

Table 1. Zimbabwe: Balance of Payments, 1981-85

(In millions of SDRs)

	1981	1982	1983	1985 Prel.	1985 Prel.
Current account	-616	-685	-462	-198	-160
Trade balance, f.o.b.	-71	-139	81	192	239
Exports	(1,229)	(1,194)	(1,087)	(1,163)	(1,209)
Imports	(-1,300)	(-1,333)	(-1,006)	(-971)	(-970)
Nonfactor services	-343	-234	-255	-209	-223
Freight and insurance	(-137)	(-143)	(-170)	(-141)	(-150)
Other transportation	(-26)	(32)	(19)	(23)	(22)
Travel	(-106)	(-70)	(-44)	(-41)	(-40)
Other	(-74)	(-53)	(-60)	(-50)	(-55)
Investment income	-102	-188	-191	-119	-131
Interest	(-44)	(-100)	(-134)	(-139)	(-150)
Other	(-58)	(-88)	(-57)	(20)	(19)
Private transfers	-100	-124	-96	-63	-45
Capital account	349	523	180	237	115
Official transfers	75	57	57	92	45
Medium- and long-term	79	333	299	93	70
Government	(19)	(65)	(178)	(63)	
Public enterprises	(69)	(215)	(93)	(39)	(70)
Private sector	(-9)	(53)	(28)	(-9)	(--)
Short-term capital	194	133	-176	52	--
Government	(100)	(61)	(-152)	(6)	(...)
Public enterprises	(84)	(51)	(-22)	(48)	(...)
Private sector	(4)	(21)	(-2)	(-2)	(...)
Other ^{1/}	92	73	-5	51	--
Overall balance	-175	-89	-287	90	-45
Financing	175	89	287	-90	45
Gross reserves (increase -)	-11	28	24	20	-10
IMF	37	--	154	70	-21
Sale of securities ^{2/}	--	--	--	43	66
Other short-term liabilities	149	61	109	-223	10
<u>Memorandum items</u>					
Average exchange rate (SDR per Zimbabwe dollar)	1.2312	1.1961	0.9256	0.7841	...
Net foreign assets (year end)	44.2	-44.9	-331.4	-198.1 ^{1/}	-177.1 ^{3/}
Current account deficit as percent of GDP	11.3	11.1	8.4	4.8	3.4

Sources: Reserve Bank of Zimbabwe; Ministry of Finance; and Fund staff estimates.

^{1/} Includes errors and omissions and SDR allocations in 1981.

^{2/} Sale of foreign securities acquired by the Central Bank from domestic residents.

^{3/} Excluding the unsold foreign securities acquired by the Central Bank.

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the Government's budgetary position. As a result, the Government's deficit increased, and the rate of inflation accelerated. On the external front, the real effective exchange rate was not sustained, thereby reducing the international competitiveness of Zimbabwe's exports. This, together with the cumulative deterioration in the terms of trade, exacerbated the difficult balance of payments situation. Consequently, in the face of increasing balance of payments pressures and sharply reduced net foreign assets, in March 1984 the Government intensified exchange restrictions on current payments and further tightened import allocations. In addition, in February 1984, the Government submitted to Parliament supplementary expenditure estimates which resulted in substantial deviations from the program's targets. Following these developments, no further purchases could be made under the arrangement. ^{1/}

2. Developments in 1984

The Zimbabwean economy began to recover during the second half of 1984, reflecting partly the end of the drought and the improved performance of exports in response to the recovery in the world economy. Real GDP grew by 1 percent in 1984, due mainly to increases in output in the agricultural and mining sectors. Agricultural output, reflecting mainly higher production of maize, cotton, and tobacco, rose by nearly 13 percent, while mineral production increased by 4 percent. On the other hand, output in both the manufacturing and distribution sectors, constrained partly by lower foreign exchange allocations during the first half of the year, fell by 5 percent. The rate of inflation, as measured by the average of the higher- and lower-income consumer price indices, declined from 20 percent in 1983 to 16 percent in 1984. At the same time, investment as a proportion of GDP continued to decline to 13 percent in 1983, reflecting reduced domestic savings and a lower level of capital inflows. The consumption/GDP ratio, which had averaged 86 percent in 1980-81, rose to 91 percent in 1983.

The budgetary situation improved in 1984/85 when the central government deficit as a percentage of GDP fell from 10.9 percent in 1983/84 to 9.9 percent in 1984/85. Government revenue and grants increased by 11 percent due mainly to the sharp increase in foreign grants, and were Z\$99 million higher than the original estimates, while total expenditure and net lending increased by 10 percent, exceeding the original budget estimate by Z\$70 million (Table 2). The improved revenue performance reflected the economic recovery, improved tax collections, and new tax measures, such as an increase in gasoline taxes, a holiday tax, and a drought relief surcharge on income tax. The bulk of the increase in expenditure went to defense, social services (mainly education and health), transfers to parastatals, and the rapidly growing interest bill. As a

^{1/} A detailed discussion of these developments is contained in SM/84/198 (8/15/1984).

Status of IFS Data

		<u>Latest Data in August 1985 IFS</u>
Real Sector	- National Accounts	1982
	- Prices (consumer)	May 1985
	- Production (manufacturing)	September 1984
	- Employment	n.a.
	- Earnings	n.a.
Government Finance	- Deficit/Surplus	1982
	- Financing	1982
	- Debt	1982
Monetary Accounts	- Monetary Authorities	April 1985
	- Deposit Money Banks	March 1985
	- Other Financial Institutions	March 1985
External Sector	- Merchandise Trade: Value	December 1984
	Unit value	December 1984
	- Balance of Payments	Q4 1984
	- International Reserves	June 1985
	- Exchange Rates	June 1985

ATTACHMENT V

ZIMBABWE - Basic Data

Area, population and GDP per capita

Area	390,000 square kilometers
Population: Total (1983)	7.7 million
Growth rate	3 percent
GDP per capita (1983)	SDR 719

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u> Prel.
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GDP at factor cost (current prices)

Total (millions of Zimbabwe dollars)	3,226	4,049	4,609	5,081	5,684
Agriculture (percent of total)	14	16	14	12	14
Mining (percent of total)	9	6	5	6	6
Manufacturing (percent of total)	25	25	24	27	27
Annual real rate of growth (percent)	11.3	13.0	0.0	-3.4	1.1
Investment as percent of GDP (at current market prices)	16	23	21	13	...

Prices (in percent change)

GDP deflator	14.9	11.1	13.8	14.1	10.6
Cost of living index	7.3	13.9	14.6	19.7	16.3

	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85</u> Est. outturn
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Central government finance
(July/June)

(In millions of Zimbabwe dollars)

Total revenue and grants	<u>1,012.3</u>	<u>1,367.9</u>	<u>1,815.8</u>	<u>2,032.6</u>	<u>2,261.9</u>
Total revenue	950.6	1,333.7	1,763.1	1,943.6	2,114.9
Tax revenue	(777.7)	(1,207.6)	(1,579.5)	(1,743.5)	(1,894.0)
Nontax revenue	(172.9)	(126.2)	(183.6)	(200.1)	(220.1)
Grants	61.7	34.2	52.7	89.0	147.0
Total expenditure and net lending	<u>1,298.1</u>	<u>1,707.6</u>	<u>2,262.5</u>	<u>2,618.2</u>	<u>2,878.9</u>
Current	1,142.4	1,435.5	1,808.9	2,232.7	2,454.0
Capital	107.3	158.2	218.3	208.0	200.0
Net lending	48.5	113.8	235.3	177.5	244.9