



2020 Mid-Term Budget and Economic Review

BY

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Minister of Finance & Economic Development

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OUTLINE

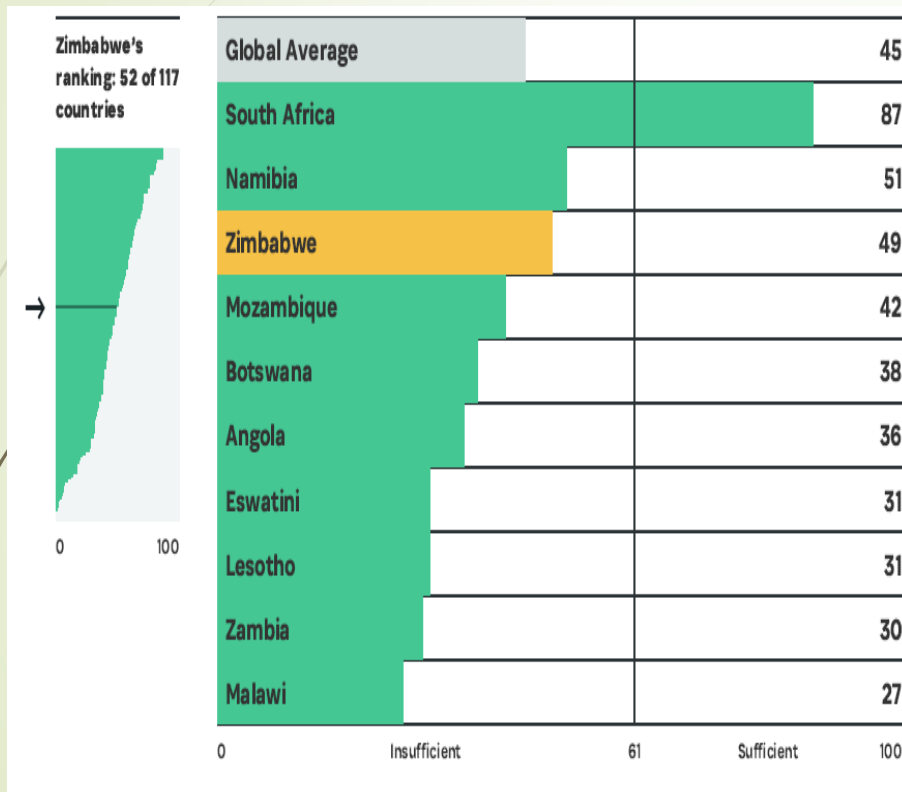
- ▶ Budget Transparency
- ▶ Recap of 2020 National Budget Priorities and TSP Priorities
- ▶ Global Developments and COVID 19 Pandemic
- ▶ Domestic Developments
- ▶ Response to COVID 19 Pandemic and Macroeconomic shocks
- ▶ Monetary and Financial Sector Developments
- ▶ Budget Outturn
- ▶ Structural Reforms
- ▶ Conclusion



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BUDGET TRANSPARENCY

BUDGET TRANSPARENCY



Zimbabwe **ranked third** in Africa on budget transparency by the Open Budget Survey (OBS) of 2019, with a Budget Index Score of **49**, up from **23** recorded in 2017.

NB: OBS measures public access to information on how the central government raises and spends public resources.

RECAP OF 2020 NATIONAL BUDGET PRIORITIES AND TSP PRIORITIES

2020 NATIONAL BUDGET PRIORITIES AND TSP PRIORITIES







	Continued Macro-Fiscal Consolidation
	Growth and Productivity
	Job Creation
	Competitiveness
	Strong, Sustainable and Shared Development

- 2020 National Budget Theme - **“Gearing for Higher Productivity, Growth and Job Creation”**.
- Growth was premised on the following assumptions:
 - Expected better rainfall season;
 - Increased use of irrigation to sustain agricultural activities;
 - Better planning for agriculture production;
 - Improved electricity supply through imports and other alternative sources of energy e.g solar;
 - Improved macro-economic environment;
 - Fiscal incentives to various sectors of the economy; and
 - Improving investments by both public and private sector.

Key Assumptions Underpinning 3% Growth Forecast

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Growth by sector

	Agriculture	+ 5.0%	<ul style="list-style-type: none"> ✓ Average rainfall season expected ✓ Expanded irrigation programme ✓ Timely provision of inputs
	Mining	+ 4.7%	<ul style="list-style-type: none"> ✓ Improved electricity supply ✓ Major investment agreements coming into effect ✓ Reduce mineral leakages ✓ Improved export environment
	Manufacturing	+ 1.9%	<ul style="list-style-type: none"> ✓ Improved electricity supply ✓ Resuscitation of Steel Industry ✓ Strengthening of industrial value chains, mineral beneficiation and export led industrialisation
	Construction	+ 2.3%	<ul style="list-style-type: none"> ✓ Facilitate access to building permits ✓ Mobilisation of affordable lines of credit
	Distribution, Hotels and Restaurants	+ 3.3%	<ul style="list-style-type: none"> ✓ Operationalisation of the Routes Development Committee ✓ Renewal of fiscal incentives
	Overall GDP Growth	+ 3.0%	

- Initial GDP growth forecast of 3% in 2020 from -6.5% in 2019.
- 2020 Budget of **ZWL\$63.6 billion** made up of **revenues of ZWL\$58.6 billion** and a **financing gap of ZWL\$5 billion** (1.5% of GDP).

IMPACT OF COVID-19

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Impact of COVID-19 on Global Economy

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COVID-19 Update: 14 July 2020

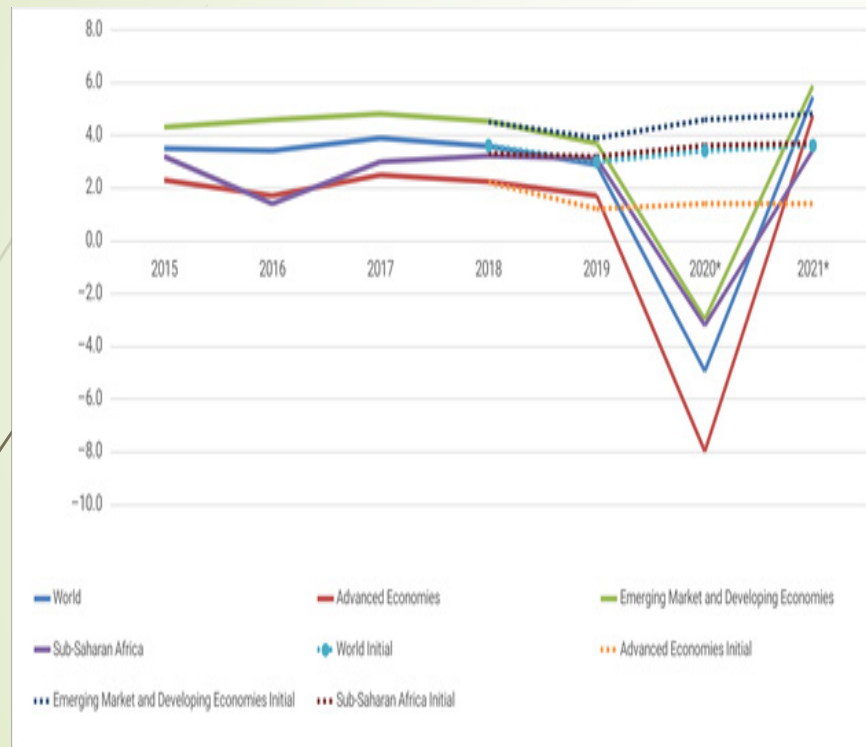
	Confirmed	Recovered	Deaths
Global	13,248,954	7,717,970	575,841
Most Affected (USA)	3,225,950	1,426,483	135,828
Least Affected (Papua New Guinea)	11	8	1
SADC (South Africa)	287,796	138,241	4,172
Zimbabwe	1034	320	19
Source: WHO			

