1. INTERNATIONAL COMMODITY PRICE DEVELOPMENTS

Precious Metals

The prices of precious metals and Brent Crude oil were on a downward trend in the first three weeks of April 2013 but recovered in the last week of the same month (Table 1).

Table 1: International Commodity Prices, April 2013

<table>
<thead>
<tr>
<th>Date</th>
<th>Gold USD/oz.</th>
<th>Platinum USD/oz.</th>
<th>Copper USD/tonne</th>
<th>Brent Crude Oil USD/barrel</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 April 2013</td>
<td>1,560</td>
<td>1,529</td>
<td>7,390</td>
<td>105</td>
</tr>
<tr>
<td>12 April 2013</td>
<td>1,542</td>
<td>1,519</td>
<td>7,362</td>
<td>102</td>
</tr>
<tr>
<td>19 April 2013</td>
<td>1,410</td>
<td>1,432</td>
<td>6,894</td>
<td>100</td>
</tr>
<tr>
<td>26 April 2013</td>
<td>1,467</td>
<td>1,480</td>
<td>7,090</td>
<td>103</td>
</tr>
</tbody>
</table>

Source: Bloomberg and Reuters

The price of gold declined from USD 1,560 per ounce on 5 April to USD 1,410 per ounce on 19 April but firmed to USD 1,467 per ounce on 26 April 2013. For platinum, the price declined from USD 1,529 per ounce on 5 April to USD 1,432 per ounce on 19 April but firmed to USD 1,480 per ounce on 26 April. For copper, the price declined from USD 7,390 per ounce on 5 April to USD 6,894 per ounce on 19 April but firmed to USD 7,090 per ounce on 26 April. The decline in the precious metal prices in the first three weeks of April was underpinned by a number of factors, which included the following:

- Publication of the minutes of the Federal Open Market Committee meeting, which rekindled speculation that the Committee might end its asset purchase program sooner than expected. As a result, those holding the precious metals off-loaded their assets, resulting in increased supply in the commodity market;
- Unanticipated slow-down in the Chinese economy in the first quarter of 2013 signaled a setback for the global economy, hence lower demand for precious metals; and
Depreciation of several other currencies including the Australian dollar and the Japanese yen.

The firming of metal prices in the last week of April was associated with increased physical demand from Asia. Buying in Europe assisted the upward movement of the platinum price.

**Brent Crude Oil**

Brent Crude oil prices declined in the first three weeks of April from USD 105 per barrel on 5 April to USD 100 per barrel on 19 April but firmed to USD 103 on 26 April. The price decline in the first three weeks was associated with weak economic data from the world’s two largest oil consumers (the United States and China), which necessitated a cut in this year’s oil demand forecasts by major energy agencies. Furthermore, the ongoing eurozone economic crises and record levels of US crude oil inventories have contributed to the decline in crude oil prices.

**Grains – Maize and Wheat**

The prices of wheat and maize generally increased in April 2013 (Table 2).

<table>
<thead>
<tr>
<th>Date</th>
<th>Maize (USA), FOB, Gulf</th>
<th>Hard red wheat (USA) FOB, Gulf</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 April 2013</td>
<td>315</td>
<td>274</td>
</tr>
<tr>
<td>11 April 2013</td>
<td>321</td>
<td>283</td>
</tr>
<tr>
<td>18 April 2013</td>
<td>323</td>
<td>283</td>
</tr>
<tr>
<td>25 April 2013</td>
<td>328</td>
<td>282</td>
</tr>
</tbody>
</table>

Source: International Grain Council

The price of maize increased from USD 315 per tonne on 4 April to USD 328 per tonne on 25 April. This followed the decline in world maize production of 3 percent due to drought in the 2012/13 season, despite the maize harvest in the Southern Hemisphere gathering momentum and record outturns being seen in Brazil and Argentina.

For wheat, the price increased from USD 274 per tonne on 4 April to USD 282 per tonne on 25 April. The price increase was associated with reduced yields as a result of adverse weather conditions characterized by cold temperatures and excessive precipitation.

In the outlook period, increased wheat plantings and better yields are expected to lift the 2013/14 crop by 4 percent year-on-year, to 680 million tonnes, led by gains in Europe and the Commonwealth States. A minor decline in feed use in 2013/14 is likely to be outweighed by higher food and industrial use, with total consumption up 1 percent year-on-year. Only a slight rise in global stocks is forecast.

