ECONOMIC REPORT FOR PERIOD
JULY TO DECEMBER 2001

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1 INTRODUCTION

1.1 The performance of the economy continued to deteriorate in 2001 and is estimated to have declined by 7.3% compared to 4.2% in 2000. This was mainly due to high inflation and acute foreign currency shortages which resulted in increased costs of production and supply bottlenecks, respectively. These problems and the impact of the AIDS pandemic, worsened the economic and social well-being of the nation.

2 SECTORAL REVIEW

2.1 Overview

The major sectors of the economy experienced declines of more than 5%. Performance of these sectors was negatively affected by:

- high rates of inflation which increased cost of production and reduced export competitiveness;
- low commodity prices mainly for agriculture and mining;
- acute foreign currency shortages, which resulted in reduced imports of raw materials, spare parts and machinery;
- the fixed exchange rate; and
- shrinking domestic demand, due to increased unemployment and declining purchasing power .

2.2 Agriculture

2.2.1 The agriculture sector is estimated to have declined by 12.2% in 2001 (see Table 1 and Graph 1). The specific factors that affected performance of this sector include:

- unfavourable weather conditions, characterized by a mid-season dry spell, and flooding during the 2000/2001 agricultural season;
- reduced agricultural productivity associated with the initial stages of land reform; and
- reduced agricultural productivity associated with the initial stages of land reform.

2.2.2 Maize

Maize production is estimated to have declined by 31% from a total of 2.1 million tonnes in 1999/2000 season, to about 1.4 million tonnes in 2000/2001 season. This is against a national requirement of 1.8 million tonnes. As a result we are currently importing maize to make up for the shortfall.

2.2.3 Cotton

Cotton production also declined by 5.7%, from a record of 353 000 tonnes in 1999/2000, to 333 050 tonnes in 2000/2001 season.

2.2.4 Tobacco

The production of tobacco, the economy's main foreign currency earner, declined by 15.4%, from 245,2 million kg in 2000, to 207,5 million kg, in 2001.

2.2.5 Tea

Tea production increased marginally by 4.3% from 21 818 tonnes in 2000 to 22 746 tonnes in 2002.

2.2.6 Coffee

Coffee output increased by 33% from 6 000 tonnes in 2000, to 8 800 tonnes in 2001. The low output in 2000 was attributed to the cyclone Eline.

2.2.7 Tea

Tea production increased marginally by 4.3% from 21 818 tonnes in 2000 to 22 746 tonnes in 2002.

2.2.8 Cattle

The national cattle herd declined by 4.5% from 5 908 million in 2000 to an estimated 5.5 million in 2001.

2.2.9 Timber

Timber production declined by 13.4% from 395 292 cubic metres during the twelve months to March 2000, to 342 520 cubic metres over the same period to March 2001. Of the timber produced by March 2001, 333 488 cubic metres was pine and the balance was eucalyptus. The decline in timber production is attributed to the effects of the Cyclone Eline and the harsh macroeconomic environment.

2.2.10 Horticulture (Flowers, Citrus, Fruits and Vegetables)

About 21 749 tonnes of flowers were exported, at an average price of US$3 600 per tonne in 2001, compared to 17 900 tonnes, at a price of US$2 500 per tonne in 2000. The upward trend in export of flowers is attributable to the locally bred new varieties, which are fetching high prices on overseas auction floors. During the same year, 45 840 tonnes of citrus were exported, compared to 39 000 tonnes in 2000. Fruits and Vegetables exports dropped from 10217 tonnes in 2000, to 9 955 tonnes in 2001, as a result of changes taking place on the farms.

2.2.11 Sugar

Production of sugar dropped by 4.8%, from 537 491 tonnes in 2000, to 511 598 tonnes in 2001.

2.3 Manufacturing

The volume of output in the manufacturing sector for the first nine months of2001 fell by 10.1%, compared to the same period in 2000 **(see Table 2 and Graph 2)**. Major declines were recorded in the following sub-sectors:

2.3.1 Beverages and tobacco

This sub-sector recorded a decline of 32.2% in 2001 as consumers moved away from purchasing luxury products such as beverages in favour of necessities, as the economic situation worsened.

2.3.2 Transport and equipment

This sub-sector recorded a slump of 28%. It was seriously hampered by the shortage of foreign currency as most of its inputs and components are imported.

2.3.3 Textile and ginning

The Textiles sub-sector declined by 18.1% in 2001. This was mainly due to the loss of major export markets and increased competition from South Africa and South East Asia.

2.3.4 Metals and metal products

This sub-sector declined by 6.7% due to inadequate working capital and capacity constraints at ZISCO, which resulted in failure to supply steel to major markets; and decline in international prices due to the slow-down in the world economic growth. However, minor growth in output was recorded in the following sub-sectors:

- chemicals (4.9%);
- non-metallic minerals (3.5%);
- clothing and foot wear (2.2%); and
- foodstuffs (1.6%).

2.4 Mining

2.4.1 Mineral production for the period January to September 2001 declined by 6.8%, compared to the same period in 2000 **(see Table 3 and Graph 3)**. Major declines were recorded as follows:

- gold (13.7%);
- asbestos (18.5%);
- black granite (22.6%); and
- iron ore (23.2%).

The decline in mining production is largely attributable to the following factors:

- scaling down of production, due to prohibitive costs;
- problems at Blast Furnace No.4 at ZISCO, which reduced demand for Iron Ore.

2.4.2. Gold

A marked decline in gold production was registered in 2000, due to closure of gold mines. In a bid to avert further closures, Government introduced a Gold Price Support Scheme in April 2001. Regrettably, gold production still declined in 2001, in spite of a floor price of US$343

(Z$18 865) per ounce introduced in April, and later revised to US$430 (2$23 650) in August, and closed at US$456.7 (Z$25 119) in December 2001.

2.4.3 Coal

Notwithstanding the increase in coal production of 13.3%, coal output was 3.4 million tonnes in 2001, which is still far below the normal average of 5 million tonnes (1990 to 1999).