Global Economic Impact of COVID-19



Global GDP Growth

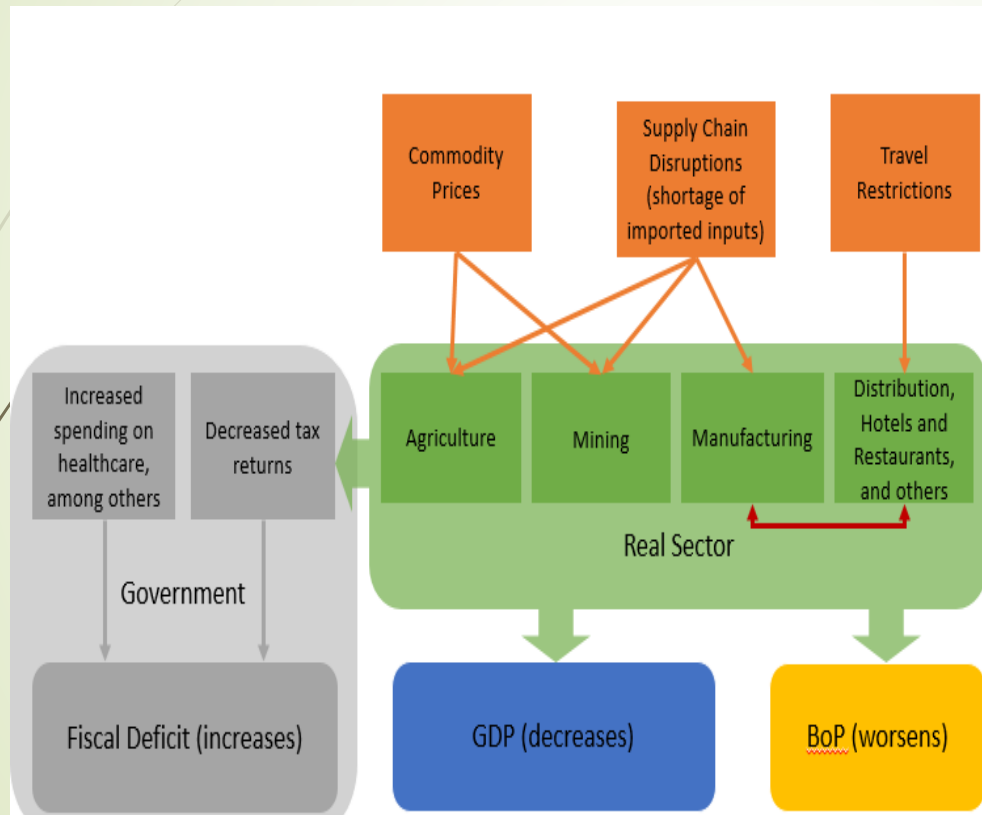
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- Global economy to contract by about -4.9% in 2020, from -3% earlier projected in April 2020 (June 2020 WEO)
- Advanced Economies hardest hit and to contract by about -8%.
- Sub-Saharan Africa economy expected to contract by an average -3.2%.

IMPACT OF COVID-19 ON DOMESTIC ECONOMY

Transmission Channel of COVID 19 Impact on Economy)



Economy facing multiple shocks of:

- Climate Change
 - (Cyclone Idai)
 - Drought
- Volatile Currency
- COVID 19 Pandemic

Mostly Affected

Tourism

- 80% drop in international air passenger traffic
- 60% drop in tourist arrivals
- Drop in aviation services
- Above 90% drop in hotel occupancies

Distribution

Agriculture

- Constrained funding
- Drought induced low output

Non-food Manufacturing

Education

- Schools closed

Financial Services

- Negative interest on loans
- Non-performing loans

Mining

- Declining Commodity Prices
- Reduced Output

GDP declining

Employment declining through

- Laying off contract workers
- Reduced working hours
- Indefinite unpaid leave

Despite increased labour demand in

- health workers
- Labour demand in manufacturing of PPE, healthcare products, pharmaceuticals

Beneficiaries

Health Services

- Health Care Services
- Medical Supplies
- Pharmaceuticals

ICT

- E-learning
- E-commerce

Education

- E-learning services

Foodstuffs Manufacturing

- Positive supply-side response

Electricity and Water

- Increased imports
- Improved hydro-electricity generation



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Sector Developments

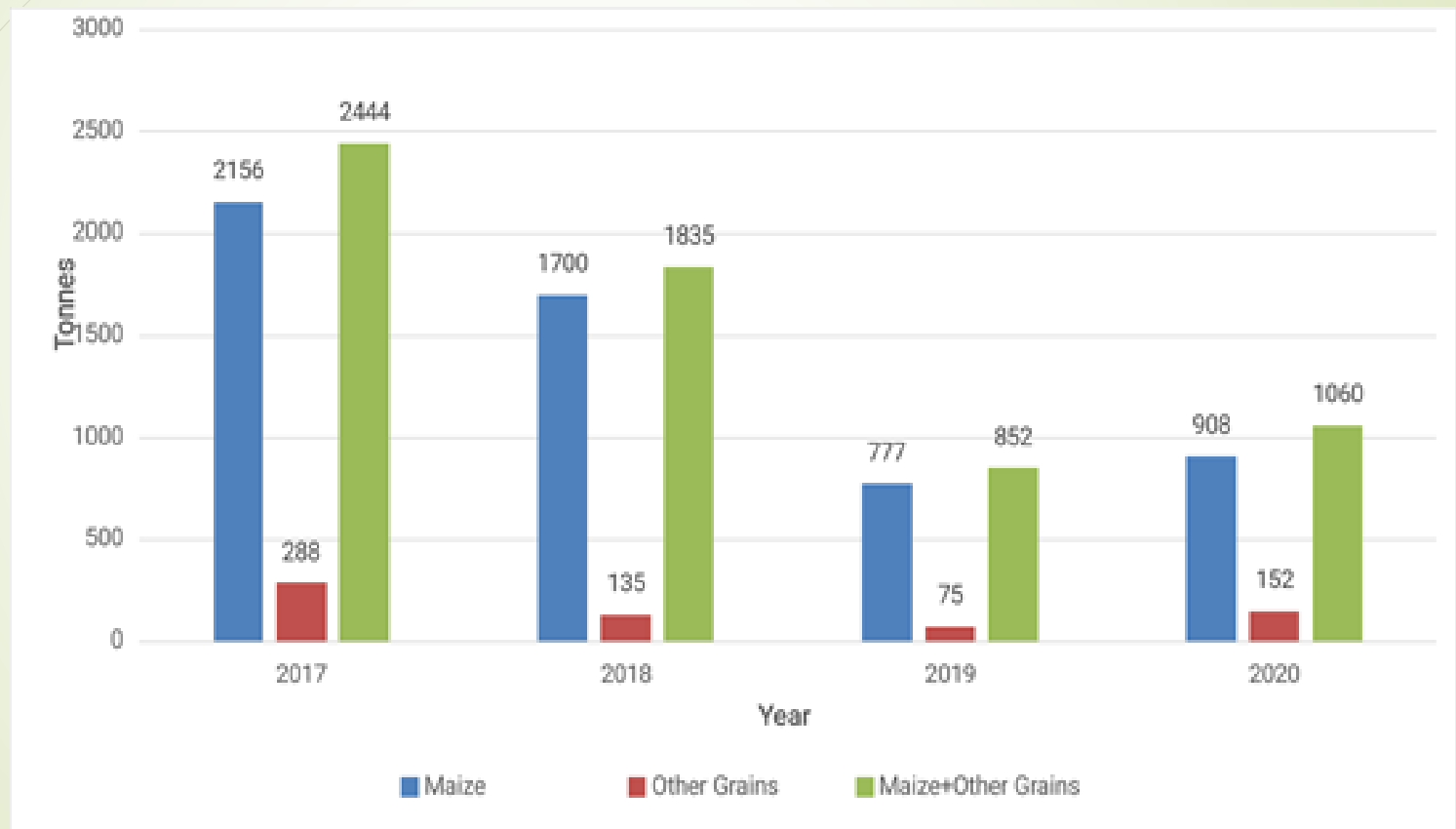
Agriculture: Area Planted (hectares)

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Area Planted (Hectares)			
Crop	2019/2020	2018/2019	%
Maize	1 549 324	1 623 757	-5
Sorghum	305 865	201 065	52
Pearl millet	166 429	151 708	10
Finger millet	34 353	25 146	37
Tobacco	100 426	106 558	-6
Soyabean	33 599	55 660	-40
Cotton	170 622	197 242	-13
Groundnut	208 229	210 468	-1
Sesame	15 044	16 181	-7
Sunflower	24 595	21 258	16
Cowpeas	60 799	53 917	13
Sugar bean	22 997	30 574	-25
Sweet potatoes	20 537	17 502	17
Cassava	718	584	23
Paprika	1 227	611	101

- Farmers increased area planted for drought resistant crops such as traditional grains and other drought tolerant crops like sunflower.
- Area planted decreased for cash crops (cotton, tobacco and soya beans) in response to declining prices and late onset of rainfall.

