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ABBREVIATIONS

Agritex	Agriculture and Extension Services
BoP	Balance of Payments
BTS	Boka Tobacco Floors
CBZ	Commercial Bank of Zimbabwe
COPAC	Constitution Parliamentary Committee
DIMAF	Distressed and Marginalised Areas Fund
EMU	Economic and Monetary Union
EU	European Union
FBC	First Banking Corporation
FOMC	Federation Open Market Committee
GDP	Gross Domestic Product
GMB	Grain Marketing Board
ha	Hectare
HDI	Human Development Index
IDP	Industrial Development Policy
IEA	International Energy Agency
IMF	International Monetary Fund
IPPs	Independent Power Producers
LOLR	Lender of Last Resort
M3	Broad Money Supply in Zimbabwe
MENA	Middle East and North Africa
MoF	Ministry of Finance
MPC	Monetary Policy Committee
MT	Metric Tones
MTF	Millennium Tobacco Floors
MTP	Medium Term Plan
NSSA	National Social Security Authority
OECD	Organisation of Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
PMI	Purchasing Manufacturing Index
PPI	Producer Price Index
PTF	Premium Tobacco Floors
Q1	First Quarter
Q2	Second Quarter
Q4	Fourth Quarter
RBZ	Reserve Bank of Zimbabwe
RTGS	Real Time Gross Settlement
SADC	Southern African Development Community
SECZ	Securities Commission of Zimbabwe
SSA	Sub-Saharan Africa
t/ha	Tones per hectare
TSF	Tobacco Sales Floors

UNWTO	United Nations World Tourism Organisation
US	United States
VAT	Value Added Tax
WB	World Bank
ZABG	Zimbabwe Allied Banking Group
ZEPARU	Zimbabwe Economic Policy Analysis and Research Unit
ZERA	Zimbabwe Energy Regulatory Authority
ZETSS	Zimbabwe Electronic Transfer Settlement System
ZIA	Zimbabwe Investment Authority
ZIMSTAT	Zimbabwe Central Statistics Office
ZSE	Zimbabwe Stock Exchange
ZTA	Zimbabwe Tourism Authority

DIRECTOR'S MESSAGE

Once again, we have come to the end of another quarter. The research team at Zimbabwe Economic Policy Analysis and Research Unit is glad to present to you the issue number 5 of our flagship publication, 'The ZEPARU economic barometer'. Our quest in this issue is to provide you, our dear stakeholders with useful and informative analysis, of the macroeconomic developments during the second quarter of 2012. In particular, this issue provides an overview of the developments that have been taking place in the global, regional and local economic arena. We start with the overview of the global and regional economic developments, to contextualise developments in the local economy. In this regard an analysis of the world economic outlook, inflationary developments and international commodity prices developments will provide some insights on the opportunities and challenges facing the economy at the macro-level. While on the local economic front the Barometer provides some highlights on inflation developments, the fiscal developments, financial sector developments, stock market developments and the external sector developments.

We appreciate the feedback that we continue to get from you our stakeholders on the quality and usefulness of this product. We commit ourselves to be attentive to any such feedback especially where there is need for improvement in the quality of the product. We are also aware that the continued production of the Economic Barometer hinges upon the information and data demand from you our valued stakeholders. In this regard we anticipate receiving from you your feedback on areas that require further improvement. We hope you will enjoy reading this issue of the Economic Barometer and we look forward to your continued support. Should you have any comments or suggestions please do not hesitate to contact us at administration@zeparu.co.zw we will always your input. Our research team is open to new ideas.

Thank you.

Dr Gibson Chigumira
Executive Director

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EXECUTIVE SUMMARY

The global economic performance remained fragile during the second quarter of 2012, especially at the backdrop of the developments in the Euro-Zone. Despite the weak performance of the global economy, the second quarter results showed an improvement to what was registered in the first quarter. Hence, the global growth projection for the year remains unchanged at 3.5%. Key to the attainment of the growth projection is the need to ensure that the crisis in the Euro-Zone is resolved.

International commodity prices continued on a downward trend, with precious metals (gold, diamond and platinum) prices declining over the three months. The commodity prices were mostly affected by macroeconomic uncertainty, especially apprehension over the Euro-Zone's sovereign debt crisis, as well as slower-than-expected growth in China and India. A firmer dollar and growing risk aversion also added to pressures. Of note on the international prices of the precious metals was that commodity price declines are the steepest since the months following the Lehman crisis of 2008. It is expected that the third quarter will see prices of commodities coming back, driven by factors that include the announcement of the American GDP for the second quarter, pending and new home sales, Euro money supply, the minutes of Monetary Policy Committee meeting, and United States jobless claims. The renewed ease over the EU debt crisis might pull up the Euro, which is strongly and positively linked with precious metals prices.

International grains market were mostly affected by uncertainty over the outlook for global grains and oil seeds production, resulting in heightened price volatility, also partly reflecting deepening concerns about the world economy, amid Euro-Zone problems, coupled with the associated marked strengthening of the US dollar, contributing to movements in dollar-denominated export quotations. While prospects for world wheat production were initially considered mostly favourable, markets turned abruptly higher as crop perceptions deteriorated.

The macroeconomic targets in the country continued to be missed as evidenced by the revision of the growth target from 9.4% to 5.6%. Causal factors constraining the achievement of the economic growth include liquidity constraints; underperformance of the agricultural sector and persistent electricity outages. The targets for the Medium Term Plan (MTP) and the 2012 National Budget continue to be stalled by constrained revenue inflows, which have undermined the effective implementation of priority projects. Of major concern on the fiscal developments is the composition of Government expenditure, where the national budget continues to be skewed towards recurrent expenditures at the expense of growth enhancing capital projects with the major culprit being the unsustainable wage bill, which continues to chew the bulk of the resources flowing into Treasury.

There has generally been an improvement in tobacco deliveries at the country's four auction floors. The floors have registered a 6.7% increase on the cumulative total of 121 million kilograms that was delivered at the same time in the 2011 tobacco marketing season. By the end of June 2012, a total of 129.1 million kilograms of tobacco had been delivered at the auction floors. The marketing of cotton has been marred by disagreements between farmers and ginners on the price, with the later offering prices ranging between US30c and US35c, yet farmers wanted something between US$0.75 and US$1.20 for a kilogram. Government had to intervene after the stalemate that has seen cotton farmers holding onto their crop, refusing to sell it in protest over low prices ginners and merchants were offering. The Government intervened and set the minimum price at US$0.77 per kilogram.

The financial services sector was shaken during the second quarter of 2012 when on the 11th of June 2012; the Genesis Investment Bank voluntarily surrendered its banking license to the RBZ after failing to meet the required minimum capital threshold of US$10 million for merchant banks. On the same day, Interfin Bank Limited was placed under recuperative curatorship after the RBZ declared it unsafe and unsound. This was after the RBZ unearthed inadequate capital at the bank; abuse of corporate structures; concentrated shareholding; non-performing loans; related party exposures; chronic liquidity challenges and low deposit base. In response to the challenges affecting the banking sector, the RBZ expressed an intention to increase the current minimum capital thresholds for banking, asset management and micro-finance institutions. The intended upward revision of minimum capital thresholds is expected to strengthen financial institutions.

The ZSE mining and industrial indices continued trading in the red for the second quarter of 2012 compared to the second quarter of 2011. This sluggish ZSE performance has basically been responding to the economic constraints facing the economy, namely liquidity challenges, low capacity utilization as well as high production costs arising from the use of out-dated methods of production and technology. The conflicting remarks on the implementation of the indigenization policy have also not done a favour to the ZSE through raising fears and prompting investors to be more bearish.

The inflation figures for the country continue to be within the targets although inflationary pressures continued to persist in the country during the second quarter. The year-on-year inflation increased from 2.86% in June 2011 to 3.97 percent in June 2012. The inflationary pressures were mostly driven by increased property rentals, fuel price increases and high utility charges. The inflation rate in the country was low in comparison with the SADC regional averages, where Malawi continues to be an outlier with its inflation outside the 2-8 percent range mostly as a result of foreign currency shortages as a result of a fall in tobacco earnings and aid.

The Securities Commission of Zimbabwe (SECZ) withdrew the securities dealing license of Interfin Securities. According to SECZ, Interfin Securities was engaging in non-permissible activities that include deposit collection from investors. The RBZ withdrew licences of two micro-finance institutions, namely McDowell International and All Angels Investments. The RBZ cited engagement in non-permissive activities such as deposit collection as the reason for licence withdrawal. This outcome suggests that financial sector indiscipline is still prevalent in the economy, requiring a tightening of the regulatory framework.

On external sector developments, the country continued to be a net importer as evidenced by the trade balance deficit for the period of US$842 million, which was, however, an improvement to the same period in 2011. However, the area of concern for Zimbabwe has been the overreliance on the same markets for both exports and imports. Other issues of concern are how the exports are being financed given that the country is in perennial balance of trade deficit. It is critical that a country's export destinations be widened to ensure that should any country make policy pronouncements that have the ability to affect Zimbabwe exports, the impact would be minimal.

1. GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS

1.1 World Economic Outlook Update

Global recovery remains fragile and the IMF[1] has warned of a bleak outlook. However, having posted a somewhat better-than-expected first quarter, weaker global growth in the second half of 2012 is projected to only affect annual growth in 2013. In that regard, the 2012 growth projections remain unchanged at 3.5%. In 2013, global economic growth is now projected at 3.9%, marginally lower than the April 2012 projection of 4.1% (Table 1). Key to the attainment of these forecasts is the need to ensure that resolving the crisis in the Euro-Zone remains top priority and that recent policy easing in emerging market economies will gain traction.

Table 1: Overview of the World Economic Outlook Projections (%)

	2010	2011	2012	2013	Difference from April Projections for 2012
World Output	**5.3**	**3.9**	**3.5**	**3.9**	**0.0**
Advanced Economies	**3.2**	**1.6**	**1.4**	**1.9**	**0.0**
United States	*3.0*	*1.7*	*2.0*	*2.3*	*–0.1*
Germany	*3.6*	*3.1*	*1.0*	*1.4*	*0.4*
France	*1.7*	*1.7*	*0.3*	*0.8*	*–0.1*
Spain	*–0.1*	*0.7*	*–1.5*	*–0.6*	*0.4*
Japan	*4.4*	*–0.7*	*2.4*	*1.5*	*0.4*
United Kingdom	*2.1*	*0.7*	*0.2*	*1.4*	*–0.6*
Emerging & Developing Economies	**7.5**	**6.2**	**5.6**	**5.9**	**–0.1**
Russia	*4.3*	*4.3*	*4.0*	*3.9*	*0.0*
China	*10.4*	*9.2*	*8.0*	*8.5*	*–0.2*
Brazil	*7.5*	*2.7*	*2.5*	*4.6*	*–0.6*
India	*10.8*	*7.1*	*6.1*	*6.5*	*–0.7*
Middle East & North Africa	**5.0**	**3.5**	**5.5**	**3.7**	**1.3**
Sub-Saharan Africa	**5.3**	**5.2**	**5.4**	**5.3**	**–0.1**
South Africa	*2.9*	*3.1*	*2.6*	*3.3*	*–0.1*

Source: World Economic Outlook Update, July 2012

It is projected that advanced economies will grow by 1.4% in 2012 and 1.9% in 2013. Growth for 2013 has been revised downwards by 0.2 percentage points from earlier projections. This revision mostly reflects weaker activity in the Euro Zone as a result of uncertainty resulting from Euro Zone crisis and tighter financial conditions. Germany, Spain and Japan are expected to register stronger growth in response to favourable macroeconomic conditions. However, downside risks remain in the United States, France and the United Kingdom, where growth is projected to be lower than initially projected.

[1] World Economic Outlook Update, 16 July 2012

Growth in emerging and developing economies is projected to moderate to 5.6% in 2012, before picking to 5.9% in 2013. Activity in most emerging market economies is expected to be supported by the policy easing that began in late 2011 or early 2012 and lower oil prices. Growth in Central and Eastern Europe is projected to remain relatively weaker than in 2011, given its strong trade and financial ties with the Euro-Zone. The growth momentum in emerging economies including Brazil, China and India is also projected to slow down, hence the downward revision in the 2012 growth projection. This partly reflects a weaker external environment and deceleration in domestic demand in response to capacity constraints and policy tightening over the past year.

In contrast, growth in the Middle East and North Africa (MENA) is projected to be stronger in 2012 through to 2013, relative to 2011, as key oil exporters continue to boost oil production and domestic demand while activity in Libya is rebounding rapidly after the unrest in 2011. Similarly, growth in Sub-Saharan Africa is expected to remain robust in 2012-13, helped by the region's relative insulation from external financial shocks in the troubled Euro-Zone. However, growth in the South African economy is expected to be marginally lower (-1 percentage point) than the April 2012 projection, owing to its strong financial and trade ties with the Euro Zone.

Global consumer price inflation is projected to ease as demand softens and commodity prices recede. In overall terms, global inflation is expected to slip from 4.5% in the last quarter of 2011 to around 3.5% in 2012-13.

