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Zimbabwe: Economic Outlook, First Quarter, 2018

Well-supported claims can now be made that that Zimbabwe is changing course and the country will soon be heading in a more promising direction. While the damage endured by the economy over many years will take some time to repair and tangible momentum in the new direction has yet to be achieved, claims can also be made that the risks of further damage have been almost eliminated and some of the barriers that previously prevented progress have been removed.

With toleration of corruption now greatly reduced and officials setting a deadline for the return of money illegally banked abroad, genuine investors are now more likely to displace opportunists who exploited Zimbabwe's weakened defences to drain the country of hard currency. The investors who do come will be free to accept as partners only those who can pay for their shares and more supportive arrangements will encourage partnerships between experienced farmers and those with allotments of land.

Hopefully, improving prospects will boost confidence enough to reverse the direction of the capital outflows of recent years. Improving prospects of more dependable agricultural product deliveries should start to attract investment into many manufacturing businesses, but several severe impediments remain in place. Some of these could be quickly removed.

Attacking the long list of business licences, approvals and permits would be a start. For most of these, the fees collected do no more than pay the salaries of the individuals empowered to collect them. The amounts collected are therefore a hidden tax from which no benefits are derived, but they are high enough to add to local costs and to make imported goods prices more competitive.

Another group of handicaps comes under the heading of labour regulations. Between them, Labour Laws and the influences of trades unions have added to the reasons why Zimbabwe has become a high cost country that encourages the importation of many goods and services that should be produced locally. In combination with the restrictive and expensive business licence regulations, they account for much of the serious unemployment rate and all the attendant social problems. If these easily removed handicaps could be given immediate attention, the country would quickly experience the expansion of many companies and the formation of perhaps far larger numbers of new businesses.

The promises of far-reaching changes have permitted the development of a much more optimistic mood at every level of economic activity throughout the country and these promises have been welcomed largely because of the hopes of improving employment opportunities. Actual job generation numbers will therefore become the principal measure of the success of the new leadership. Job creation comes about as a direct result of investment and however much the mood has improved, it will not translate into investment decisions while unnecessary policies and practices continue to undermine every investor's prospects of making a profit at reasonable, competitive prices.

The budget provisions are supposed to be debated in Parliament this month. We have yet to see whether all the Vote Appropriations will be passed without useful debate, as has been the case almost every year until now.

Basic issues, such as the need to shed about half of the 22 ministries and a similar proportion of government's establishment, should be the cutting edges of the coming debates. However, claims that progress with the needed retrenchments will be impossible before employment growth starts in earnest will no doubt prevent action being taken yet again.

The budget figures were presented in two different packages, these being the Minister's speech and the Estimates of Expenditure. Unfortunately, they disagree with each other.

From the Minister's speech, the table reproduced below shows that in 2018 the revenue is expected to reach $5 071,2 million, with the help of $100 million in grants, but total expenditure will reach $5 743 million, leaving a funding gap of $671,8 million. The growth projections are also of interest.

Annexure 5: Fiscal Framework (US$m)

