Economic Development

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INTRODUCTION

1. The first 2017 Treasury Quarterly Bulletin constitutes the first review report on implementation of the 2017 National Budget and the ZIMASSET.
2. Developments, since presentation of the 2017 Budget on 8 December 2016, show signs of economic activity improvements, with overall growth now projected at 3.7% in 2017, up from the original projection of 1.7%.

Growth Rates (%)

	2014	2015	2016	2017
	Actual	Actual	Estimate	Prj
Agriculture, hunting and fishing	23.0	-5.3	-3.6	21.6
Mining and quarrying	-3.4	0.5	8.2	5.1
Manufacturing	-5.1	0.2	0.3	0.1
Electricity and water	5.4	-5.5	-19.0	2.5
Construction	6.9	4.0	3.5	2.0
Finance and insurance	-16.5	4.6	2.0	2.5
Real estate	4.8	3.5	2.0	2.0
Distribution, hotels and restaurants	2.5	3.7	2.7	0.8
Transport and communication	1.1	1.9	1.5	1.9
Public administration	9.1	1.2	-3.0	-0.6
Education	5.2	4.2	2.5	1.1
Health	11.1	-0.8	0.3	0.1
Domestic services	2.2	2.0	2.0	2.0
Other services	-3.3	3.0	3.0	3.0
GDP at market prices	2.8	1.4	0.7	3.7

Source: MoFED, RBZ and ZIMSTAT

3. The review in growth is on account of better performance in agriculture, as a result of a good rainfall season and timeous financial support to the sector, through combined efforts from Government, private players and development partners.

4. In addition, partial recovery in international mineral prices as well as viability gains from Government supportive interventions, through royalty reviews, are providing growth impetus to the mining sector.
5. The positive developments in agriculture and mining are extending stimulus to the rest of other sectors of the economy, providing overall positive growth prospects for 2017.

REAL SECTOR DEVELOPMENTS

Agriculture

6. Indications from the First Round Crops Assessment Survey are that a bumper harvest will be realised in the current 2016/17 agriculture season, benefitting from resource mobilisation efforts by Government, private players and development partners.
7. The support targeted farmer programmes, which include the Presidential Input Support Scheme, Cotton Input Scheme and Special Maize Programme for Import Substitution (Command Agriculture), among other programmes.
8. These schemes were complemented by contract farming arrangements as well as own-farmer financing initiatives. Pursuant to this, the area

planted for most crops increased significantly compared to the previous years as follows:

Area Planted for selected crops

CROP	2016/17	2015/16	Change (%)
Maize	1 770 389	1 161 997	52
Sorghum	305 779	198 586	54
Pearl Millet	206 632	155 684	33
Finger Millet	50 860	26 649	91
Tobacco	110 216	102 537	7
Soyabean	21 651	39 935	-46
Cotton	207 786	101 660	104
Groundnut	240 837	190 235	27
Sunflower	12 404	13 105	-5

Source: MoAMID

9. Consequently, increased yields are anticipated under the 2016/17 agricultural season, notwithstanding some flooding and outbreak of armyworm as well as various diseases which affected crops and livestock in some parts of the country. *(See Output Table below).*

Agriculture Production (000 tons)

	Agriculture Output (000 tons)				
	Weight	2015	2016	2016	2017
		Actual	Initial	Revised	Proj
Tobacco (flue cured)	25.5	198.9	170.0	202.3	215
Maize	14.0	742.2	450.0	511.0	2,100
Beef	10.2	84.0	95.0	86.0	90
Cotton	12.5	105.0	90.0	30.0	100
Sugar cane	6.8	4,399.0	4,400.0	4,400.0	4,180
Horticulture	6.5	69.4	65.0	65.0	67
Poultry	4.8	151.0	154.0	154.0	165.0
Groundnuts	3.2	88.9	41.9	47.2	75.0
Wheat	3.6	62.3	55.0	60.0	280.0
Dairy (m lt)	2.9	71.9	72.0	75.0	82.0
Coffee	2.1	0.7	0.6	0.5	0.5

Soybeans	1.9	57.9	35.0	47.7	90
Tea	1.9	14.0	14.0	17.7	19
Paprika	1.1	5.5	5.5	7.0	8
Pork	0.8	8.9	10.8	10.8	12.2
Wildlife	0.6	51.0	30.0	30.0	32
Sorghum	0.6	39.7	13.7	36.3	50.0
Barley	0.4	18.0	18.0	13.0	25
Sheep & goats	0.3	10.3	10.6	10.6	10.6
Sunflower seeds	0.2	21.0	25.0	25.0	25.0
Ostriches	0.1	19.0	19.0	19.0	19
	100				
Growth Rate		-4.7	-10.3	-3.7	21.6

Maize

10. In total, about 1 770 389 ha were put under maize during the 2016/17 farming season, with anticipated maize yields of over 2 million tons.
11. This, together with small grains should give over 2.7 million tons of grain this year, well above the national requirements of 1.8 million tons.

Winter Wheat

12. Following the success of the Special Maize Programme (Command Agriculture) during the 2016/17 agriculture season, Government has embarked on a Special Winter Wheat Production programme similar to that of maize in an endeavor to reduce wheat imports.
13. The programme is targeting 70 000 hectares at average yields of 5 tons per hectare and already 881 farmers with hectrage of more than 56 000 ha have been registered.

Wheat Hectrage under Command Programme

Province	Registered Area (Ha) of interested farmers	Contracted Area (Ha)	Contracted number of Farmers
Manicaland	4 715.45	1 327.1	59
Mashonaland Central	14 288	6 900	250
Mashonaland East	6 906.5	5 891.9	256
Mashonaland West	23 905.5	12 368	156
Masvingo	1 207	1 207.9	45
Matabeleland North	908.7	487	33
Matabeleland South	2 024.3	1 896.7	11
Midlands	2 603	1 738.4	71
Total	56 559.35	31 817	881

Source: Ministry of Agriculture

14. In addition, private financiers have contracted over 14 000 ha for this season's winter wheat crop.
15. Wheat output is, therefore, set to surpass 280 000 tons this season, which will go a long way in reducing imports, thus saving the country's foreign currency.
16. This level of wheat production will be a huge leap from the current average planted area of 14 000 ha for past three years producing wheat output of around 60 000 tons, annually.