1.2 International Commodity Prices

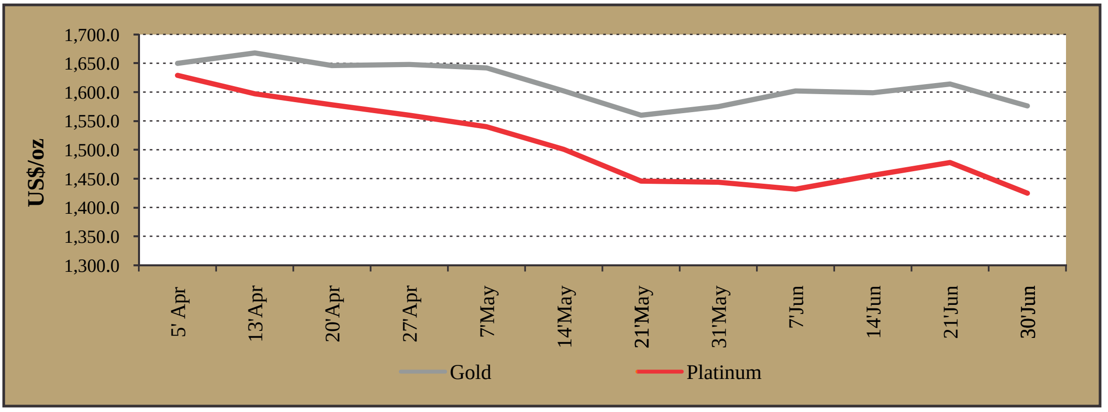
The World Bank's energy commodity price index slowed by 3.6% month-on-month in April, 7.6% in May and 12% in June 2012. The non-energy price index showed only a slight decline of 0.4% in April, 2.5% in May and 3.6% in June on a month-on-month basis. Different factors weighed in on the prices of the international commodity prices during the second quarter of 2012. Commodity prices were affected by persistent concerns over global growth, especially the re-emergence of concern over China and US growth and apprehensions over Spanish sovereign debt in April. In May 2012, commodity prices continued to fall due to a firmer dollar; risk aversion; macroeconomic uncertainty and apprehension over the Euro-Zone's sovereign debt crisis, as well as slower-than-expected growth in emerging economies, especially China and India. The same bearish factors that have continued to exert pressure on prices in June: macroeconomic uncertainty, especially apprehension over the Euro-Zone's sovereign debt crisis, as well as slower-than-expected growth in China and India. A firmer dollar and growing risk aversion also added to these pressures. It is notable that recent commodity price declines are the steepest since the months following the Lehman crisis of 2008, which suggests markets are pricing in a further deterioration in Chinese economic growth and little progress with regard to the European debt crisis.

1.2.1 Gold and Platinum

The period April to June 2012 was characterised by the decline in the prices of both gold and platinum (Figure 1). Gold was on average, selling at US$1,649.00 per ounce at the beginning of April, before selling at an average price of US$1,589.00 per ounce in May, before firming in the June average price of US$1,599.00 per ounce. On the other hand, the average price of platinum declined from an average price of US$1,586.00 per ounce in April to US$1,444.00 per ounce in June. Factors contributing to the movement of the precious metals prices during the period include concerns over the results of the French and Greek elections; decline of the Euro/USD in May; speculation around the potential departure of Greece from the EU; sharp depreciation in major currencies (Indian Rupee, Euro and Aussie dollar) and positive news from the U S economy, mainly in the housing market. However, the U S Federal deficit contracted by US$59 billion during April 2012 hence, lowering the uncertainty level in the market.

The failure by the Federal Reserve Bank to announce a more aggressive monetary policy stimulus in June left markets in disappointment, given that the markets were anticipating further monetary easing to maintain pressure on long-term interest rates and thereby keeping the opportunity cost of holding gold relatively low. The European finance officials met in Brussels to work out on critical measures to ease financial pressure on Spain and Italy. In anticipation of a deadlock, the market felt that it was unlikely that additional stimulus will result, hence there was not much change in the prices of the precious metals.

Figure 1: International Commodity Prices, April 2012-June 2012



Source: Bloomberg and Reuters

In the outlook, certain factors are likely to have an impact on prices of precious metals in the next quarter. These include American gross domestic product (GDP) for quarter two, pending and new home sales; Euro zone money supply; minutes of the fed monetary policy committee (MPC) meeting; U S retail sales; U S core CPI; U S core durable goods and U S jobless claims. The renewed ease over the EU debt crisis might pull up the Euro, which is strongly and positively linked with precious metals prices.

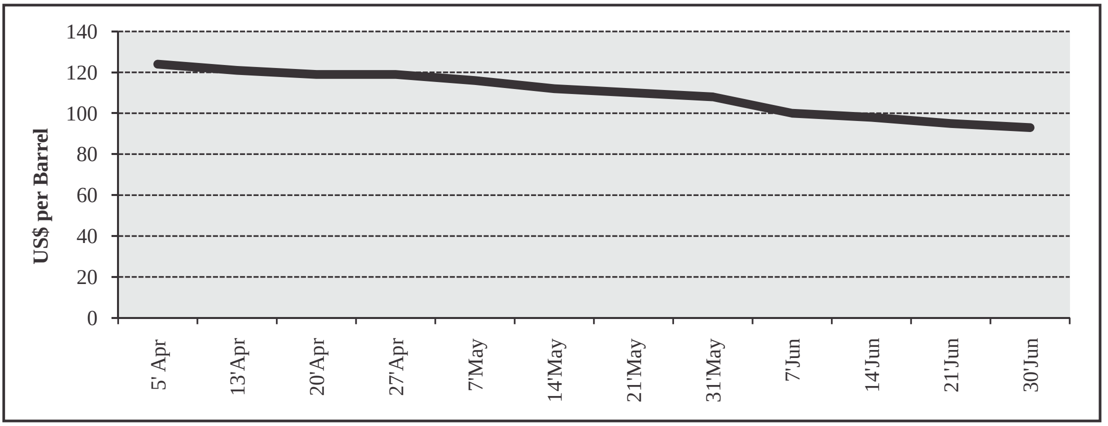
1.2.2 Crude Oil

World oil demand growth in 2012 now stands at 0.9 million barrels per day. Given the stabilization of the US economy and the shutdown of Japanese nuclear power plants, world oil demand growth has, at least for the short-term, stopped its declining trend and is showing some growth. Oil demand in non-OECD countries is also indicating a slight improvement. The upcoming driving season in the U S might be affected by higher retail gasoline prices and uncertainty regarding economic developments. Japan's oil usage also could slow if the country were to restart its nuclear plants

The Organization of the Petroleum Exporting Countries (OPEC) reported that after three consecutive months of gains, the OPEC reference basket price fell in April 2012 to US$118.18 per barrel, although it retained high levels linked to risk premiums associated with the ongoing geopolitical concerns. The decline was primarily a reflection of the overall crude oil market sentiments during the first month of the typically low demand season in the second quarter of the year. Most physical crude oil markets showed signs of weakness in April at a time of high supply and weak demand. Losses in crude oil prices also occurred, as refined product prices came down from the peak levels reached in the previous months.

Moreover, rising production from OPEC member countries, in a bid to cool down prices and allow global inventories to build strongly, kept a lid on prices, causing them to move sideways throughout the month. Off-and-on bearish macroeconomic indicators from the U S and China, as well as revived concern about the Euro-Zone economy, pushing the Euro down against the U S dollar, also helped dampen crude oil markets. In June 2012, the OPEC reference basket continued its quarter-long declining streak for the third consecutive month to settle below US$100 per barrel for the first time in a year and a half (Figure 2). The drop in the value of the basket in June was a significant 13%, the highest month-to-month decline since the 22% drop in December 2008. Besides a gloomy economic picture, particularly in the Euro-Zone, the main factors driving down the basket value were speculators who increasingly sold off long positions and abundant crude oil supplies.

Figure 2: International Brent Crude Oil Prices

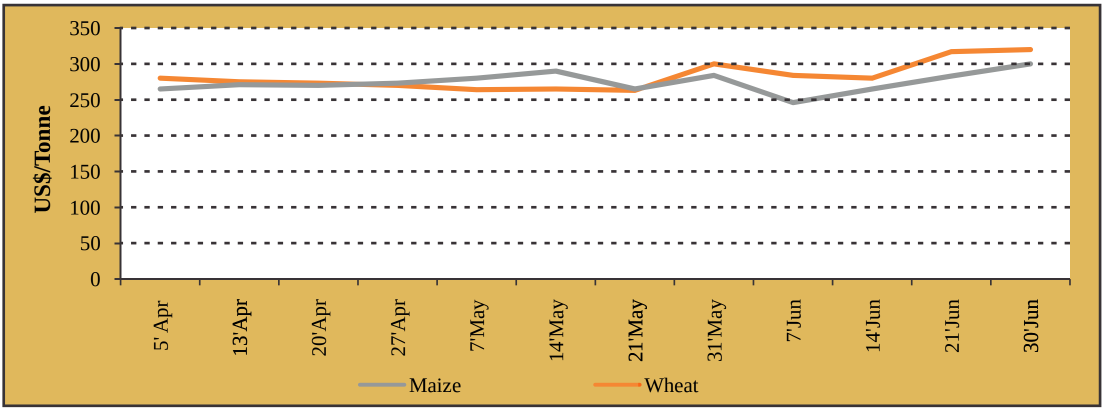


Source: Bloomberg and Reuters

1.2.3 Maize and Wheat Prices

The second quarter of 2012 was mostly affected by uncertainty concerning the outlook for global grains and oil seeds production. This resulted in heightened price volatility, which partly reflects deepening concerns over the performance of the world economy, amid Euro-Zone challenges, coupled with the associated marked strengthening of the U S dollar, affecting the dollar-denominated exports of the two commodities. While prospects for world wheat production were initially considered mostly favourable, markets turned abruptly higher as crop perceptions deteriorated (Figure 3).

Figure 3: Maize and Wheat Prices (USA), Fob and Gulf



Source: International Grain Council

Maize and wheat recorded some positive price percentage changes of 18.4% and 12.4%, respectively in June largely as result of an overly hot and dry weather conditions in the Northern Hemisphere, particularly in U S maize and wheat Black Sea region, as well as deterioration in crop expectations in Russia. Wheat yields are expected to decline by 4.3% to 665 million tonnes while world maize production is still expected to rise by 5.7%, to 917 million tonnes in 2012/13. The decline in wheat production has pushed prices up, given the anticipated decline in supply. This upward price trend is anticipated to continue as world wheat consumption is expected to outperform output.

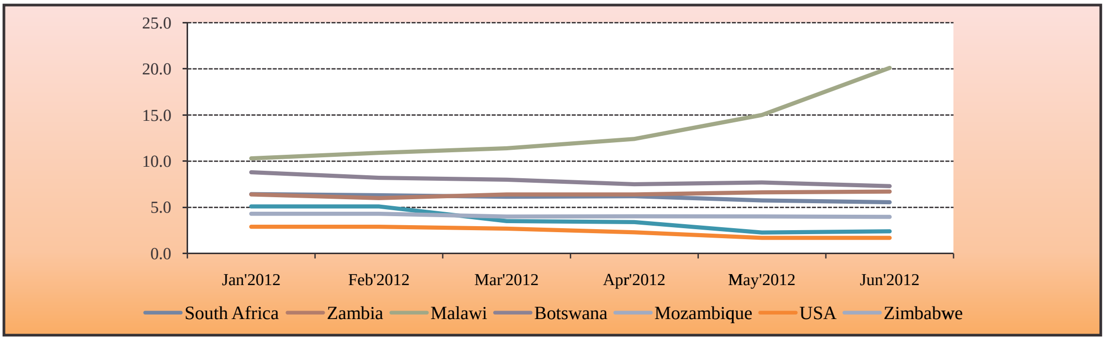
In the outlook period(third quarter of 2012), although the market has been focusing on deteriorating U S conditions for maize, prospects elsewhere have become brighter, particularly in China and India. However, the risks are on the downside unless U S weather prospects improve. World grains consumption is expected to outpace output in 2012/13, expanding by 1.8% year-on- year. The growth is led by a 2.5% rise in feed needs, largely due to increasing meat consumption, particularly in developing countries.

1.3 Inflation Developments in the SADC Region

Inflation developments within the SADC region remain under control within the 2%-8% band except for Malawi. Inflation in Malawi continued on an upward trend, on the back of continued devaluation of the Kwacha. Since January 2012 the Malawian Government has devalued the Kwacha by a cumulative 50%, resulting in a sharp increase in fuel prices. The condition has been worsened by foreign currency shortages, a situation which was triggered by the fall in tobacco earnings and foreign aid.

Elsewhere, inflationary pressures seem to be within control. In South Africa, the continued devaluation of the Rand and the rising producer price index (PPI) are more likely to impose more pressure on the inflation rate. Inflation in Zimbabwe is among the lowest but slightly higher than in Mozambique in the region.

Figure 4: Inflation Rates for Selected SADC Countries and the USA



Source: ZIMSTAT, CSO-Zambia, RBSA, Bank of Botswana and Bloomberg

2.0 MACROECONOMIC DEVELOPMENTS

2.1 Macroeconomic Overview

Progress towards the achievement of the Medium Term Plan (MTP) and the 2012 Budget targets has not been impressive. Prevailing constraints include limited long-term credit facilities; underperformance of the agricultural sector, poor Government revenue inflows; persistent electricity shortages and policy inconsistencies.