Budget Framework	2017 Est.	2018 Prj.	2019 Prj.	2020 Prj.
Nominal GDP (US$ Million)	18130.0	19426.3	21108.5	23067.7
Real GDP Growth (%)	3.7	4.5	5.6	6.0
CPI Annual Average (%)	1.1	3.0	5.8	6.3
Revenue and Grants (US$M)	**4338.5**	**5071.2**	**5484.4**	**5970.0**
Tax Revenue (US$M)	3668.5	4300.0	4675.9	5080.0
% of GDP	20.2	22.1	22.2	22.0
Non Tax Revenue (US$M)	237.0	237.2	254.5	300.0
% of GDP	1.3	1.2	1.2	1.3
Retained Funds	433.0	434.0	434.0	434.0
% of GDP		2.2	2.1	1.9
Grants		100.0	120.0	156.0
% of GDP		0.0	0.0	0.0
Total Expenditure (US$M)	**6045.0**	**5743.0**	**5893.5**	**6033.5**
% of GDP	33.3	29.6	27.9	26.2
Recurrent Expenditure (US$M)	4515.0	4581.0	4578.0	4676.3
% of GDP	24.9	23.6	21.7	20.3
Employment Costs (US$M)	3394.8	3239.4	3268.4	3268.4
% of GDP	18.7	16.7	15.5	14.2
Capital and Net lending (US$M)	1530.0	1162.0	1315.5	1357.2
% of GDP	8.4	6.0	6.2	5.9
Budget Balance (US$M)	**-1706.5**	**-671.8**	**-409.1**	**-63.5**
% of GDP	-9.4	-3.5	-1.9	-0.3
Total Debt Stock (US$M)	**13579.0**	**14454.8**	**15075.3**	**15283.0**
% of GDP	74.9	74.4	71.4	66.3
Domestic (US$M)	6031.4	6699.7	7002.2	6894.9
% of GDP	33.3	34.5	33.2	29.9
Foreign (US$M)	7547.6	7755.1	8073.1	8388.1
% of GDP	41.6	39.9	38.2	36.4

Source: Ministry of Finance & Economic Development, Reserve Bank

Similar 2018 figures are shown in the 400-page Estimates of Expenditure, or Blue Book. In this, the Consolidated Revenue Fund table shows that revenue and grants are expected to reach $4 637 million and expenditure plus net lending is expected to reach $5 330 million. This leaves a financing gap of $693 million.

However, the Expenditure and Repayments table shows that debt settlement obligations will take the total expenditure to $6 999 million. As the Revenue and Other Resources table in the Blue Book also records $5 071 million as the total revenue for 2018, these figures suggest that if debt repayment obligations are met, the actual funding gap will be $1 928,6 million.

However, if "Statutory and Retention Fund" estimates are also included, the gap will be $2,8 billion. The Blue Book shows that "Total Resource" requirements will come to $7 875,3 million, which will be 55,3% more than revenue. These figures bring into focus the very severe imbalance caused by excessively large accumulations of debt that have resulted from the weakening of the economy's tax base and government's increasing spending requirements.

To match standard IMF national accounting formats, calculations in the budget speech table show each major statistic as a percentage of Gross Domestic Product. The negative budget balance for 2018 is shown as 3,5% of GDP, a significant improvement on the 9,4% of GDP figure for 2017. However, if the debt repayments are included, the deficit for 2018 will come to 9,9% of GDP and if "Statutory and Retention Fund" estimates are included, the deficit will be 14,4% of GDP. Attention is not drawn to these higher percentages in the tables.

The nominal GDP figures used in these calculations head the columns in the budget speech table, above. They are shown as $18,1 billion for 2017 and $19,4 billion for 2018. That suggests an increase of 7,15% in the forthcoming year, but the table shows the GDP real growth forecast at 4,5%. The gap between these numbers indicates that nearly 3% inflation is expected. The build-up of pressure from the extremely large Money Supply growth rate makes this forecast optimistic.

These GDP figures, however, can be argued to be severely misleading. Only two years ago, the Minister of Finance estimated the nominal GDP at $14,3 billion in 2016 and his figures then claimed that real GDP had grown by 1,16% during 2016, despite evidence that the economy suffered a serious downturn in that year. In addition, the inflation rate in 2016 was minus 1,56%. In real terms, the US dollar strengthened, so for two reasons, real GDP must have fallen.