2.4.4 Nickel

Nickel production grew by 10.1%, due to increased output at Bindura Nickel mines, and reduction of in-process inventories within the plant. However, it is important to mention that Bindura Nickel Corporation, the largest producer of nickel in Zimbabwe, is reported to be operating below 60% of its installed capacity.

2.4.5 Chrome

A growth of 14.6% was realized, due to a more efficient smelting process, which requires less ore to produce the same amount of alloy.

2.4.6 Platinum

The envisaged operations of Ngezi and Unki mines, and installation of a refinery, provide an impetus for growth in the mining sector.

2.5 Tourism

2.5.1 The tourism sector started declining in 2000, due to the negative publicity related to the land reform programme and the perceived unstable political climate. In 1999, US$201.6 million was received, and in 2000, US$124.7 million was generated, marking a 38.1% decline. The decline continued into 2001 as only US$72.2 million was realised for the period January to November 2001 compared to US$116.5 million, for the same period in 2000, representing a 38% decline in tourism earnings. This is the worst consecutive decline experienced in the sector since independence.

2.5.2 However, in terms of tourist arrivals from overseas, the figures for the period January to September 2001 indicate a 6% increase from 349 663, in 2000 to 369 964 in 2001. During the same period, regional tourists increased by 43%, from 998 554 to 1 432 186; while the average room occupancy rate increased slightly from 40% in 2000 to 41% in 2001. This is largely attributable to tourists who came to witness the solar eclipse. It should also be noted that most of the regional tourists are traders, who do not spend large amounts of money on traditional tourist activities. Instead, these traders take advantage of the depreciated local currency to buy goods for resale in home countries.

3 BUDGETARY DEVELOPMENTS

3.1 Overview

The 2001 budget was characterised by a 19% under-expenditure of voted funds; and revenue collections which were 3% below target **(see Table 4).**

3.2 Revenues

Total revenue collected for 2001 amounted to $136 billion against a target of $140 billion, representing a 3% negative variance. Revenue collection saw most sub-heads performing within targets. However, the following were below target:

- customs duty (14%)
- excise duty (10%)

3.2.1 The under performance of customs duty was due to the fact that the target was based on an annual average exchange rate of US$1:Z$88.00. However, the rate remained pegged at US$l: Z$55 throughout the year, which led to less customs revenue. In addition, the weak performance of customs duty also reflects low imports, due to foreign currency shortages.

3.2.2 As regards the excise duty, the failure to meet the target was mainly due to consumers moving away from excisable products such as beverages, to basic commodities, as the economic situation worsened.

3.2.3 Pay-As-You-Earn exceeded by an impressive 22%, mainly due to higher salary increases awarded than estimated during budget formulation, e.g. 65% in the private sector against the estimate of 50%.

3.2.4 Corporate tax target was exceeded by an impressive 22%, largely due to an exceptionally high performance by companies in the financial sector.

3.2.5 In addition to the above, the Zimbabwe Revenue Authority intensified the tax-net exercises, which impacted positively on revenue collection.

3.3 Expenditures

3.3.1 Total expenditure for 2001 was $181.4 billion, against a target of $223.3 billion, resulting in under expenditures of $41.9 billion. This represents a variance of 19%. The under-expenditure is largely attributable to:

- Savings made on domestic debt interest payments due to lower interest rates which prevailed in 2001. This resulted in an expenditure of $41.1 billion against a provision of $81 billion.

- Foreign currency shortages, which resulted in failure to meet our foreign debt obligations, as only $100 million was utilised, against a budget of $11.7 billion. This 99% under- expenditure which saw total external payment arrears accumulating to US$762.7 million by the end of 200l.
- Foreign currency shortages also restricted foreign travel and importation of goods and services by Government.
- Fuel shortages, which reduced travel by government officials.
- Expenditure controls through the Pub1ic Finance Management System (PFMS).

3.4 Budget Deficit

3.4.1 As a result of the foregoing, the budget deficit was initially estimated at 15% of GDP and revised down to 12%. However, the outturn for 2001 stood at $45.4 billion, which is 9.0% of GDP. The deficit was largely financed from domestic bank sources. Domestic credit to government grew by 129.3%, while credit to the private sector grew by 59.8%. This led to the crowding out of the private sector, and stifled economic growth.

3.4.2 It should be noted, however, that the decline in the deficit was largely due to deferred expenditures, rather than actual expenditure cuts, which have a stabilisation effect on the economy. As soon as the balance of payments situation improves, most of these expenditures will have to be met, thus creating pressures in the economy. Thus there is still urgent need for Government to plan its expenditures in line with revenue collection and what the economy can afford. This is the only way to ensure macro-economic stability, growth and development.

3.5 Debt Restructuring

3.5.1 The year 2001 saw Government restructure its domestic debt from short to long term. In December 2000, 94% of Government domestic debt was short term. By June 2001, the short-term component had been reduced to 72%. The year 2001 ended with the short-term debt further reduced to 67%. This is in line with the debt restructuring policy, which targeted that short term debt should not exceed 7O%, and at least 30% becomes medium to long term. During the period under review, Government debt with a tenure of more than one year increased from 6% to 33% **(see Graph 4).** This exercise reduced pressure on the servicing of Government domestic debt, thus unlocking resources to other Government priorities.

3.6 Privatisation

3.6.1 The privatisation programme progressed slowly in 2001. While the budget had targeted to raise 2$22 billion from the sale of assets, only 2$7.1 billion, 32.3% of the target, was realised.

This amount was raised through the divestiture of Government stakes in NOC2IM, COTTCO, 2IMRE, Dairibord, WS Craster and Zimbabwe Development Corporation (ZDC).

3.6.2 Failure to raise the targeted 2$22 billion made it more difficult for Government to service its external debt, as part of the privatisation proceeds that had been earmarked for that purpose.

4 MONETARY DEVELOPMENTS

4.1 Interest Rates

Money market rates softened during the year 2001, amid high levels of liquidity, emanating from:

- the release of statutory reserves by RBZ to commercial and merchant banks, for on lending to productive and export sectors; and
- liquid conditions arising from maturing Treasury Bills which were not rolled over, i.e. reduced government borrowing.