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2. **MACROECONOMIC DEVELOPMENTS**

The Government expects economic growth to stabilize around 5 percent in 2013 and 2014, underpinned by improvements in mining and agriculture. Although real GDP is projected to marginally improve in 2013, it falls short of Zimbabwe’s Medium Term Plan annual average target of 7.1 percent. Also, most economic challenges that faced Zimbabwe in 2012 are expected to spill into 2013. The year 2013 is again expected to reflect slow activity due to uncertainty around the process and outcome of the elections.

2.1 **Agriculture Sector Developments**

2.1.1 **Update on Tobacco Selling Season**

**Flue-Cured Tobacco Sales Update**

Tobacco deliveries for the 2013 season continue on a positive trend; a total of 93 million kilograms had been delivered to the market by 26 April 2013 (Figure 1). This represents a 28 percent
increase on the cumulative total of 73 million kilograms delivered during the same period last year. The average price decreased by 1.8 percent from an average price of USD 3.79/kg to USD 3.72/kg. Increased deliveries of tobacco saw a 26 percent increase in earnings to farmers from USD 274.6 million in 2012 to around USD 346 million in April 2013. There was a 4 percent increase in rejected bales, but these were mainly reported at the auction floors. This calls for the need for relevant stakeholders, such as the Tobacco Industry Marketing Board (TIMB) and the Agricultural and Extension Services, to train farmers in tobacco curing, handling and packaging in order for them to realize higher profits at the market.

To date, 87 percent of the deliveries came from the three Mashonaland provinces with the balance largely from Manicaland. Of the 88,837 farmers who registered for the 2013 tobacco season, only 76,925 have delivered their tobacco. During the same period last year, about 66,722 flue-cured tobacco farmers had registered (TIMB).

Figure 1: Tobacco Deliveries by Province as at 26 April 2013

Source: Tobacco Industry and Marketing Board

**Tobacco Export Performance**

So far, a total of 26.9 million kg of tobacco was exported, representing a 60 percent increase from the 16.8 million kg that was exported during the same period last year. South Africa is the leading export destination for tobacco this season, absorbing 31 percent, followed by the 10 European Union countries, which had accounted for 18 percent of Zimbabwe’s tobacco exports by 26 April 2013.

Generally, prices were relatively low in the European Union market, ranging between USD 0.39/kg to USD 7.42/kg as compared to the Asian market, where prices ranged between USD 7.31/kg and USD 10.03/kg. However, despite the lucrative market in Asia, it appears that this advantage was not fully exploited.

In the Southern African region, Malawi offered an exceptionally high price of USD 8.00/kg but only absorbed 0.2 percent of tobacco exports as compared to South Africa, which offered a price of USD 3.08/kg but had received a 31 percent share of all the tobacco exports as at 26 April 2013. Malawi’s high price and low quantity uptake is explained by the fact that Malawi produces tobacco and mainly bought high quality tobacco from Zimbabwe for purposes of blending in cigarette production. On the other hand, South Africa is not a major tobacco producer and largely bought low quality tobacco to augment its local production.

### 2.2 Mining Sector Developments

On a month-on-month basis, total gold deliveries increased by 9.25 percent from 990.35 kg in March to 1081.93 kg in April 2013 (Figure 2). Deliveries
by primary producers grew by 19.33 percent to 917.38 kg from 768.79 kg while deliveries by small-scale producers declined by 25.73 percent to 164.55 kg from 221.57 kg.

**Figure 2: Gold Deliveries from April 2012 to April 2013**

On a year-on-year basis, total gold deliveries declined by 2.73 percent to 1,081.93 kg in April 2013 from 1,112.36 kg in April 2012. However, deliveries by primary producers grew by 4.32 percent from 879.36 kg in April 2012 to 917.38 kg in April 2013 while deliveries by small-scale producers declined by 29.37 percent from 232.99 kg in April 2012 to 164.55 kg in April 2013.

