



ZIMBABWE

PRESS STATEMENT

THE 2023 MID TERM BUDGET AND ECONOMIC REVIEW

BY

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11 AUGUST 2023

INTRODUCTION

1. I hereby present the 2023 Mid Term Budget and Economic Review which provides an update on the economic and budget performance during the first half of the year.
2. Running under the theme, '*Accelerating Economic Transformation*', the 2023 National Budget, was designed to support economic transformation and growth, through promotion of value addition, diversification and improving the doing business environment to enhance the economy's resilience, competitiveness and productivity.

ECONOMIC DEVELOPMENTS & OUTLOOK

Global

3. The IMF projects global economic growth at 2.8% in 2023, lower than initially projected, on account of adverse economic conditions facing the developed world, as a result of geopolitical tensions, elevated debt levels and the impact of tight monetary policies.
4. Advanced economies are expected to grow by 1.3%, with growth in the USA projected at 1.6%, UK at 0.3% and the European Area at 0.8%, whilst for emerging economies China and India are projected to grow by 5.2% and 5.9%, respectively.
5. Growth in the Sub-Saharan Region is projected at 3.6% in 2023, with Nigeria, South Africa and Ethiopia estimated at 3.2%, 0.1% and 6.1%, respectively,

attributable to the persistent impact of global shocks and increases in global financial lending rates.

Domestic

6. With respect to the domestic economy, growth is now projected at 5.3% in 2023. Already, ZIMSTAT estimates economic growth during the first quarter of 2023 at 6.2% and 6.5% for the year 2022. Such growth rates put Zimbabwe among the fastest growing economies in Africa.
7. The revised projected growth of 5.3% in 2023 is on account of strong performance in agriculture (9.7%), ICT (4.9%), accommodation and food services (20.5%), as well as substantial improvements in the electricity supply situation, following the successful synchronisation and subsequent commercialisation of Hwange 7 and 8 units.
8. The agriculture sector, initially projected to grow by 4% in 2023, is now projected to grow by 9.7%. The total cereal production, excluding the winter wheat crop is estimated at 2.6 million tonnes for 2023, a 40% above the production levels achieved last year.
9. Overall growth in the mining sector during 2023 is now projected at 4.8%, benefitting from increases in the production of lithium, chrome, diamonds and PGMs.
10. The manufacturing sector is expected to grow by 2.2% in 2023, on account of a better agricultural season and measures being implemented by Government to tame inflation and exchange volatility.

11. The roadmap towards electricity self-sufficiency has seen the successful commercialisation of Hwange Units 7 and 8 during the second quarter of the year, adding 600 MW to the national grid.

Inflation Developments & Outlook

12. Weighted annual inflation was generally slowing down during the year until May 2023, when prices increased substantially during the month of June to 175.8%. However, prices have started to decline with month-on-month inflation for July at -15.3%, whilst year-on-year decelerated to 101.3%.
13. Going forward, inflation is expected to continue to decelerate in response to a raft of measures implemented by Government in May and June 2023 to instil confidence, strengthen demand for the local currency, and foster market discipline.

Balance of Payments Developments & Outlook

14. The country's merchandise exports slightly weakened by 1.9% to US\$2.59 billion during the first five months to May 2023, weighed down by declining exports for PGMs and gold. To year end, merchandise exports are envisaged to grow by 3.5% in 2023.
15. Merchandise imports increased by 7.4% to US\$3.6 billion during the first five months of 2023, mainly driven by an increase in fuel, machinery, motor vehicles, maize, wheat and electricity imports. To year end, merchandise imports are projected to grow by 1.4% to US\$8.8 billion.

16. Preliminary estimates show that the current account balance narrowed to a surplus of US\$38.3 million in the first half of 2023 and is expected to remain in surplus by year end.

PUBLIC FINANCE DEVELOPMENTS

17. Sound public finance management during the first half has ensured a healthy fiscal position, important in engendering stability of the economy.
18. Preliminary cumulative revenue collections from January to June 2023 amounted to ZWL\$4.3 trillion, against expenditures of ZWL\$3.7 trillion, resulting in a budget surplus of ZWL\$608.5 billion. With this performance, the Budget remains on course to achieve the desired fiscal deficit target of 1.5% of GDP by year end.
19. Revenue collections was distributed as follows: VAT (26.5% of total revenue), Personal Income Tax (PIT) (19%), Corporate Income Tax (CIT) (14.7%), Excise Duty (12.6%), Customs Duty (7%), and IMTT (6.7%).
20. Major expenditures were on compensation of employees (ZWL\$1.4 trillion), operations (ZWL\$2.9 trillion) and capital (ZWL\$747.5 billion).

