1. **INTERNATIONAL COMMODITY PRICE DEVELOPMENTS**

1.1 **Precious Metals**

On a year-on-year basis, the prices of precious metals suffered significant declines. In November 2013, platinum prices dropped by 10 percent from the USD 1,576.64 per ounce recorded in November 2012, while gold prices dropped by 26 percent to USD 1,276.61 per ounce over the same period (Figure 1). This huge drop in the prices of precious metals is largely driven by a decline in speculative behavior as world economic performance improves. According to the World Bank, economic growth in developing countries is recovering and is projected to accelerate to 5.1 percent in 2013.

On a month-on-month basis, platinum prices slightly improved by 0.55 percent, from USD 1,413.52 per ounce in October 2013 to USD 1,421.24 per ounce in November 2013, while gold prices dropped by 2.94 percent from USD 1,315.25 per ounce in October (Figure 1). The increase in monthly average platinum prices was driven by suppressed supply due to mining strikes at the three largest platinum mines, Amplats, Impala and Lonmin in South Africa. According to Platinum Today, these strikes affected nearly half of global platinum output. Furthermore, the surprise cut in Eurozone interest rates also led to improved platinum prices. The Johnson Matthey’s 2013 interim review predicts a continued increase in platinum prices. The report postulates that platinum demand will exceed supply by 605,000 ounces in 2013.

![Figure 1. Monthly Average Gold and Platinum Prices](image)

Source: Bloomberg and Reuters
On the other hand, the gold price continued to drop as US inflation pressure declined. Gold is generally used as a safe haven asset and is also seen as a hedging tool against inflation. In addition, the increase in China’s demand for gold failed to cause a significant gold prices shock. The continued downward trend in gold prices is also attributable to improved world economic performance as this may cause a shift in investors’ state of mind, as shown by less market speculation.

1.2 Brent Crude Oil

On a year-on-year basis, Brent crude oil slightly declined from USD 109.32 per barrel in November 2012 to USD 07.79 per barrel in November 2013. Brent crude oil is generally trading lower in 2013 compared to 2012 (Figure 2). The Brent crude oil market was bearish in November of 2013. It was underpinned by the reduced refinery crude intake as a result of the reduced profit margin environment. The offline capacity on the US Gulf Coast gave rise to significant crude stockpiles, following reduced utilization rates in October 2013, hence the downward pressure on crude oil prices. Similarly, the refinery intake in Europe was reported to be at its lowest level by the Euro oil-stock data. The combination of weak European refining margins and abundant North Sea supplies weighed significantly on the crude oil prices. The OPEC Reference Basket (ORB) fell below USD 108 per barrel in November for the first time since August 2013.

**Figure 2. Monthly Average Brent Crude Oil Prices**

![Brent Crude Oil Prices Chart](image)

*Source: Bloomberg and Reuters*

**Figure 3. Daily Maize US 3YC and Wheat US HRW Prices in November 2013**

![Maize and Wheat Prices Chart](image)

*Source: International Grain Council*
1.3 Maize and Wheat

The world wheat prices remained subdued in November 2013, following the reduced export demand as well as favourable conditions in the United States (Figure 3). The decline in wheat prices were, however, contained by limited export availability and quality concerns in the Commonwealth of Independent States (CIS).

2. MACROECONOMIC DEVELOPMENTS

2.1 Agricultural sector developments

2.1.1 Tobacco

As at 22 November 2013, as many as 84,070 farmers had registered to grow flue-cured tobacco in the just-started 2013/14 season. This is a 34 percent increase in the number of farmers who had registered to grow tobacco in the last season. The crop is becoming more and more attractive for the farmers as it receives substantial funding from contractors in addition to better marketing conditions. The just gazetted instrument, which aims to promote the production, marketing and processing of grain and grain products should be seen as a mechanism set to ensure increased production of other crops, and not just tobacco.

Asia is the major export destination for Zimbabwe’s tobacco as it absorbed 61 percent of the country’s exports in 2013 (Figure 4). This, however, reflects a 12 percent fall in market share of Zimbabwe’s 2012 exports. Europe’s market share increased from 17 percent in 2012 to 24 percent in 2013, while that of Africa also registered a 3 percent increase, from 9 percent to 12 percent during the same period.