Tobacco

17. Area put under tobacco increased by 7% from 102 000 ha in 2016 to 110 000 ha in 2017. Tobacco production in 2017, at 215 million kgs, surpasses the previous year's output of 203 million kgs.
18. Auction floors for tobacco opened on 15 March 2017 with three auctioneers having been awarded licenses by the Tobacco Industry and Marketing Board (TIMB), namely, Boka Tobacco Auction Floors, Tobacco Sales Floor and Premier Tobacco Auction Floors.
19. The marketing season opened with a price of \$4.60 per kg, which was 2% higher than the opening price for the previous season of US\$4.50.
20. As at 30 March 2017, cumulative deliveries at auction floors stood at 17.9 million kgs valued at US\$46.7 million compared to 12.9 million kgs valued at US\$32 million for the same period last year.

Tobacco Sales at Auction Floors: 15-30 March 2017

SEASONAL	TOTAL AUCTION	CONTRACT	TOTAL 2017	TOTAL 2016	% CHANGE
Mass sold(kg)	3,839,544	14,089,930	17,929,474	12,905,418	38.93
Value(US\$)	9,601,399	37,157,170	46,758,570	32,049,685	46
Avg.price US\$/kg	2.50	2.64	2.61	2.48	5.01

Source: TIMB

21. The tobacco selling price has been relatively higher this season, attributed to improved quality of crop as farmers improve on their farming methods.

It is, therefore, anticipated that about US\$980 million will be realised by the end of the marketing season.

Cotton

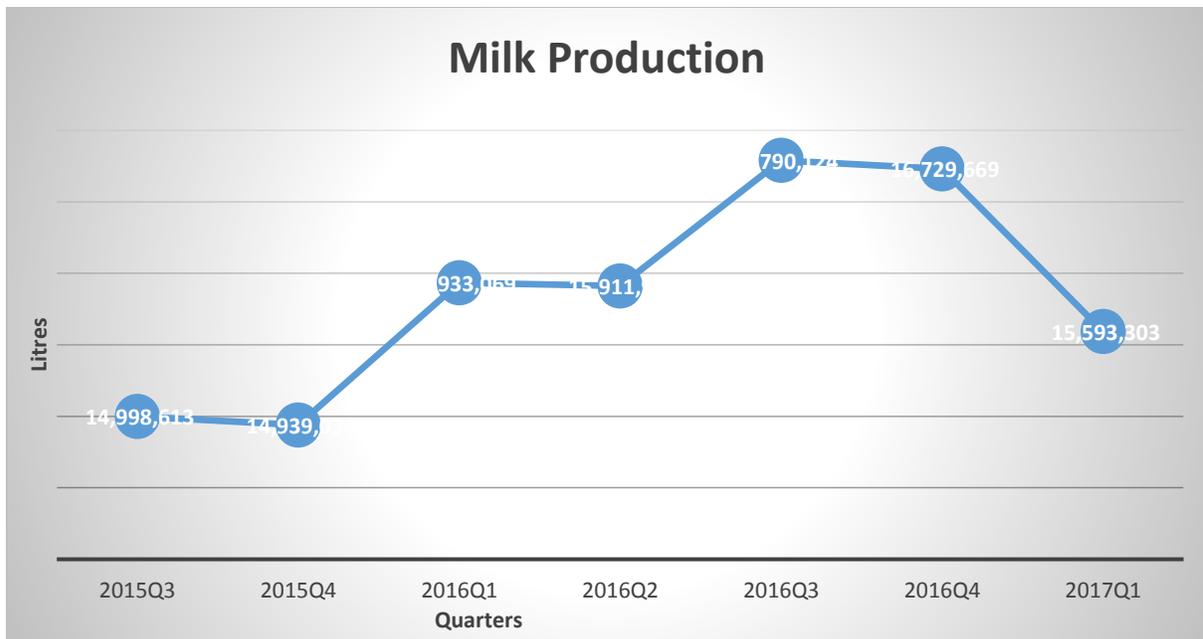
22. Government scaled up input support for cotton farmers targeting 400 000 households at a cost of about US\$36 million which is double last year's input package.
23. In addition, the private sector provided cotton inputs worth about US\$4 million. The target is to attain total cotton output of above 100 000 tons during the 2016/17 season.
24. Revival of cotton production in the country is important as it sustains livelihoods of a significant number of small scale commercial and communal farmers in the drier regions of the country.
25. Furthermore, besides its significant contribution to export earnings and economic growth, cotton supports the ongoing resuscitation of the clothing manufacturing industry, especially in view of the ongoing implementation of the Cotton to Clothing Strategy.

Other Crops

26. With regards to the rest of the crops, significant rains received throughout the country, coupled with timely funding and increased appetite by the private sector to engage in contract farming, all point to a positive 2016/17 season.
27. This covers various crops such as sorghum, sugarcane, soya beans, ground, wheat and barley, among others.

Milk Production

28. Milk production has generally been on the upward trend following the implementation of the Dairy Revitalisation Programme.
29. During first quarter of 2017, milk production stood at 15.6 million litres, a slight decline from 15.9 million litres recorded for the same period last year.



Source: Ministry of Agriculture

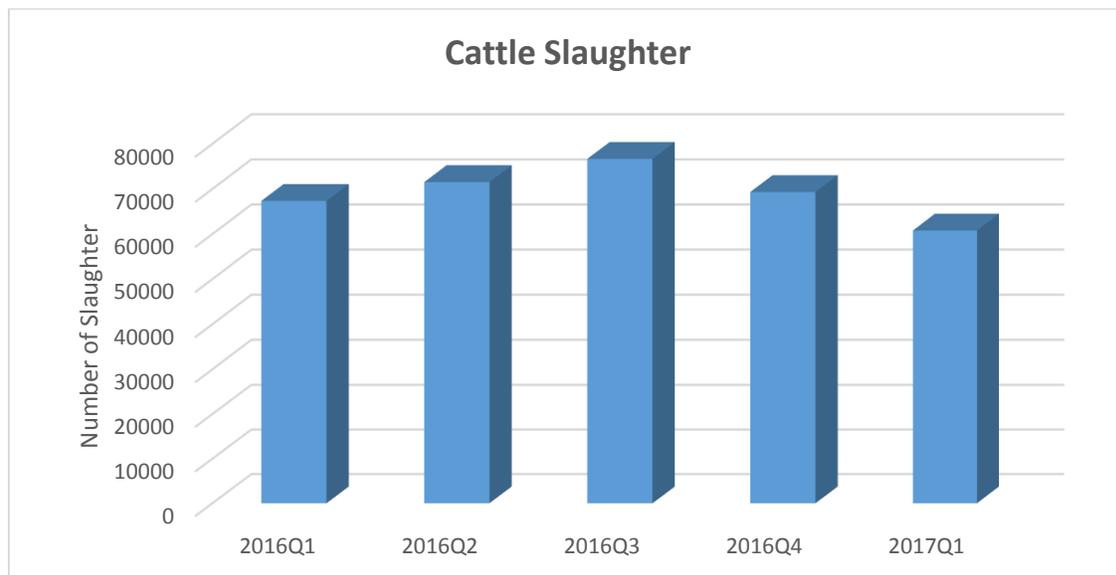
30. The decline in milk production during the first quarter was attributed to excessive rains experienced during the current rainy season, which resulted in the outbreak of livestock diseases, and thus impacting on the number of the milking herd.