Grain Production (000's MT)



Quarterly Mineral Production

	QI 2019	QI 2020	Change
Gold/kg	6,965	6,152	
Nickel/t	4,421	3,935	
Chrome/t	419,486	292,673	
Platinum/kg	3,417	3,544	
Palladium/kg	2,825	2,957	
Diamonds	461,348	540,939	

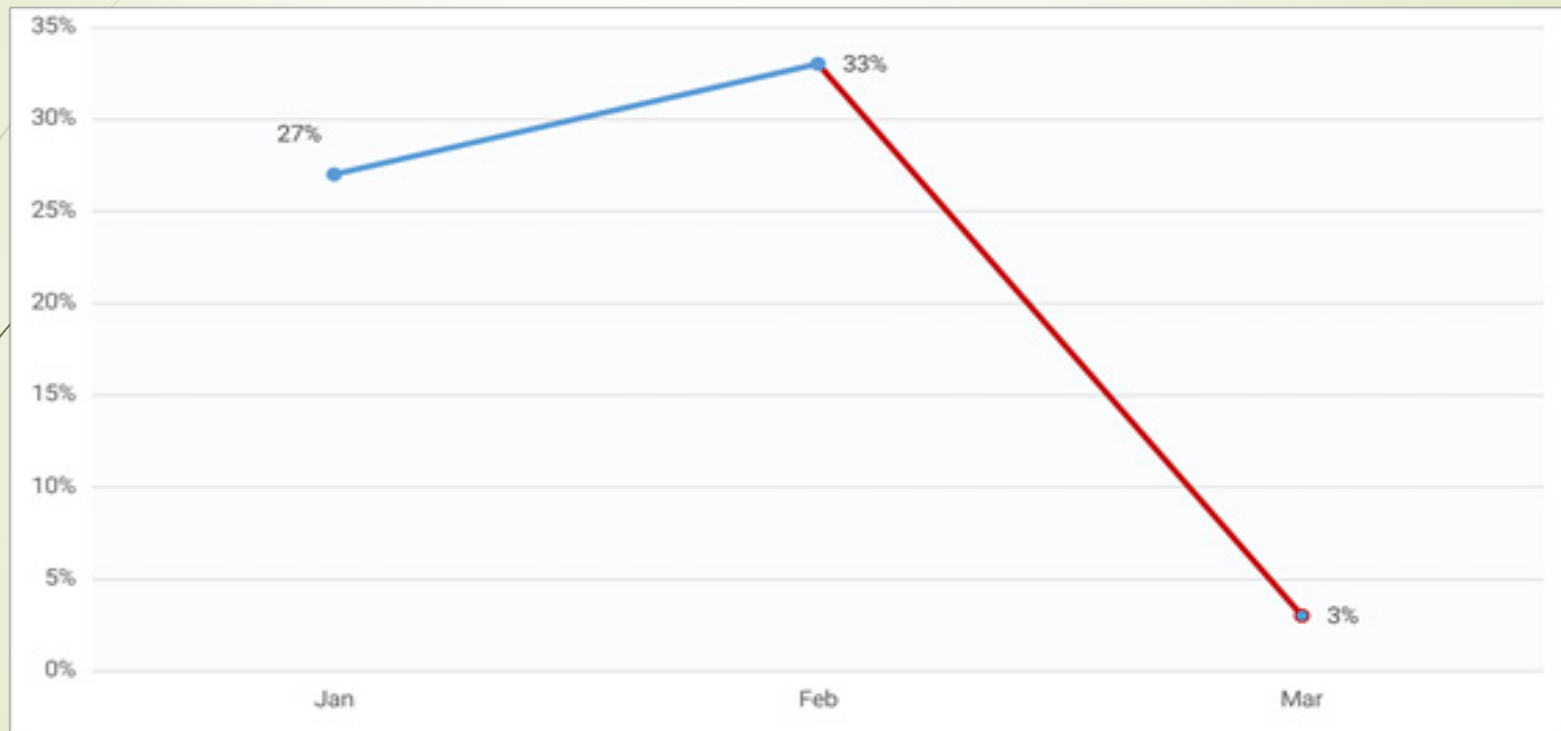
Mineral Performance: 2018-2020

	2018	2019 Est	2020 Budget	2020 Rev
Mining Growth Rate %	15.3	-12.4	4.7	-4.1
Black Granite \t	213	155	210	155
Chrome \t	1756	1550	1800	1000
Coal \t	3348	2730	3500	3000
Cobalt \t	402	402	430	411
Copper \t	9076	8678	9510	9000
Gold \kg	35054	29429	28000	27958
Iridium \t	586	845	620	880
Nickel \t	17810	16278	17500	15000
Palladium \kg	12094	11640	12400	11869
Phosphate \t	51393	27148	62000	25791
Platinum \kg	14703	13857	15400	14169
Rhodium \kg	1334	1224	1400	1256
Ruthenium \kg	1155	792	1210	836
Diamonds	3252	2119	2200	2100

Volume of Manufacturing Index

Manufacturing	2019	2020 Budget	2020 Rev	2020 vs 2019
Foodstuffs	109.4	105.0	87.5	-22.0%
Drinks, Tobacco and Beverages	76.6	83.0	68.9	-15.0%
Textiles and Ginning	90.6	63.0	91.5	1.0%
Clothing and Footwear	26.8	96.0	25.4	-5.0%
Wood and Furniture	214.4	93.4	203.7	-5.0%
Paper, printing and Publishing	90.1	98.0	72.1	-20.0%
Chemical and Petroleum Products	76.3	75.0	83.9	10.0%
Non-metallic mineral products	130.2	93.0	104.2	-20.0%
Metals and Metal products	59.7	82.0	53.7	-10.0%
Transport, Equipment	56.6	68.0	50.9	-10.0%
Other manufactured goods	95.2	69.0	85.7	-10.0%
Manufacturing Index	87.4	87.7	77.0	-12.0%
Growth Rate	-8.7	1.9	-10.8	