2.1.2 Stock feeds status

According to Livestock and Meat Advisory Council, maize stock had dried up by October 2013. Options of importing from Zambia are quite slim as the country is not exporting its maize since the Zambian Foods Agency had only procured 425,000 mt of maize against a statutory reserve requirement of 500,000 mt as at 25 October 2013. The maize imported from the same country on a government-to-government deal will land in the country at USD 427/mt on an upfront payment basis. This price is deemed unviable by processors. While a consignment of 150,000 mt was imported recently from South Africa and landed at a cost of USD 367/mt, importers are, however finding it difficult to secure import permits to source more maize from there.

Due to shortages of grain, maize and wheat bran are very scarce in the local market. Instead, these are being imported from Malawi within the price ranges of USD 180-190 and USD 220-230, respectively. Soya meal is being imported from Zambia as the product is again unavailable locally. Some speculators and the large-scale commercial farmers are holding on to their stocks in anticipation of a price rise.

Figure 4. Zimbabwe’s Tobacco Exports in November 2013

Source: Tobacco Marketing Board
Zimbabwe has the potential of producing enough stock feed not only for the local market but also for export. This potential needs to be supported by substantial investment in agriculture to ensure the viability of the sector. In this regard, operationalizing and developing irrigation schemes in all the farming regions becomes paramount. In addition, the country needs to operationalize the agricultural commodity exchange as this will provide a ready market for farmers, as well as ensure the timely payment of their crop.

2.2 Mining Sector Developments

On a month-on-month basis, total gold deliveries declined by 9.47 percent from 1,136.55 kg in October 2013 to 1,028.87 kg in November 2013 (Figure 5). Deliveries by primary producers declined by 9.15 percent from 911.49 kg in October 2013 to 828.12 kg in November 2013 whilst deliveries by small-scale producers declined by 10.8 percent from 225.06 kg in October 2013 to 200.75 kg in November 2013.

On a year-on-year basis, total gold deliveries declined by 7.32 percent from 1,110.15 kg in November 2012 to 1,028.87 in November 2013 (Figure 5). Deliveries by primary producers declined by 4.44 percent from 866.57 kg in November 2012 to 828.12 kg in November 2013 while deliveries by small-scale producers declined by 17.58 percent from 243.58 kg in November 2012 to 225.06 kg in November 2013.

The current liquidity crisis and the closure of Dalny Mine in August 2013 might have contributed to the decline in gold deliveries for the period. The government needs to communicate clearly its policy on indigenization and economic empowerment plans so as to eliminate uncertainty among investors in order to maximize the returns from mineral wealth.

**Figure 5. Total Gold Deliveries**

![Graph showing monthly gold deliveries]

Source: Fidelity Printers and Refiners

**Other Mining Sector Developments**

Premier African Minerals Limited, a multi-commodity natural resource company with mineral projects located in western and southern Africa, signed a non-binding memorandum of understanding (MoU) with an industry off-take partner for the supply of tungsten from RHA Tungsten Project located in the Kamativi Tin Belt in Zimbabwe; which is 49 percent owned by Premier African Minerals. The MoU outlined the basis of cooperation between the parties to negotiate terms and conditions of an off-take agreement for a proportion of tungsten concentrate or other tungsten material for a minimum period to be defined subject to price and product specifications. In addition, the company also announced that the additional drilling of the Lode 2A of the RHA, as recommended in the preliminary economic assessment, had started and was expected to be completed by the end of December 2013.

Meanwhile, the Government of Zimbabwe through the Minister of Mines and Mining Development indicated that foreign-owned platinum mining firms could own the majority of shares in their
local operations if they built a refinery in the country. It is envisaged that this development, if properly implemented, will increase value in the platinum sector by creating employment and improving the inflow of export revenue, thereby boosting revenue for the country. In addition, beneficiation of platinum will result in the country moving away from overwhelming dependence on raw mineral exports which is untenable in the long run, as minerals are ultimately a finite resource. Beneficiation provides a framework for enhancing the sector’s competitive advantage while leveraging on the available platinum resources. However, the platinum beneficiation drive can be hampered by the current power deficit in the country. Smelting and refining of platinum requires huge electricity consumption, which may require additional power of more than 100 MW (Platinum Producers Committee, 2013). Smelting of platinum takes place exclusively in electric furnaces. In South Africa the electric power consumption in the furnace is approximately 600-1,100kWh per tonne of concentrate, depending on the nature and grade of the material being treated. Electrical power accounts for approximately 40 percent of direct smelting costs. In this regard, there is a need to attract more private capital to increase the electricity generation capacity. This may entail diversifying into other sources of energy such as solar and wind energy. The cost of construction and commissioning of the platinum refinery, which is a combination of three processes, that is, smelting, base metal refinery and precious metal refinery is estimated at USD 3 billion.