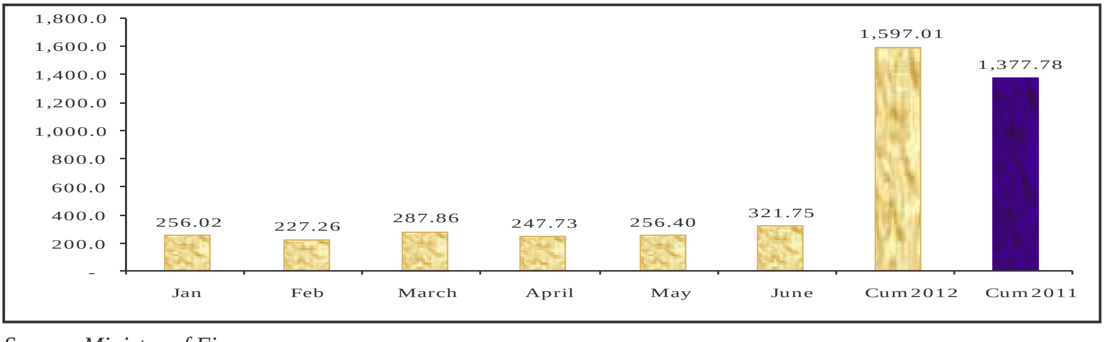
2.2 Fiscal Developments

2.2.1 Government Revenues

During the second quarter, Government revenues amounted to US$825.88 million and were 7% higher than the first quarter revenues of US$771.13 million. Cumulative revenues to June 2012 amounted to US$1.59 billion, of which tax revenues accounted for 93.7% of total revenues at US$1.5 billion. The cumulative revenues to June 2012 were 13.1% lower than the target of US$1.84 billion, forcing Government to revise the initial revenue projection of US$4 billion to US$3.64 billion. The 9% cut in the revenue projection was mainly on account of underperformance of diamond dividends, which recorded a shortfall of US$229.3 million, over the first half of 2012. This, therefore, require steps to increase productivity and value addition at the same time increasing transparency and accountability in the diamond sector, including fast-tracking the implementation of the Diamond Act.

Notwithstanding this, cumulative revenues for 2012 were 15.91% higher than the cumulative revenues to June 2011, which stood at US$1.38 billion (Figure 5). This can be attributed to improved economic activity in 2012 compared to 2011, as well as improved revenue collections underpinned by increased compliance with the VAT fiscalised recording of taxable transactions.

Figure 5: Zimbabwe's Fiscal Developments from January to June 2012 in US$ million



Source: Ministry of Finance

2.2.3 Expenditures Developments

Underperformance of revenues seriously undermines Government's capacity to implement its public sector investment programmes. Under the Cash Budgeting principle, Government cannot spend beyond the available revenues. In that regard, cumulative expenditures to June 2012, were contained within the available revenues at US$1.57 billion against planned expenditures of US$1.84 billion, hence a surplus of US$22.54 million. Whilst Government can be commended for maintaining fiscal discipline, of major concern is the fact that the public sector budget continue to be skewed towards recurrent expenditures at the expense of growth enhancing capital projects. This has been a major undoing of the budget and has contributed to the downward revision of the growth forecast from 9.4% to 5.6% in 2012. The recurrent expenditures to June 2012 accounted for 91.4% at US$1.44 billion, whilst the remainder of US$98.25 million was spend on capital projects.

Wage demands continue to crowd out other non-wage social and capital projects. The cumulative wage bill to June 2012 amounted to US$806.21 million, accounting for 56% of total expenditures and 50.5% of total revenues. This scenario is likely to remain in the short-to- medium term, unless Government moves in to rationalise the civil service by making it leaner. Full implementation of civil service audit could be vital in creating savings on the wage bill, hence creating additional space for spending in growth enhancing and non-wage projects.

Creating fiscal space will allow the Government to improve service delivery in key areas such as water & sanitation, timely provision of agricultural inputs, and social protection for the poor and vulnerable.

2.3 Manufacturing Sector Developments

Although there have been few signs of recovery, the manufacturing industry continues to underperform, with the chief constraint being unavailability of cheaper long-term funding to bail out most companies that are still operating with obsolete equipment. Unreliable power supply and intense competition from imports also make it difficult for the manufacturing industry. High expectations following the launch of the Distressed and Marginalised Areas Fund (DIMAF) in 2011 have since been watered down, given the stringent conditions in accessing the funds. The conditions arose from the Government's failure to meet its part of the bargain. Government failed to contribute the US$20 million it had promised. Old Mutual has availed the other US$20 million. Thus, the lending conditions became largely private sector oriented, hence difficulties for distressed companies.

Manufacturing sector performance is important, not only to meet domestic requirements but also to satisfy the international market through exports. Statistics from ZIMSTAT for the first five months of 2012 reveal that manufactured exports, including beverages and tobacco, only constituted about 16% of the total exports recorded over the same period. This is at a time when about 42% of all the exports constituted crude materials, largely mining and agriculture products.

The textile industry remains one of the industries facing serious challenges which have led to the closure of many firms. The latest textile company to close is Karina (Pvt) Ltd, the sole manufacturer of knitting yarn which closed shop in June 2012. The closure of the firm has worsened the unemployment rate due to deindustrialisation for the textile industry, which is estimated to have lost more than 5 000 jobs due to de-industrialisation. The challenges are further compounded by the stiff competition from cheap textile imports coming from Asia.

One of the strategies identified under the Industrial Development Policy (IDP), covering 2012-2016 to deal with challenges bedevilling the manufacturing sector is the cluster initiative, which could work for the textile industries. A textile cluster can be defined as a geographic concentration of interconnected textile companies and institutions. In general the basis upon the geographic location of textile cluster include easy access to production inputs; employees; suppliers, better access to markets; technical and competitive information, among others. A look at examples of textile sector clusters in Asian countries would reveal that the textile clusters were very successful[2] in those economies.

Within the IDP context, this would involve ensuring that there are incentives in terms of conducive infrastructure and other networks that would motivate companies to establish factories in the cluster areas. For this to work, a lot of commitment on the part of government and prioritisation of the development of clusters and a conducive investment regime will ensure quick recovery of the manufacturing sector.

The IDP appears to give prominence to easy access to input by identifying the need to have the clusters developed in cotton growing areas such as Gokwe. However, this might not solve the problem as a cluster located in towns could turn out to be more competitive than one in rural areas. Key to the success of the cluster would be an appreciation that local textile firms are closing due to the fact that they are producing products targeting the domestic market when no one is buying local products due to price consideration. There is need for the clusters to focus more on the export market than the domestic market, especially by promoting the cotton ginning industry which could easily have comparative advantage. Measures that improve productivity at the farms, which might include the adoption of GMO technology to enhance competitiveness, would also be called for to reduce cotton production costs. These could be measures adopted as part of the implementation of the IDP to ensure that identified strategies are not outrun by events.

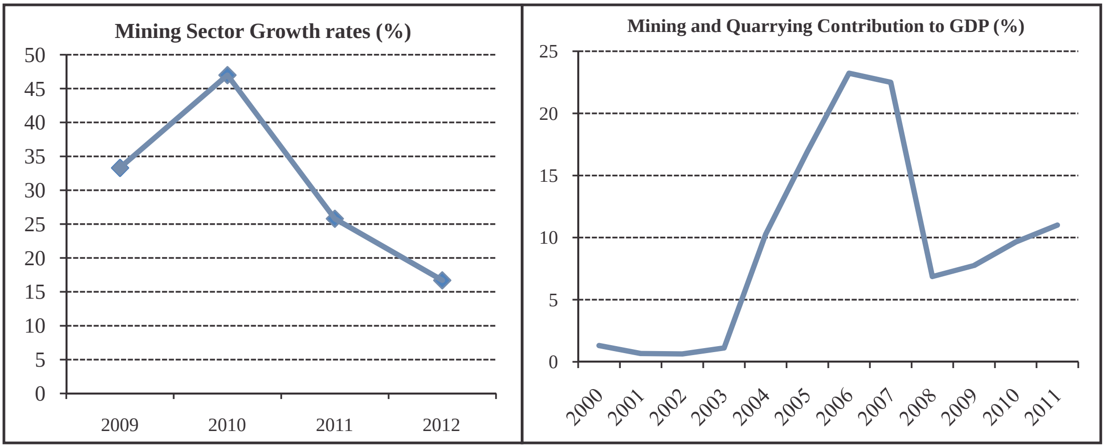
2.4 Mining Sector Developments

The mining industry is still a major driver of economic activities in the country, as evidenced by the increase in its share of GDP from 2008 to 2011 (see Figure 6). The overall contribution of mining and quarrying has constantly been below 5% between 1985 and 2003. However, between 2003

[2]For example, it is estimated that 80% of India's textiles are produced by about 70 textile clusters. In Pakistan, the Faisalabad textile cluster is estimated to account for 20.40% of the total national investment in the textile sector. In China, the Zhejiang clusters are also the leading textile product manufacturers and exporters for the country.

and 2008, the overall contribution to GDP increased tremendously due to contraction in other industries. The growth rate in the mining sector increased from 33.3% in 2009 to 47% in 2010. Thereafter, the rate of growth declined to 25.8% and is projected to grow by 16.7% in 2011 and 2012, respectively.

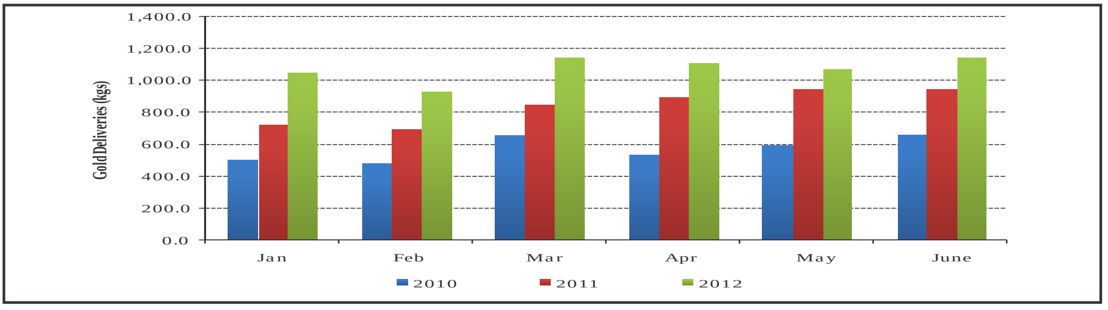
Figure 6: Mining Sector Growth Rates and Contribution to GDP (1985-2010)



Source: ZIMSTAT, 2012

Total gold deliveries grew by an average of 45.69 percent in the first half of 2012 to register a cumulative total of 6 461.43 kilograms (Figure 7). This was against the target of 15 000 kilograms for the whole of 2012. Deliveries by both small-scale producers and primary producers grew by an average of 1.32% and 2.96%, respectively during the first half of 2012. The improvement in gold deliveries over the years is a result of general improvement in economic conditions and firming of gold prices on the international market.

Figure 7: Total Gold Deliveries January-June (2010, 2011 and 2012)

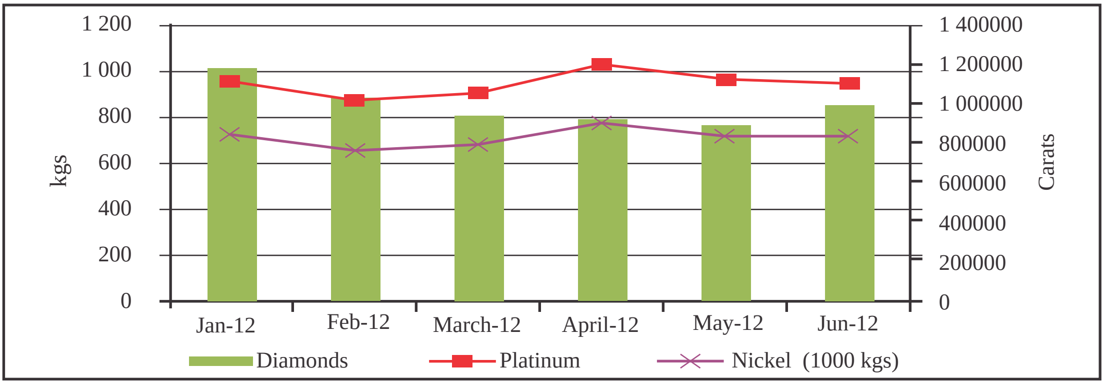


Source: Fidelity Printers and Refiners, 2012

Since 2010, the country has been exceeding the threshold of 10 tonne requisite for refinery. However, currently no refinery is done at Fidelity Printers and Refiners due to viability problems. The company does only assaying and exporting of the bullion mainly to the Rand Refinery. Under the current set up, individual companies do not want to mix their deliveries when they sell their gold on the international market to maintain identity. The resumption of gold refining will help downstream industries such as jewellers to purchase gold locally and reduce the cost of production. To kick start the refining process, an injection of US$50 million is required. However, Fidelity Printers and Refiners can only embark on refining the gold after seeking accreditation with the London Bullion Market Association.