31. However, production is expected to pick up as the year progresses, evidenced by the already increased milk production for March at 5.7 million litres up from 5.4 million recorded in the same period last year.

32. Overall milk production by commercial farmers is expected to be within the target of 70 million litres.

Beef Production

33. Beef slaughters are poised for recovery after some decline during the first quarter of the year 2017 at 60 768 cattle slaughters, against 67 331 slaughtered during the corresponding period in 2016.



Source: Ministry of Agriculture

34. The slump in cattle slaughters is partly due to the restocking exercise by farmers following forced slaughters experienced in the previous year of drought.
35. Decline in beef production is also attributed to low aggregate demand prevailing in the economy, causing meat processors to reduce slaughters.

Mining

36. The mining sector is anticipated to bring in about US\$3 billion in export earnings during 2017, given the rebound in most international mineral

prices, including those of chrome. Projected growth of about 5.1%, is being driven largely by key minerals of gold, platinum group of metals (PGMs), chrome and nickel.

37. Notwithstanding lower output for some minerals such as coal, gold and diamonds, the first quarter saw a huge lip in chrome production. Temporary setbacks for gold were on account of flooding due to incessant rains, with output recoveries anticipated during the second quarter.

Selected Mineral Output in Quarter 1, 2017

	2017 Budget Proj.	Jan-Mar 2017 Actual Outturn	Jan-Mar 2016 Actual Outturn
Chrome t (000)	375	317	-
Coal t (000)	3,000	385	754
Gold tkg	24,500	4637	4,711
Diamonds (Carats)	1,900	567,024	603,950
Mining Growth	5.1%		

Source: MOFED, RBZ, Ministry of Mines, Chamber of Mines, 2017.

Gold

38. During the period January to March 2017, cumulative gold output stood at 4 637 kg, marginally lower than the 4 711 produced during the same period last year.
39. Production was adversely affected by excessive rainfall received during the month of February which reduced throughput due to flooding.
40. However, the share of SMEs continues to rise, with the 2017 first quarter output at 2 083 kgs against 2 033 kgs of the same period in 2016.

Gold Production for the first Quarter: 2016/17

	2016 Q1	2017 Q1
Primary producers/kg	2678	2554
Small Scale producers/kg	2033	2083
TOTAL/KG	4711	4637

Source: Chamber of Mines

41. Production is anticipated to pick up from the second quarter, to give annual output consistent with the total projection for the year of 24 500 kg.
42. The anticipated increase is in view of the ongoing support to SMEs with an additional US\$20 million SME Facility having been availed for equipment, coupled with the 5% export incentive scheme. Furthermore, the expected resumption of riverbed mining in the second quarter of the year is also expected to drive up production.

Platinum

43. Cumulative platinum output for the first 2 months of the year stood at 2 418 kg, against the total annual target of 15 500 tons.
44. Production growth is anticipated from primary producers, bolstered by firming international prices, expected to surpass the US\$1 000/ounce mark in 2017. In addition, the export incentives are also expected to stimulate production.

45. Growth is also expected to increase in related minerals such as palladium, rhodium and ruthenium, among others.

Diamonds

46. During the first quarter of 2017, total diamond output stood at 567 024 carats, 6% lower than 603 590 carats produced in the comparable period of 2016.
47. The decline in diamond production is attributable to the transitional challenges involving the consolidation of former diamond companies into one State company, the Zimbabwe Consolidated Diamond Company (ZCDC), since February 2016.
48. In 2017, diamond production is projected at 1.9 million carats underpinned by envisaged successful capitalisation and full production at ZCDC.
49. Government is already working on addressing challenges related to legal wrangles and capitalisation of ZCDC.
50. Furthermore, secured equipment, to the tune of US\$30 million, is expected to support higher throughput. Increased production will also be aided by the expected resumption of mining at Mbada mid-April 2017 and DTZ-OTZEGO in July 2017.