4.1.1 The commercial banks' minimum lending rate fell from levels in excess of 63%, in December 2000, to an average of 40% in the period February to June 2001. It then declined to 33% for the period July to December 2001. Despite the reduction in lending rates, the gap between lending and deposit rates in 2001 was wide, as deposit rates ranged from 3% to 19% compared to lending rates of 33% to 40%. There is need to reduce this gap, in a bid to encourage savings.

4.1.2 The Treasury Bill rate fell from over 60% in December 2000, to around 14%, in February, and further down to 11.4%, in Apri1 2001. The Treasury Bill rate then rose to 12.7% in May, and further up to 18.5% in October, and finally closed the year at 27.6%.

4.1.3 It is therefore, necessary to review the role of the Bank Rate to re-affirm its effectiveness as a monetary policy tool.

4.1.4 These low interest rates, in a period of surging inflation, led to negative real interest rates, which discouraged savings and negatively impacted on pension funds, some of whose investments are closely linked to interest yields on the money market.

4.1.5 Consequently the first quarter of 2001 saw a shift of investments from the money market to the equity and property markets. Due to this investment shift, the industrial index soared to record levels of 56 858 in August 2001, compared to 17 984 in December 2000. When the phenomenal increase of share prices on the stock market stabilised, resources found their way to the foreign exchange market; thus fuelling the parallel market and create an asset bubble. This asset bubble, characteristic of speculative tendencies in the market, pushed up prices in the equity and property markets. Notwithstanding increases in asset prices, these activities are mere transfers of funds from one sector to another, which do not result in economic growth and creation of new wealth. An economy such as Zimbabwe needs economic growth based on new investment in the productive sectors.

4.2 Inflation

4.2.1 The year 2001 witnessed the highest inflation ever recorded in Zimbabwe. The year-on-year rate of inflation was on an upward trend, beginning the year at 57.0%, rising to triple digits of 103..8% and to 112.1% in November and December, respectively. The rate of inflation averaged 71.9% during the twelve months compared to 55.9% for 2000 **(see Table 5 and Graph 5).**

4.2.2 Inflationary pressures during the year 2001 emanated from the following factors:

- high domestic bank financing of the budget deficit, in the absence of donor support;
- continued shortage of foreign currency, which led producers to source foreign currency on the parallel market at high rates, a cost subsequently passed to the consumers;
- high levels of money supply growth, which rose from 57% in January to a record high of 102.7% in December 2001, against the background of a contracting economy, due to supply bottlenecks;
- regular 20% increases in electricity tariffs; and
- increase in fuel price by an average of 70% effected on June 12, 2001.

4.2.3 In addition, the macroeconomic instability created uncertainty and inflationary expectations in the economy. These expectations became self-fulfilling, as economic agents increased prices in anticipation of price increases in other critical inputs, such as labour and raw materials.

4.2.4 Inflation in 2001 was, therefore, largely a combination of 'cost-push' and 'demand-pull' pressures. The high energy costs and the escalating cost of imported inputs, fed into inflation. On the other hand, the high levels of liquidity in a contracting economy, created demand-pull inflationary pressures.

4.2.5 In order to contain inflationary pressures, Government re-introduced price controls on some basic commodities such as bread, sugar, maize meal, salt, cooking oil, margarine, beef, pork, chicken, soap and milk on October 11, 2001. However, this development was accompanied by the following repercussions:

- reduction in quantities produced, leading to shortages in the market and an increase in prices;
- a reduction in the quality, and of assay standards of some products, as manufacturers sought to cut costs; and,

- encouragement of rent-seeking behaviour, whereby some economic agents bought controlled products in large quantities for re-sale at exorbitant prices in the black market.

4.2.6 It is also important to note that although price controls were introduced to cushion consumers from the rapid increase in the price of basic commodities, this had a limited impact on the cost of living because:

- price controls were imposed mainly on basic foodstuffs, which constitute about 33% of the day to day consumption basket;
- price controls led to shortages of some of the controlled goods, which in turn fuelled black market activities, resulting in scarce commodities being sold at exorbitant prices; and
- money supply grew by 102.7% in December, in an environment of declining output, a situation of "too much money chasing a few goods" arose. This exerted upward pressure on prices, and compromised the effectiveness of price controls.

4.2.7 Therefore, price controls alone did not yield the intended effect of reducing inflation. For price controls to have a meaningful impact on inflation, they should be part of a working Social Contract. Besides, even in such a context, prices should be set rationally and realistically, not arbitrarily, taking into account production and distribution costs.

4.3 Exchange Rate

4.3.1 The exchange rate remained pegged at ZWD55 to USDl throughout the year 2001. Pegging the exchange rate at this level against a background of high inflation vis-à-vis that of our major trading partners **(see Table 6)** had serious repercussions on export competitiveness, foreign currency availability in the economy and overall economic performance.

4.3.2 The shortage of foreign currency experienced throughout 2001, was one of the major constraints to economic growth and development. There is urgent need to adjust our exchange rate in line with key fundamentals, if the economy is to recover and grow.

4.4 Financing facilities

4.4.1 Productive Sector Facility (PSF)

The total cumulative utilisation of the PSF amounted to Z$16 078 million by 28th December 2001. Agriculture dominated the usage of the facility accounting for Z$7 608 million or 47.3% of the total. Manufacturing and mining utilised Z$6 894 million (42.9%) and Z$893 million (5.6%) respectively. Tourism accounted for Z$683 million (4.2%) of the total.

4.4.2 Export Finance Facility

The total cumulative utilisation amounted to Z$16 078 million by 28th December 2001. Sectorally, manufacturing remains the largest beneficiary of the facility accounting for 51.3 %

(Z$8 307 million), followed by mining and agriculture, Z$5 789 million (35.7%) and Z$2 098 million (12.9%). Utilisation by the tourism sector remains low at Z$2 098 million (0.02%).