Platinum producers delivered 5 650.9 kgs against an annual projection of 12 000 kgs (Figure 8). Currently, all the platinum that is produced is sent to South Africa in its raw form. However, electricity supply remains a challenge if the smelting of platinum is to be done locally. In general, the smelting of minerals requires huge and uninterrupted electricity supply, which is not guaranteed at the moment. For instance, electricity generation for the first half of 2012 hovered between 933.2 MW and 1104 MW, against a peak demand of 2100 MW. Hence, if the refining of platinum is to be done locally it means there will also be need to increase power generation in the country. To ease the demand for electricity generated by the power utility ZESA, the Zimbabwe Energy Regulatory Authority (ZERA) should allow bulk electricity consumers to operate as independent power producers (IPPs). This arrangement will enable them to produce electricity for own consumption and export excess power generated to the national grid.

Figure 8: Monthly Mineral Production of Select Minerals, January-June 2012



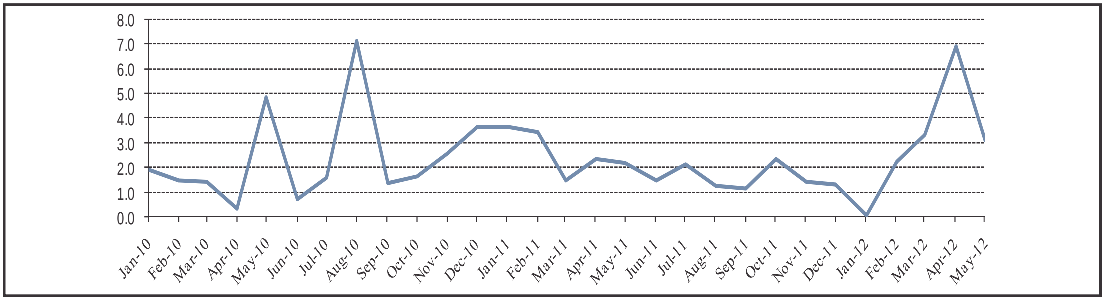
Source: Zimbabwe Chamber of Mines

For nickel, 4 243.06 tonnes were delivered against an annual target of 8 800 tonnes. Nickel production is expected to increase if the Bindura Nickel Corporation reopens before the end of the year. The diamond sub-sector produced 5 913 762.9 carats in the first half of 2012 against a projection of 12 000 000 carats by year end. Diamond production gradually declined from 1 176 414 carats in January 2012 to 884 963.1 carats in May 2012. In June 2012, 985 627.1 carats were produced. Gold deliveries, platinum, nickel and diamonds are expected to grow by 15.8%, 10.8%, 10.1% and 37.6%, respectively in 2012.

The mining sector contributes over 50% of total export earnings and about 45000 formal jobs. Total mineral exports were valued at US$1.16 billion for the first half of 2012. Platinum, diamonds and gold accounted for 32%, 31% and 23% of the mineral exports, respectively. Ferrochrome accounted for only 7% of mineral exports and the remainder was for other mineral exports. Although exports of platinum, diamonds and gold performed well in the first half of 2012, beneficiation of these minerals is recommended. This is because prices of primary commodities are determined on the international market, of which Zimbabwe is a small country and cannot determine the terms of trade. However, for platinum the current combined production levels from the three platinum mines (Zimplats, Mimosa and Unki) is below 500 000 ounces, which is inadequate for the establishment of a refinery. Backward linkages can also be considered since the country used to have a developed mining inputs manufacturing sector, before the meltdown, supplying a wide range of mining capital goods, consumables and services. The booming of the mining sector can enhance its come back although a significant proportion must be imported, particularly heavy equipment (capital goods). Currently major constraints facing the backward linkages sector appear to be reliable power supply, access to capital, skills and availability of scrap.

The mining sector also contributes revenue to the fiscus through the payment of various taxes. Royalties are still an issue in the mining sector since they sterilize some of the reserves and can decrease potential mineral reserves. Figure 9 below shows that since January 2012, royalties' contribution peaked at 7% in April 2012.

Figure 9: Contribution of Royalties to Total Tax Revenue (%)



Source: Ministry of Finance, 2012

2.5 Agriculture Sector Developments

2.5.1 Tobacco Sales 2012 Selling Season

There has generally been an improvement in tobacco deliveries at the country's four auction floors. Table 2 summarises tobacco sales for the current selling season.

Table 2: Tobacco Deliveries, June 2011 and June 2012

	TSF	BTF	MTF	PTF	Total Auction	Contract	Total 2012	Total 2011	% Change
Mass Sold(kg)	16,727,924	14,802,268	8,644,699	9,202,321	49,377,212	79,700,900	**129,078,112**	**120,976,149**	6.70
Value(US$)	60,597,080	52,021,506	31,077,783	33,219,805	176,916,174	301,805,186	**478,721,360**	**331,168,060**	45
Avg. Price US$/kg	**3.62**	**3.51**	**3.60**	**3.61**	**3.58**	**3.79**	**3.71**	**2.74**	**35.48**
Rejected (%)	9.11%	7.26%	7.57%	9.97%	8.44%	2.97%	5.43%	**6.86%**	**(20.87)**
Bales Laid	248,317	224,645	127,975	139,976	740,913	907,777	**1,648,690**	**1,565,400**	13.08
Bales Sold	225,706	208,340	118,291	126,024	678,361	880,823	**1,559,184**	**1,458,003**	(0.40)
Rejected Bales	22,611	16,305	9,684	13,952	46,247	26,954	**73,201**	**107,397**	13
Avg.Bale Weight (Kgs)	74	71	73	73	73	90	**83**	**83**	**(0)**

Source: Tobacco Industry and Marketing Board[3]

By the end of June 2012, a total of 129.1 million kgs of tobacco had been delivered at the auction floors. This represents a 6.7% increase on the cumulative total of 121 million kgs that was delivered at the same time in the 2011 tobacco marketing season. The average price increased by 35% from an average of US$2.74 by end of June 2011 to US$3.71 at the end of June 2012. The improvement in the volume of tobacco deliveries and the average price saw total tobacco earnings increasing by 45% from US$331.00 million by end of June 2011 to US$479.00 million at the end of June 2012. The auctions also recorded a 20.87% reduction in bales rejected. This increase in value and the reduction in the bales rejected is an indication of an improvement in the quality of tobacco brought to the market as farmers gain more experience in tobacco farming and handling.

2.5.2 Cotton Marketing Season

The marketing of cotton has been marred by disagreements between farmers and ginners on the price, with the latter offering prices ranging between US$0.30 and US$0.35, yet farmers wanted prices between US$0.75 and US$1.20 for a kilogram. Government had to intervene after the stalemate that has seen cotton farmers holding onto to their crop refusing to sell, in protest over low prices ginners and merchants were offering. Government rejected the notion of international prices used by ginners and contractors to prejudice farmers of revenue when they would have given them inadequate inputs at prices that do not allow farmers to break even after marketing. Through Statutory Instrument SI106A of 2012,Government announced the selling price of US$0.77for a kg of grade D, US$0.79 for grade C, US$0.81 for Grade B and US$0.84 for grade A.The gazetting of the prices is likely to reduce the competitiveness of our lint on the international market since it will be sold at higher prices as compared to our competitors.

[2]For example, it is estimated that 80% of India's textiles are produced by about 70 textile clusters. In Pakistan, the Faisalabad textile cluster is estimated to account for 20.40% of the total national investment in the textile sector. In China, the Zhejiang clusters are also the leading textile product manufacturers and exporters for the country.

2.6 Banking and Other Financial Sector Developments

2.6.1 Overview of the Banking Sector

According to the Reserve Bank of Zimbabwe (RBZ), the banking industry is still safe and sound. However, developments in the second quarter of 2012 are a cause for concern. On the 11th of June 2012, Genesis Investment Bank voluntarily surrendered its banking licence to the RBZ after failing to meet the minimum capital requirement of US$10 million for merchant banks. On the same date, Interfin Bank Limited was placed under recuperative curatorship after the RBZ declared the bank unsafe and unsound. According to the RBZ, factors leading to the recuperative curatorship of Interfin Bank Limited included inadequate capital; abuse of corporate structures; concentrated share-holding; non-performing loans; related party exposures; chronic liquidity challenges and a low deposit base.

Our view is that although instability has involved a few small banks, with a small market share, these developments are unfavourable to depositor confidence, which is critical for enhanced savings mobilization. The experiences of these banks suggest that financial sector challenges and irregularities in doing banking business still persist in the economy, requiring tighter supervision and regulation on the part of the RBZ as well as more stringent measures against banks that violate the regulations. There is need for more discipline on the part of banks if depositor confidence is to be restored.

The RBZ has expressed an intention to increase the current minimum capital thresholds for banks, asset management and micro-finance institutions. The intended upward revision of minimum capital thresholds is expected to strengthen financial institutions. However, it is likely that some small and weak banks may find it difficult to meet the intended new minimum capital requirements.

On the 29th of June 2012, the Ministry of Youth Development, Indigenisation and Empowerment gazetted a General Notice 280/2012, giving all foreign-owned financial institutions with a minimum net asset value prescribed by the RBZ, a maximum period of one year to cede at least 51 percent shareholding to indigenous Zimbabweans. However, according to the Ministry of Finance and the RBZ, the General Notice did not follow proper consultative channels and therefore it is considered unlawful and unenforceable. Our view is that lack of a clear position by Government regarding the General Notice is likely to cause uncertainty in the financial sector.

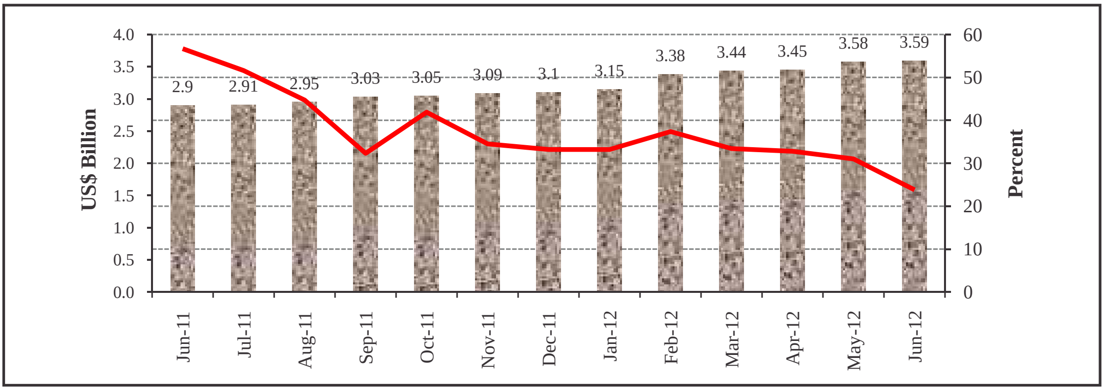
2.6.2 Savings Mobilization

It is estimated that a significant amount of money is circulating outside the formal banking system. In view of this, there is need for banks to be more innovative in order to tape into the informal sector savings. To boost savings mobilization, there is need to address issues of high bank charges; low deposit and savings rates; low average incomes and weak confidence in the formal financial systems. However, it is encouraging to note that in 2012 some banks introduced some products to respond to some of these challenges. The products introduced include the Cash-Plus Savings Account by CBZ Bank; Pfimbi/Isiphala by FBC Building Society and Flexi-Cash Account by Tetrad Investment. Features of the Pfimbi/Isiphala include, among others, zero bank charges and monthly interest earnings. Features of the CBZ Cash-Plus Savings Account include, among others, zero service fees; zero withdrawal fees; zero maintenance fees; initial deposit of US$50 and withdrawals that are only possible after 9 months. Features of the Tetrad Flexi-Cash account include among others, daily earnings of up to 5% per annum paid monthly; 24-hour withdrawal notice; zero monthly charges and stand-by call loan facility. These innovative developments are incentives for enhanced savings mobilization in the economy. These innovations suggest that in a competitive environment, banks have realized the need for innovation. In the process, it is expected that these developments will boost savings.

2.6.3 Banking Sector Deposits

In the second quarter of 2012, total banking sector deposits (net of inter-bank deposits) increased from US$3.45 billion in April 2012 to US$3.59 billion in June 2012 (Figure 10). However, the annual growth rate in deposits declined from 32.8% in April 2012 to 23.8% in June 2012. Despite the increase in the level of deposits, their growth rate, composition and distribution are still of concern.

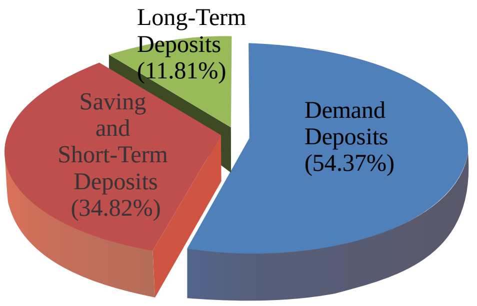
Figure 10: Level & Growth of Total Banking Sector Deposits



Source: RBZ Monthly Economic Review, June 2012

As of June 2012, demand deposits constitute 54.37%, while saving and short-term deposits constitute 34.82% and long-term deposits constitute 11.81% of total deposits (Figure 11).