In terms of mining sector developments, the Trojan refurbishment program was completed, and the first shipment of nickel concentrate to Glencore was dispatched in April 2013. Mwana Africa’s subsidiary delivered its first shipment of nickel concentrate to Durban, South Africa, as part of an agreement with Glencore International signed between Bindura Nickel Company and the global commodity trader. The agreement allows Glencore to purchase all of the concentrate produced at the Trojan mine at a price linked to the London Metal Exchange settlement price.

Refined platinum output at Unki mine decreased by 22 percent, dropping from 18,000 ounces in the first quarter of 2012 to 14,000 ounces during the same period in 2013. At least 362,000 tonnes of platinum ore were milled during the period under review against 379,000 tonnes milled in the same period last year. Unki mine’s refined platinum production decreased due to lower head grade and also a depletion of pre-production stockpiles.

**Mining Sector Policy**

The Government of Zimbabwe is in the process of developing a mineral policy that seeks to, among others, address challenges affecting the sector and explore ways of attracting investment to the sector. To date, the Ministry of Mines and Mining Development has held consultations with stakeholders in Masvingo, Bulawayo and Kadoma to solicit views and enhance stakeholder buy-in on the draft policy. More stakeholder consultations are planned for the other mining centers across the country.

The draft policy proposes to establish an internationally competitive, stable and conducive business climate to attract and sustain foreign and local investment, while ensuring equitable distribution of benefits from mining activities to meet both current and future needs. It further proposes to overhaul the Mines and Minerals Act and introduce new minerals development legislation that will maximize the impact of mineral assets on growth and development. In addition, a web based mining survey and information management system will enhance transparency in the awarding and monitoring of mineral rights.

The development of a mineral policy is critical, particularly given the increasing role of the mining sector in supporting the socio-economic growth objectives of the Government, job creation, and revenue and export earnings. Since 2009 the mining
sector has been one of the sectors anchoring the growth recovery process in Zimbabwe.

2.3 Inflation Developments

Annual inflation declined from 4.03 percent in April 2012 to 2.49 percent in April 2013 (Figure 3). In April 2013, annual food and non-alcoholic beverages and non-food inflation stood at 3.58 percent and 1.94 percent, respectively. The decline in prices of clothing and footwear (-0.35 percent), communication (-13.29 percent) and recreation and culture (-1.27 percent) underpinned the decline in annual inflation in April 2013.

Figure 3: Inflation Developments in April 2013

Month-on-month inflation for April 2013 declined from 0.21 percent in March 2013 to -0.07 percent in April 2013. Month-on-month food and non-alcoholic beverages and non-food inflation stood at -0.44 percent and 0.11 percent, respectively. Factors underpinning the decline in month-on-month inflation include food and non-alcoholic beverages (-0.44 percent), clothing & footwear (-0.08 percent) and communication (13.15 percent).

The distributed lag effect of the depreciation of currencies of Zimbabwe’s major import sources against the United States dollar (USD) during March 2013 can partly explain the decline in inflation in April 2013. The major import countries whose currencies depreciated against the USD include South Africa, Great Britain and India. These countries jointly contribute about 66.6 percent of Zimbabwe’s imports. Another factor that might explain the low inflation level is weak aggregate demand in the domestic economy due to liquidity shortages and low average disposable incomes.

2.4 Interest Rate Developments

In March 2013, commercial and merchant bank weighted average lending rates for both individuals and corporates softened from their February 2013 levels. Commercial weighted average lending rates for individuals softened from 14.83 percent per annum in February 2013 to 14.32 percent per annum in March 2013, while commercial weighted average lending rates for corporates softened from 10.53 percent per annum to 10.19 percent per annum over the same period. Merchant bank weighted average lending rates for individuals softened from 17.93 percent per annum in January 2013 to 17.80 percent per annum in February 2013, while weighted lending rates for corporates softened from 14.36 percent per annum to 14.35 percent per annum over the same period.