2.3 Developments regarding Inflation

Year-on-year inflation continued its downward trend with annual inflation for November 2013 at 0.54 percent from the October 2013 figure of 0.59 percent, thus shedding 0.05 percentage points. Food and non-alcoholic beverages inflation stood at -1.51 percent while non-food inflation stood at 1.58 percent. The decline in annual inflation was influenced by the fall in the prices of communication (-13.83 percent), food and non-alcoholic beverages (-1.51 percent), furniture and equipment (-1.03 percent) and recreation and culture (-0.92 percent) (Figure 6). The decline in annual inflation was mainly driven by a weak South African rand/US dollar exchange rate and depressed aggregate demand on the local economy due to the liquidity squeeze facing consumers. Despite the decline in inflation, price increases were noted in the following categories: alcoholic beverages and tobacco (5.94 percent); housing, water, electricity, gas and other fuels (3.51 percent); health (2.42 percent); and restaurants and hotels (2.06 percent).

Figure 6. Inflationary Developments

Source: Zimbabwe Statistical Agency

1 http://www.mintek.co.za/Pyromet/Platinum/Platinum.htm, accessed 13 December 2013
With annual inflation fast approaching zero, there are concerns that the economy could be heading towards deflation. Given this development, there is an urgent need to resolve the liquidity crunch in the economy so as to boost aggregate demand, which is currently weak.

Month-on-month inflation for November 2013 stood at 0.09 percent, thus gaining 0.1 percentage points from -0.01 percent in October 2013. Food and non-alcoholic beverages inflation declined to -0.60 percent in November, from 0.04 percent in October 2013, while non-food inflation increased to 0.43 percent from -0.04 percent in October 2013. The increase in month-on-month inflation was underpinned by the increase in the prices of restaurants and hotels (1.08 percent); Alcoholic beverages (0.38 percent); furniture, house equipment and routine maintenance (0.13 percent); and health (0.10 percent). Despite the increase in month-on-month inflation, declines in prices were noted in the following categories: food and non-alcoholic beverages (-0.60 percent), furniture and equipment (-0.37 percent), miscellaneous goods and services (-0.27 percent), and clothing and footwear (-0.19 percent).

### 2.4 Monetary and Financial Sector Developments

#### 2.4.1 Interest Rate Developments

Commercial bank-weighted average lending rates for individuals firmed from 13.35 percent in October 2012 to 13.95 percent in October 2013, while commercial bank weighted lending rates for corporates softened from 11.03 percent to 9.25 percent over the same period (Table 1). Merchant bank-weighted average lending rates for both individuals and corporates firmed from 17.98 and 13.95 percent in October 2012, to 18.67 and 17.66 percent in October 2013, respectively.

Despite the signing of a Memorandum of Understanding (MOU) between banks and the Reserve Bank of Zimbabwe (RBZ) in January 2013, lending rates have largely remained higher than in comparative periods prior to the effective date of the MOU. The lending rates for merchant banks are very high compared to those for commercial banks. This could partly be a result of lack of competition in merchant banking since there are only two merchant banks operating in the country.

### Table 1: 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>Weighted Average</td>
<td>Individuals</td>
<td>Individuals</td>
<td>Corporates</td>
</tr>
<tr>
<td>Oct-14</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-14</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-14</td>
<td>10.00-35.00</td>
<td>15.08</td>
<td>10.4</td>
<td>15.00-25.00</td>
</tr>
<tr>
<td>Jan-14</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-14</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-14</td>
<td>6.00-35.00</td>
<td>14.32</td>
<td>10.19</td>
<td>14.00-25.00</td>
</tr>
<tr>
<td>Apr-14</td>
<td>3.00-35.00</td>
<td>14.58</td>
<td>9.66</td>
<td>14.00-25.00</td>
</tr>
<tr>
<td>May-14</td>
<td>9.00-35.00</td>
<td>14.25</td>
<td>9.89</td>
<td>13.00-23.00</td>
</tr>
<tr>
<td>Jun-14</td>
<td>9.00-35.00</td>
<td>14.29</td>
<td>9.46</td>
<td>15.00-22.50</td>
</tr>
<tr>
<td>Jul-14</td>
<td>6.00-35.00</td>
<td>14.39</td>
<td>9.65</td>
<td>15.00-28.00</td>
</tr>
<tr>
<td>Aug-14</td>
<td>6.00-35.00</td>
<td>13.82</td>
<td>9.32</td>
<td>15.00-23.00</td>
</tr>
<tr>
<td>Sep-14</td>
<td>6.00-35.00</td>
<td>14.03</td>
<td>9.37</td>
<td>15.00-22.50</td>
</tr>
<tr>
<td>Oct-14</td>
<td>6.00-35.00</td>
<td>13.95</td>
<td>9.25</td>
<td>15.00-23.00</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>14.44</strong></td>
<td><strong>10.03</strong></td>
<td><strong>17.98</strong></td>
<td><strong>15.59</strong></td>
</tr>
</tbody>
</table>