Figure 11: Composition of Total Banking Sector Deposits, June 2012



Source: Monthly Economic Review, June 2012

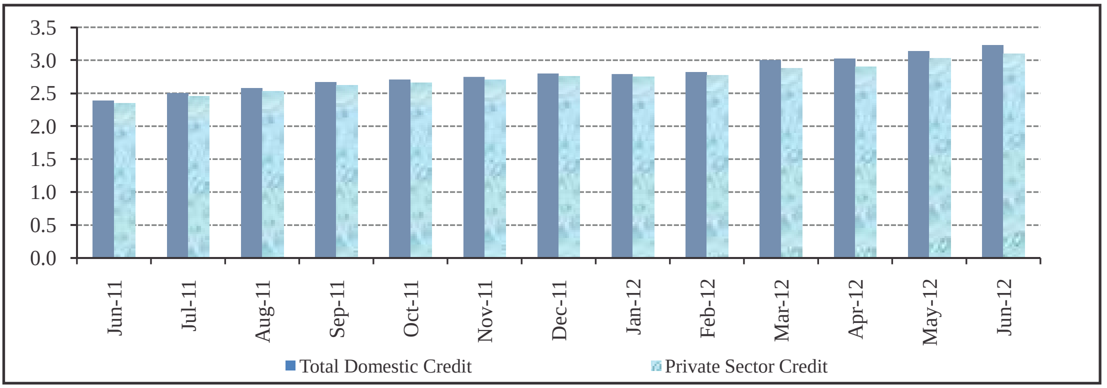
The composition of deposits is dominated by short-term transitory deposits, which is not favourable for long-term bank lending. Most borrowers are in the Agricultural and Manufacturing industries, which require long-term finance. Such short-term and transitory nature of deposits is not supportive of the much needed long-term borrowing for investment purposes. In order to improve the level and term structure of deposits, there is need for banks to be more innovative in order to tap into informal savings, offer attractive deposit rates, restore confidence in the banking public and advertise their products more aggressively for the saving public.

The bank deposits are unevenly distributed in favour of large banks. According to the 2012 Mid-Year Fiscal Policy Review, 4 out of the 25 banking institutions hold more than 60% of the total bank deposits. This implies high deposit concentration risk. This may also tend to encourage uncompetitive behaviour by large banks.

2.6.4 Credit to the Private Sector

In the second quarter of 2012, credit to the private sector averaged 96.1% of total domestic credit compared to 97.7% in the first quarter(Figure 12). The decrease could be associated with cautious lending by banks, given the prevailing high levels of non-performing loans in some of the banks.

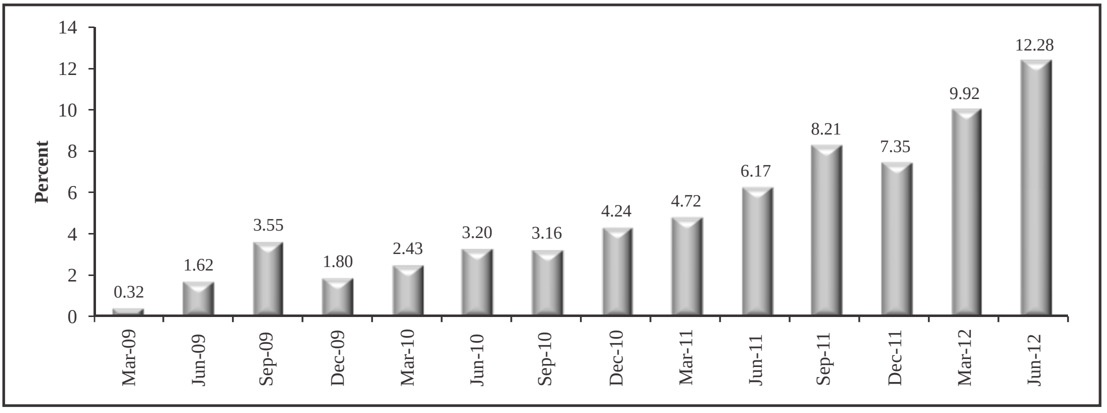
Figure 12: Bank Credit to the Private Sector (US$ Billion)



Source: Monthly Economic Review, June 2012

Non-performing loans have been on the increase, averaging12.28% in June 2012, compared to 6.17% in June 2011 (Figure 13), suggesting a need for cautious lending and borrowing.

Figure 13: Level of Non-Performing Loans in the Banking Sector



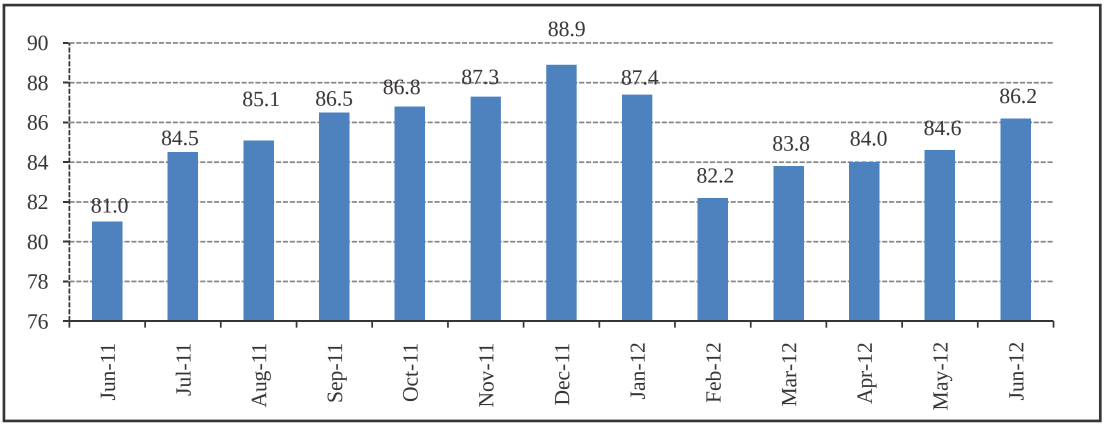
Source: Reserve Bank of Zimbabwe

Developments in the money market are still unfavourable. Currently, there are no Government Treasury Bills, which act as collateral security in the inter-bank market. The shortage of short term debt instruments like the Treasury Bills has resulted in an inactive inter-bank market.

2.6.5 Bank Loan-to-Deposit Ratio

In the second quarter of 2012, the loan-to-deposit ratio (including both domestic and external lines of credit) increased from 84% in April to 86.2% in June 2012 (Figure 13).

Figure 14: Loan-to-Deposit Ratio (%), June 2011-June 2012



Source: RBZ Monthly Economic Review, June 2012

The prevailing loan-to-deposit ratios are high, given the prevailing non-performing loans in the banking sector. There has been too much risk taking on the part of both borrowers and lenders. In June 2012, the level of non-performing loans stood at 9.9% against a prudential threshold of 5% as prescribed in Basel II. Given that a significant amount of these loans has been channelled to selected sectors that include Agriculture, whose performance is projected to decline, the risks of loan default are high. Against this background, there is need for cautious lending and further diversification of loan portfolios.

The development of a Credit Reference Bureau, which is expected to be operational by September 2012 would reduce information asymmetry and expose over-indebted borrowers and consequently, may impact positively on non-performing loans. There is need for the responsible authorities to speed up the process of setting up the Bureau.

2.6.6 Composition of Private Sector Credit

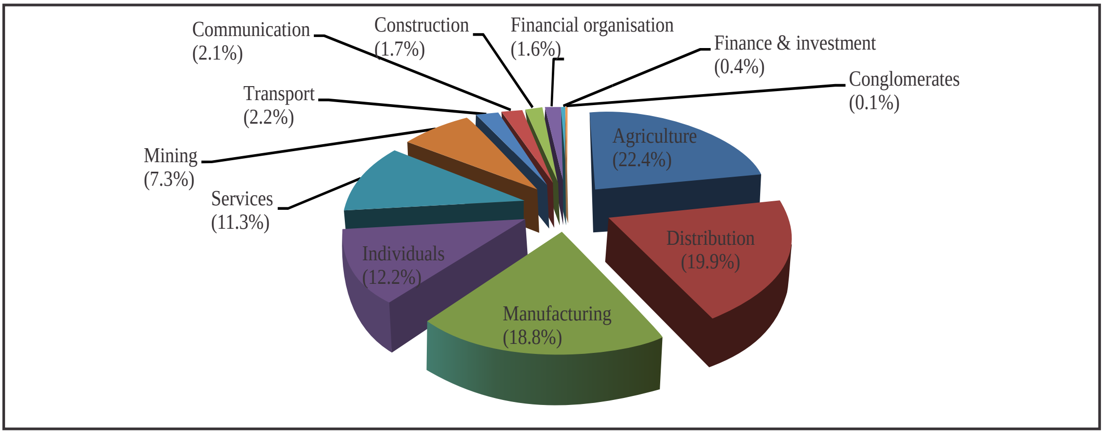
Table 3: Composition of Private Sector Credit (%)

	Loans & Advances	Mortgages	Bankers Acceptances	Bills Discounted	Other Investments
Jun-2011	78.8	6.3	6.2	3.3	5.3
Jul-2011	81.7	6.3	5.1	3.2	3.7
Aug-2011	82.7	6.4	4.3	3.2	3.4
Sep-2011	82.4	6.6	4.9	2.6	3.5
Oct-2011	83.0	5.8	2.3	6.2	2.7
Nov-2011	82.0	6.6	5.9	2.9	2.7
Dec-2011	82.1	6.9	6.4	2.2	2.4
Jan-2012	84.8	7.5	4.4	1.7	1.7
Feb-2012	84.3	8.2	2.9	2.3	2.3
Mar-2012	83.3	4.2	2.6	7.7	2.2
Apr-2012	84.4	7.4	3.0	2.6	2.5
May-2012	84.8	7.3	2.8	2.5	2.6
June-2012	82.7	7.7	2.2	2.9	4.4

Source: RBZ Monthly Economic Review, June 2012

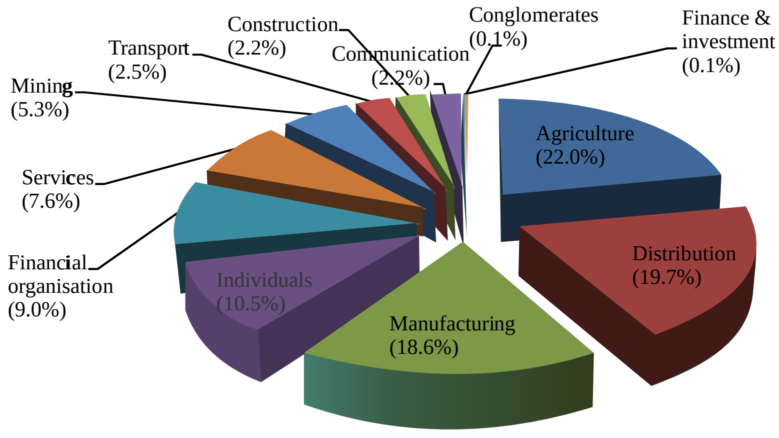
The figures show that there is overdependence on loans and advances as private sector credit instruments. In terms of distribution, figure 15 shows that as at June 2012,loans and advances were distributed as follows: Agriculture(22.4%); Distribution (19.9%); Manufacturing (18.8%); Services (11.3%); Individuals (11.4%) and Other Sectors (8.1%).

Figure 15 a: Composition of Commercial Bank Loans &Advances, June 2012



Source: RBZ Monthly Economic Review, June 2012

Figure 15b: Composition of Commercial Bank Loans & Advances, June 2011



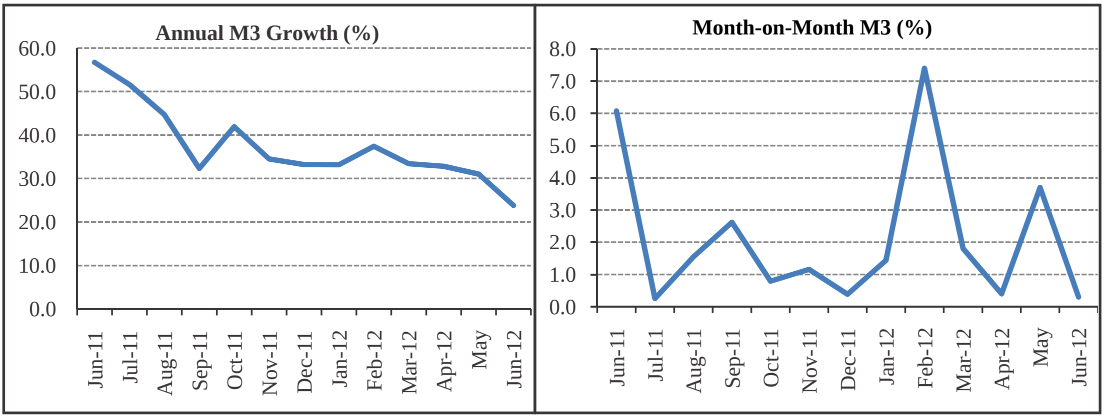
Source: RBZ Monthly Economic Review, June 2011

Figures 15a and 15b show that lending to individuals increased from 10.5% in June 2011 to 12.2% in June 2012. The trend that has emerged is that some individuals have been borrowing from banks, making quick money through unproductive activities such as trading in commodities and being able to repay the loans within the short term as opposed to companies in the productive sectors. This practice has tended to boost bank loan advances to individuals, as opposed to corporates. While there is need to boost productive sectors for the sustained recovery of the economy, banks tend to be more keen to lend to individuals that are able to repay the loans, even if such loans are not used for productive activities. There is therefore need to encourage banks to restrain from lending for consumptive and non-productive purposes and to provide more favourable terms for productive sector borrowing. This will go a long way is ensuring a speedy recovery of the economy.