Factors that could perhaps explain the softening of average lending rates include the joint effect of the declining cost of funds for banks, a memorandum of agreement signed between the Reserve Bank of Zimbabwe (RBZ) and banks and the National Social Security Authority and Old Mutual’s reduction in lending rates to banks from 10 percent to 7 percent per annum.
### Table 3: Interest Rate Levels (Annual Percentages)

<table>
<thead>
<tr>
<th>End period</th>
<th>Commercial banks lending rates</th>
<th>Merchant banks lending rates</th>
<th>3-Month deposit rate</th>
<th>Savings deposit rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal rate</td>
<td>Weighted average</td>
<td>Nominal rate</td>
<td>Weighted average</td>
</tr>
<tr>
<td></td>
<td>Individuals</td>
<td>Corporates</td>
<td>Individuals</td>
<td>Corporates</td>
</tr>
<tr>
<td>Mar-12</td>
<td>8.00-30.00</td>
<td>16.04</td>
<td>12.53</td>
<td>14.00-35.00</td>
</tr>
<tr>
<td>Apr-12</td>
<td>8.00-30.00</td>
<td>15.00</td>
<td>13.06</td>
<td>13.00-25.00</td>
</tr>
<tr>
<td>May-12</td>
<td>6.00-30.00</td>
<td>14.98</td>
<td>11.86</td>
<td>15.00-30.00</td>
</tr>
<tr>
<td>Jun-12</td>
<td>6.00-35.00</td>
<td>13.81</td>
<td>11.58</td>
<td>15.00-30.00</td>
</tr>
<tr>
<td>Jul-12</td>
<td>6.00-35.00</td>
<td>14.32</td>
<td>10.88</td>
<td>15.00-30.00</td>
</tr>
<tr>
<td>Aug-12</td>
<td>6.00-35.00</td>
<td>15.65</td>
<td>10.74</td>
<td>15.00-30.00</td>
</tr>
<tr>
<td>Sep-12</td>
<td>6.00-35.00</td>
<td>13.25</td>
<td>11.14</td>
<td>15.00-30.00</td>
</tr>
<tr>
<td>Oct-12</td>
<td>6.00-35.00</td>
<td>13.35</td>
<td>11.03</td>
<td>13.00-30.00</td>
</tr>
<tr>
<td>Nov-12</td>
<td>6.00-35.00</td>
<td>15.25</td>
<td>10.88</td>
<td>13.00-25.00</td>
</tr>
<tr>
<td>Dec-12</td>
<td>10.00-35.00</td>
<td>15.08</td>
<td>10.40</td>
<td>15.00-25.00</td>
</tr>
<tr>
<td>Jan-13</td>
<td>10.00-35.00</td>
<td>15.58</td>
<td>10.81</td>
<td>13.00-25.00</td>
</tr>
<tr>
<td>Feb-13</td>
<td>10.00-35.00</td>
<td>14.83</td>
<td>10.53</td>
<td>13.00-25.00</td>
</tr>
<tr>
<td>Mar-13</td>
<td>6.00-35.00</td>
<td>14.32</td>
<td>10.19</td>
<td>14.00-25.00</td>
</tr>
<tr>
<td>Average</td>
<td>14.73</td>
<td>11.20</td>
<td>17.81</td>
<td>14.30</td>
</tr>
</tbody>
</table>

*Source: RBZ Monthly Economic Review*

The range of commercial bank three-month and savings deposit rates for March 2013 remained at the November 2012 levels of 4 to 20.00 percent and 0.15 to 8.00 percent, respectively.

Market indications suggest a tendency in which, in a bid to attract customers and liquidity, small and weak banks tend to offer higher savings and deposit rates than stronger banks. On the other hand, the same weak and small banks have a high level of non-performing loans. In this case, the combined relationship between small banks’ offering of high non-performing loans and higher deposit and savings rates is prone to morally hazardous consequences. Big and strong banks tend to offer lower rates on the back of a huge corporate clientele, a good reputation, goodwill in the market, strong balance sheets and a position of preference in terms of safety of money (deposits) in the banking system.

### 2.5 Banking Sector and Monetary Developments

Annual growth in broad money supply (M3), defined as total banking sector deposits net of inter-bank deposits, declined from 33.4 percent in March 2012 to 10.5 percent in March 2013 (Figure 4). On a month-on-month basis, M3 declined from 0.1 percent in February 2013 to -0.4 percent in March 2013. The decline in M3 is largely associated with the decline in long-term deposits, which resulted largely from deposit maturities that were not rolled over but actually withdrawn from the formal banking system. The withdrawal of long-term deposits may be attributed to factors that include uncertainty around the post-election business environment.