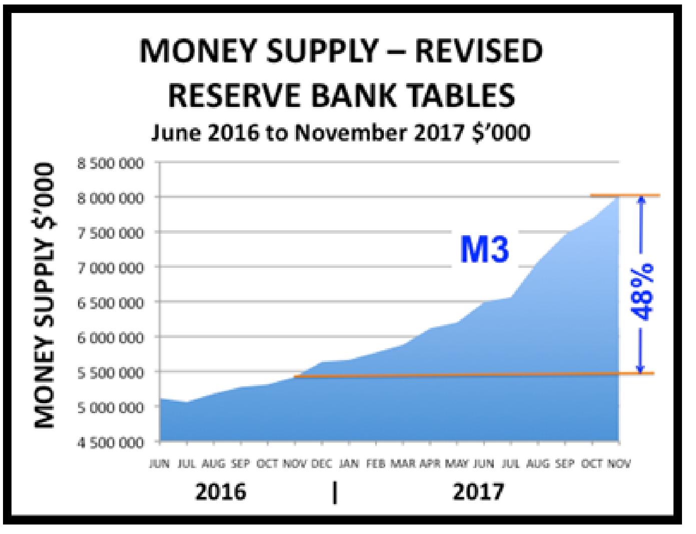
The Minister is now claiming that this already questionable figure grew to $18,1 billion in 2017. Even without adjusting the claimed 2016 figure downwards, this would have required a growth rate of 26,5% in 2017. As this clearly never happened, it would appear that exaggerated GDP numbers have been used to achieve more modest percentage of GDP numbers in the tables.

This issue is raised to help place emphasis on the wide disparity between government's revenues and expenditures. In his speech, the Minister does frequently refer to the nature of these expenditures, to the deficits they have generated and to the unsustainable way they have been financed. He draws particular attention to the excessive growth rate of the Money Supply.

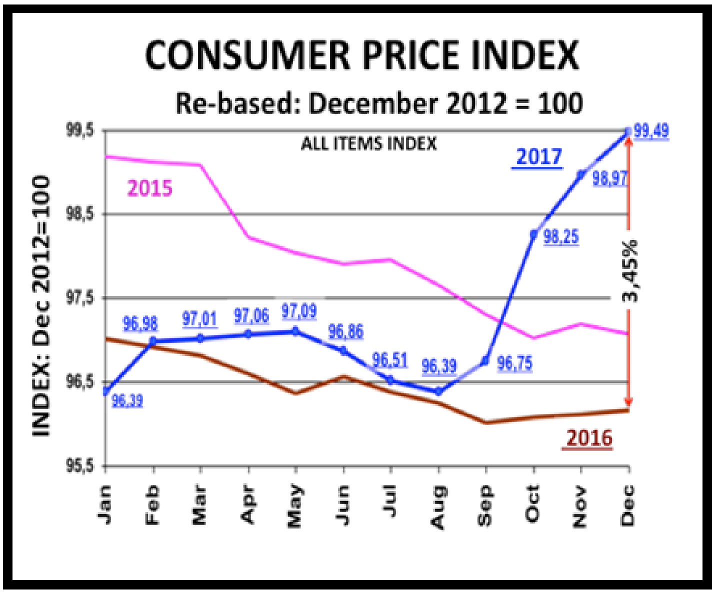
This growth, he says, "calls for the Reserve Bank to put in place policy measures to sterilise the impact on the stock of money supply/RTGS balances within the economy".[1]

[1] Budget Speech, Dec 7 2017, Paragraph 94

If deliberate cash shortages have helped to keep the rate of price increases lower than the Money Supply growth rate shown in this graph, it might be assumed that the Minister's sterilisation directive will ensure that the cash shortages remain in place.



The sharper rate of increase in the Consumer Price Index, illustrated in this graph [below], caused the index to end 2017 at 3,5% higher than at the end of 2016, so a sharp acceleration in the rate of increase in consumer prices did take place, despite the general liquidity and cash scarcities. However, the 48% Money Supply growth rate in the 12 months to November 2017 is very clearly at odds with any intentions of holding inflation down.



By having to issue Treasury Bills and bonds to meet payment obligations that have severely outreached revenue receipts, government's need to capture an increasing proportion of the country's financial resources has been directly responsible for the conditions that have accelerated the Money Supply growth rate. In particular, holding down most farmers' access to bank finance by failing to allow land to become bankable collateral ensured that government had to remain the farmers' main source of working capital, as well as the supplier of all infrastructural development capital.