2.7 Money Supply Developments

In the second quarter of 2012, the growth of annual broad money supply (M3), defined as total banking sector deposits (net of inter-bank deposits),declined from 32.8% in April 2012 to 23.8% in June 2012 (Figure 16). M3 growth declined from 32.8% April 2012 to 23.8% in June 2012. Month-on-month M3 growth increased from 0.4% in April 2012 to 0.3% in June 2012.

Figure 16: Broad Money Supply (M3) Growth



Source: RBZ Monthly Economic Review, June 2012

The declining growth rates in M3 suggest a need for more measures to enhance deposit mobilization in the formal banking sector. The recent adverse developments in the banking sector, which included a curatorship and surrender of a bank licence were particularly unfavourable towards this move.

2.8 Interest Rate Developments

Table 4 shows that in the second quarter of 2012, commercial and merchant bank weighted average base lending rates averaged 9.2% and 14.9% per annum, respectively. This compares with 12.6% and 18.3% per annum, respectively in the first quarter of 2012.The decline in the lending rates in this quarter is commendable, given the need for increased investment in a recovering economy. The 3-month deposit and savings rates averaged 10.1% and 6% in the second quarter of 2012.This compares with 9.4% per annum and 6% per annum, respectively, in the first quarter.

Table 4: Interest Rate Levels (Percent Per Annum), June 2011-June 2012

Month	Commercial Bank Average Base Lending Rate	Commercial Bank Weighted Average Base Lending Rate	Merchant Bank Average Base Lending Rate	Merchant Bank Weighted Average Base Lending Rate	3-Month Deposit Rate	Savings Deposit Rate
Jun-2011	8.00-30.00	11.2	16.00-32.00	17.3	8.6	2.6
Jul-2011	8.00-30.00	11.0	16.00-32.00	18.2	8.6	2.6
Aug-2011	8.00-30.00	12.1	16.00-32.00	18.9	8.6	2.6
Sep-2011	8.00-30.00	12.6	16.00-32.00	19.6	8.6	2.6
Oct-2011	8.00-30.00	13.2	15.00-32.00	19.6	8.6	2.6
Nov-2011	8.00-30.00	13.2	10.00-32.00	19.6	8.3	2.6
Dec-2011	8.00-30.00	13.2	10.00-32.00	19.6	9.1	2.6
Jan-2012	8.00-30.00	13.2	10.00-32.00	19.6	9.1	2.6
Feb-2012	8.00-30.00	14.0	10.00-32.00	20.1	9.1	2.6
Mar-2012	8.00-30.00	10.6	14.00-35.00	18.8	10.1	6.0
Apr-2012	8.00-30.00	9.0	13.00-25.00	15.7	10.1	6.0
May-2012	6.00-30.00	9.4	15.00-30.00	14.4	10.1	6.0
Jun-2012	6.00-35.00	9.2	15.00-30.00	14.5	10.1	6.0
Average	**...**	**11.9**	**...**	**18.8**	**9.1**	**3.5**

Source: RBZ Monthly Economic Review, June 2012

There is still need to encourage banks to increase efforts to mobilise savings, given the need for investment in a recovering economy.

In terms of operating costs, banks have raised concerns about the high costs of repatriating soiled notes, an added role and cost that they now have, given the multicurrency system. On the other hand, the challenges with small change and coins still persist and consumers continue to suffer. There is need for some measures to assist the public with coins, given that these are largely used for transport fares and small items in shops.

Table 5: ZETSS, Cheques, Card, Mobile and Internet Transaction Activity (US$ Million)

Month	ZETSS	Cheque Values	Card Values	Mobile & Internet
Jun-2011	2,844.4	6.0	78.3	35.9
Jul-2011	2,830.1	5.6	97.0	43.9
Aug-2011	2,948.0	5.7	104.2	49.7
Sep-2011	2,984.5	6.0	99.3	55.5
Oct-2011	3,078.0	6.1	113.2	57.7
Nov-2011	3,160.9	5.9	122.0	60.6
Dec-2011	2,892.2	5.0	164.3	58.5
Jan-2012	2,439.7	5.3	137.2	60.8
Feb-2012	2,920.1	6.1	137.1	77.2
Mar-2012	3,242.8	6.8	156.4	104.1
Q1: 2012	**2, 867.5**	**6.1**	**143.6**	**80.7**
Apr-2012	2,948.5	5.5	160.5	68.6
May-2012	3,237.4	5.0	189.6	82.0
June-2012	3,407.3	6.5	177.7	93.5
Q2: 2012	**3,197.7**	**5.7**	**175.9**	**81.4**

Source: RBZ Monthly Economic Review, June 2012

Table 5 shows that in the second quarter of 2012, there was an increase in electronic transactions and a decline in cheque transactions as compared to the first quarter. The growth in electronic transactions is commendable because it eases cash shortages faced by some banks and the problem of change in the retail industry.

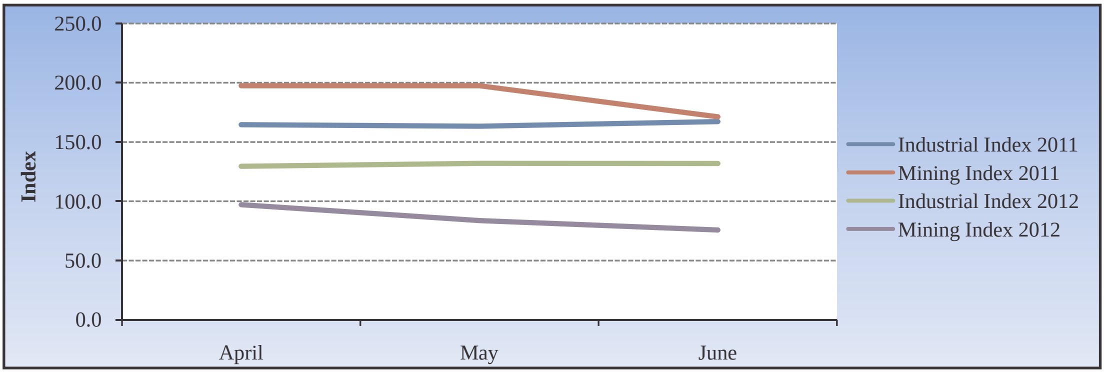
2.9 Other Financial Sector Developments and Innovations

The Securities Commission of Zimbabwe (SECZ) withdrew the securities dealing license of Interfin Securities. According to SECZ, Interfin Securities was engaging in non-permissible activities that include deposit collection from investors. The RBZ withdrew licences of two micro-finance institutions, namely McDowell International and All Angels Investments. The RBZ cited engagement in non-permissive activities such as deposit collection as the reason for licence withdrawal. These experiences suggest there is still indiscipline in the financial sector, requiring more stringent regulation.

2.10 Stock Market Developments

The Zimbabwe Stock Exchange (ZSE) mining and industrial indices continued trading in the red for the second quarter of 2012 compared to the second quarter of 2011. The mining index took the biggest knock, declining from an average of 200 in 2011 to an average of around 75 in 2012. The industrial index also took a knock from an average of 160 to about 120 for the second quarter of 2011 and 2012, respectively. The figure below shows the trends in the indices for the two comparable periods.

Figure 17: Industrial and Mining Indices for April-June for the Years 2011 and 2012



Source: Zimbabwe Stock Exchange, 2012

This sluggish ZSE performance has basically been responding to the constraints facing the economy, namely liquidity challenges, low capacity utilisation as well as high production costs arising from the use of out-dated methods of production and technology. The conflicting remarks on the implementation of the indigenization policy have also not done a favour to the ZSE through raising fears and prompting investors to be more bearish. Table 6 is a summary of the ZSE performance statistics for the period under review.

Table 6: ZSE Summary Statistics: April-June 2011 & 2012

Date	Turnover Value (USD)	ZSE Commission	Turnover Volume	Foreign Bought Value ($)	Foreign Sold Value ($)	Foreign No of Shares Bought	Foreign No of Shares Sold
April-June 2011	107,301,479.15	214,602.96	1,209,782,851	49,061,093.97	39,225,981.02	276,084,060	290,575,225
April -June 2012	138,509,459.77	277,018.92	1,450,388,836	51,914,630.51	41,664,016.61	150,424,341	285,439,113
Difference (2012-2011)	**31,207,980.62**	**62,415.96**	**240,605,985**	**2,853,536.54**	**2,438,035.59**	**125,659,719.00**	**-5,136,112.00**

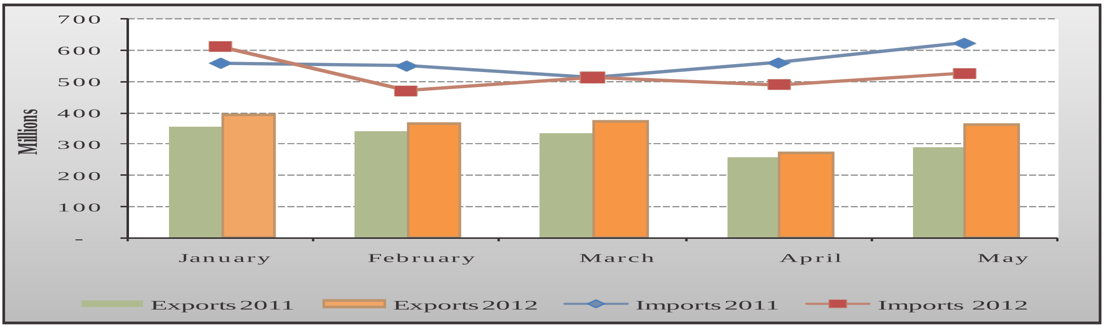
Source: Zimbabwe Stock Exchange, 2012

From table 6, however, in overall terms, there was a slight improvement in turnover (both volume and value)as well as the value of foreign purchases and sales. ZSE turnover value increased by a respectable US$31.2million owing to an increase in traded volumes by 240.6million shares. The values of foreign shares bought and sold also increased by US$2.9 million and US$2.4 million, nevertheless on the back of reduction in numbers of shares bought and sold by 125.7million and 5.1 million shares, respectively. Alarming is the 125.7 million reduction in the number of shares bought by foreigners, a reflection of waning investor confidence in the Zimbabwean economy, especially emanating from mixed reactions to the implementation of the Indigenisation Policy among other factors.

2.11 External Sector Developments

Imports for the five months to May 2012 were generally subdued in comparison to the same period in 2011. Imports for the period totalled US$2,608,734,429, which was a 7% reduction to the total of US$2,804,700,573 recorded during the same period in 2011. Given the general concern about the widening trade balance deficit, which has largely been financed from further accumulation of arrears[4], this fall in imports could be considered a positive step towards containing the trade balance deficit. This is also within the context of a positive trend in export performance, which recorded an improvement over the first five months in 2012 compared to the same period in 2011. Total exports for the period were US$1,766,702,002, which was an increase of about 12% compared to the same period in 2011. If the same trend of rising exports and falling imports (Figure 17) continues throughout the rest of 2012, a significant improvement in the balance of trade deficit would be witnessed. The trade balance deficit for the period was US$842 million, which was an improvement as the same period in 2011 resulted in a deficit of over US$1.2 billion.