In March 2013, annual total banking sector deposits increased to USD 3.80 billion from USD 3.44 billion in March 2012 (figure 5). Notwithstanding, the annual growth rate of M3 declined from 33.4 percent in March 2012 to 10.5 percent in March 2013. On a month-on-month basis, total banking sector deposits for March 2013 declined from USD 3.81 billion in February 2013 to USD 3.80 billion.

In the multicurrency period, the level of bank deposits has largely been influenced by the following factors: low average disposable incomes, individuals’ and corporates’ reduced capacity to save and weak confidence in the formal banking system.
The decline in total bank deposits in March 2013 is attributed to the decline in demand deposits by 0.67 percent and in long-term deposits by 7.02 percent (Table 4). Savings and short-term deposits increased by 2.99 percent.

**Table 4: Composition of Total Banking Sector Deposits (USD billion)**

<table>
<thead>
<tr>
<th>Type of deposit</th>
<th>January 2013</th>
<th>February 2013</th>
<th>March 2013</th>
<th>Monthly increase (absolute) USD billion</th>
<th>Monthly increase (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand deposits</td>
<td>2.03</td>
<td>1.98</td>
<td>1.97</td>
<td>(0.01)</td>
<td>(0.67)</td>
</tr>
<tr>
<td>Saving and short-term deposits</td>
<td>1.20</td>
<td>1.27</td>
<td>1.31</td>
<td>0.04</td>
<td>2.99</td>
</tr>
<tr>
<td>Long-term deposits</td>
<td>0.58</td>
<td>0.57</td>
<td>0.53</td>
<td>(0.04)</td>
<td>(7.02)</td>
</tr>
<tr>
<td>Total deposits</td>
<td>3.81</td>
<td>3.81</td>
<td>3.80</td>
<td>(0.02)</td>
<td>(0.40)</td>
</tr>
</tbody>
</table>

*Source: RBZ Monthly Economic Review*
As at March 2013, the composition of total bank deposits was as follows (Figure 6): demand deposits (51.7 percent), savings and short-term deposits (34.4 percent) and long-term deposits (13.9 percent).

**Figure 6: Composition of Total Banking Sector Deposits in March 2013**

The bank loan-to-deposit ratio, calculated on the basis of total bank deposits as well as external and domestic sources of funding increased from 93.7 percent in February 2013 to 95.3 percent in March 2013 (Figure 7).

**Figure 7: Loan-to-Deposit Ratio**

As of March 2013, bank credit to the private sector was distributed as follows (Figure 8): loans and advances (85 percent), mortgages (8 percent), bills discounted (3 percent), bankers’ acceptances (2 percent) and other investments (2 percent).

Given the high levels in the demand for bank loans, the decline in bank deposits is therefore unfavorable, suggesting a need to find other sources of funding.
Loans and advances have remained the largest proportion of bank credit to the private sector. Of these loans and advances, only 5.3 percent was utilized on fixed investment activities, of which 3 percent and 2.3 percent was spent on the procurement of plant and equipment and pre- and post-shipment financing, respectively. The utilization of loans and advances on fixed investment is too low to have a significant positive impact on the economy’s productive capacity. This has a negative effect on Zimbabwe’s economic growth prospects.

The distribution of bank loans and advances to the private sector was as follows (Figure 9): manufacturing (17.5 percent), individuals (17.5 percent), agriculture (17.3 percent), distribution (15.9 percent), services (12.7 percent), other sectors (10.8 percent) and mining (8.3 percent).

Banks’ outstanding loans and advances to individuals, which accounted for 17.5 percent of the totals in March 2013, increased from USD 253.3 million in March 2012 to USD 543.6 million in March 2013, an annual increase of 114.6 percent. In comparative terms, outstanding loans and advances to agriculture increased from USD 393.9 million in March 2012 to USD 537.7 million in March 2013, an annual increase of only 36.6 percent. In the current environment, loans and advances to individuals are not only used for consumption purposes, but also for small productive activities, which are critical in a recovering economy with a
small-scale sector displaying potential for faster growth.

In terms of Government funding, in March 2013, Government borrowed a total of USD 40 million from the National Security Authority and Old Mutual through a Treasury Bill issue of 365 days at 7 percent. Notably, since December 2012, net credit to Government has been on the increase from USD 80.2 million in November 2012 to USD 176.1 million in December 2012, USD 166.8 million in January 2013, USD 153.2 million in February 2013 and USD 170.6 million in March 2013. The increase is attributed to pre-election Government spending. This includes funding for the referendum, elections and voter education, among others.