*Source: Reserve Bank of Zimbabwe Monthly Economic Review*
2.4.2 Monetary Developments

Annual growth in broad money supply (M3), defined as total banking sector deposits (net of inter-bank deposits), declined from 24.9 percent in October 2012 to 3.6 percent in October 2013 (Figure 7). On a month-on-month basis, M3 growth declined from 3.0 percent in September 2013 to 1.0 percent in October 2013 as a result of the decline in savings and short-term deposits. On average, the dominant component of the supply of foreign currency in Zimbabwe and other countries such as Tanzania and South Africa has been the export of goods and services. Therefore, Zimbabwe’s export base needs a boost in order to increase money supply growth to levels that support higher economic growth rates.

In October 2013, annual total banking sector deposits increased to USD 3.95 billion from USD 3.81 billion in October 2012 (Figure 8). On a month-on-month basis, total banking sector deposits increased from USD 3.91 billion in September 2013 to USD 3.95 billion in October 2013, owing to an increase in long-term deposits and demand deposits in the month of October.

While long-term deposits and demand deposits increased in October 2013 by 12.77 percent and 1.03 percent, respectively, savings and short-term deposits declined by 3.78 percent (Table 2). The increase in long-term deposits is a positive development for long-term financing. More efforts should, therefore, be made to sustain such a development.

![Figure 7. Monetary Developments (M3)](source)

![Figure 8. Level and Growth Rate of Total Banking Sector Deposits](source)

*Source: Reserve Bank of Zimbabwe Monthly Economic Review*
As at October 2013, the composition of total bank deposits was as follows (Figure 9): demand deposits (52.75 percent), savings and short-term deposits (31.79 percent) and long-term deposits (15.46 percent). The deposit base is largely transitory in nature, largely reflecting low capacity to save and lack of depositor and investor confidence in the formal banking system.

The loan-to-deposit ratio, calculated on the basis of total bank deposits as well as external and domestic sources of funding, increased from 88.4 percent in October 2012 to 94.1 percent in October 2013 (Figure 10). At 94.1 percent, the loan-to-deposit ratio is very high in light of higher non-performing loans of 13.8 percent (as at March 2013) against the international best practice level of between 70 and 90 percent.

Table 2. Composition of Total Banking Sector Deposits (USD billion)

<table>
<thead>
<tr>
<th>Type of Deposit</th>
<th>Aug-13</th>
<th>Sep-13</th>
<th>Oct-13</th>
<th>Monthly Increase (absolute) USD billion</th>
<th>Monthly Increase (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand Deposits</td>
<td>2.01</td>
<td>2.06</td>
<td>2.08</td>
<td>0.02</td>
<td>1.03</td>
</tr>
<tr>
<td>Savings and Short-Term Deposits</td>
<td>1.25</td>
<td>1.31</td>
<td>1.26</td>
<td>-0.05</td>
<td>-3.78</td>
</tr>
<tr>
<td>Long-Term Deposits</td>
<td>0.53</td>
<td>0.54</td>
<td>0.61</td>
<td>0.07</td>
<td>12.77</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>3.8</td>
<td>3.91</td>
<td>3.95</td>
<td>0.04</td>
<td>1.05</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of Zimbabwe Monthly Economic Review

Figure 9. Composition of Total Banking Sector Deposits for October 2013

Source: Reserve Bank of Zimbabwe Monthly Economic Review

Figure 10. Loan to Deposit Ratio

Source: Reserve Bank of Zimbabwe Monthly Economic Review
As of October 2013, bank credit to the private sector was distributed as follows (Figure 11): loans and advances (83.5 percent), mortgages (9.6 percent), bills discounted (3.2 percent), other investments (2.2 percent), and bankers’ acceptances (1.5 percent).