Tourism:2020 Q1 Average Occupancy Rates

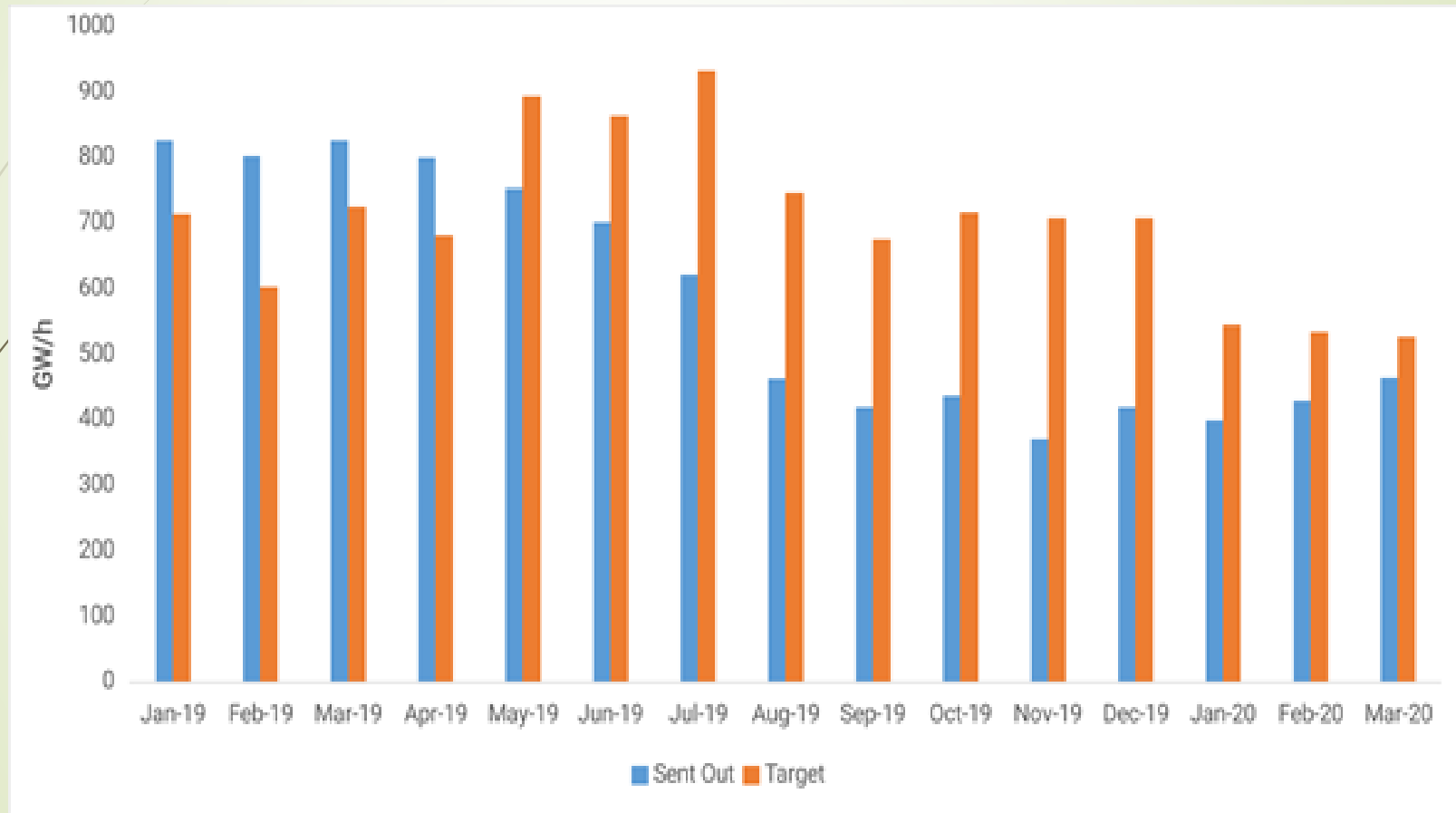


Rail Transport

Rail Cargo Freight (tonnes) Jan-June 2020

		Jan	Feb	Mar	Apr	May	Jun	Cum Total
Tonnage volumes	Target	179 691	185624	193 476	229180	337986	351611	1 477 856
	Actual	149 069	136205	123 735	141158	234161	278538	1 062 866

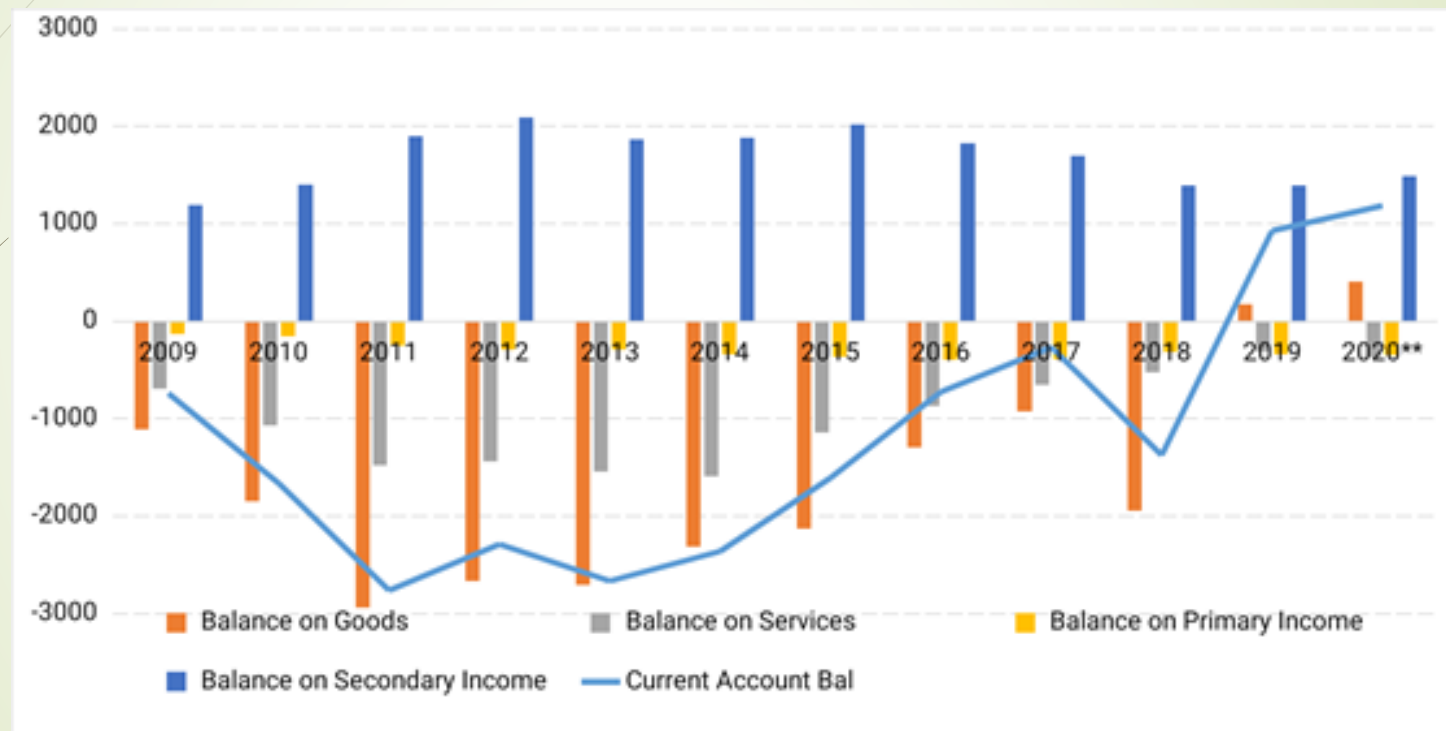
Electricity Generated and Sent Out



Electricity: Kariba Dam Reservoir Levels



Balance of Payments (US\$ Millions)



COVID 19 CONTAINMENT MEASURES

Containment Measures

- ▶ Stimulus Package for productive sectors
- ▶ Unfreezing of medical staff posts
- ▶ Budget reallocation
- ▶ Expenditure Cuts
- ▶ Support to Line Ministries
- ▶ Social protection

Stimulus Package (ZWL\$18.2 Billion)

- ZWL\$18.2 billion Stimulus Package: 9% of GDP or 28.6% of 2020 National Budget

Area	Amount
Agriculture Sector Support	\$6.1 billion
Working Capital Fund for Industry	\$3.0 billion
Mining Sector Facility	\$1.0 billion
SME Support Fund	\$0.5 billion
Tourism Support Fund	\$0.5 billion
Liquidity from Statutory Reserves	\$2 billion
Health Sector Support Fund	\$1.0 billion
Broad Relief Measures	\$1.5 billion
Covid Cash Transfer	\$2.4 billion
Arts and Sport Grant	\$0.2 billion
Total	\$18.2 billion