2.6 Other Financial Sector Developments

According to the National Indigenization and Economic Empowerment Board (NIEEB), Standard Chartered Bank Zimbabwe confirmed its commitment to comply with the indigenization legislation on 12 April 2013. NIEEB threatened to take decisive action, including the withdrawal of Standard Chartered’s banking license should the bank fail to comply. However, the RBZ insisted that NIEEB had no authority to preside over banks. The NIEEB and RBZ’s conflicting announcements on indigenization of banks have caused uncertainty in the banking sector. This might result, among other things, in the reduction of confidence in the banking sector, deposit flight and instability in the sector and the economy.

The Infrastructural Development Bank of Zimbabwe (IDBZ) and Agribank were removed from the USA Office of Foreign Assets Control sanctions list on 24 April 2013. This is likely to enable these banks to mobilize more lines of credit, which may impact positively on the economy’s liquidity situation. The removal of the IDBZ from the sanctions list may enable the bank to re-engage the China Development Bank to commence a drawdown of a USD 30 million loan facility that was signed in November 2011. Of the funds, USD 20 million are earmarked for capital expenditures with a five-year tenure and USD 10 million for working capital with a 12-month tenure. The long-term capital expenditure of USD 20 million may help boost industrial capacity utilization and hence improve economic output.

2.7 Fiscal Developments

Revenues Outturn

For the month of March 2013, Government revenue outturn amounted to USD 241 million (Figure 10). This brings the cumulative revenue total for the first quarter of 2013 to USD 837.96 million, which is 8.67 percent higher than the cumulative revenue outturn for the same period in 2012, in which USD 771.13 million was raised. The higher revenue outturn in the first quarter of 2013 can be a reflection of the Zimbabwe Revenue Authority’s improved revenue collection.

Figure 10: Fiscal Development, January to March 2013

Source: Ministry of Finance
Expenditure Outturn

Cumulative total expenditures to March 2013 amounted to USD 862.84 million. The expenditure mix remains highly consumptive, with recurrent expenditures accounting for 94.3 percent of the cumulative total expenditures at USD 813.35 million and the capital budget accounting for the remainder, at USD 49.09 million. Employment costs continue to be the major drain on the fiscus and crowd out the public sector investment program. Cumulative total employment costs to March 2013 amounted to USD 553.14 million, accounting for 68.00 percent of total expenditure and 64.11 percent of the cumulative recurrent budget.

Against cumulative revenues of USD 837.96 million, the Government incurred a cumulative primary deficit of USD 24.88 million during the first quarter of 2013 (Figure 10). While the primary deficit is small, the overall deficit is much higher, taking into account the fact that the Government continues to accumulate domestic arrears, which in essence represents the actual financial gap. As at 31 March 2013, the financing gap amounted to USD 375.7 million, including accumulated domestic arrears of USD 147 million, most of which was carried over from 2012. The arrears to service providers negatively impact on service delivery and the competitiveness of the owed institutions. Some of the owed institutions may even fail to honor their payment obligations with banks leading to non-performing assets building in the banking sector. To avoid inducing under-performance, Government needs to prioritize its payment obligations to domestic service providers.

Furthermore, it should be noted that funding Government deficit through accumulating domestic arrears may not be sustainable. Under the circumstances, it may be prudent for Government to strictly stick to cash budgeting, avoid further arrears accumulation and work towards creating fiscal surpluses. Sustained fiscal surpluses are key in building the country’s international reserves.

Further stress on the budget in 2013 is expected to emanate from the unbudgeted grain deficit and the general elections, in which the Ministry of Finance estimates that USD 5 million and USD 132 million is required for the importation of grain and for election related expenditures, respectively. In that regard, it would be important for Government to seek donor support to finance grain imports and elections to avoid further fiscal spillages.

2.8 External Sector Developments

The performance of exports during the first quarter of 2013 is generally not pleasing, as exports declined compared to the same period in both 2012 and 2011. Total exports during the first quarter were only about USD 813.6 million, which is a decrease of about 1.2 percent compared to the same period in 2012 and a significant decrease of 21.3 percent compared to the first quarter of 2011. The dismal performance of exports was more pronounced in March 2013, where exports fell by about 18 percent compared to their value in March 2012 and by about 24 percent compared to the value in March 2011 (Figure 11).