The distribution of bank loans and advances to the private sector was as follows (Figure 12): agriculture (17.9 percent), individuals (17.4 percent), services (17.2 percent), distribution (17.0 percent), manufacturing (15.5 percent), other sectors (8.5 percent), and mining (6.5 percent).

**Figure 11. Distribution of Bank Credit to the Private Sector in October 2013**

Credit to the private sector was utilized in recurrent expenditures (41.0 percent), inventory build-up (34.7 percent), capital expenditures (12.5 percent), consumer durables (10.6 percent) and pre and post-shipments financing (1.23 percent). The utilization of credit to the private sector largely reflects the availability of short-term finance as opposed to long-term finance.

**Other Financial Sector Developments**

On 26 November 2013, the Cabinet approved the Reserve Bank Debt Assumption Bill. The Bill seeks, among other things, to take over RBZ’s USD 1.3 billion debt. The Government of Zimbabwe intends to issue Treasury Bonds with a 2-5 year tenor at interest rates of between 3.5 and 5.0 percent per annum to banks whose foreign currency account balances were taken by the RBZ during the hyperinflationary period. The take-over of the RBZ debt is expected to pave the way for the recapitalization of RBZ and the funding of its lender-of-the-last resort function. It is also expected that this move will likely restore the general public’s confidence in the formal banking sector and improve the liquidity of firms whose funds were locked up in the RBZ. However, the take-over of the RBZ debt might set an unintended and unfavorable precedent for other government agencies, so that they become...
less prudent in their operations hoping to be bailed out by the government in the future. In addition, the Government of Zimbabwe’s capacity to meet its obligations could also raise concerns due to the limited fiscal space.

2.5 Fiscal Developments

Revenues Outturn

The government revenue outturn for October 2013 amounted to USD 278.15 million (Figure 13). Despite the October outturn being 15.4 percent lower than the target of USD 328.83 million, cumulative revenues to October 2013 amounted to USD 3.101 billion and were 1.88 percent higher than the cumulative target of USD 3.044 billion. Similarly, the cumulative revenue outturn to October 2013 was 11.46 percent higher than the USD 2.782 billion collected over the same period in 2012, reflecting a positive yield from the increases in excise duty on fuel and other non-tax revenues such as license renewal by the mobile telecommunication operators.

Expenditure Outturn

Total expenditure for October 2013 amounted to USD 388.73 million, resulting in the government incurring the largest cash deficit in 2013 of USD 110.57 million (Figure 13). This was mainly on account of increased expenditure towards capital projects. Capital expenditure rose to USD 101.87 million in October 2013 from a monthly average of USD 19.97 million, thereby accounting for 36.62 percent of the total revenues for the month. Despite the increased expenditure on capital projects, the government’s expenditure mix remains consumptive, with recurrent expenditures accounting for 89.40 percent of cumulative expenditures at USD 2.887 billion, whilst capital expenditure accounted for the remaining 10.60 percent at USD 281.57 million.

Overall, the government incurred a cumulative cash deficit of USD 127.71 million, about 1 percent of GDP. The size of the deficit is small and within the SADC macroeconomic threshold of 5 percent. However, it remains off target with commitments under the Staff-Monitored Program, particularly the need to build a fiscal buffer. Hence, there is need for the government to ensure that expenditure remain aligned to fiscal revenues so that it can gradually rebuild its international reserves from the current low of 0.2 months of import cover.

2.6 External Sector Developments

The current state of the external sector is very worrisome, especially given the current liquidity challenges hamstringing the country. Exports remain the best alternative to mobilize external resources in order to improve the country’s liquidity position given the Central Bank cannot print cash. However, exports continue to be outpaced by imports. Statistics for the ten months to October 2013 show that exports constituted only about 42.5 percent of imports, implying that only 42.5 percent of the resources that left the country during the period under review could be recovered through exports. This compounded the liquidity position of the country, taking into account that foreign direct investment and remittances cannot match the trade deficit.