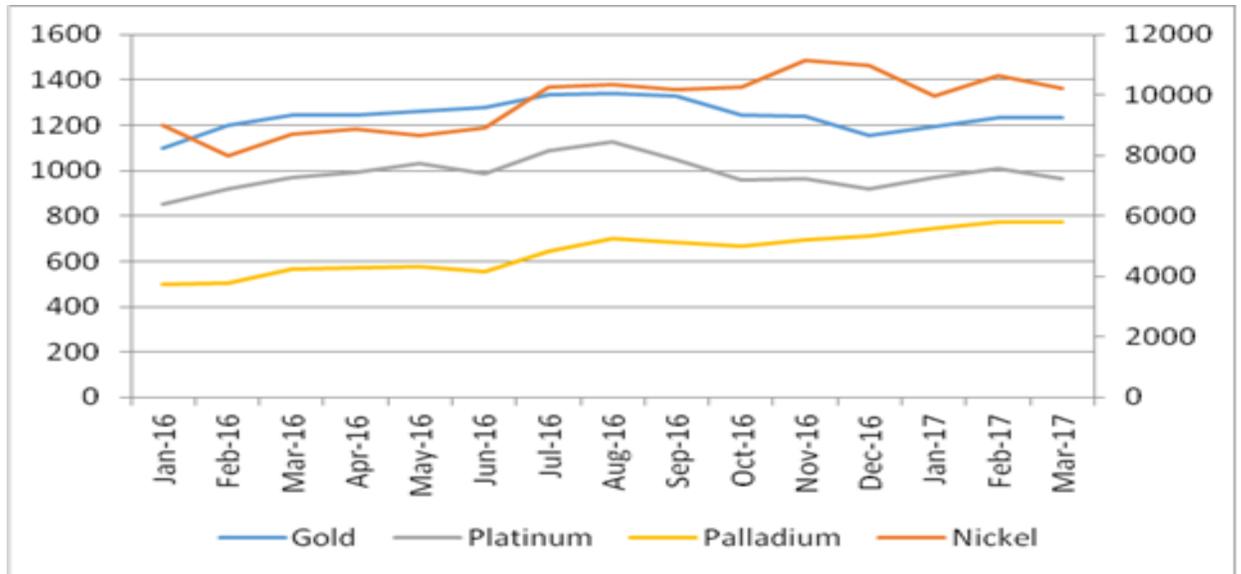
Chrome Ore

51. Chrome ore output stood at 316 625 tons during the first quarter of 2017, slightly lower than the annual projection of 375 000 tons.
52. Of this, about 113 571 tons was exported as raw ore whilst 203 054 tons was value added and exported as high carbon ferro-chrome.
53. Chrome ore production continues to be largely driven by the huge demand in China which has pushed up chromium prices.

International Mineral Prices

54. International mineral prices for major minerals such platinum, gold, nickel and palladium are projected to firm up for the first quarter as shown below:

International Mineral Prices (US\$/ounce)



Source:Kitco

Manufacturing

55. Growth for the manufacturing sector is projected at a modest 0.1% in 2017, on account of ongoing Government initiatives to improve the business environment as well as the growing use of plastic money and e-transactions, that is easing the liquidity challenge for the benefit of the industrial activities.
56. In addition, the benefits from the implementation of Statutory Instrument 64 and value chain strategies, are expected to support activity in the sector.
57. Already, the implementation of SI 64 and other SIs have witnessed improved capacity utilisation in some sub-sectors, as indicated in the Table below.

Industry/Product	Before S.I. 64 of 2016	After S.I. 64 of 2016	Percentage Points Change
Fertiliser	25%	40%	15%
Plastic Packaging	37%	60%	23%
Label supplies	5%	15%	10%
Tinned Fruits and Vegetables	38%	80%	42%
Tyres	30%	35%	5%
Synthetic Hair Fibres	22%	55%	33%
Personal Care Products	30%	50%	20%
Bedding	70%	85%	15%
Shoe Polish	2 400 litres per day	6 000 litres per day	3 600 litres per day
Products on other SIs			
Industry/Product	Before SI 126 of 2014	After SI 126 of 2014	Percentage Points Increase
Cooking Oil	10%	40%	30%
Yeast	Between 0-5%	90%	85%
Biscuits	35%	75%	40%
Detergent	30%	60%	30%

Source: Ministry of Industry and Commerce

58. Furthermore, some companies in the above subsectors have embarked on re-tooling exercises in order to improve product quality and business viability.
59. Although, manufacturing sector capacity utilisation improved significantly since promulgation of SI 64 and other Government policy

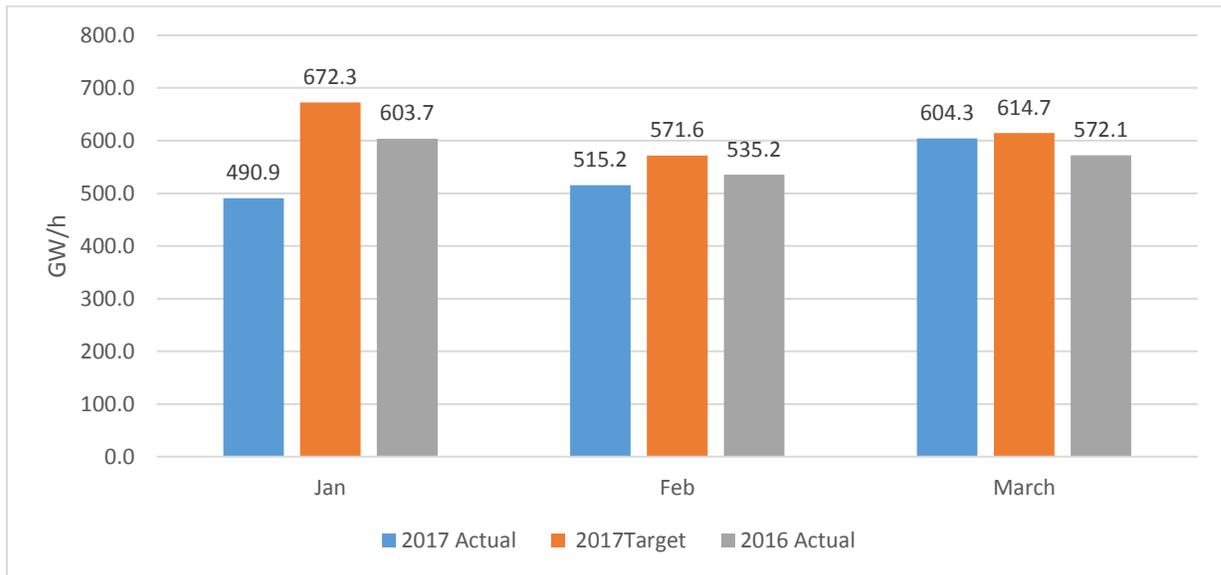
interventions, growth in the sector continues to be constrained by, the following, amongst other factors:

Challenge	Impact
Foreign Currency Shortages	Negatively affecting the importation of critical raw material supplies and capital equipment.
Utility and infrastructural supply gaps	Increasing the cost of doing business, thereby making local products uncompetitive.
Porous border posts	Influx of cheap imports, thereby reducing the demand for locally produced goods.
High costs of borrowing	Lack of access to affordable finance for working capital and re-tooling exercises.

Electricity

60. Monthly electricity generation continued to improve during the first quarter of 2017, from 490.9 GW/h in January to 604.3 GW/h in March, following improved water levels in Kariba Hydro Power Station.
61. The graph below reflects the performance of electricity generation during the quarter under review.