In his budget speech, the Minister says that money was needed by the Command Agricultural Programmes as well as by the Grain Marketing Board for the purchase of agricultural produce. More was needed for irrigation schemes, farm mechanisation and various infrastructure facilities. Grain procurement funding came to $540 million and the Command Maize Programme cost $347,5 million. But for the lack of collateral, this funding could have been borrowed from the banks, so the essential feature of the maize and other so-called Command Programmes is that government is always the source of the required money.

However, government's funding requirements have been exaggerated by decisions to pay for grain at prices well in excess of import costs. By paying $390 a tonne for maize deliveries and then selling the grain to millers for $240 a tonne, a subsidy of $150 a tonne had to be found for the 500 000 tonnes delivered. This came to $75 million, to which the handling and storage fees must be added, plus debts carried forward from previous years and payroll arrears. All of this resulted in the Grain Marketing Board incurring a loss of $208 million for 2017.

However, of special interest is the Minister's acceptance of the need for change. In his speech, the Minister states that, "As we move forward, private sector and commercial bank finance will be required to fully take up its rightful role of adequately underpinning agriculture".[2] This statement has the backing of a paragraph earlier in the speech, which reads: "Zimbabwe is now open for business, and is putting in place supportive measures that seek to rebuild confidence and compete for investment, and enhance the economy's competitiveness".[3]

This is followed by assurances that supportive measures will be taken to achieve security of land tenure and to introduce bankable land leases. Other measures, says the Minister, will guarantee the safety of investments, amend the indigenisation policy, lower the cost of doing business and bring about concrete public enterprise reforms.

These proposals and promises amount to a significant change in policies that, if followed, will permit the economy to shift decisively away from its previous course. Mining, manufacturing and infrastructural developments involving power, transport and communications have been brought into Parliamentary and media debates since the budget was presented and all of these have reinforced the positive outlook in practical as well as encouraging ways.

Of concern, however, is that none of the propositions include any intention to adopt prices that will do away with the need for subsidies, or will lead to immediate improvements in the critical day-to-day issues needed to restore Zimbabwe's ability to compete on regional markets. Among these are labour laws affecting the willingness of employers to offer employment and the recovery or repayment of outstanding debts, such as government VAT refunds or unjustly garnisheed bank balances.

A modest reduction in operating costs has resulted from reductions in the excise duty on petrol and diesel, but Zimbabwean fuel prices are still higher than in all the surrounding countries. Because of the large number of issues needing attention, it is evident that useful achievements of progress in every one of these areas will call for time, but the focus needs to be on rebuilding confidence, as well as capacity. All of these difficulties will best be lifted by measures that directly target and successfully deal with investor uncertainties.

[2] *ibid,* Paragraph 382
[3] *ibid,* Paragraphs 219, 220

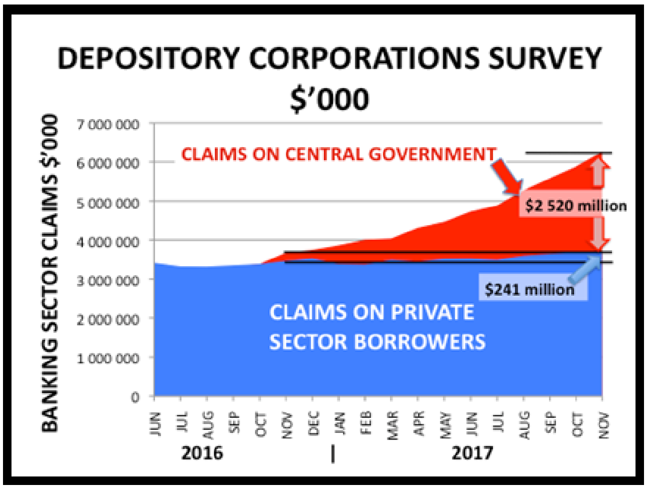
However, these uncertainties will be compounded if government continues to crowd out the business sector by making continuing demands for funds from domestic banks and other financial institutions to finance large budget deficits.