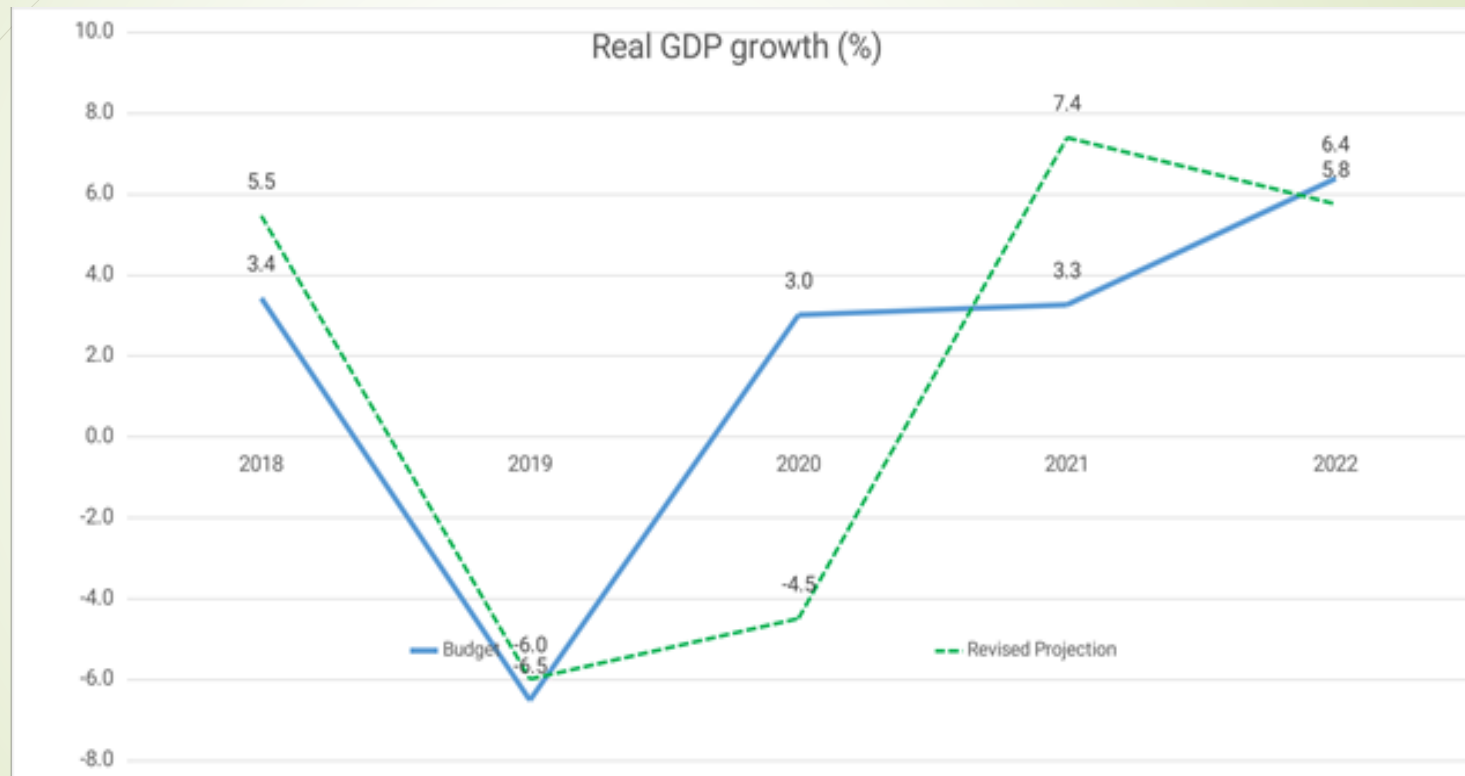
REVISED GDP GROWTH PROJECTIONS

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Revised 2020 GDP Growth Projections (%)

	2018	2019 Budget	2019 Rev	2020 Budget	2020 Rev
Overall GDP growth	5.5	-6.5	-6.0	3.0	-4.5
Agriculture and forestry	18.3	-18.0	-17.8	5.0	-0.2
Mining and quarrying	8.7	-11.9	-12.4	4.7	-4.1
Manufacturing	1.3	-5.9	-8.7	1.9	-10.8
Electricity and water	22.5	-13.9	-19.2	2.1	-7.9
Construction	2.0	-14.0	-13.9	2.3	-11.4
Distribution, Hotels and restaurants	4.5	-6.0	-8.2	3.3	-7.4
Supportive services	4.2	-3.2	5.3	1.9	-0.5
Transportation and communication	2.6	-4.5	12.9	2.4	3.2
Financial, banking and insurance activities	6.5	-1.3	-6.1	1.2	-7.1
Administrative and support service activities	-5.0	-0.5	1.5	1.9	-0.5
Education and training	-4.7	0.6	0.9	3.7	-7.2
Human health and social work activities	0.3	1.8	2.7	2.9	7.8
Private's education and health	-3.5	0.9	1.3	3.5	-3.5
Households-related services	2.2	-4.7	-2.6	3.5	-2.1
Real estate activities	3.2	-14.0	-1.6	2.3	-1.8
Other service activities	2.0	0.9	-3.7	4.1	-2.0

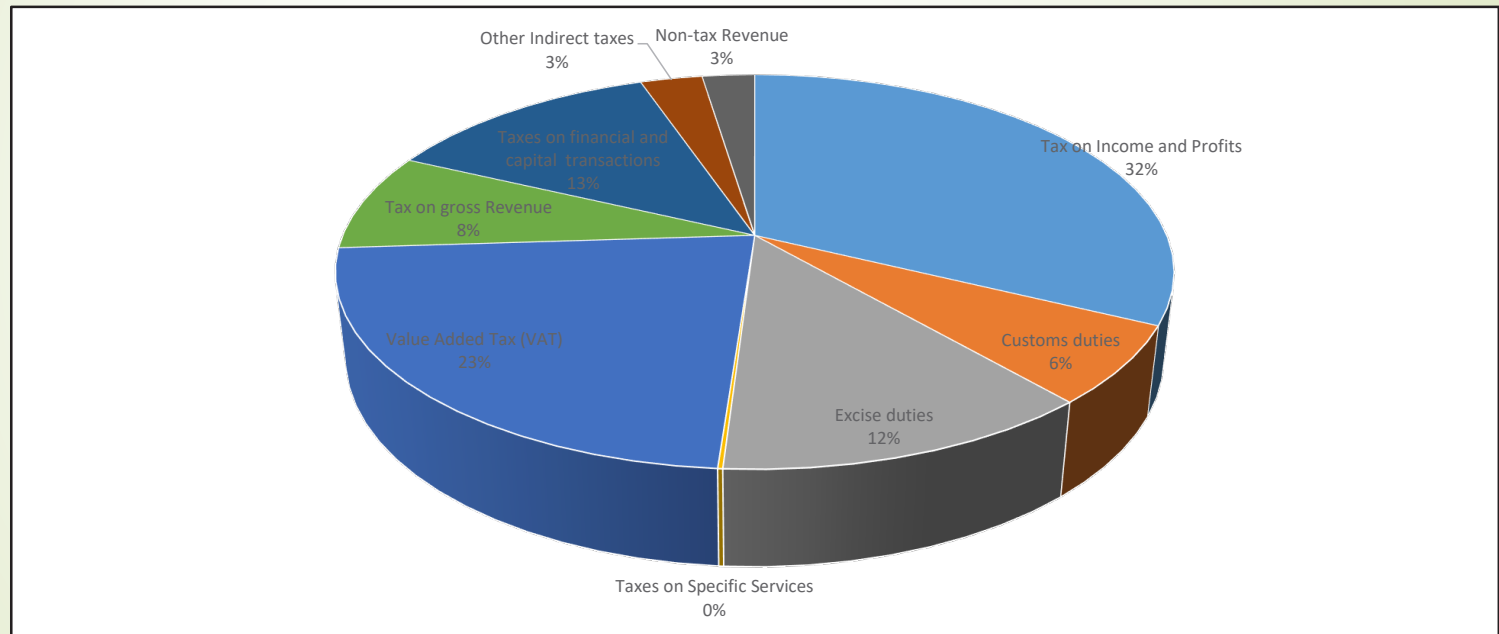
Real GDP Growth Forecasts



REVENUE OUTTURN: JAN-JUN 2020

	Actual (ZWL\$ m)	Target (ZWL\$ m)	Variance (ZWL\$ m)	Variance (%)
Total Revenue	34,218	32,073	2,144	6.7
Tax Revenue	33,390	31,432	1,958	6.2
Non Tax Revenue	828	641	187	29.2