4.4.3 Utilisation of the SME's Revolving Fund

As at 31 January 2002, about $950 of the $1 billion was allocated to the participating ministries for disbursement to beneficiaries. The Ministry of Youth Development, Gender and Employment Creation, which was allocated $450 million disbursed $212.5 million, to a total of 4 885 projects, creating about 24870 jobs.

The Ministry of Industry and International Trade was also allocated $450 million. A sum of $349 million was disbursed to support projects in agriculture, retailing, construction, manufacturing and services with a total of 1 900 jobs being created.

The Ministry of Public Service, Labour and Social Welfare was allocated the balance of $50 million. Of this amount, $47.65 million was disbursed to various micro finance institutions for further disbursement to target beneficiaries. About $20.05 million was disbursed to 331 beneficiaries.

5 BALANCE OF PAYMENTS

5.1 Overview

5.1.1 From 1996 to 1999, the economy could afford a significant current account deficit since the capital account was in surplus. There were adequate levels of foreign direct investment and capital inflows from international development partners. However, since the year 2000, the situation completely changed, as most international cooperating partners withdrew support, and there are very little inflows through direct, as well as portfolio investment; resulting in a deterioration in the capital account deficit as shown in **(Table 7).**

5.1.2 At the same time, the current account - the combined outcome of foreign trade, service transactions, factor income and current transfers - has been facing serious problems, mainly due to poor export performance. This, coupled with under performance of the capital account, resulted in a significant deterioration in the overall balance of payments position as follows:

- current account deficit stood at US$201 m;
- capital account deficit was US$424m; and
- Overall balance deficit was US$625m.

5.1.3 During the same period, capital inflows plummeted drastically due to lack of donor support, lower offshore finance activities and a fall in external loan disbursements for on going projects.

5.1.4 The demand for foreign exchange continued to outstrip supply, as the country's stocks of international reserves hit record low levels. This adversely affected the country's capacity to meet its external debt obligations, and provide for the payment of critical imports such as fuel, electricity, machinery , spare parts and raw materials.

5.2 Exports and Imports

5.2.1 Exports are estimated to have declined by 4.3% in 2001, **(see Table 8).** Rising production costs and high inflation, against a fixed exchange rate, compromised competitiveness and worsened performance of exports.

5.2.2 Imports, on the other hand, are estimated to have grown by only 1.6% in 2001, (see Table 9) due to shortages of foreign currency, as already mentioned.

5.3 Capital Account

5.3.1 Deterioration in the capital account has been recorded since 2000. Capital inflows, both long and short-term, as well as foreign direct investment have been constrained due to:

- the negative image of the country as a business destination;
- continued withdrawal of donor finance for economic development;
- low export performance; and
- unfavourable macroeconomic and socio-political environment, which failed to attract foreign funds.

5.4 Arrears

Total external payments arrears continued to build up, reaching US$762.7 million, by the end of December 2001. The breakdown of the arrears is as follows:

- Government - US$497.2 million;
- Parastatals - US$220.6 million; and
- Private sector - US$45 million.

In 2001, external payments arrears for the private sector declined from US$74.9 million in January, to US$69.2 million in June and US$45 million in December, largely because the private sector has been making efforts to settle their arrears.

5.4.1 The continued accrual of arrears is impacting negatively on the country's credit worthiness. It should be noted that arrears are a recent development for Zimbabwe; up to 1999, the country was meeting its external debt obligations on time.

6 OUTLOOK FOR THE YEAR AHEAD

6.1 This Economic Report records further economic decline in 2001 compared to 2000. In recognition of the macroeconomic imbalances experienced in 2001, Government is working on a short term economic stabilisation package, and strategies for recovery and sustainable growth and development.

6.2 As outlined by His Excellency, the President in His Inauguration Speech, the Millenium Economic Recovery Programme underpinned by Agrarian Reform remain the basis of economic policy. We need to intensify technical and financial support to farmers, to ensure orderly and increased production in the agricultural sector. But first and foremost, we need to create conditions that enable every farmer on the land to produce to maximum potential. The expected increase in agricultural production will have a dampening effect on inflation through an increase in aggregate supply.

6.3 To address inflation, fiscal policy shall focus on strict control of Government expenditures, especially recurrent or consumption expenditure.

6.4 However, because of the drought which we have experienced during the last agricultural season, our immediate priority will be to ensure that the country has enough food. In this regard, we are revising the 2002 budget, reprioritising expenditures towards food importation and distribution.

6.5 Let me take this opportunity to record our appreciation of the support we have received so far from the international community, to alleviate the effects of the drought.

6.6 Government would also like to register its profound appreciation of the initiative by the local private sector, who set up the Zimbabwe Disaster Alleviation Trust, which will complement Government efforts in the sourcing, transportation and delivery of food.

7 CONCLUSION:

This report adds another instalment to the accumulating record of economic and social decline. It is necessary that we rekindle the spirit of national unity and cooperation. We need to rally together to:

1) assure peace and security for all citizens, through an end to violence;

2) enable the economy and business to function normally, and work for the well-being of the nation;

3) enable all farmers to farm without disruption, as we intensify and expedite purposeful and production oriented agrarian reform and land redistribution;

4) widen our circle of friends, and narrow the circle of detractors in the international community.

Mr Speaker: I place this report on the table for the information and consideration of Honourable members.

Table 1

Crop Production

(Thousand tonnes)

	1999/2000 Actual	2000/01 Estimate	Growth (%)
Tobacco	2452	2075*	-15
Flu-cured	2369	1902	-20
Maize	2148	1476	-31
Sorghum	103	61	-41
Mhunga	29	20	-31
Rapoko	14	23	64
G/nuts	191	172	-10
Soyabean	144	175	22
Cotton	353	333*	-6
Paprika	14	13	-7
Sunflower	16	32	100

Source: Crop Forecasting Committee

Notes: *Tobacco and cotton figures are actual.