Claims are being made by government that assistance of the order of $1,5 billion will be made available from the African Import-Export Bank, but details on repayment terms, interest rates and the purposes to which such funds might be applied have yet to be released. To arrest the further build-up of the unwelcome side effects of government's competition for scarce financial resources, funding of this nature will be needed, but will require the rescheduling of existing debt.

The crowding-out effect of government borrowing is evident in the following graphs, showing claims on government and Treasury Bill sales figures. Access to finance for the private sector has been so constrained that the total commercial bank loans and advances to business sectors and individuals declined by 2,9% in the twelve months from November 2016 to November 2017, the totals coming down over that period from $2,74 billion to $2,66 billion.

A breakdown shows loans to agriculture fell by 9,3% while those to manufacturing declined by 23,6% and loans to mining went down by 18,9%. Among the few increases were 8,8% to construction and individual loans went up 1,2%.

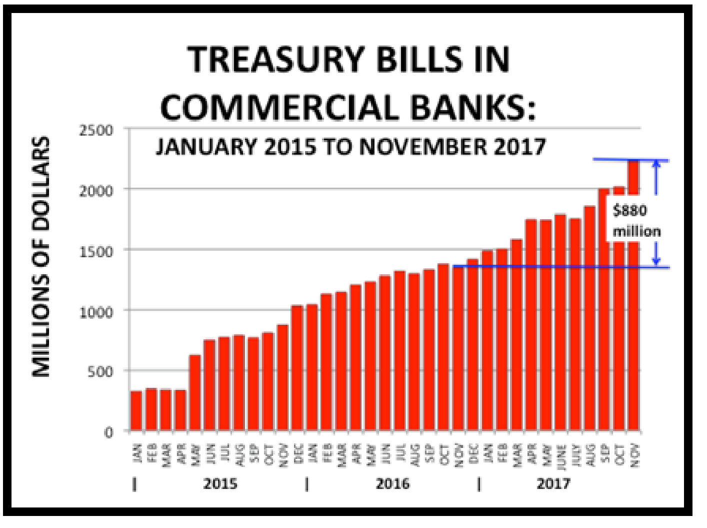
More broadly defined claims on private sector borrowers show that the total increased by $241 million in the twelve months to November 2017, but as this graph shows, the claims on central government increased by more than ten times as much during that period, rising by $2,52 billion and reaching $6,3 billion.



A hidden effect of the liquidity conditions is the extent to which some companies have been forced to seek offshore funding for their development projects. Reserve Bank approval is needed for all such borrowings because the servicing of external debts has impacts upon the country's Balance of Payments, but costs and difficult terms imposed by local banks under liquidity constraints have left some companies with little option.

Net outflows of funds have occurred every year since the Land Acquisition policy was announced twenty years ago and the decline in production made food imports essential. When the US dollar was adopted in 2009 and government's ability to impose exchange controls was severely curtailed, transfers of funds could be legally arranged, but to start with, most of the flows were inwards.

Confidence was then eroded by the mounting budget deficits, which started to accumulate after the Government of National Unity was displaced by the 2013 elections. Money started to flow out of the country and by 2015 a severe liquidity shortage had started to develop. Government's deficit financing requirements prompted it to start selling Treasury Bills to banks, insurance companies and pension funds. Government also issued Treasury Bills to settle some of its outstanding debts, increasing their value by $880 million in the twelve months to November 2017 and taking their total value to more than $2 billion.



As tight conditions developed, many holders of Treasury Bills chose to offer them for sale, so a functioning discount market was soon established. With government using illiquid paper to convert longer-term deposits and savings into funding for immediate disbursal, and Treasury Bill holders then converting the same paper into duplicate disposable balances, Money Supply growth was stimulated by these transactions. However, even more money was brought into existence by the Reserve Bank when it acceded to a Ministry of Finance request that it be granted overdrafts of several billion dollars more.

Despite the recent political changes and the significant improvements in the country's outlook, the fiscal deficit and the repercussions of the financial distortions it has caused are set to impact on the economy for some time to come. One of these impacts is on prices.