Contribution of Revenue Heads: Jan-June 2020



STATE OF APPROPRIATIONS

Vote Appr	Orig Estimate	Exp to 30 June	Budget Utilisation	Outstanding bal
Total Votes	56,763,140,000	26,389,288,078	46%	26,389,288,063
Debt Service: Interest Bill	704,320,000	408,497,562	58%	408,497,562
Pension	2,814,500,000	1,545,095,972	55%	1,545,095,971
Public Service Pension Scheme	289,560,000	0	0%	0
Transfers to Provincial Councils and Local Authorities	2,932,000,000	453,182,000	15%	453,182,000
Other Constitutional & Statutory Appropriations	157,680,000	95,423,646	61%	95,423,645
Total Expenditure & Net Lending	63,661,200,000	28,891,487,258	45%	28,891,487,242

Budget Balance ZWL\$b

	Budget	Outturn	Spent (%)
Revenue	58.6	34.2	58.7
Expenditure	63.6	30	47.2
Outstanding Payments	0	5.2	
Balance	5	0.8	

Pension Fund Assets as at 30 June 2020

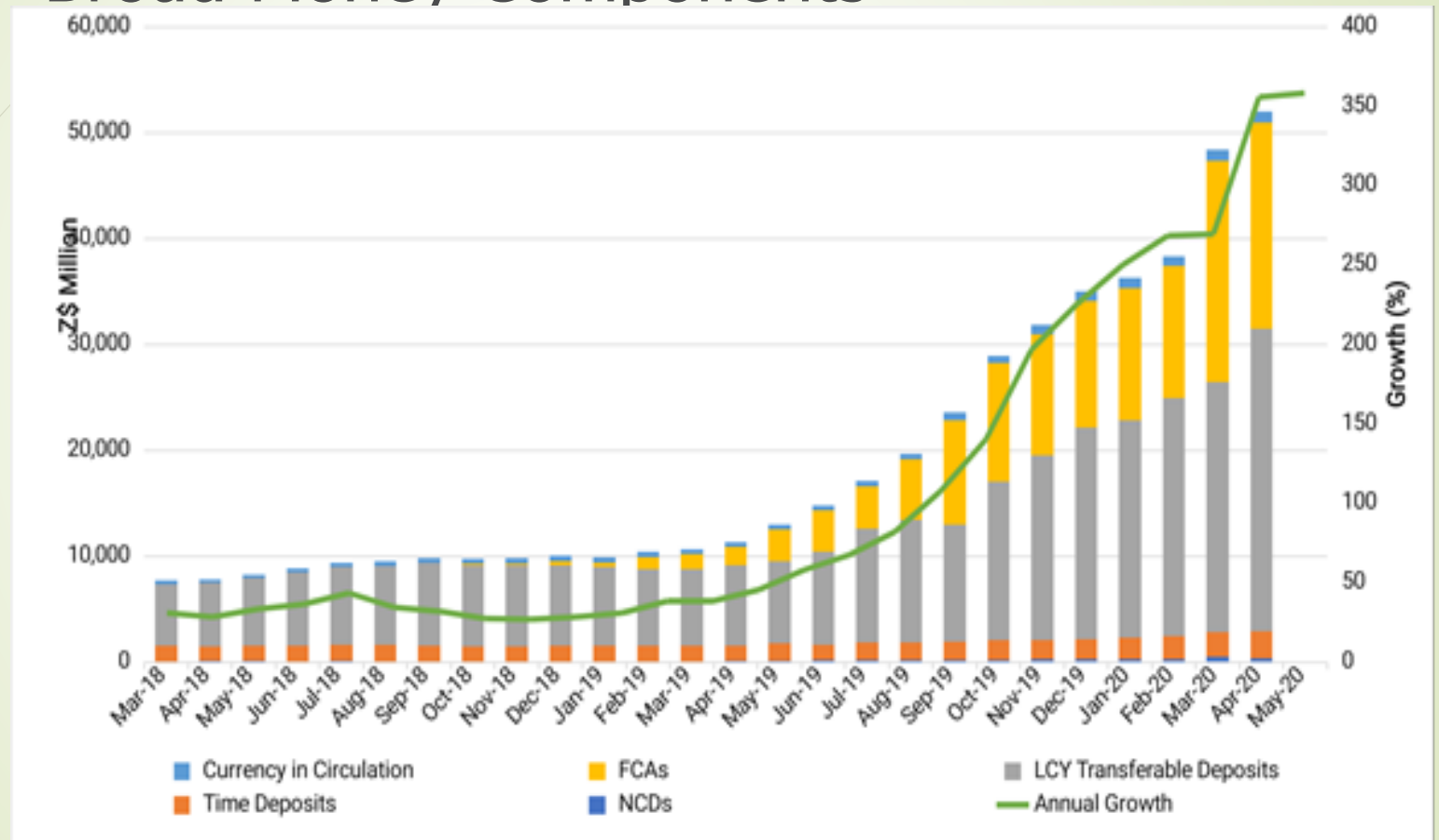
Asset Holder	Amount (ZW\$)	(%)
Asset Managers	463,029,481.87	60.26%
Money Market	76,384,657.53	9.94%
Interest Money Market	8,814,429.00	1.15%
Bank Balance	220,095,225.20	28.65%
Total	768,323,793.60	100%

Public and Publicly Guaranteed External Debt: Dec 2019 (US\$m)

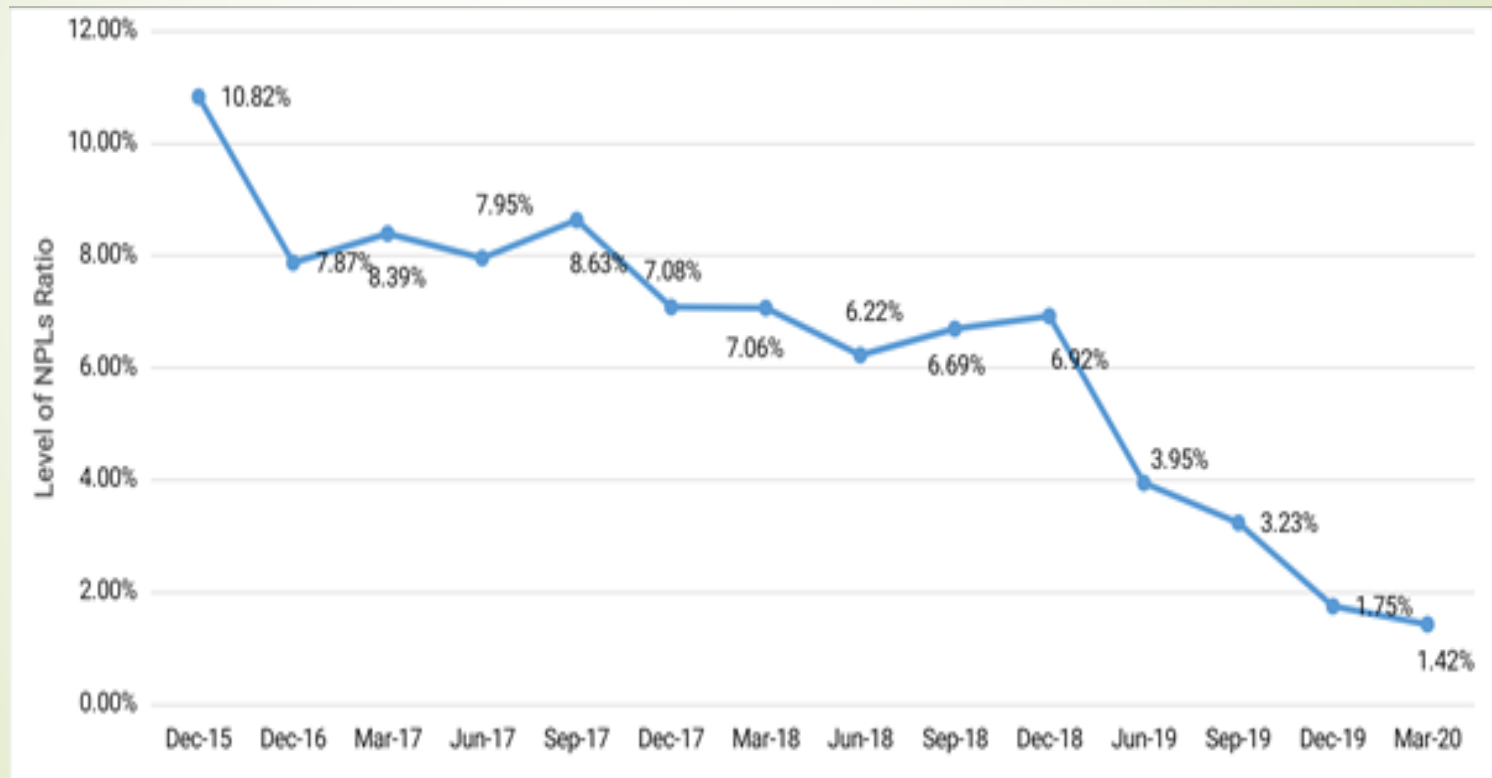
	Non-Guaranteed			Guaranteed			Grand Total
	DOD	Arrears	Total	DOD	Arrears	Total	
External Debt	2,096	4,672	6,767	28	1,299	1,326	8,094
<i>a. Bilateral Creditors</i>	1,815	2,884	4,698	28	755	783	5,482
Paris Club	157	2,467	2,624	24	740	763	3,387
Non Paris Club	1,223	339	1,562	4	6	20	1,582
RBZ Assumed Debt	435	77	513	0	0	-	513
<i>b. Multilateral Creditors</i>	281	1,788	2,069	0	543	543	2,612
World Bank	193	1017	1,210	0	301	301	1,511
African Development Bank	33	592	625	0	80	80	705
European Investment Bank	16	151	168	0	162	162	330
Others	38	28	66	0	0	0	66