Electricity Generation



Source: ZPC

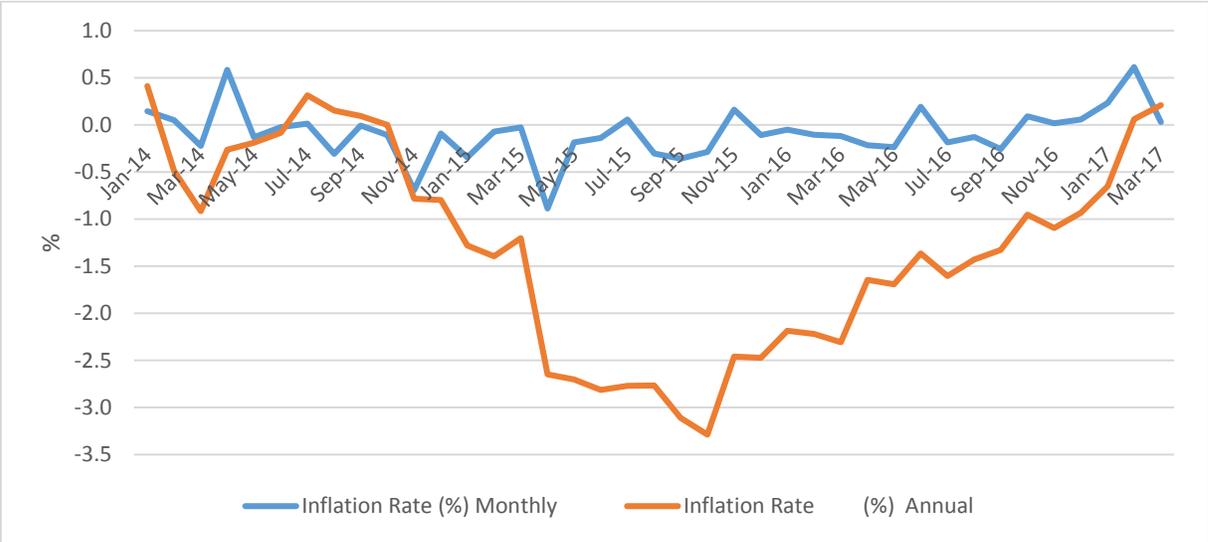
62. The increased monthly electricity generation by March 2017, shows marked improvement against the corresponding period last year, which was affected by drought.

PRICES

63. The first quarter of 2017 saw the building up of inflationary pressures driven by global developments, such as the continued firming of the South African rand against the United States dollar, increase in oil prices as well as inflation expectations.
64. Year on year inflation rose from -0.7% in January to 0.1% in February and further gained marginally to record 0.2% in March.

- 65. Month on month inflation also went up from 0.2% in January to record 0.6% in February before slowing down to 0% in March.
- 66. The increase in annual headline inflation was mainly driven by food inflation. Annual food inflation surged from -0.3% in January 2017 to 1.28% in February 2017, before slowing down to 1.21% in March 2017.
- 67. The graph below depicts the profile of inflation during the quarter.

Inflation Trends



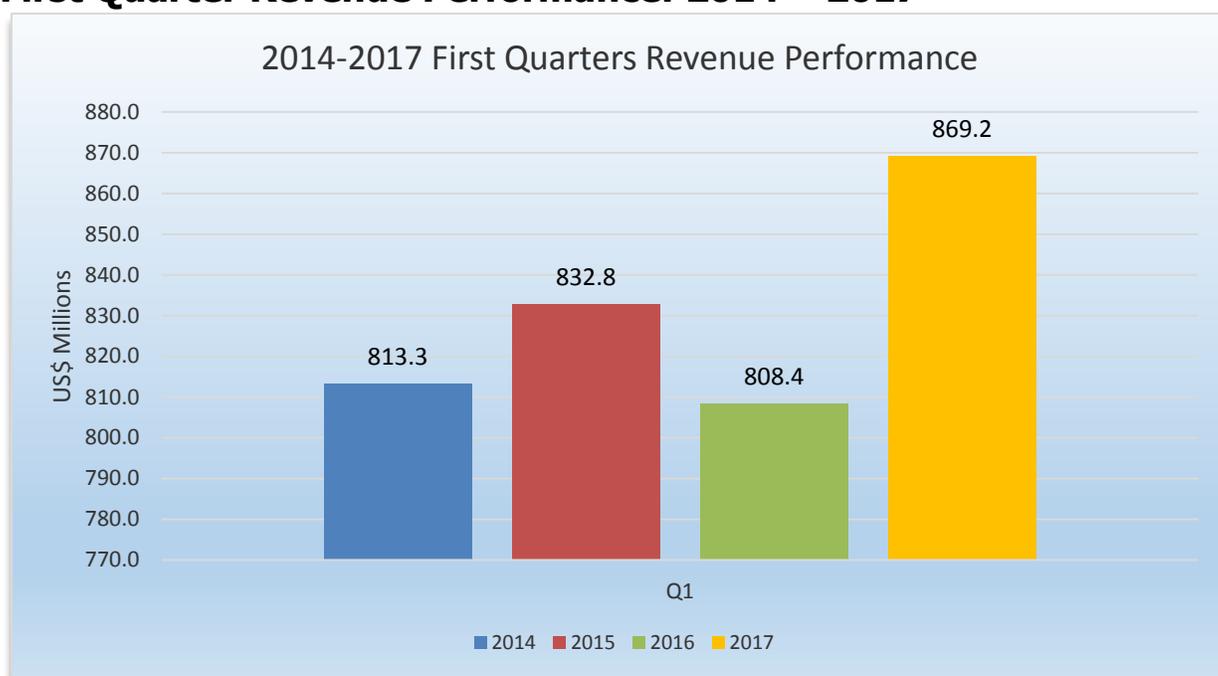
Source: ZIMSTAT

FISCAL PERFORMANCE

Revenue

68. Revenues were US\$278 million in January and US\$264.1 million in February before increasing to \$327.1 million in March 2017, giving total first quarter collections of US\$869.2 million, compared to US\$808.4 million collected during the same period in 2016.