Figure 13. Fiscal Developments from January to October 2013

![Figure 13. Fiscal Developments from January to October 2013](image-url)

Source: Ministry of Finance, 2013
Imports for the period were about USD 6.56 billion at a time when exports were only about USD 2.79 billion. Imports increased significantly in April and June 2013 in comparison to their levels in 2012 (Figure 14), which contributed to the increase of about 7.41 percent, compared to the same period in 2012. The performance of exports, on the other hand, was very poor in March, July, August and September 2013 compared to their values in 2012 (Figure 14), which eventually saw exports falling by about 11.58 percent in 2013 compared to the same period in 2012.

The falling exports and rising imports has seen the trade deficit increasing significantly by about 27.7 percent to about USD 3.77 billion during the ten-month period in 2013 compared to the same period in 2012. Over the months, it can be established that the period March to June 2013, as well as August and September, played a leading role in ballooning the trade deficit in 2013 compared to 2012 (Figure 15). An unusual purchase of fertilizers in April 2013 played a huge part in this upward trend.

**Figure 14. Imports and Exports statistics, Zimbabwe, January to October 2012 and 2013**

![Graph showing imports and exports for Zimbabwe, 2012 and 2013](source: ZIMSTAT)

**Figure 15. The Trade Deficit for Zimbabwe, January to October 2012 and 2013**

![Graph showing trade deficit for Zimbabwe, 2012 and 2013](source: ZIMSTAT)

A closer look at the main drivers for imports reveal that fertilizer and fuel contribute the most to the huge import bill. During the period under review, the importation of fertiliser constituted about 15.68 percent while the importation of fuel constituted about 18.3 percent. Such a huge fertiliser import bill is taking place in a country that has active fertiliser manufacturing firms. It is highly possible that these firms are importing the commodity for resale rather than manufacturing the commodity due to uncompetitive production systems. The importation of vehicles is still high as vehicles constituted about 8.5 percent of all imports.
The country also continues to rely on primary agriculture and mining products as sources of export revenue. Unprocessed tobacco constituted about 17.8 percent of the export revenue while about 3.4 percent came from cotton. Exported minerals include gold, which constituted about 15.4 percent, and diamonds constituting about 10.1 percent. Unprocessed minerals and agricultural products earn lower proceeds than value-added products, revealing the need to continue exploring value addition.

2.7 Tourism Sector Development

The Ministry of Tourism and Hospitality Industry is working towards setting up a ‘Civil Servant Tourism Scheme’. This scheme will promote domestic tourism by discounting tourism products for civil servants. Currently, the performance of domestic tourism is suppressed mostly due to low disposable incomes. The scheme will give civil servants the opportunity to visit museums, national monuments and other tourist attractions around the country at discounted prices. Domestic tourism has been surpassing the foreign tourism (Table 3) but there is room for improvement. The success of this initiative is centered upon the availability of financial resources and the margins of the price discounts. A small discount margin will, therefore, have little effect on improving domestic tourism.

### Table 3. National Parks Tourist Arrivals 2010-2012

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Museum and Monuments (%)</td>
<td>54</td>
<td>93</td>
<td>...</td>
</tr>
<tr>
<td>Hotel Room Occupancy (%)</td>
<td>87</td>
<td>86</td>
<td>90</td>
</tr>
<tr>
<td>Lodge Occupancy (%)</td>
<td>90</td>
<td>90</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: National Parks

On a year-on-year comparison, the industrial index in November 2013 closed at 213.04 surpassing its performance in November 2012, in which it closed the month at 150.16 (Figure 16). On the other hand, the performance of the mining index in November 2013 remained below its performance in September 2012, trading below 50.00 and closing at 47.02, as compared to 68.74 in the same period last year.

On a year-on-year comparison, turnover value and volume increased by 30.86 percent and 19.61 percent, respectively in November 2013, compared to November 2012 (Table 4). The value of shares bought and sold by foreign investors on the local bourse increased by 52.98 percent and 27.02 percent, respectively in November 2013 compared to the same period last year while the volume of shares bought declined by 1.20 percent and the volume of shares sold by foreigners increased by 12.00 percent. There was therefore an increase in foreign-bought turnover value while foreign-bought turnover volume declined, indicating that foreigners bought shares at a discount in November 2012 as compared to November 2013. On the other hand, there was an increased sell-off by foreigners, as shown by the
increase in both the value and volume of shares sold by foreigners. Meanwhile, market capitalization grew by 40.89 percent from USD 3.89 billion in November 2012 to USD 5.48 billion in November 2013.

