

Country Insight Snapshot

Zimbabwe

August 2018






OVERVIEW

OVERALL COUNTRY RISK RATING: DB7

Highest risk : Returns are almost impossible to predict with any accuracy. Business infrastructure has, in effect, broken down.

R

Rating Outlook: Stable 

CORE OUTLOOK

- + President Mugabe's removal is broadly positive for political and economic risk, but numerous uncertainties persist.
- + Mineral and tourism assets underpin medium-term growth potential, provided the new government embraces structural reforms.
- + Population growth has accelerated since 2010 after a decade of near-stagnation, and life expectancy is rising, helped by the reduced impact of the HIV/AIDS pandemic.
- Uncertainties surrounding property rights, alongside regulatory burdens, will continue to inhibit investment.
- Transport bottlenecks and power shortages will persist due to the massive investment backlog.

KEY DEVELOPMENT

The 30 July election handed victory to the ruling party, but the ballot's credibility remains in doubt, aggravated by a post-election clampdown on the opposition.

CREDIT ENVIRONMENT OUTLOOK

R

Trend: Stable 

Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

R

Trend: Stable 

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

R

Trend: Stable 

Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

R

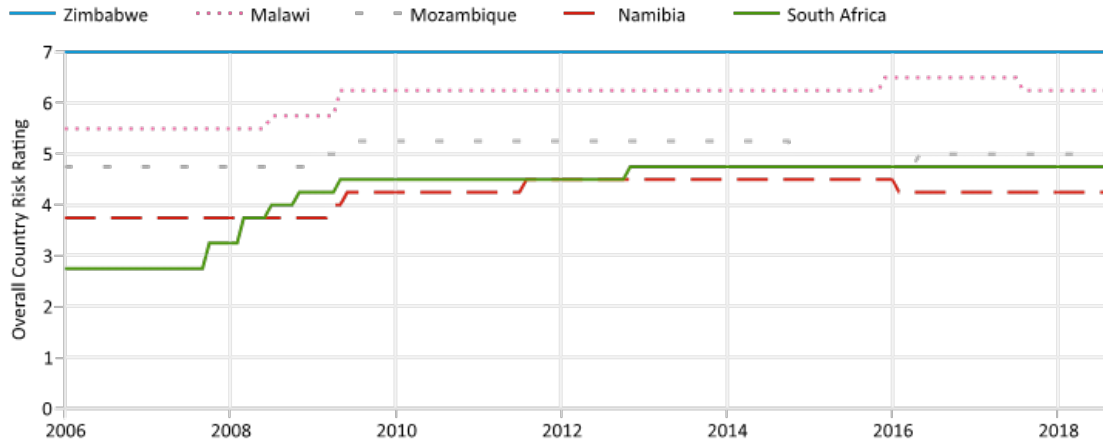
Trend: Stable 

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

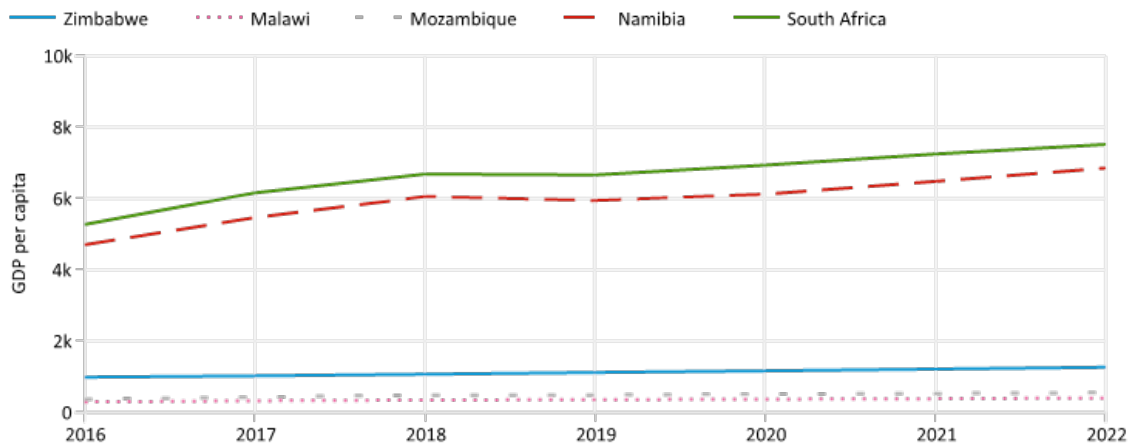
Rating History and Comparison



Source : Dun & Bradstreet

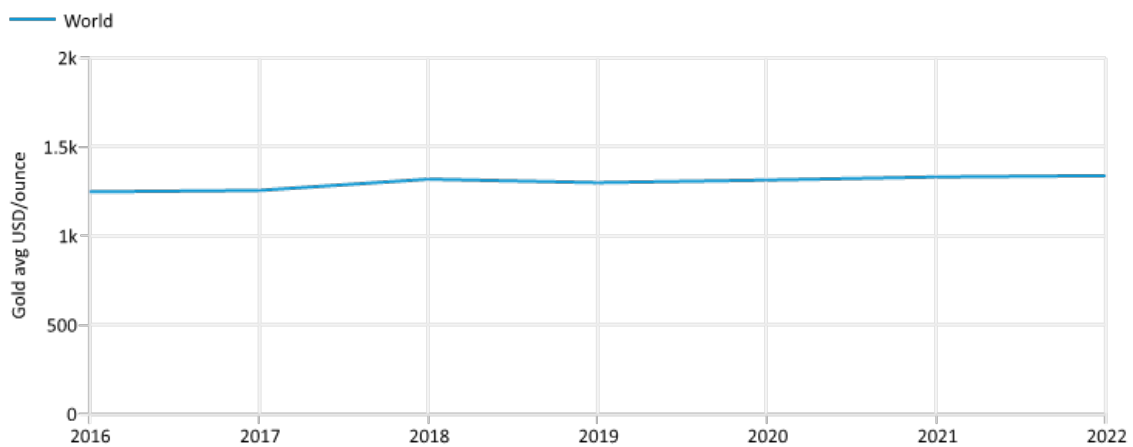
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Gold (USD/ounce)



Source : World Bank/Dun & Bradstreet