MONETARY AND FINANCIAL SECTOR DEVELOPMENTS

Broad Money Components



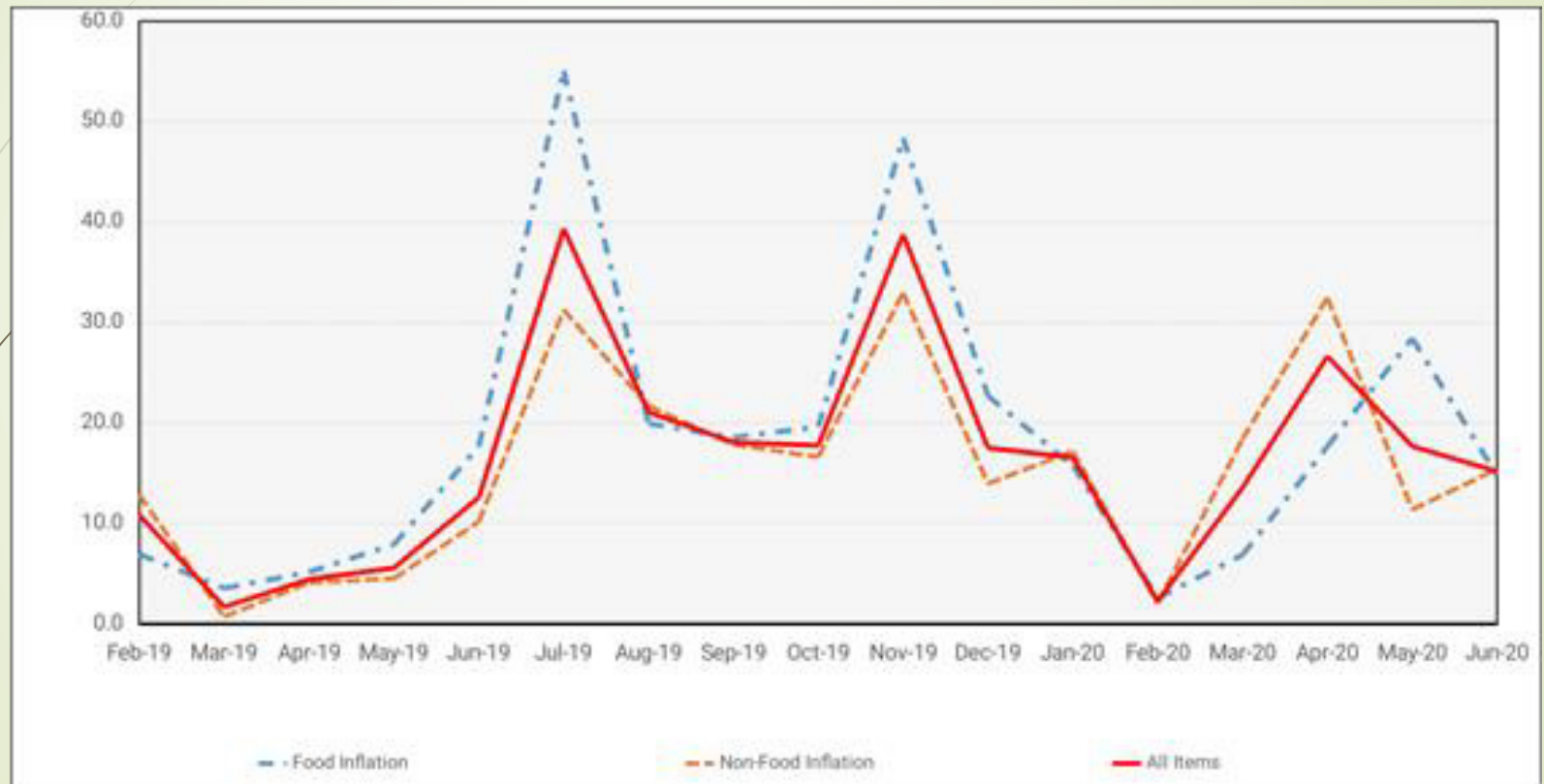
Trend in Non Performing Loans Ratio



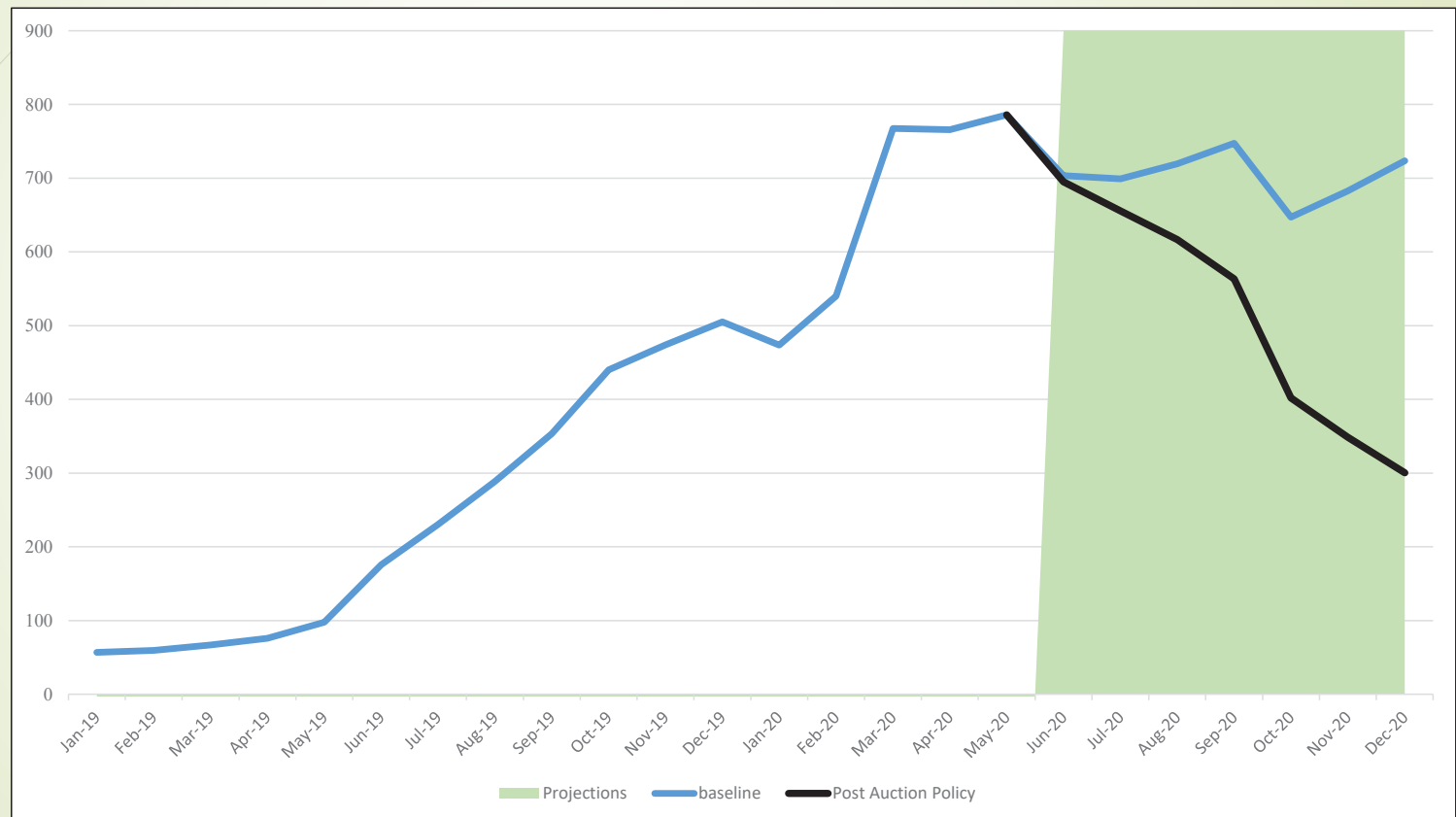
Summary Foreign Exchange Auction Results