The Zimbabwe Stock Exchange (ZSE) Board announced the removal of Trust Holdings Limited from the ZSE official list with effect from 20 November 2013 after its failure to adhere to and meet its continuing obligations in terms of the ZSE Listings Rules; pursuant to its voluntary suspension from trading on the ZSE on 31 May 2013. Meanwhile, horticultural concern Interfresh Limited plans to delist from the Zimbabwe Stock Exchange in order to raise funds from private equity. Interfresh intends to relist on the ZSE in the medium term after going through a restructuring exercise. The transaction is therefore awaiting shareholder approval.

**Figure 16. ZSE Industrial and Mining Indices for November 2012 and 2013**

![Graph showing industrial and mining indices for November 2012 and 2013](image)

Source: Zimbabwe Stock Exchange

**Table 4. Summary of ZSE Statistics, November 2012 and November 2013**

<table>
<thead>
<tr>
<th></th>
<th>Nov-12</th>
<th>Nov-13</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover value (USD)</td>
<td>26,724,066.76</td>
<td>34,970,666.15</td>
<td>30.86</td>
</tr>
<tr>
<td>Turnover volume</td>
<td>157,992,795.00</td>
<td>188,969,052.00</td>
<td>19.61</td>
</tr>
<tr>
<td>Foreign-bought value (USD)</td>
<td>15,529,491.80</td>
<td>23,756,734.45</td>
<td>52.98</td>
</tr>
<tr>
<td>Foreign-sold value (USD)</td>
<td>10,821,164.62</td>
<td>13,745,526.50</td>
<td>27.02</td>
</tr>
<tr>
<td>Foreign-bought volume</td>
<td>61,190,634.00</td>
<td>60,453,811.00</td>
<td>-1.20</td>
</tr>
<tr>
<td>Foreign-sold volume</td>
<td>33,147,609.00</td>
<td>37,123,682.00</td>
<td>12.00</td>
</tr>
<tr>
<td>Market capitalization (USD)</td>
<td>3,890,899,605.00</td>
<td>5,482,032,478.00</td>
<td>40.89</td>
</tr>
</tbody>
</table>

Source: Zimbabwe Stock Exchange

### 4. CORPORATE SECTOR DEVELOPMENTS

Developments in the corporate sector by November 2013 reveal that companies have generally failed to deal with the challenges that have characterized the sector for a long time now. Many companies temporarily suspended operations, with others being placed under judicial management while some were liquidated during the period. For example, Zimbabwe Glass Company (Zimglass), which is the country’s sole flint glass producer, temporarily suspended production due to inadequate raw materials and limited demand in the market. TN Harlequin, one of the leading furniture...
retailers, also indicated that it was closing down most of its factories and significantly reducing its workforce due to a massive decline in demand for its products. The company is also considering the feasibility of closing down completely due to viability concerns. Mitigate

The High Court has also placed several struggling firms under judicial management to ease pressure from creditors while considering possibilities of revival. These companies included the following:

- Ambulance service provider Mars Zimbabwe;
- Road construction company Gulliver Consolidated Limited (together with its operating divisions);
- Phoenix Consolidated Industries, which operates across several products lines;
- Fruit and Vegetable Wholesaler Harare Produce Sales;
- Infinity Asset Management;
- Central African Shipping Agencies;
- Cloth Retailer Saybrook (Pvt) Ltd; and
- A fast-moving consumer goods retailer Gutsai Holdings.

The November 2013 the Government Gazette listed Stilhart Investments and Tipbridge Enterprise among the companies that were declared insolvent and placed under liquidation.

What is particularly of concern about this development is that these companies are in different product lines, implying that almost all sectors are currently vulnerable. For manufacturing firms, demand for products has generally taken a knock due to failure to compete with cheap imports from technologically advanced countries. This wave is expected to continue as Zimbabwe is still characterized by factory plants and equipment that are old, still relying on costly technology that has since been replaced by better production systems. Reviving these industries will require huge inflows of low-cost capital injections which will facilitate industrial retooling and migration from the current old to new production systems that can match those from neighboring countries. Encouraging new investments through appropriate fiscal incentives and favorable business policies could help recover as well as improve the country’s production capacities.

General liquidity challenges, which are affecting demand for products, also affect firms outside the manufacturing sector. As the liquidity crisis continues, it is expected that more companies will continue facing operational challenges. Concrete policy measures that promote liquidity, including enhancing exports, increasing FDI and addressing the escalating import bill, will go a long way towards containing and redressing the situation.