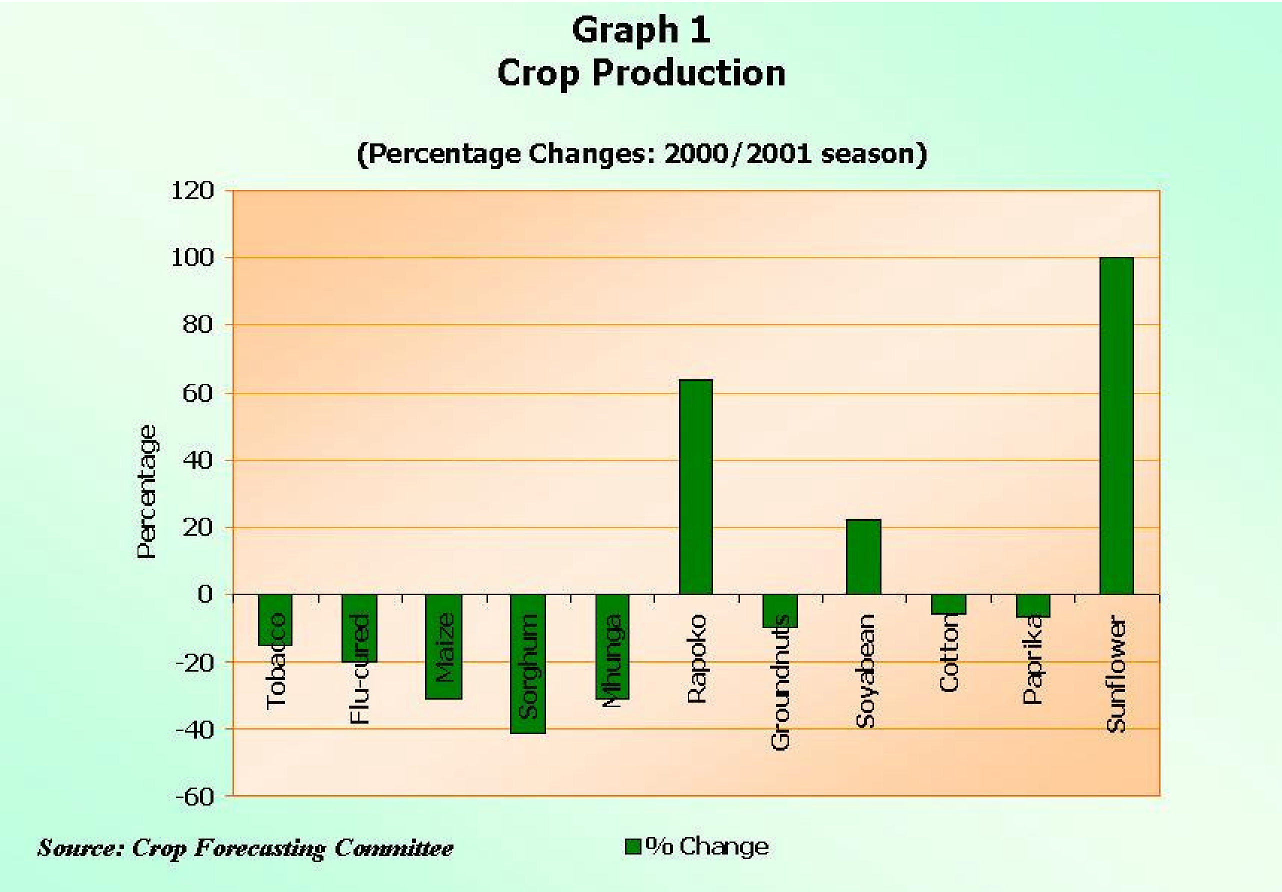

Table 2

Manufacturing Sector Volume Index

Jan-Sept 2001

	2000	2001	Growth Rate %
Food	74.8	76.8	1.6
Drink	107.2	72.7	-32.2
Textiles	77.7	63.6	-18.0
Clothing	122.8	125.5	2.2
Wood	234.9	224.5	-4.4
Paper Printing	72.5	67.9	-0.4
Chemicals	76.2	80.9	-6.6
Non-metals	110.4	114.3	3.5
Metals	84.2	78.6	-6.7
Transport	57.2	41.2	-28.0
Other	48.4	49.7	2.7

Source: Central Statistics Office and Ministry of Finance and Economic Development