Figure 18: Export and Import Trends Jan-May 2011 and Jan-May 2012

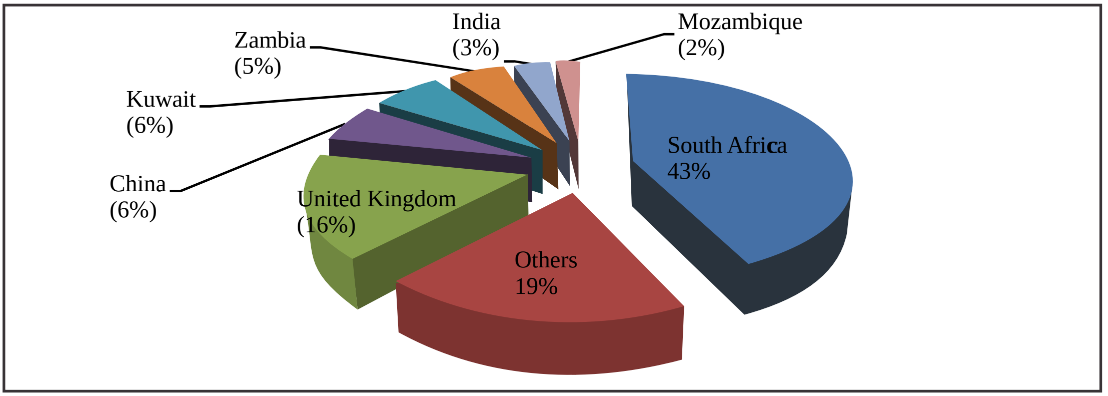


Source: ZIMSTAT

However the area of concern for Zimbabwe has been the overreliance on the same markets for both exports and imports. A country's exports destinations need to be spread to all corners of the globe to ensure that should any country make policy pronouncements that have the ability to affect Zimbabwe export competitiveness, the impact would be minimal. The same is equally true for imports; overreliance on one economy as a source of imports could easily result in imported inflation if that country were to face some inflationary pressures. A look at the major import destinations for Zimbabwe during the first five months, especially those where the volumes constituted at least 2% of the total, would reveal that the country relies heavily on South Africa (Figure 18 and 19). Thus, the economy continues to be affected by the economic developments in South Africa

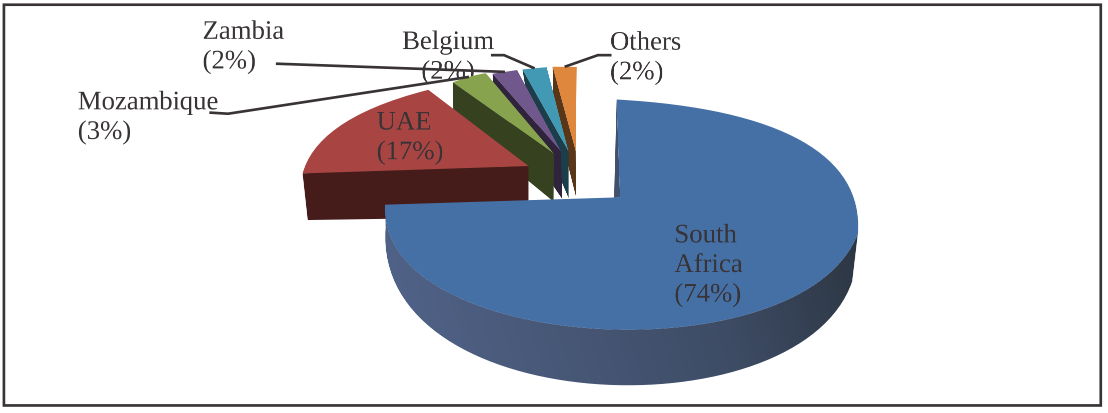
[4]See an earlier issue of the Economic Barometer, Volume 4

Figure 19: Zimbabwe Imports Sources



Source: ZIMSTAT

Figure 20: Zimbabwe Exports Destination



Source: ZIMSTAT

The same trend is also apparent on exports. The country does not have a broad export base as South Africa absorbs 74% of all the exported products. The effect of the recent policy pronouncement by the South African Government to the effect that the Preferential Procurement Policy Framework Act, No 5 of 2000 would be taking effect has to be understood from this perspective. The policy is intended to ensure that South African firms receive priority in procurement, which could close off some opportunities for Zimbabwean exports. There is need to continue to explore more market opportunities to cushion the country against any major shifts in demand for its exports.

2.12 Tourism Developments

The Government has revised downwards the projected annual growth rate for the Tourism sector from 13.7% to 10.4%. According to the Mid-Year Fiscal Policy Review, tourist arrivals improved by 7.5% from 657 302 arrivals during the first half of 2011 to 688 288 arrivals over the same period in 2012. The Tourism receipts are also expected to increase by 11.2% from US$662 million recorded in 2011 to a record of US$736 million by the end of the year.

The above projections are based on a foundation of strong tourism promotions. Currently the Ministry of Tourism has lined up some programs to market Zimbabwe's tourism products. From the 18th to the 12th of October 2012, the Ministry of Tourism is set to hold Sanganai/Hlanganani tourism show case. Tourists from different countries will come to participate and showcase their products. Apart from the Sanganai/Hlanganani there is the World Tourism Market which will be held in London, in November 2012 where Zimbabwean tourism companies are set to exhibit their products. In November 2012,a number of tour operators and hotels are set to exhibit their products in South Africa under a show case called Tourism Gateway. These efforts will go a long way in marketing Zimbabwe's tourism ahead of the 20th general meeting of the United Nation World Tourism Organisations (UNWTO) to be held in 2013.

These strong tourism promotions come on the back of an impressive tourism performance in the first quarter of 2012. The foreign tourist arrivals rose to 346 299 tourist up from 294 198 tourist recorded in the same period in 2011. This means the tourist arrivals increased by 18% in the first quarter of 2012 as compared to the same period last year. The majority of these arrivals are from Africa, which recorded 308 646 tourist and America, which recorded 9 901 tourist in the first quarter of 2012. Of these, 33 273 are business visitors, 21 991 came for shopping and 4 467 came for education purposes. 85.5% of the tourist arrivals travelled by road while 14.5% travelled by air. The hotel and lodge business also responded to the raising tourist arrivals. The hotel room and bed occupancy rate increased to 42% and 31% from 36% and 27%, respectively recorded is the same period last year. The lodge room and bed occupancy rate recorded 42% and 30% up from 36% and 25% recorded in 2011, respectively.

3.0 POLITICAL AND GOVERNANCE ISSUES

3.1 Draft New Constitution Completed

The Constitution Parliamentary Committee (COPAC) announced on the 19 July 2012 that the process of drafting the new Constitution had successfully been completed. The completed draft New Constitution was availed to the Principals to the GPA before being availed to members of the public. COPAC now expects to have convened the Second All Stakeholders' Conference by the end of August 2012. The All-Stakeholder conference provides all Zimbabweans a platform to participate in the discussions on this draft. In the interim, COPAC plans to undertake public awareness campaigns, in preparation to the Second All Stakeholders' Conference. Completion of the New Constitution paves the way to the holding of a referendum, following which, general elections will be held.

4.0 TOPICAL MATTERS

4.1 Government Adopts Diamond Policy

The Zimbabwean Government has adopted the Zimbabwe Diamond Policy. The objectives of the diamond policy are as follows:

- to protect the diamond sector from threats of smuggling;
- to promote diversification and integration of the diamond industry into the economy;
- to ensure that the diamond industry contributes fully to the fuscus; and
- to fulfil Zimbabwe's obligation to international conventions and the promotion of local beneficiation.

The implementation strategy of the diamond policy will be strengthened through the enactment of the Diamond Act which would be administered by a Diamond Commissioner and the establishment of the Diamond Board of Zimbabwe to regulate the industry.

4.2 Zimbawe-EU Economic Partnership Agreement came into effect

The first interim Economic Partnership between the European Union (EU) and four Eastern and Southern African states (Mauritius, Madagascar, Seychelles and Zimbabwe) came into effect on the 14th of May 2012. Under the EPA, exports from the four countries will have duty and quota free access to EU market whilst in return the African countries will gradually open their markets to European goods over a period of 15 years. This will be done with the exception of certain goods deemed sensitive. The opening up of domestic markets to European goods through the elimination of tariffs would expose local producers to fierce competition from EU firms. This will be exacerbated by severe supply side constraints faced by many local companies. The country's ability to use its tariff policy will also be bound by provisions in the EPA. On the other hand, it will also result in lower prices of the products on the market and higher real income for the consumers.

4.3 Rio+20 Conference on Sustainable Development

The United Nations Conference on Sustainable Development (Rio+20 Conference) was held in Rio de Janeiro, Brazil from 20 to 22 June 2012. The conference sought to shape new policies to promote global prosperity, reduce poverty and advance social equity and environmental protection. The event was a follow up to the Earth Summit held in 1992 at the same venue during which countries adopted Agenda 21, a blue print to rethink economic growth, advance social equity and ensure environmental protection. African countries came up with a common position and called for developed countries to fulfil previous commitments and pledges to help Africa's efforts in achieving sustainable development.

The outcome of the conference was the implementation of the following:

- Renewing commitment to sustainable development and promotion of an economically, socially and environmentally sustainable future;
- Renewal of political commitments, including reaffirming the Rio Principles of 1992 and past action plans and also reaffirming the importance of all levels of government and civil society in promoting sustainable development;
- The promotion of a green economy as an important tool for achieving sustainable development, poverty eradication, sustainable economic growth, social inclusion and improved human welfare;
- Strengthening of institutional framework for sustainable development to ensure a coherent and effective response to future challenges and to fill the gaps in the implementation of the sustainable development agenda to create effective governance at local, sub-national, national, regional and global level; and
- Framework for actions and follow-ups according to the thematic and priority areas, including food security, water, energy and sustainable tourism.

In sum, the deliberations of the conference focused on two main themes. The first theme was on how to build a green economy to achieve sustainable development and lift people out of poverty. The second theme was on how to improve international coordination for sustainable development. In addition to the outcome document, there were some voluntary commitments on sustainable development activities by civil society groups, businesses, governments and universities. However, a Review of implementation of Agenda 21 and the Rio Principles published by United Nations Department of Economic and Social Affairs in January 2012 revealed that 20 years after the Earth Summit, progress has been patchy, and despite some elements of good practice, most Agenda 21 outcomes have still not been realised. Funding arrangements and transfers of technology from developed to developing nations around the Agenda 21 outcomes have not been delivered as promised. All this said, Rio + 20 can produce some outcomes with real potential for action on the ground, depending on sufficient follow-up on progress.

4.4 Fin Scope Financial Inclusion Survey

Fin Mark Trust of South Africa, in partnership with the Ministry of Finance embarked on a Fin Scope survey which was conducted by the Zimbabwe Statistical Agency (ZIMSTAT) from July to November 2011.The study, whose objective was to measure the level of financial inclusion in Zimbabwe, found out that 40% of adults are financially excluded and only 24% are banked while 38% of the adults are formally served including both banked and other formal bank products and services.

A significant difference was noted between rural and urban levels of financial inclusion with only 22% of adults in rural areas having access to formal banking and non-bank products, against 38% in urban areas despite the fact that an estimated 65% of Zimbabweans resides in rural areas. Disparities between urban and rural areas show that, banking products seem to focus on adults who have a regular source of income. The major factors driving access to banking services in Zimbabwe were found to be transactional and saving products, of which 19% of banked adults use transactional products, 17% use savings products, 5% use banking for remittance purposes and only 3% use credit banking products.

Regional comparison of the FinScope survey results shows that Zimbabwe performed fairly well, whilst South Africa led with a 63% banked population, followed by Namibia at 45%, Swaziland at 44% and Botswana at 41%.

Table 7: Fin Scope Survey Regional Comparison on Financial Inclusion

	Banked Population	Formally Served	Informally Served	Not Served
South Africa	63	5	5	27
Namibia	45	2	1	52
Swaziland	44	6	13	37
Botswana	41	18	8	33
Lesotho	38	20	23	19
Ghana	34	7	15	44
Nigeria	30	6	17	46
Zimbabwe	26	9	24	41
Kenya	23	18	26	33
Uganda	21	7	42	30
Malawi	19	7	19	55
Rwanda	14	7	27	52
Zambia	14	9	14	63
Tanzania	12	4	28	56
Mozambique	12	1	9	78

Source: FinMark, 2012

5.0 CONCLUSION

The conclusion of the constitution drafting process is welcome development in the country given that the people in the country and outside has been looking forward to the drafting of this important documents. The conclusion of the constitution making process is likely to have a bearing on investors who have been taking a wait and see attitude.

The budget performance remains a cause of concern especially given that the public sector budget continue to be skewed towards recurrent expenditures at the expense of growth enhancing capital projects. The Government should move towards coming up with a formulae for determining the division of the budget into recurrent expenditure and capital expenditure to give room to growth enhancing projects. At the same time the Government needs to seriously relook at the methods of improving on the key enablers in the country.

Developments in the banking sector are worrisome and given the possibility of the contagion effects with bank failure it is prudent that regulatory mechanisms are continuously strengthened to ensure issues of poor corporate governance; liquidity shortages; repatriation of deposits from small to bigger banks; weak depositor confidence and policy inconsistencies are addressed.

On external sector developments, the Government should see that the industrial policy is actioned so that the country seriously starts to produce for local production and for exports. This is important because the country does not have a broad export base as South Africa absorbs 74% of all the exported products. Given that the South African government wants to effect the Preferential Procurement Policy Framework Act, No 5 of 2000,which is meant to ensure that South Africa firms receive priority in procurement, which could close off some opportunities for Zimbabwean exports. There is need to continue to explore more market opportunities to cushion the country against any major shifts by our neighbour.

Given that the country would be holding the United Nation World Tourism Organisations (UNWTO) conference; there is need for the country to continue moving with speed to complete the different projects which has a bearing on the successful holding of the conference. Given that Treasury has released resources to some of the projects; the implementation of the projects should proceed expeditiously.