Figure 11: Exports Performance for First Quarter, 2011-2013

Source: ZIMSTAT

1 State of the Economy reports: January and March 2013 by the Minister of Finance, Hon. T. Biti.
The performance of imports during the first quarter did not help in reducing the balance of trade deficit. While exports were falling, imports during the first quarter of 2013 increased by about 4.4 percent compared to the same period in 2012, and by 2.5 percent compared to the same period in 2011. This increase was largely spurred by the increase in imports in January and March 2013, when the value of imports was higher than the values registered in 2012 and 2011 (Figure 12).

Figure 12: Import Performance for the First Quarter, 2011 to 2013

If the trend during the first quarter continues throughout the year, the country’s balance of payments position is likely to be worse off given that capital inflows and remittances have also not been performing. The revival of the manufacturing sector thus, should continue to be a priority in the quest to increase exports.

2.9 Tourism Developments

Zimbabwe held its 54th Zimbabwe International Trade Fair from 23 to 27 April 2013 in Bulawayo. The theme was “Building Value, Enhancing Growth”. This year’s event saw an increase of exhibition space from 48,697 square meters to 49,000 square meters. The total number of exhibitors declined from 755 in 2012 to 656. Of the 656 exhibitors, 157 were foreign exhibitors, which came from countries including Australia, China, Bangladesh, the United States, South Africa, Britain and Italy among others. Malawian President Dr Joyce Banda officially opened the fair.

Two important business forums were held during the fair. The first was the Zimbabwe-South Africa investment conference, which was aimed at following up on business deals, strengthening relations between the two countries and leveraging mutual economic growth through industrial growth and market integration. During this conference, Zimbabwe and South Africa concluded business deals worth USD 1.6 billion that are expected to culminate in direct investment in the tourism and manufacturing industries. The second business forum was the Zimbabwe-China investment conference, which marketed the African country to Chinese investors.

Visits to the National Parks

Foreign tourists continue to dominate the visits to the country’s national parks. The number of foreign visits increased from 17,755 in March to 19,384 in April. During the same time period, domestic tourist visits to national parks dropped from 13,266 in March to 11,434 in April (Figure 13). The month-on-month decline was attributed to competing pressures on the already low disposable incomes of prospective domestic tourists, particularly at this time of the year. With school fees ranking high among the competing priorities at the beginning of each year, holidaying at the country’s tourist resorts ranks low in terms of household budgetary allocations. Marketing the country’s national parks to domestic tourists should be more fruitful during school holidays and the festive season.
3. STOCK MARKET DEVELOPMENTS

In April 2013, the stock market made some positive gains, with the industrial and mining indices gaining 6.29 and 5.79 points, respectively. At the end of April the industrial index and the mining indices closed at 189.66 and 71.98, respectively (Figure 14). Meanwhile, the industrial index averaged 187.72 in April 2013, surpassing its performance in 2012, a development that could be attributed to an improvement in the economic environment despite the operational constraints currently facing the economy and jitters about the elections to be held later this year. Despite marginal gains in April 2013, the mining index failed to surpass its performance in April 2012 and continued to trend below 80 points.

Compared to April 2012, there was renewed confidence in the performance of the local economy in April 2013. On an annual basis, the value and volume of foreign shares bought increased by 37.80 percent and 19.54 percent, respectively, while the value and volume of foreign shares sold declined by 26.24 percent and 3.28 percent, respectively. Foreign buyers constituted 68.08 percent of the turnover value in April 2013 compared to 40.47 percent of the turnover value in April 2012. This shows the increased level of confidence foreign buyers have in the economy.
Table 5: Summary of ZSE Statistics, April 2012 and April 2013