Economic Indicators

Indicator	2015	2016	2017	2018f	2019f	2020f	2021f	2022f
C/A balance % GDP	-9.3	-4.7	-4.2	-4.3	-4.4	-5.5	-6.0	-6.1
Govt balance, % GDP	-2.4	-8.8	-9.0	-4.5	-3.8	-3.6	-3.5	-3.5
Inflation, annual avge %	-2.4	-1.6	0.9	5.0	4.0	3.5	3.3	3.2
Platinum USD/ounce	1,052.1	987.4	948.3	981.9	1,002.3	1,015.7	1,022.5	1,027.4
Real GDP Growth, %	1.4	0.5	2.5	2.5	1.8	2.1	2.4	2.7

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Year-to-date production indicators are broadly favourable, underpinned by rising mineral and agricultural output, and an uptick in tourism. Tobacco sales, the largest non-mineral earner - accounting for roughly 25% of exports - are poised to hit a new record in 2018, helped by better weather and strong Chinese demand. In addition, diamond output jumped by 44% y/y in H1, according to official sources, while other minerals made notable y/y gains in Q1, including coal, gold, chrome, nickel and, to a lesser extent, platinum. Visitor arrivals jumped by 15% y/y in Q1, including a doubling in Asian numbers (to 27,929) and a one-third rise in European tourists (to 45,863), buoyed by last year's opening of a new airport at Victoria Falls and an improvement in the political climate since ex-president Robert Mugabe's ousting in November 2017. Less positively, the fiscal accounts remain under severe pressure, especially after the government awarded double-digit, pre-election wage hikes for public sector workers.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: CiA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: CiA

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 90-120 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 1-2 months