	First Auction	Second Auction	Third Auction	Fourth Auction
Amount Allotted	10,345,250	16,321,028	13,602,408	15,988,219
Highest Rate	100.00	92.00	90.00	85.00
Lowest Accepted Rate	35.00	48.00	55.00	64.20
Weighted Average Rate	57.35	63.74	65.88	68.87
Total Bids	11,407,240	18,957,677	15,872,482	18,719,664

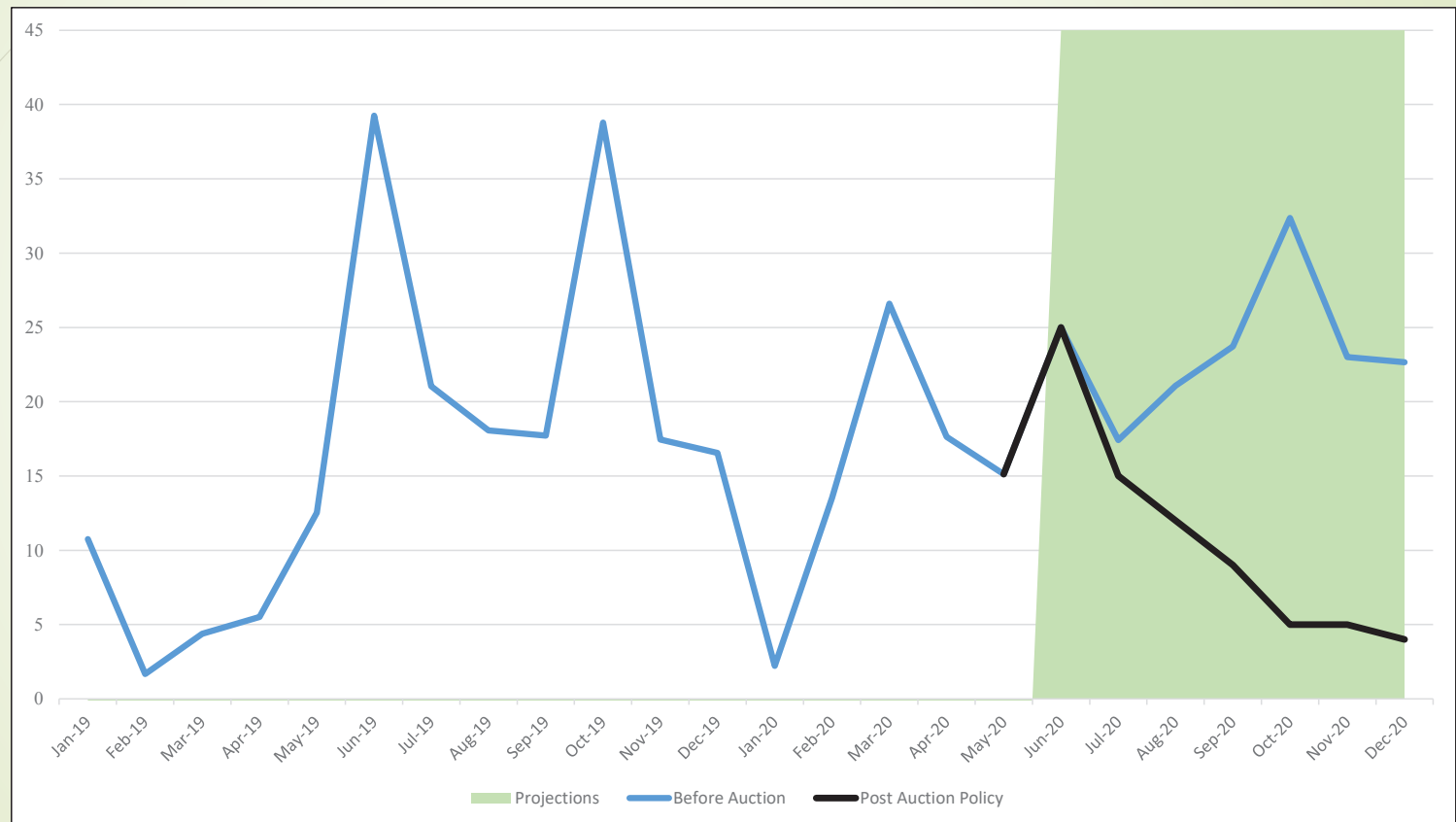
Monthly Inflation Rate (%)



Annual Inflation Outlook (%)



Monthly Inflation Outlook (%)



Fiscal Policy Thrust in Support of Monetary Policy

- ▀ Fiscal Restraint (No recourse to Central Bank Financing and No expenditure outside the Budget)

STRUCTURAL REFORMS

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Structural Reforms

- ▶ Public Order and Security Act (POSA) repealed
- ▶ Access to Information and Protection of Privacy Act (AIPPA) repealed.
- ▶ ZIDA Act gazzetted on 7 February 2020.
- ▶ Ease of Doing Business Reforms now in 2nd Phase Phase.
- ▶ State Enterprises Reforms being implemented on case by case basis
- ▶ Participating parties to POLAD making invaluable contribution to policy formulation process. Six thematic committees of POLAD presented their reports to the full assembly on the 13th of March 2020.

Ease of Doing Business Reforms: 2nd Phase Areas

- ▶ • Starting a Business and Protection of Minority Investors;
- ▶ • Construction Permits;
- ▶ • Registering Property;
- ▶ • Getting Electricity;
- ▶ • Getting Credit;
- ▶ • Paying Taxes;
- ▶ • Trade Across Borders;
- ▶ • Enforcement of Contracts;
- ▶ • Resolving Insolvency;
- ▶ • Doing Export Business;
- ▶ • Regulatory Environment;
- ▶ • Simplified Tax Regime for Small and Medium Enterprises;
- ▶ • Improving access and availability of empowerment opportunities to Youths across key business sectors;
- ▶ • Empowering and fostering business in, and through sports and entertainment.
- ▶ • Reducing cost, time and processes associated with doing business across the key industry value chains;
- ▶ • Reducing cost, time and processes associated with doing business in the mining sector.

NATIONAL DEVELOPMENT STRATEGY

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Indicative National Priorities

Economic Growth and Stability	Industrialisation through Value Chains	Environment Protection, Climate Resilience and Natural Resource Management	Digital Economy
Food Security and Nutrition	Housing Delivery	Image building and International Re-engagement	Youth and Culture
Transport, Infrastructure and Utilities	Health and Wellbeing	Devolution	
Governance	Human Capital Development	Social Protection	

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Thank You