<table>
<thead>
<tr>
<th></th>
<th>Apr-12</th>
<th>Apr-13</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover value (USD)</td>
<td>31,750,418.77</td>
<td>26,015,218.01</td>
<td>(18.06)</td>
</tr>
<tr>
<td>Turnover volume</td>
<td>439,189,181</td>
<td>157,132,928</td>
<td>(64.22)</td>
</tr>
<tr>
<td>Foreign bought (USD)</td>
<td>12,848,326.72</td>
<td>17,704,898.93</td>
<td>37.80</td>
</tr>
<tr>
<td>Foreign sold (USD)</td>
<td>10,427,564.68</td>
<td>7,691,136.08</td>
<td>(26.24)</td>
</tr>
<tr>
<td>No. of foreign shares bought</td>
<td>38,412,810</td>
<td>45,918,490</td>
<td>19.54</td>
</tr>
<tr>
<td>No. of foreign shares sold</td>
<td>27,757,005</td>
<td>26,845,992</td>
<td>(3.28)</td>
</tr>
<tr>
<td>Market capitalization (USD)</td>
<td>3,303,408,232.00</td>
<td>4,894,677,096</td>
<td>48.17</td>
</tr>
</tbody>
</table>

Source: Zimbabwe Stock Exchange (2013)

Turnover value and volume declined by 18.06 percent and 64.22 percent, respectively, from April 2012 levels, signaling a decline in market participation. Market capitalization increased by 48.17 percent to USD 4.89 billion in April 2013 as compared to USD 3.3 billion in April 2012 (Table 5).

Meanwhile the interim board of the Zimbabwe Stock Exchange issued a notice of termination of listing for three listed firms – Barbican Holdings, Trans Zambezi Industries and Red Star Holdings – as a result of their failure to comply with the stock exchange listing rules on continuing obligation. This implies that holders of the firms’ shares can no longer trade them through the stock exchange. Both Barbican Holdings and Trans Zambezi Industries were delisted after having been suspended in 2004; the Zimbabwe Reserve Bank revoked the former company’s banking license while the latter company was suspended due to developments in its subsidiary in Zambia. Red Star Holdings requested voluntary suspension in order to undergo a restructuring exercise.

4. CORPORATE SECTOR DEVELOPMENTS

Since dollarization, the investment patterns in Zimbabwe have not resulted in any meaningful development for the corporate sector. Given the recent spate of company closures, especially in the manufacturing sector, significant investment in new technology to replace antiquated technology would be the only solution to grow the sector. Given the challenges that firms are experiencing in sourcing credit for capital expenditure through local banks, increased foreign direct investment (FDI) can act as a solution to the investment crisis affecting local firms.

Established as a one-stop shop for investors in 2010, the Zimbabwe Investment Authority (ZIA) was expected to result in more investment as it could, for instance, cut procedures necessary for investment. The number of investment applications is usually a reflection of the intention to invest in an economy. Thus, ZIA’s investment approval number is a good indicator of the willingness and confidence of investors to invest in Zimbabwe. The total value of investment approvals reached a peak in 2011 at about USD 6.6 billion (Figure 15), most likely due to the excitement that was generated following the ZIA launch. The excitement has since died down, however, as the value fell by about 86 percent in 2012.

Although the ZIA approval figures show that foreign investors have an intention to invest in the country, actual investment has always been far less than the approved levels over the years (Figure 15). Despite the ZIA approving about USD 10.2 billion worth of investment projects between 2008 and 2011, for instance, only about USD 709.5 million actual FDI came into the country. This gives an implementation rate of only about 6.9 percent, which is worrisome for a country that is desperately in need of investment. The reasons for the low implementation rate need to be investigated to address the bottlenecks delaying implementation of approved investment projects. The ZIA also needs to put in place monitoring mechanisms to ensure that the reasons for the lack actual investment after registration are fully understood and addressed. While some of the reasons could be speculative tendencies as well as the normal lag between approval and investment, other policy issues could also be at play.
The largest chunk of approved investment funds (59 percent) was targeted at the mining sector (Figure 16). The manufacturing sector, which desperately needs investment given its failure to embrace new low cost production technology to keep up with import competition, only accounts for about 11 percent of approvals. Players in the manufacturing sector thus need to continue to pursue partnerships with their foreign competitors while lobbying Government for conducive investment policies.

5. **POLITICAL AND GOVERNANCE ISSUES**

**Update on the Constitution Making Process**

The Constitutional Amendment Bill (No. 20) passed through the House of Assembly and the Senate on 9 and 14 May 2013, respectively. It was passed in both houses after receiving 100 percent of the votes, with all 156 members of parliament and 75 senators present when it was debated.