Social Protection

21. Government disbursed ZWL\$48.2 billion for social protection programmes during the first half of the year, towards BEAM (ZWL\$36.1 billion), drought mitigation (ZWL\$6 billion), and harmonised cash transfers (ZWL\$3.2 billion), among others.

Health

22. During the period under review, resources amounting to ZWL\$248.2 billion were channelled towards employment cost, drugs, medical supplies and equipment, as well as health infrastructure covering construction, rehabilitation and upgrading of health facilities including procurement of medical equipment.
23. In addition, an amount of US\$12.6 million was availed during the first half of the year towards the Zimbabwe Health Facilities Programme being implemented by the NMS Company.

Education

24. During the first six months, an amount of ZWL\$511.9 billion was disbursed towards Primary and Secondary Education and Higher and Tertiary Education.
25. Support was generally skewed towards wage costs for teaching and non-teaching staff.

Infrastructure Development

26. A total of ZWL\$478 billion was availed during the period January to June 2023 towards infrastructure development projects including Intergovernmental Fiscal Transfers.
27. Under the Road Development Programme, a total of ZWL\$180 billion was availed, mainly towards the Harare-Masvingo-Beitbridge road, enabling completion of 450 km.

28. Regarding water and sanitation, resources amounting to ZWL\$48.5 billion were availed towards dam projects, which facilitated the completion of Chivhu dam that was commissioned in June 2023. In addition, ZWL\$9.75 billion was availed towards borehole drilling under the Rural Development Programme.
29. On housing development, Government availed ZWL\$49.3 billion towards construction and development of stands for both residential and institutional accommodation.

Inter-Governmental Fiscal Transfers (Devolution)

30. Resources amounting to ZWL\$74 billion have so far been disbursed under the Inter-Governmental Fiscal Transfers (IGFTs) to local tiers of Government, mainly targeting construction of social infrastructure and the procurement of equipment, including fire engines for all the 92 local authorities.

Deficit Financing

31. In terms of financing, during the first half of 2023, Government managed to mobilise resources amounting to ZWL\$191.6 billion through Treasury bills, which were mainly channelled towards liquidation of maturing Treasury bills and bonds worth ZWL\$144.2 billion, as well as external debt payments amounting to US\$28.2 million.

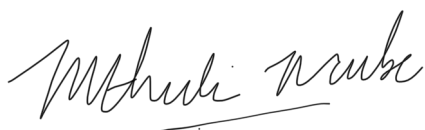
Development Partner Support

32. During the first quarter of 2023, Development Partners disbursed resources amounting to US\$151.9 million which went towards the following sectors, among

others, health (60%), humanitarian assistance (14.8%); agriculture (10%); governance (8.3%) and education (3.2%).

CONCLUSION

33. Implementation of the 2023 National Budget remains on course, despite the exchange rate and inflation volatility experienced during the first half of the year.
34. Going forward, macroeconomic stability is expected on account of recent bold interventions to close all sources of excess liquidity, favourable global economic environment, stronger financial regulation, as well as the enforcement of value for money principle in Government contracts. Focus will be on consolidating the stability achieved so far by maintaining tight fiscal and monetary policies, while implementing measures to restore aggregate demand.
35. It is also critical that all stakeholders work together with Government to achieve the growth and stability objectives of NDS1, by embracing the local currency as the legal tender, ending speculative/forward pricing tendencies and observation of Exchange Control regulations. This, combined with other structural reforms underway, creates the necessary conditions for currency stability.
36. The attainment of durable macroeconomic stability, combined with improved electricity supply situation is expected to spur economic growth above the projected 5.3% in 2023. This is important as it improves the capacity of the Budget to meet some of the emerging inescapable expenditures during the last half of 2023.



Minister of Finance and Economic Development
11 August 2023