If the buyers of Treasury Bills are not content to live with these questionable stores of value until they reach maturity, they have only one option, which it to sell them at a discount. Those who sell them usually do so in exchange for "virtual money" in the form of RTGS transfers. Those who need to convert these proceeds into real money to pay for imports then have to part with this money at a further discount. The eventual recovery of the effective costs incurred in paying for these imports inevitably results in the goods being sold at higher prices.

However, during some of the phases of increasing uncertainty, it is evident that some of the hard currency obtained was externalised. Hopes are now being expressed that these uncertainties will be overcome and that significant amounts of money will be returned to the country. A good response to the amnesty offered to those who illegally externalised money by incorrectly valuing trade consignments, or by other means, is expected to bring about a strong inflow that will reduce the delays being experienced in receiving Reserve Bank approvals for import orders. However, the country is starting from a weakened position.

Foreign liabilities increased by 24% between November 2016 and November 2017, rising from $956 million to $1 187 million over that period. Foreign assets moved from $364,8 million to $316,1 million, taking net foreign assets from minus $636,7 million to minus $720,5 million over those 12 months.

So far, the steps taken against selected individuals accused of corruption, the amnesty to those who return money illegally externalised and the softening of indigenisation demands are significant issues that have generated promises of even more far-reaching changes. A quieter move appears to be restoring confidence to farmers who were recently targeted for dispossession. However, those evicted from their lands years ago have received nothing more than repeats of claims that compensation will eventually be offered.

Firm evidence has yet to emerge that compensation funds at any level will one day be placed at the country's disposal. However, as compensation was one items in the Reform Programme presented at the IMF meetings in Lima, Peru, in 2015, government hopes to persuade all observers of the sincerity of their intentions by at least keeping the subject on the agenda.

A number of the other reforms presented in Lima have been picked up in response to the President's 100-day action plan challenge to cabinet ministers. The privatisation of parastatal organisations and state operated enterprises, most of which are running at substantial losses, has featured among the proposals. These are supported by arrangements being made by government to assist National Railways of Zimbabwe to improve upon its currently constrained services, to lease new aircraft for Air Zimbabwe and to assume the debts of Zisco so that handicaps preventing the sale of the steelworks might be removed. For each parastatal, restructuring on a commercial footing would be needed before an attractive prospectus could be prepared and shares placed on offer.

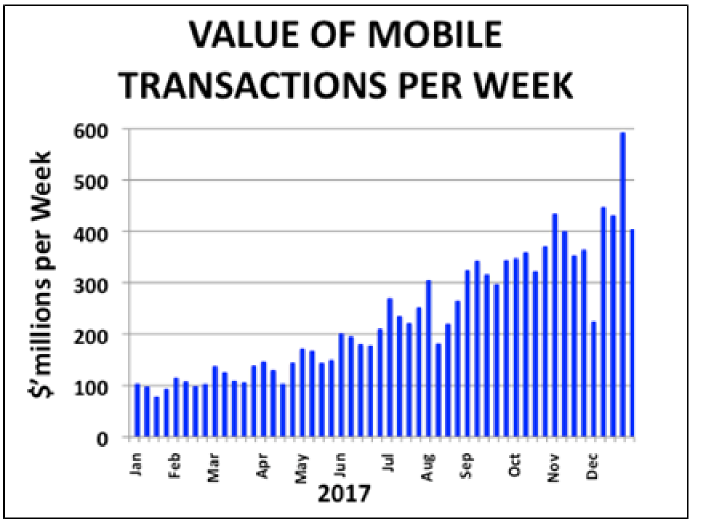
Apart from removing the burden of the losses incurred by very nearly all the state-operated enterprises, a major objective of the privatisation exercise is to bring about a significant capital inflow from the sale of shares.

In this regard, the success of the privatisation exercise is likely to be improved if government shows itself to be willing to break completely from these enterprises. In previous exercises of this nature, such as with the sale of the former marketing authorities, the Dairy Marketing Board and the Cotton Marketing Board, government insisted on retaining a controlling interest in each of the privatised companies, Dairibord Ltd and Cotton Company of Zimbabwe Ltd. This control mindset was reinforced and formalised with the passage of the Economic Empowerment and Indigenisation Act.