First Quarter Revenue Performance: 2014 – 2017

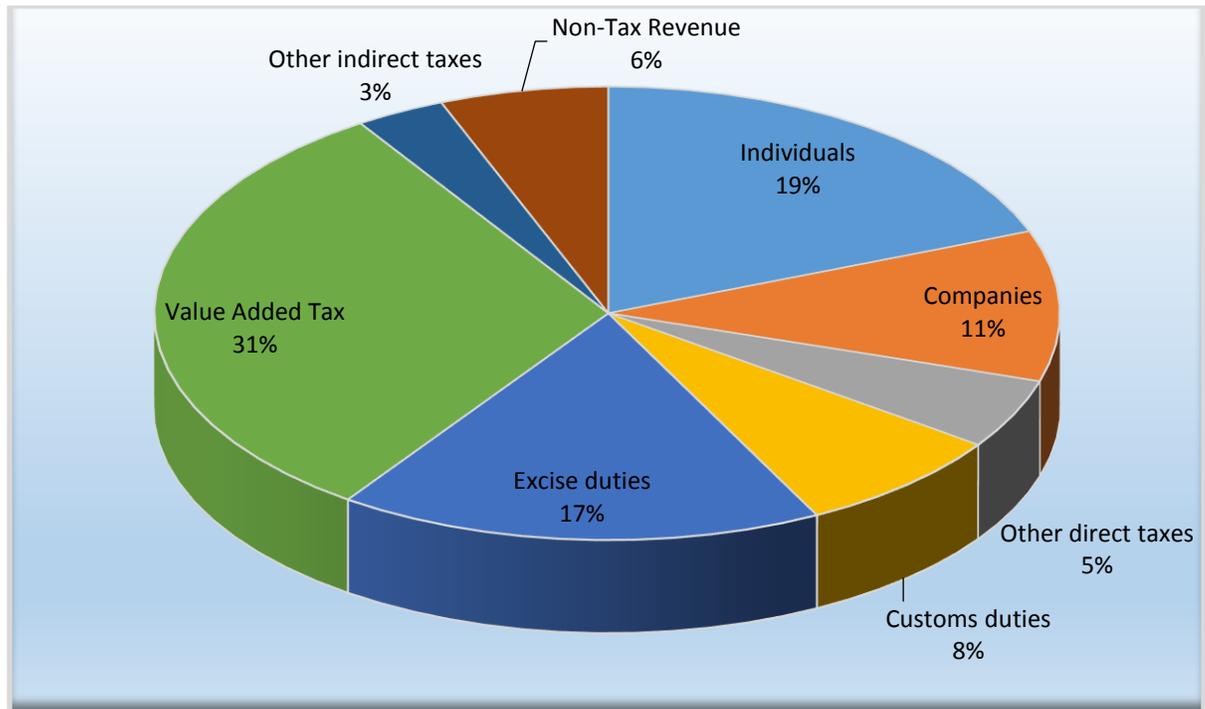


Source: Ministry of Finance and Economic Development

69. The increase is attributable to improved tax administration in the form of compliance checks and tax audits carried by ZIMRA.

70. Value Added Tax (VAT) was the highest contributor at 31% to total revenue during the period under review, followed by Individuals Tax at 19% and Excise Duty at 17%, as shown in the chart below.

Revenue Heads Performance

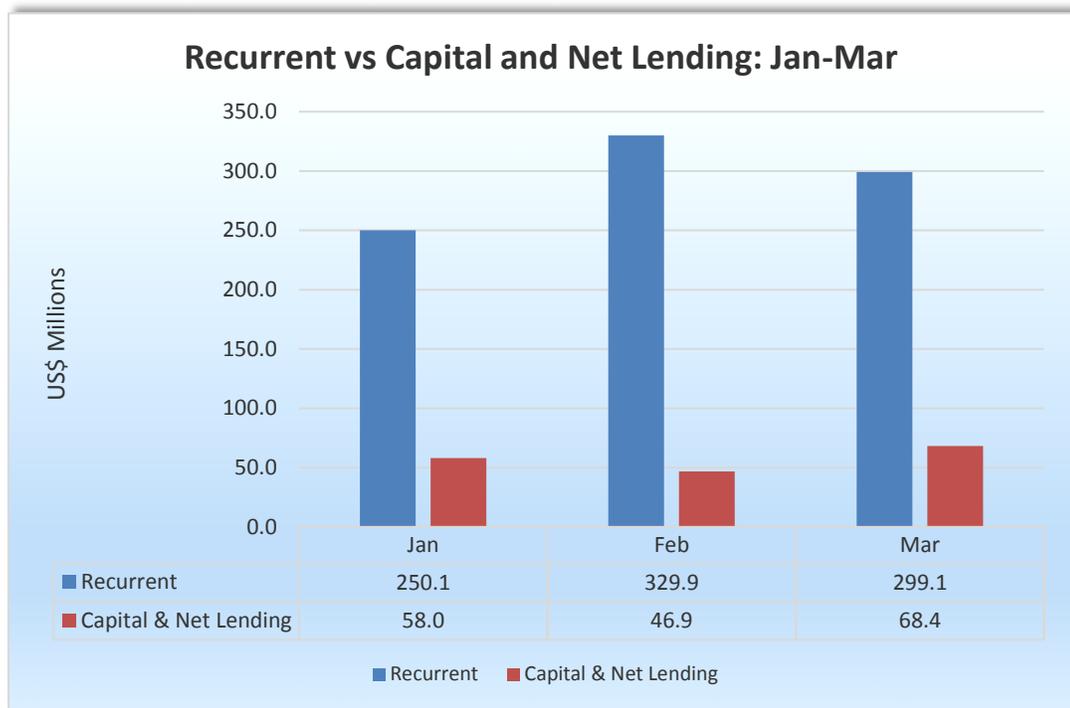


Source: Ministry of Finance and Economic Development

Expenditures

71. Total expenditures for the period January to March 2017 amounted to US\$1.1 billion, of which, recurrent expenditures were US\$879.1 million, while capital expenditures and net lending amounted to US\$173.3 million.