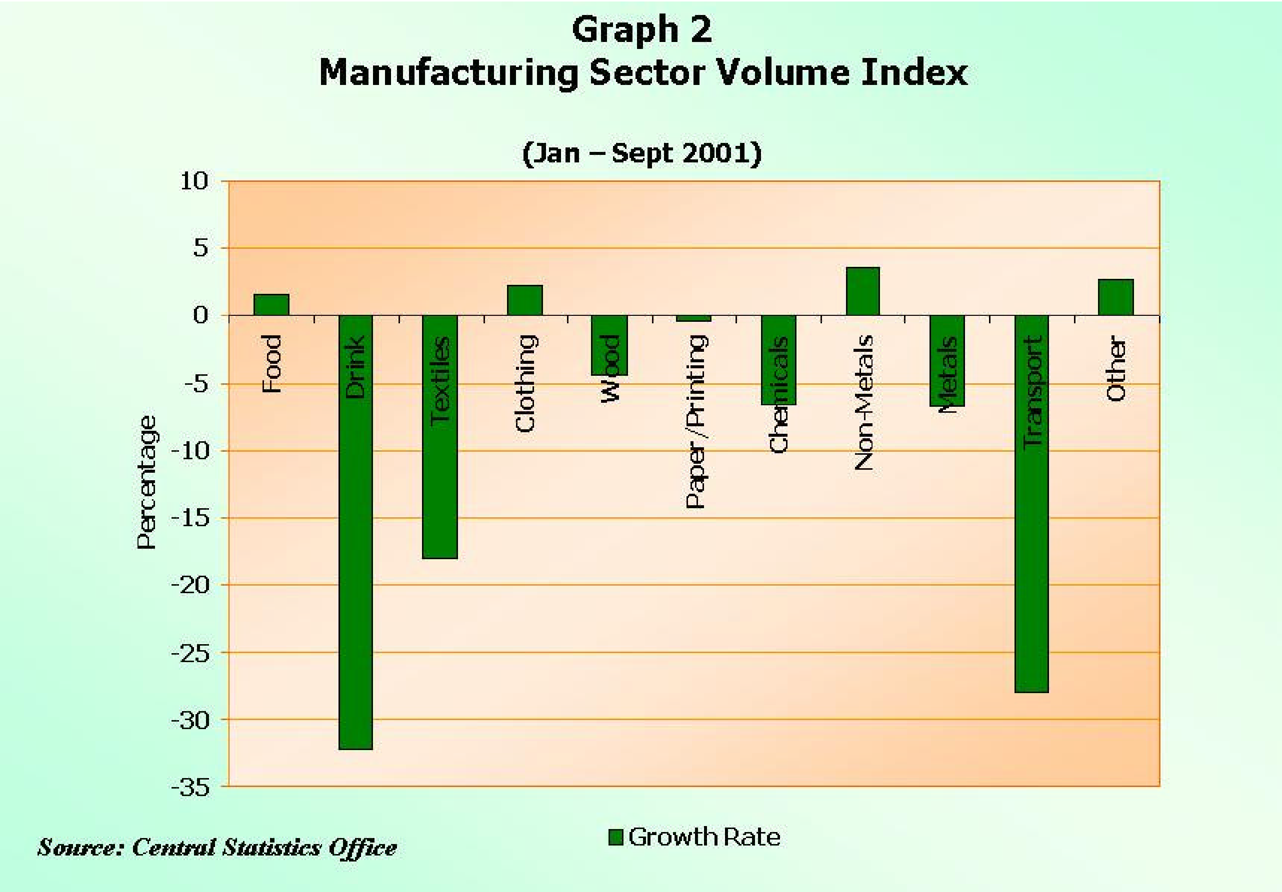

Table 3

Mining Sector Volume Index

Jan-Sept 2001

Mineral	2000	2001	Growth Rate %
Asbestos	115.2	93.9	-18.5
Black Granite	336547.0	260632.0	-22.6
Chrome Ore	484.1	554.7	14.6
Coal	3040.9	3444.2	13.3
Cobalt	65.0	41.0	-36.9
Copper	0.4	0.3	-25.0
Iron Ore	310.2	238.3	-23.2
Gold	498.9	430.5	-13.7
Nickel	4855.0	5345.0	10.1
Silver	84.8	81.6	-3.8

Source: Central Statistics Office

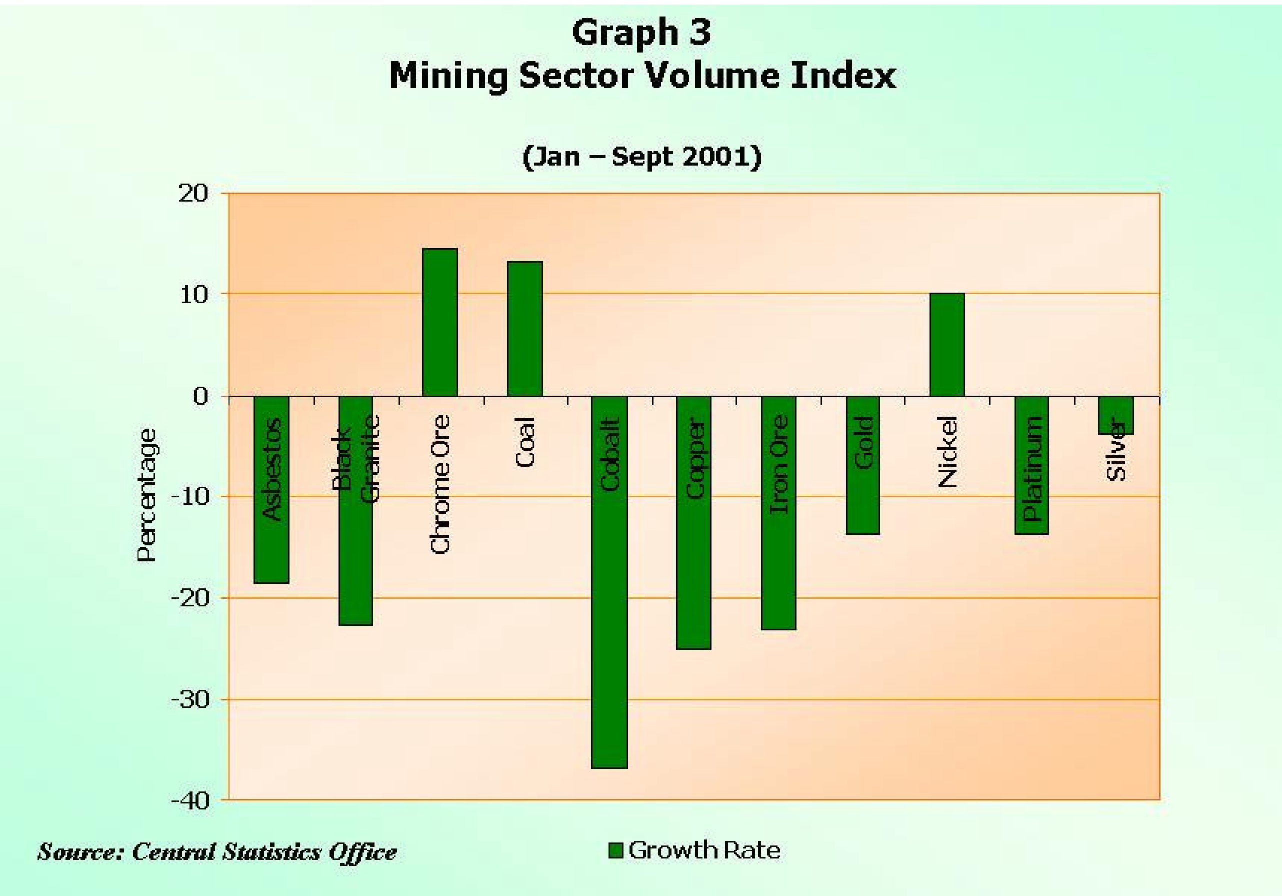

Table 4

Quarterly Budget Performance

(Z$ million)