Hopefully, the news that the indigenisation policy is to be extensively amended will also permit foreign investors to acquire the entire equity of any privatised enterprise, should they so wish. Their ability to do so would greatly increase the commitment needed to turn their acquisitions into successful ventures.

Improved Balance of Payments inflows on Capital Account would be among the more important advantages of attracting such investment capital. The subsequent activities of the companies, if successful, would generate employment growth, technology transfers, tax revenues and foreign earnings, while opening the way for yet other investments.

While the informal sector has become very much bigger and more important to the welfare of the population, it has found ways of adapting to the challenges without becoming significant contributors to tax revenues. To change that, official attempts were made to persuade informal sector operators to formalise their businesses, but these yielded very modest levels of success. Parallel attempts to persuade banks to be more accommodating in their dealings with unincorporated businesses have also had disappointing results. Government made most of its efforts in these directions because it wished to find ways of generating tax revenues from informal traders to make up for the shrinkage of the tax revenue from the national workforce, but it is now exploring a different idea.



New potential sources of tax were presented to Parliament during the budget debate and one of the suggestions was to tax each transaction carried out using mobile devices. Records gathered by the Reserve Bank show that weekly mobile transactions increased about four-fold during 2017 from $100 million per week to more than $400 million per week. If weekly transactions average $400 million through 2018, a 5% tax charge per transaction would yield $20 million a week, or $1 billion over the year.

If collected, this amount would be more than all the P.A.Y.E. contributions of the country's current labour force and twice the amount expected from company profits taxes. And as the informal sector makes up the bulk of the users of mobile devices, the 5% tax on about three million transactions per day would be a very efficient way to collect tax from this sector. For retailers and other traders, acceptance of the idea in coming legislation would effectively reduce purchasing power by the same 5%, but a good proportion of it would then be spent on similar goods by government employees.

However, this is an incomplete answer. The more fundamental of the country's economic problems would be overcome by attending to the policy choices that did the most serious damage. The costs of twenty years of food imports provide the main reason for the outflows of foreign exchange to pay the suppliers, and this led directly to the country's inability to meet debt service commitments. The collapse of the Zimbabwe dollar followed the printing of money to make up for the lost tax and export revenues, which were inevitable after the closure of thousands of factories and the loss of 400 000 jobs. The growth of the informal sector followed, but this depended on direct support from about three million Zimbabweans who moved abroad and assisted their local families with whatever savings they could afford.

As taking the land off the market started this disastrous decline, putting the land back onto the market would be not only the best way to start a recovery, but also an essential step towards that recovery. If Zimbabwe chooses not to take that step, the recovery will be much slower and much more painful.

A Presidential Decree took the land off the market in a process that started that decline in 1997. Another Presidential Decree could put it back onto the market right now. This would turn the land into capital, unlock farmers' access to finance and would allow the recovery we all need to start in earnest.

In the following table, an attempt has been made to forecast economic indicators for the coming years.