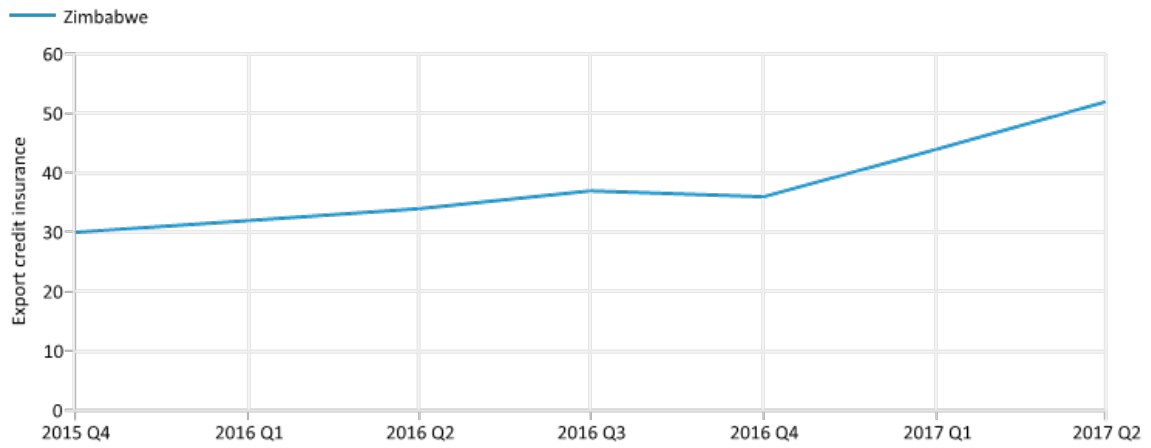
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 1-4 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Political/Insecurity Risk

Ruling party retains power

The 30 July election handed a narrow victory to the incumbent, Emmerson Mnangagwa, in the presidential race, and a bigger win to the Zimbabwe African National Union-Patriotic Front (ZANU-PF) in the legislative ballot, although the process is struggling to pass the test of being free and fair. Mnangagwa won by a 50.8% to 44.3% margin against Nelson Chamisa of the Movement for Democratic Change (MDC), thereby avoiding the need for a second-round run-off, while ZANU-PF captured 144 of parliament's 210 seats, leaving the MDC with 64 and minor parties with two. As expected, ZANU-PF did well in its rural heartlands, while the MDC performed better in urban areas. Turnout was relatively high at around 75%.

The campaign was mostly trouble-free, with the opposition allowed to hold rallies throughout the country without encountering violence. The election also benefitted from the presence of credible external observers for the first time since 2002. Tension escalated quickly after the poll, however, after the MDC accused the Zimbabwe Election Commission of manipulating the results. This prompted a major MDC protest in Harare on 1 August, sparking a major crackdown by the police and the army, which left six people dead. Numerous MDC activists were subsequently detained, while others are in hiding. The police also shut down an MDC press conference on 3 August, evicting local and foreign journalists, before backtracking several hours later. Events point to serious divisions within ZANU-PF between relative moderates, including Mnangagwa (who has vowed to probe the killings), and hardliners from the military, which could potentially be destabilising.

Southern African Development Community (SADC) observers described the election as broadly free and fair, but credible monitors, including from the EU, are being more circumspect, pending the release of their final reports. Areas of concern include delays in releasing the voters' roll, a biased layout of the ballot paper, the failure of some polling stations to display their results and direct security force pressure on rural voters. The EU and the US have condemned the post-election clampdown on the MDC. Chamisa is vowing to challenge the results in court, but judicial bias means that his chances of success are small.

Short-Term Economic Outlook

Economy not yet out of the woods

Zimbabwe's economic prospects depend heavily on whether the international community deems the election to have been sufficiently free and fair to justify the normalisation of economic and financial relations. Mnangagwa's claim that Zimbabwe is now 'open for business' has some merit, based on positive policy reforms, but liquidity and FX shortages persist, and most potential investment remains on hold. If the election is deemed to be sufficiently free and fair, Zimbabwe will move closer to negotiating the clearance of debt arrears and regaining access to external borrowing. However, a negative verdict on the election would lead to further economic deterioration. The post-election environment is not yet clear enough to warrant an upgrade in Zimbabwe's risk rating.