	Mar Actual	June Actual	Sept Actual	Dec Actual	Dec Target	Variance as% of Target
Total Revenue	29705.8	55602.5	90152.7	135974.3	140283.8	-3
Incomes & profits	18345.2	32117.5	50653.8	74840.0	76185.0	-2
Of which: Pay As You Earn	*10310.6*	*21918.4*	*34974.9*	*53081.5*	*52250.0*	*2*
Corporate Tax	*6568.4*	*7446.1*	10954.5	*14909.9*	*12250.0*	*22*
Customs Duties	4127.1	7453.9	11425.0	17395.3	20250.0	-14
Excise Duties	1018.2	2250.8	3418.5	5335.1	5950.0	-10
Sales Tax	4516.3	10020.5	18125.3	29327.3	29500.0	-1
Other	228.1	526.1	1029.1	1647.0	825.0	100
Non-Tax Revenue	1470.9	3233.7	5501.0	7429.6	7573.8	-2
Total Expenditure & Net Lending	39362.4	76060.7	120811.6	181394.1	223317.0	-19
Goods & Services	18000.9	36654.0	70452.3	102554.9	97451.3	5
Of which salaries & wages	*13657.5*	*28243.5*	*49615.0*	*69868.1*	*66928.3*	*4*
Interest on Debt	12676.5	22983.6	25370.9	41305.5	92679.0	-55
Transfers	6660.9	12472.8	18425.4	24683.4	23186.7	6
Capital Exp. & N/Lending	2024.1	3950.3	6563.0	12850.2	10000.0	29

Source: Ministry of Finance and Economic Development

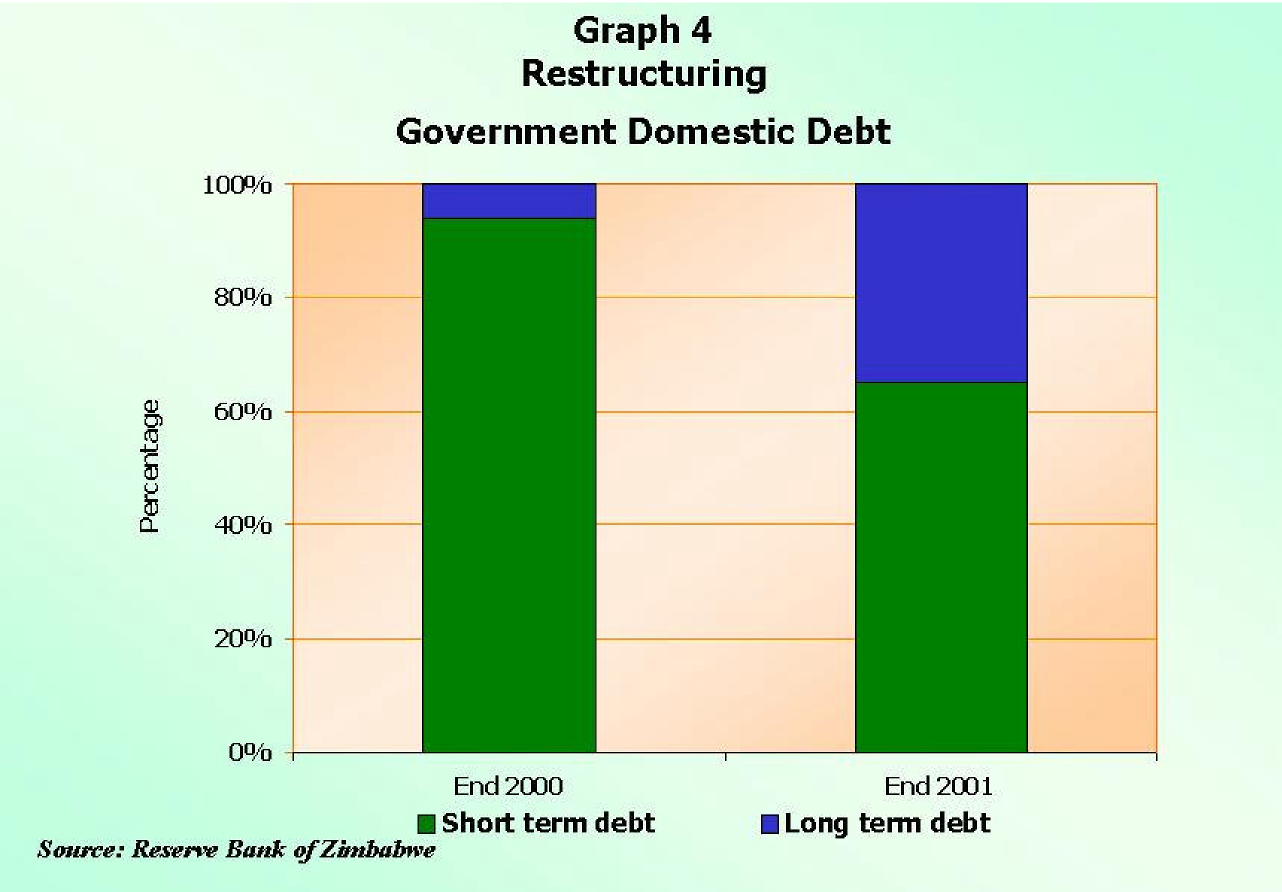

Table 5

Inflation Rate 2000 and 2001

Month	2000 (%)	2001 (%)
January	55.9	57.0
February	48.9	57.7
March	50.8	55.8
April	53.7	56.9
May	58.7	55.5
June	59.3	64.4
July	53.4	70.1
August	53.6	76.1
September	62.0	86.3
October	60.8	97.9
November	56.0	103.8
December	55.2	112.1
Average	55.9	71.9