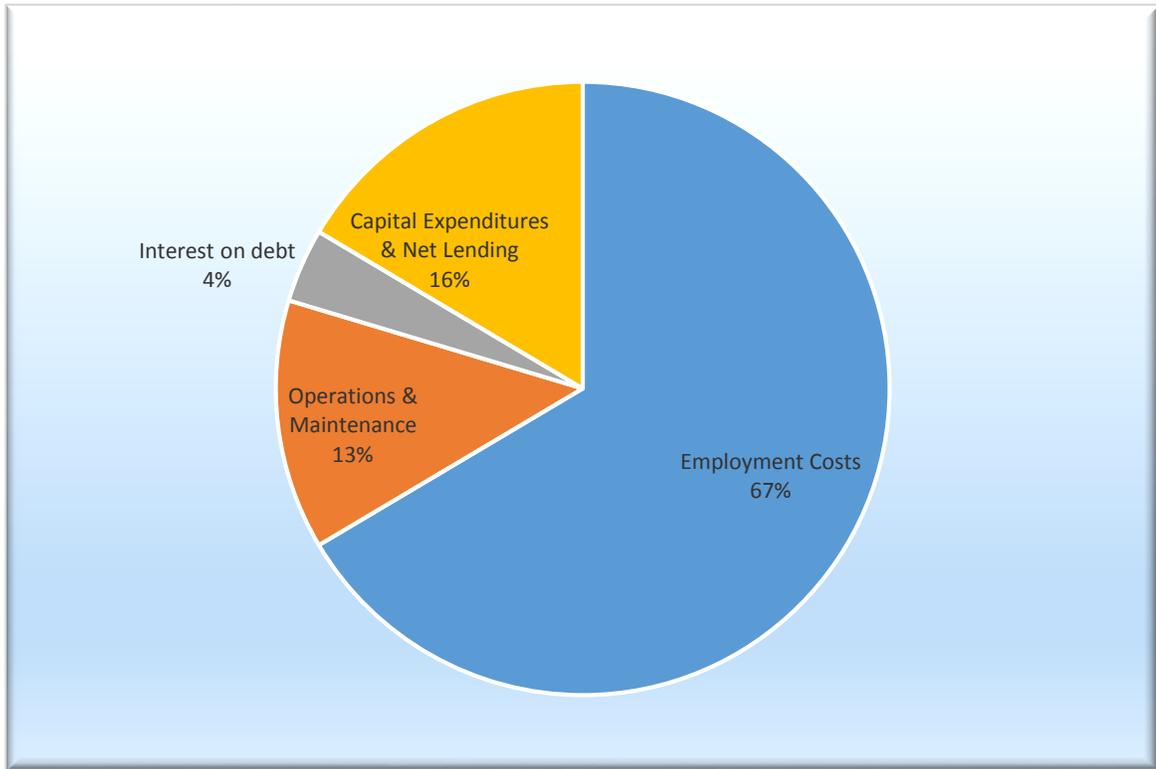
2017 First Quarter Monthly Expenditures: Recurrent vs Capital



Source: Ministry of Finance and Economic Development

72. Employment costs constituted 67% of total expenditure, while interest obligations amounting to US\$41 million were paid in the first three months.

2017 First Quarter Expenditure Performance



Source: Ministry of Finance and Economic Development

73. Disbursements of US\$142 million were made towards capital and other development projects, as indicated in the table below.

SECTOR	PROJECT NAME	DISBURSEMENT TO DATE
TRANSPORT	Roads	
	Grading & Spot Regravelling	15,300,000
	Rural Feeder Roads	500,000
	JM Nkomo International Airport - Control Tower	46,183
	Sub-Total	15,846,183
WATER AND SANITATION	Dam Construction	
	Tokwe-Mukorsi	4,900,000
	Causeway Dam	3,000,000
	Gwayi-Tshangani Dam	5,000,000
	Marovanyati Dam	2,000,000
	Dam Safety	1,500,000

	Rural WASH	
	Drilling of boreholes in rural areas	500,000
	Sub-Total	16,900,000
E-GOVERNMENT	E- Flagship projects (Renewal of Licences)	2,203,220
	National Information Data Centre (Equipment and Installation)	132,000
	Sub-Total	2,335,220
HEALTH	Revitalisation of Central hospitals	400,000
	Revitalisation of Provincial & District hospitals	42,939
	Mission Hospitals	7,120
	Sub-Total	450,059
EDUCATION	Staff houses at LSU	800,000
	Sub-Total	800,000
INSTITUTIONAL HOUSING	Public Service Training School	404,000
	ZNA construction and Rehabilitation of Institutional Buildings	500,000
	AFZ construction and Rehabilitation of Institutional buildings..	2,000
	Agricultural Colleges, Research Centers & Other Structures	11,000
	Government Buildings Rehabilitaion	61,078
	Guruve District Registry Office Building	350,000
	CID Headquarters and Forensic building	1,000,000
	Prisons	10,000
	Sub-Total	2,338,078
AGRICULTURE	Irrigation Development	
	Bonde	350,000
	Purchase of Land User Rights	192,681
	Sub-Total	542,681
Other Capital Items	Strategic Grain Reserve	23,620,190
	Agriculture Input Schemes	40,631,720
	Furniture and equipment for Govt Ministries	1,604,504
	Vehicles for Governments Departments	2,363,062
	CMED - Condition of service vehicles	5,420,000
	Contingent Liabilities	7,477,900
	Shareholding in International Organisations	13,646,386
	Other Capital Transfers	7,920,949
	Other Capital Items	340,823
	Sub-Total	103,025,534
	Grant Total	142,237,755

FINANCIAL SECTOR

Money Supply

74. Annual broad money, as measured by total deposits, increased by 20%, from \$4.90 billion in March 2016 to \$5.88 billion March 2017.
75. The increase is largely attributable to increase in demand and savings deposits of 27.9%. However, a 3.9% decrease in time deposits partially offset the increase.

Domestic Credit

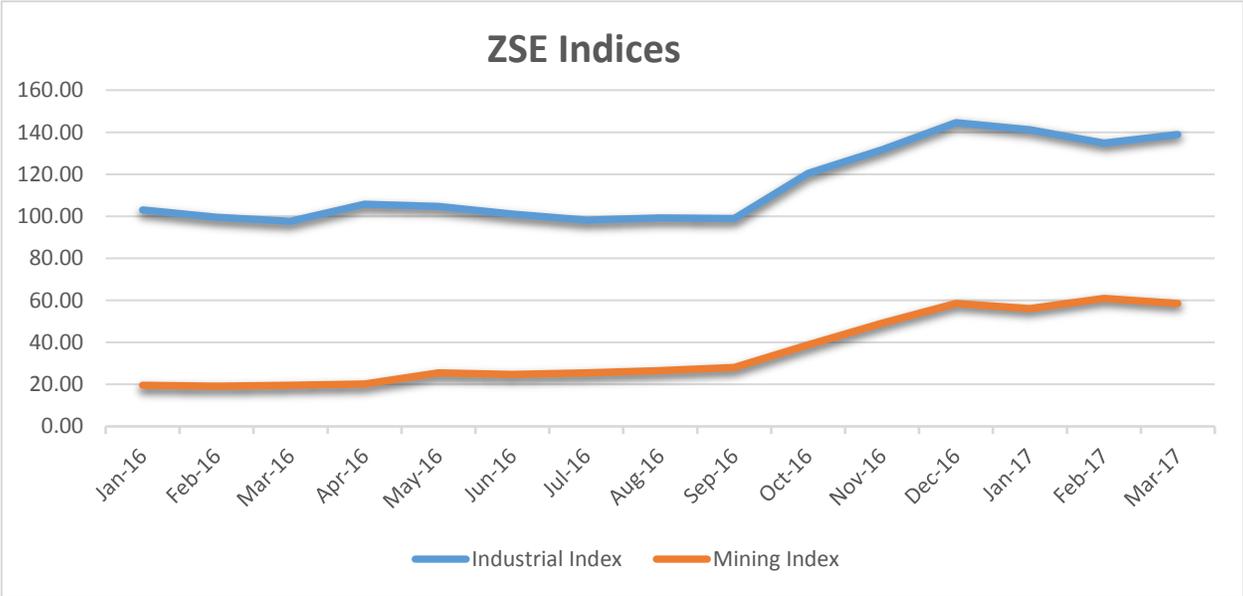
76. Domestic credit increased by 17.5% to U\$7.92 billion in March 2017 from US\$5.88 billion in March 2016. However, Government continued to dominate in the market.
77. Consequently, net claims to the central Government increased by 40.2% to US\$4.034 billion in March 2017. Credit to the private sector decreased by 0.3% from US\$3.50 billion in March to US\$3.49 billion March 2017.