6.0 STATISTICAL APPENDIX

TABLE 1A: International commodity prices

	2010				2011								2012		
	Mar	June	Sept	Dec	Mar	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Gold (*$/oz*)	1,099.79	1,209.42	1,234.25	1,374.44	1,384.95	1,505.94	1,570.66	1,766.32	1,772.42	1,664.82	1,737.48	1,652.99	1,655.87	1,742.71	1,676.07
Platinum (*$/oz*)	1,558.00	1,610.67	1,570.33	1,698.84	1,794.42	1,783.57	1,759.32	1,813.44	1,752.36	1,536.02	1,576.50	1,468.01	1,507.05	1,658.69	1,657.25
Brent crude(*$/bl*)	76.91	78.97	78.08	87.06	105.33	116.85	116.64	110.28	110.06	108.74	110.45	107.90	111.76	118.83	124.33
Maize(*$/t*)	-	-	-	-	283.04	312.62	264.88	304.00	280.60	273.40	275.80	258.44	273.50	283.17	278.80
Wheat(*$/t*)	-	-	-	-	330.48	339.01	240.59	329.00	304.20	302.00	301.40	269.03	293.80	298.33	295.20

Sources: Bloomberg, IGC, BBC, Reuters

TABLE 1B: Annual Inflation (%)

Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
-7.67	-4.75	-0.73	3.52	4.79	6.07	5.31	4.15	3.60	4.22	3.60	4.18	3.23
Jan-11	**Feb-11**	**Mar-12**	**Apr-12**	**May-12**	**Jun-12**	**Jul-12**	**Aug-12**	**Sep-12**	**Oct-12**	**Nov-12**	**Dec-12**	
3.52	3.04	2.67	2.69	2.50	2.86	3.26	3.54	4.29	4.20	4.20	4.90	
Jan-12	**Feb-12**	**Mar-12**	**Apr-12**	**May-12**								
4.30	4.30	4.00	4.03	4.02								

Source: ZIMSTAT

TABLE 1C: Monthly Inflation (%),

Jan'09	Feb'09	Mar'09	Apr'09	May'09	Jun'09	Jul'09	Aug'09	Sept'09	Oct'09	Nov'09	Dec'09
-2.34	-3.14	-3.03	-1.10	-0.95	0.62	0.98	0.38	-0.48	0.81	-0.07	0.48
Jan'10	**Feb'10**	**Mar'10**	**Apr'10**	**May'10**	**Jun'10**	**Jul'10**	**Aug'10**	**Sep'10**	**Oct'10**	**Nov'10**	**Dec'10**
0.74	0.96	1.12	0.12	0.26	-0.10	-0.13	-0.14	0.12	0.21	0.49	-0.44
Jan'11	**Feb'11**	**Mar'11**	**Apr'11**	**May'11**	**June'11**	**Jul'11**	**Aug'11**	**Sep'11**	**Oct'11**	**Nov'11**	**Dec'11**
1.03	0.49	0.75	0.14	0.08	0.24	0.26	0.13	0.85	0.10	0.50	0.20
Jan'12	**Feb'12**	**Mar'12**	**Apr'12**	**May'12**							
0.46	0.49	0.43	0.19	0.07							

*Source: Reserve of Bank Zimbabwe, Notes: ** Defined as Total Banking Sector Deposits, – Missing Data.*

TABLE 1D: ANNUAL M3 GROWTH (%)

Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
	303.5	322.5	253.7	236.3	160.2	144.3	136.7	136.2	117.0	89.7	68.5
Jan-11	**Feb-11**	**Mar-11**	**Apr-11**	**May-11**	**Jun-11**	**Jul-11**	**Aug-11**	**Sep-11**	**Oct-11**	**Nov-11**	**Dec-11**
67.8	59.0	52.6	48.4	49.2	56.7	51.6	44.7	32.3	41.9	34.5	33.2
Jan-12	**Feb-12**	**Mar-12**	**Apr-12**								
33.2	37.4	33.4	32.8								

Source: Reserve Bank of Zimbabwe

TABLE 1E: IMPORT BALANCES

Imports (c.i.f) in US$ value	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
	623,206,079	630,450,492	648,464,154	1,222,428,122	815,114,707	1,262,300,269	622,964,149	587,901,029
	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12		
Imports (c.i.f) in US$ value	598,628,842	464,135,767	504,991,549	482,997,091				

Sources, ZIMSTATS

TABLE 1F: EXPORT BALANCES

Exports (c.i.f) in US$ value	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
	288,743,562	373,029,213	388,786,028	221,313,963	226,974,741	143,866,926	245,169,257	376,849,339
	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12		
Exports (c.i.f) in US$ value	394,564,325	366,873,425	371,063,585	272,053,370				

Sources, ZIMSTATS

TABLE 1G: FOREIGN EXCHANGE

	2010				2011								2012					
	Mar	June	Sept	Dec	Mar	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June
Exchange rate ZAR per USD*	7.54	7.55	7.24	6.91	6.98	6.76	6.73	7.04	8.08	7.8	8.33	8.14	7.78	7.43	7.67	7.82	8.15	8.39
Foreign exchange reserves (*US$ m*)	395.837	401.93	421.54	437.49	464.31	465.72	490.68	470.87	436.25	437.19	420.24	414.14	430.78	550.97	-			

*Sources:www.resbank.co.za/Reserve Bank of Zimbabwe; Notes;**-monthly averages

Table 1H: Bank Deposits

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	April-12
Demand Deposits	1,696,025.7	1,806,529.3	1,816,419.3	1,797,998.4	1,701,086.4	1,845,026.8	1,871,724.30	2,012,823.82	1,925,785.95	1,922,666.69
Saving and Short-Term Deposits	981,705.3	885,529.3	863,227.0	966,295.0	1,056,190.2	952,533.0	1,014,873.70	1,068,952.11	983,065.10	1,057,917.25
Long-Term Deposits	229,271.6	259,913.6	349,644.8	288,916.5	331,299.5	302,841.7	258,426.40	295,791.79	529,767.47	473,171.27
Total Deposits	**2,907,002.6**	**2,951,972.2**	**3,029,291.1**	**3,053,209.9**	**3,088,576.1**	**3,100,401.5**	**3,145,024.4**	**3,377,567.7**	**3,438,618.5**	**3,453,755.2**

Sources: Reserve Bank of Zimbabwe

Table 1I: Gold deliveries

	2011								2012					
	Mar	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June
Gold production (Kgs)*	756.95	891.78	745.2629	812.1185	870.3044	1158.33	1117.45	1311.92	1053.16	927.98	1145.46	1116	1076	1147

*Sources: Reserve Bank of Zimbabwe, * monthly averages*

Table 1J: Diamond Production

	2008				2009				2010			
	January-June		July-December		January-June		July-December		January-June		July-December	
	Volume (cts)	Value (U$mn)	Volume (cts)	Value (U$mn)	Volume (cts)	Value (U$mn)	Volume (cts)	Value (U$mn)	Volume (cts)	Value (U$mn)	Volume (cts)	Value (U$mn)
Diamond production	506,609.84	26.87	290,588.26	16.95	303,193.20	8.30	660,308.50	12.12	4,881,663.55	153.41	3,553,560.47	186.34

Sources: KPSC(https://kimberleyprocessstatistics.org)

Table 1K: Government Budget

	2010		2011								2012					
	Sept	Dec	Mar	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Revenues ($m)	218.57	250.90	218.55	277.29	240.33	243.29	264.22	245.67	274.45	301.40	256.01	227.23	287.86	247.73	256.4	321.7
Spending ($m)	154.30	311.58	173.52	221.13	234.00	246.59	292.48	219.21	276.75	485.43	170.40	282.82	267.99	312.71	239.1	301.4
Balance ($m)	64.27	-60.68	45.03	56.16	6.33	(3.30)	(28.26)	26.46	(2.30)	(184.03)	85.61	(46.83)	19.87	(64.98)	17.3	20.3

Sources: Ministry of finance, Note: monthly averages

TABLE 1L: ZIA Investment Approv als

	January To April 2012		January to December 2011		January to December 2010		January to December 2009	
Sector	**No. of projects**	**Total Investment (US$)**	**No. of projects**	**Total Investment (US$)**	**No. of projects**	**Total Investment (US$)**	**No. of projects**	**Total Investment (US$)**
Agriculture	1	10,000,000.00	3	444,776,611.30	1	2,100,000.00	1	3,201,000.00
Construction	2	87,000,000.00	5	120,934,000.00	5	258,840,000.00	3	3,250,000.00
Manufacturing	20	12,189,769.00	91	669,953,655.39	87	53,115,691.22	57	41,664,727.52
Mining	19	37,493,347.00	62	3,687,328,621.41	37	186,102,528.00	35	1,256,482,137.00
Services	10	15,577,036.31	57	128,099,343.00	27	18,072,580.10	27	19,323,886.00
Tourism	3	1,075,000.00	9	1,583,143,694.00	2	510,000.00	4	21,991,070.00
Transport	0	-	0	-	4	1,730,000.00	1	640,980.00
Total	**55**	**163,335,152.31**	**227**	**6,634,235,925.10**	**163**	**520,470,799.32**	**128**	**1,346,553,800.52**

Source: Zimbabwe Investment Authority

Table 2A: **Annual Economic Growth**

	2008	2009	2010	2011
GDP Growth (%)	-17.7	6.0	9.0	-
GDP (US$ Million)	4,416	5,836	7,474	-

Source:ZIMSTAT

Table 2B: **International Commodity Prices**

	2008	2009	2010	2011
Gold *(US$/oz)*	871.64	982.50	1 218.59	1 358.42
Platinum *(US$/oz)*	1 577.00	1 212.25	1 608.23	1 721.92
Brent Crude				
Maize				
Wheat				

Source: International Grain Council,BBC, Reuters

Table 2C: **Money & Prices**

	2009	2010	2011
Inflation (Annual Average) %		3.10	3.50
Inflation (Year End) %	-7.70	3.20	4.90
Base Lending Rate (Merchant Banks) %	-	-	20.47
Weighted Average Base Lending Rate (Merchant Banks) %	-	-	20.47
Base Lending Rate (Commercial Banks)	-	-	11.81
Weighted Average Base Lending Rate (Commercial Banks) %	-	-	11.80
Deposit Rates (3 Month Annual Average) %	-	-	8.73
Deposit Rates (Savings) %	-	-	2.26
M3** (Year End) *(US$ Billion)*	-	2.33	3.10
M3 (Annual Average) *(US$ Billion)*	-	-	2.79

*Source: Reserve of Bank Zimbabwe, Notes: ** Defined as Total Banking Sector Deposits, – Missing Data*

Table 2D: **Trade & Balance of Payments**

	2008	2009	2010	2011
Exports - Total Goods *(US$ Millions)*	1 660.43	1 613.27	3 245.45	3 557.026
Imports - Total Goods *(US$ Millions)*	2 629.55	3 213.07	5 864.93	8 594.286
Current Account Balance *(US$ Millions)*	-775.34	-1 140.3	-1 917.8	-3 006.28
Overall Balance *(US$ Millions)*	-725.23	-1867	-412.05	-665.07

Figures for 2011 are estimates and import figures for 2008 and 2009 are f.o.b

Table 2E: Foreign Exchange

	2008	2009	2010	2011
Exchange Rate ZAR per USD	8.26	8.28	7.31	7.28
FX Reserves *(US$ Million)*	-	-	-	-
Import Cover Ratio	-	-	0.847	0.635
External Debt *(US$ Million)*	4,690	5,787	7,050	-
External Debt *(% of GDP)*	106%	99%	94%	-

Source: Reserve Bank of Zimbabwe

Table 2F: Banks

	2009	2010	2011
Bank assets (Annual Average) *(US$ Million)*	-	2,271.8	3,393.7
Deposits (Annual Average) (*US$ Million)*	-	2.793	
Bank Credit to Private Sector (Annual Average) (*US$ Million)*	-	1.235	2.344
Loan/Deposit Ratio (Annual Average) %	-	-	83%

Source: Reserve Bank of Zimbabwe

Table 2G: Zimbabwe Stock Exchange Indices

	2009	2010	2011
ZSE Industrial Index *(Annual Average)*	151.99	151.30	157.54
ZSE Mining Index *(Annual Average)*	185.50	200.40	173.70

Source: Zimbabwe Stock Exchange

Table 2H: Business / Production Indicators

	2008	2009	2010	2011
Gold Production *(Kgs)*	3 579.00	4 966.00	-	11 645.26
Platinum Production*(Kgs)*	5 495.10	6 848.90	-	-
Tobacco Sales *(Kgs Millions)*	69.79	63.6	85.04	177.8
Maize Production *(Kgs Millions)*	435.16	1 242.56	1 322.57	1 451.63
Cotton Production *(Kgs Millions)*	226.44	246.76	172.13	220.22
Wheat Production *(Tonnes)*				
Manufacturing Output *(Index)*				
Business Confidence Index				
Number of Companies Formed				

Source: Chamber of Mines, TIMB and Agritex

Table 2I: Government Budget

	2009	2010	2011
Revenues *(US$ Million)*	897.49	2 339.06	2 921.02
Spending *(US$ Million)*	850.28	2 106.95	2 895.85
Balance *(US$ Million)*	47.21	232.11	25.17

Sources: Ministry of Finance