Source: Central Statistics Office

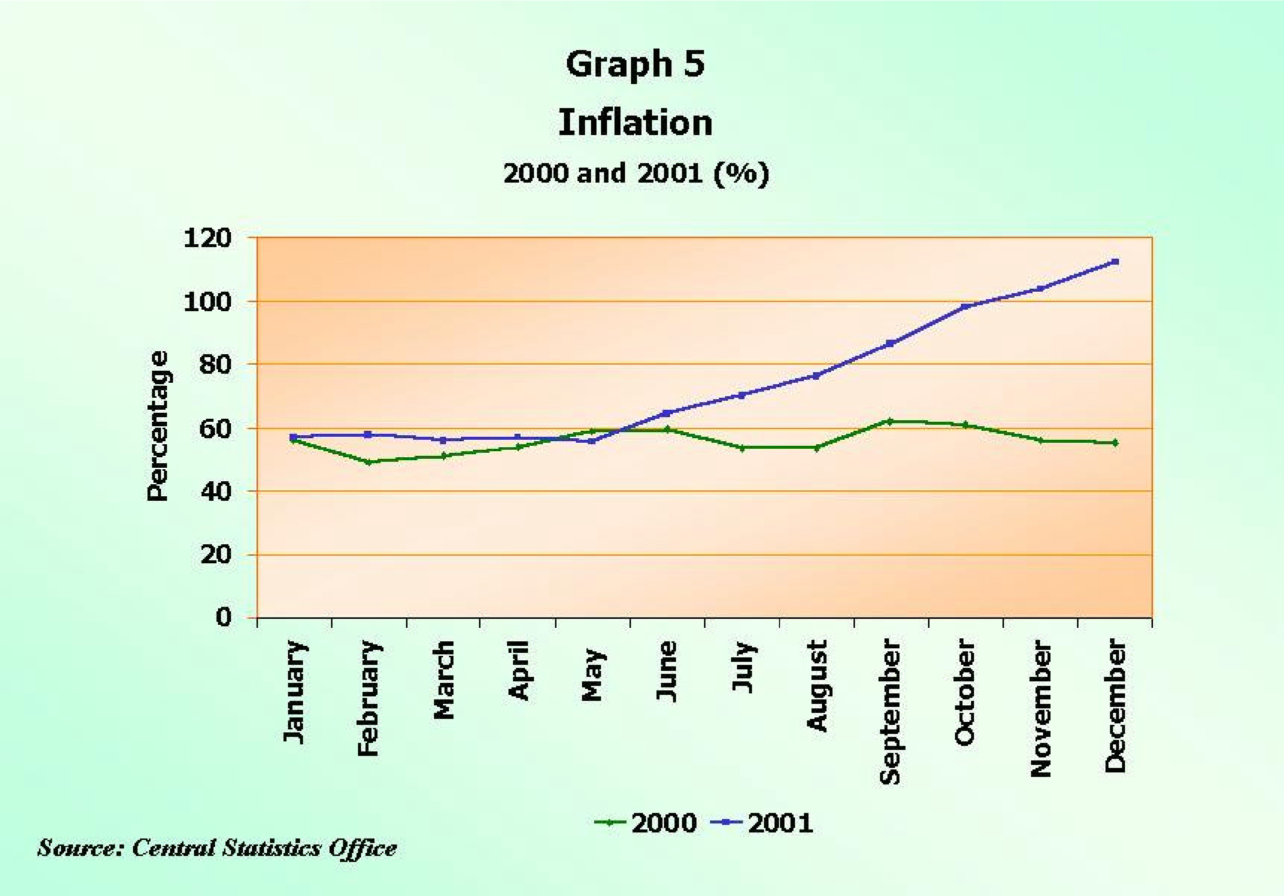

Table 6

Zimbabwe's inflation vis-à-vis its major trading partners

As at December 2001

Month	Inflation Rate (%)
Japan	-1.2
UK	0.7
USA	1.6
Euro Area	2.5
South Africa	4.6
Botswana	7.6
Zambia	14.0
Mozambique	21.9
Zimbabwe	112.1

Source: C.S.O. and Ministry of Finance and Economic Development

Table 7

Balance of Payments (US Millions): Selected Indicators 1996-2001

	1996	1997	1998	1999	2000	2001
	Actual	**Actual**	**Actual**	**Actual**	**Preliminary**	**Estimate**
Current Account	-180	-827	-355	29	-101	-201
Trade Balance	249	-230	-95	249	271	170
Export	2496	2424	1925	1924	1791	1715
Imports	2247	2654	2020	1675	1520	1545
Capital Account	87	-65	74	189	-298	-424
Direct Investment	35	107	436	50	15	5
Portfolio Investment	-3	32	11	21	-1	-105
Long Term Capital	67	10	-279	74	-239	-286
Short Term Capital	-97	-298	-195	-56	-126	-65
Errors and omissions	97	151	-17	-217	228	0
Overall Balance	4	-740	-298	0	-171	-625
Import Cover (months)	*2.9*	*0.8*	*1.2*	*2.2*	*1.4*	*1.2*

Source: RBZ and Ministry of Finance and Economic Development

Table 8

Export (US$m) 2000 and 2001

	2000 Actual	2001 Estimate
Agriculture	761.4	769.8
Mining/1	88.0	171.4
Manufacturing/2	841.6	773.7
Total	**1791.0**	**1714.9**

Source: RBZ and Ministry of Finance and Economic Development

Notes: 1. Mining exports exclude gold

2. Manufacturing includes both manufactured and pure manufactured exports.

Table 9

Imports (US$m) 2000 and 2001

	2000 Actual	2001 Actual
Food	54.1	127.6
Electricity	61.7	74.4
Fuel	249.6	317.6
Machinery	394.3	391.9
Manufactured	256.8	232.5
Chemicals	239.6	221.1
Other	260.9	179.9
Total	1517.0	1545.0

Source: RBZ and Ministry of Finance and Economic Development

Notes: Other includes imports such as crude materials: transport and passenger motor cars