COUNTRY PROFILE AND STATISTICS

Overview

A landlocked country in Southern Africa, Zimbabwe attained independence from the UK in 1980 under Robert Mugabe. Mugabe's rule was initially benign, but increasing political repression and misguided policies in the 2000s (including land seizures and monetary and fiscal indiscipline) led to a prolonged recession and hyperinflation.

The formation of a national unity government with the opposition in 2009, accompanied by the scrapping of the worthless Zimbabwean dollar and the adoption of a multi-currency system, gave a temporary boost to the economy, but Mugabe's election victory in 2013 and the demise of the coalition government led to a fresh decline. Mugabe's removal by the army in November 2017 and the installation of Emmerson Mnangagwa as the new president creates both opportunities and uncertainties.

Zimbabwe is exceptionally rich in minerals, which generate the majority of exports, and also has strong tourist attractions (such as the Victoria Falls). Agriculture plays a key role in the economy, but output is weather-dependent and vulnerable to drought.

Key Facts

Key Fact	Detail
Head of state	President Emmerson MNANGAGWA
Capital	Harare
Timezone	GMT +02-00
Official language	English
Population (millions)	16.5
GDP (USD billions)	17.1
GDP per capita (USD)	1,034
Life expectancy (years)	59.3
Literacy (% of adult pop.)	86.9
Surface area (sq km)	390,760

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2013	2014	2015	2016	2017
Real GDP growth (%)	5.3	2.8	1.4	0.5	2.5
Nominal GDP in USDbn	15	16	16	16	17
Nominal GDP in local currency (bn)	147	172	205	237	228
GDP per Capita in USD	1,011	1,027	1,019	998	1,034
Population (year-end, m)	15.1	15.4	15.8	16.2	16.5
Exchange rate (yr avge, USD-LCU)	9.7	10.9	12.8	14.7	13.3
Current Account in USDbn	-2.4	-2.4	-1.5	-0.8	-0.7
Current Account (% of GDP)	-15.6	-15.1	-9.3	-4.7	-4.2
FX reserves (year-end, USDbn)	0.5	0.4	0.4	0.4	0.4
Import Cover (months)	0.7	0.6	0.7	0.8	0.7
Inflation (annual avge, %)	1.6	-0.2	-2.4	-1.6	0.9
Govt Balance (% GDP)	-1.9	-0.9	-2.4	-8.8	-9.0

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	2.5	1.8	2.1	2.4	2.7
Nominal GDP in USDbn	18	20	21	22	24
Nominal GDP in local currency (bn)	237	278	316	354	388
GDP per Capita in USD	1,079	1,127	1,174	1,224	1,275
Population (year-end, m)	16.9	17.3	17.7	18.1	18.4
Exchange rate (yr avge, USD-LCU)	13.0	14.3	15.3	16.0	16.5
Current Account in USDbn	-0.8	-0.9	-1.1	-1.3	-1.4
Current Account (% of GDP)	-4.3	-4.4	-5.5	-6.0	-6.1
FX reserves (year-end, USDbn)	0.4	0.5	0.5	0.6	0.7
Import Cover (months)	0.8	0.8	0.9	1.0	1.1
Inflation (annual avge, %)	5.0	4.0	3.5	3.3	3.2
Govt Balance (% GDP)	-4.5	-3.8	-3.6	-3.5	-3.5

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Zimbabwe	Malawi	Mozambique	Namibia	S. Africa
Income per Capita (USD)	1,079	354	489	6,062	6,693
Country Population (m)	16.9	19.2	30.5	2.4	57.4
Internet users (% of population)	23.1	9.6	17.5	31.0	54.0
Real GDP Growth (% p.a., 2018 - 2027)	2.0 - 3.5	4.5 - 6.2	6.0 - 7.5	4.0 - 5.0	1.5 - 2.5

Source : Various sources/Dun & Bradstreet



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Sales

Email: countryinsight@dnb.com

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

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