Stock Exchange

78. Volatility continued to dominate trading on the Zimbabwe Stock Exchange during the first quarter of 2017.

- 79. The industrial index opened the quarter at 144.53 points and declined to 134.83 points in February 2017 before recovering to 138.96 points in March 2017.
- 80. On the other hand, the mining index reflected mixed trading, opening in January 2017 at 58.51 points and marginally recovered to 60.89 points in February 2017 before declining to 58.50 points.
- 81. Consequently, total market capitalization decreased by 0.8% to \$3.9 billion in March 2017. The Chart below illustrates the stock market trend.

Zimbabwe Stock Market Indices



Source: Zimbabwe Stock Exchange

EXTERNAL SECTOR

Exports

82. Exports increased by 16%, to reach US\$723.8 million in the first quarter of 2017, compared to US\$625.2 million realised in the corresponding period in 2016.

Exports (US\$): Q1, 2017

	2017	2016
January	258,668,329	249,177,812
February	240,276,744	209,551,852
March	224,868,984	166,496,632
Total	723,814,057	625,226,296

Source: ZimStat

83. The major exports include tobacco at US\$203 million, gold (US\$182) million, ferro-chrome (US\$84 million) and nickel (US\$85 million).
84. South Africa remained the biggest trading partner, with exports worth US\$561 million being recorded. Mozambique was the second, recording US\$87 million worth of exports.

Imports

85. Imports in the first quarter stood at US\$1.34 billion compared to US\$1.30 billion recorded in the corresponding period in 2016, representing a 3% increase.

Imports (US\$): Q1, 2017

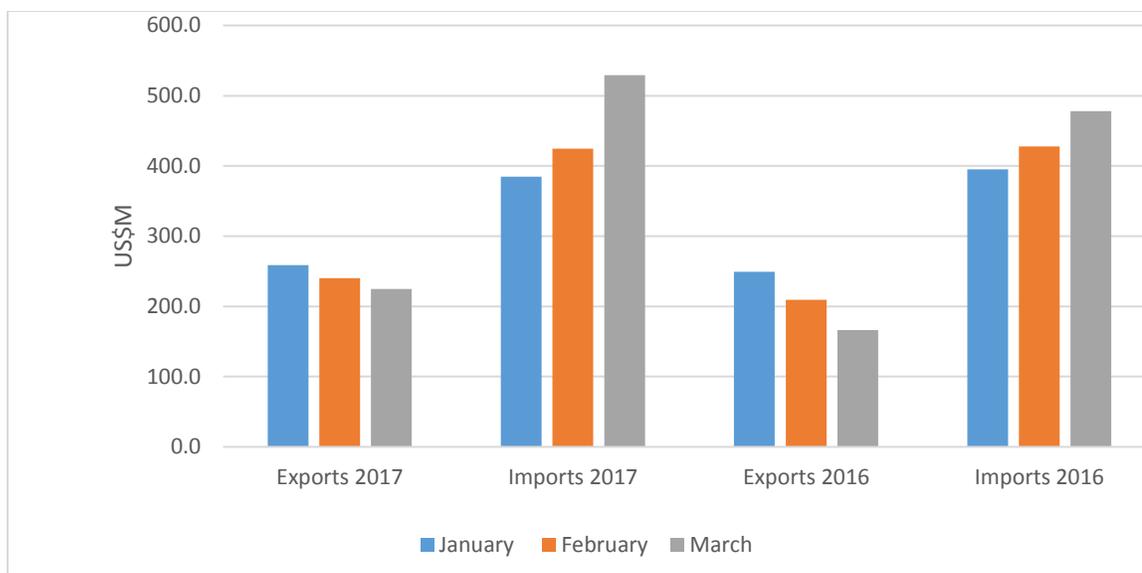
	2017	2016
January	384,782,594	395,345,549
February	424,357,860	427,727,802
March	529,086,794	478,057,015
Total	1,338,227,247	1,301,130,366

Source: ZimStats

86. In the first quarter, major imports include fuels and grains. Fuel (diesel and petrol) imports stood at US\$293 million, down from US\$340 million imported in the corresponding period in 2016.
87. In addition, maize imports amounted to US\$119 million, whilst crude soya oil was US\$24 million.
88. The top source countries of imports include South Africa (US\$519 million), Singapore (US\$279 million), China (US\$122 million), and Mexico (US\$72 million).

Trade Gap

89. Consequently, trade deficit for the first quarter narrowed to US\$614 million in 2017 compared to US\$675 million during the same period, as indicated below.



90. The improvement in the trade gap is attributed to improved exports performance in 2017. However, the country's imports remain unsustainability high requiring further efforts on stimulating exports production, beneficiation and other competitiveness measures.

Diaspora Remittances

91. During the first quarter, the country received US\$180 million in diaspora remittances through formal channels, compared to US\$ 193 million in the corresponding period in 2016.
92. The decline in diaspora remittances is partly attributed to the sluggish performance of the global economy as well as errors and omission arising from conduct of remittances through informal channels.

93. Overall, remittances are projected to reach US\$1.2 billion in 2017.

CONCLUSION

94. Macroeconomic and fiscal developments in the first quarter point to improved growth in 2017. The Second Round Crop Assessment Survey will further refine 2017 projections which will be captured in the Second Quarterly Treasury Bulletin.

Fiscal Policy & Advisory Services Department

Ministry of Finance & Economic Development

30 May 2017