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ZIMBABWE

Year-End Estimates	2015	2016	2017	2018	2019	2020	2021	2022
Year-on-Year Inflation	-2,4	-1,6	3,2	7,8	7,6	5,9	1,0	1,3
GDP in US$'millions	10 300	9 700	9 895	10 400	10 900	11 450	12 150	12 900
GDP Growth %	-3,0	-5,8	2,0	4,8	5,2	6,0	6,1	6,2
Year end Money Supply US$'millions	4 765	5 600	7 950	8 950	10 100	11 300	12 100	13 000
Year-on-Year, Year-end Money Supply Growth %	8,2	17,5	42,0	12,6	12,8	11,9	7,1	7,4
Year end Exchange Rate: Rand to US$	15,5	13,68	12,3	13,9	14,2	14,8	15,5	15,9
Year end Exchange Rate: US$ per £	1,48	1,23	1,35	1,35	1,31	1,3	1,32	1,32
Year end Exchange Rate: US$ per €	1,09	1,05	1,20	1,16	1,14	1,15	1,13	1,14
Year end Exchange Rate: ¥ per US$	120,00	116,80	112,90	114,00	115,00	114,00	114,00	115,00
Unemployment rates %	75	81,0	80,0	79,0	76,0	73,0	70,0	68,0
Population (millions)	13,4	13,5	13,7	13,8	14,0	14,1	14,2	14,4
GDP per Head per Year US$	768,3	716,3	723,5	752,9	781,3	812,6	853,7	897,5
Formal Sector Employment '000	750,0	710,0	725,0	760,0	797,5	843,0	892,0	944,3
Growth % for Exports	-2,8	-35,0	36,2	4,4	10,8	13,5	10,7	7,1
Exports US$'million	3 614,00	2 350,0	3 200,0	3 340,0	3 700,0	4 200,0	4 650,0	4 980,0
Growth % for Imports	-3,9	-16,9	6,0	9,6	14,5	11,9	8,0	7,4
Imports US$'million	6 062,0	5 040,0	5 340,0	5 850,0	6 700,0	7 500,0	8 100,0	8 700,0
Balance of Trade (millions)	-2 448,0	-2 690,0	-2 140,0	-2 510,0	-3 000,0	-3 300,0	-3 450,0	-3 720,0
Current Account Balance (millions)	-1 519,0	-1 890,0	-2 354,0	-2 786,1	-3 270,0	-3 630,0	-3 795,0	-4 092,0
Capital Account (millions)	1 632,0	845,0	2 000,0	3 000,0	4 600,0	5 750,0	6 000,0	6 000,0
Short-term Loans (millions)	-918,7	-1 000,0	-1 200,0	-1 400,0	-1 200,0	-1 000,0	-800,0	-650,0
Overall Balance of Payments (millions)	-26,0	-934,6	-243,6	-1 186,1	130,0	1 120,0	1 405,0	1 258,0
Annual Change in National Debt (millions)	-1 080,7	-81,3	-968,0	-1 550,0	-2 000,0	-1 550,0	-1 549,0	-1 548,0
Total External Debt (millions)	-11 918,7	-12 000,0	-12 200,0	-10 850,0	-10 200,0	-10 450,0	-10 251,0	-10 102,0

Assumptions: Economic

* Government's promises to carry out reforms will encourage Budget and Balance of Payments support from the World Bank and AfDB
* Foreign Direct Investment inflows, previously held back by Indigenisation demands, will improve enough to bring about a Balance of Payments surplus by 2019
* Money Supply growth will be sustained by reduced expenditures on imported food products
* Employment numbers and significant employment growth will respond to improving numbers of factories restarting production
* Foreign exchange shortages will respond positively to improving investment conditions, helped by an improving recovery rate in import substitution manufacturing
* Inflation levels will be held down to modest levels while competition for consumer purchasing power persuades retailers to accept narrower profit margins
* Payments for fuel and electricity imports will continue to be prioritised in the settlement of external accounts
* Increasing levels of support needed for the 2018 wheat harvests and for the crops in 2019 will become available from banks as previously restrictive policies are abandoned
* Trade figure estimates allow for reductions in food imports and increases in capital goods imports. Exports will continue to be dominated by minerals and tobacco

Assumptions: Political

* ZanuPF will win the 2018 elections
* Regional political leaders will endorse the moves taken to change the leadership, but will not offer financial support
* Resentment against Zimbabwe's high fuel and transit costs will encourage moves to side-line Zimbabwe on North-South transport routes
* Zimbabwe's peaceful leadership transition will attract more foreign overseas support, but only if the 2018 elections are judged free and fair.

Assumptions: International

* International assistance will continue to arrive for humanitarian, educational and medical reasons, including HIV retroviral drug deliveries
* Sanctions affecting Zimbabwean money transfers will be steadily reduced by in European, Commonwealth and US government policy revisions
* Weak demand for commodities is preventing significant increases in prices and is likely to continue affecting Zimbabwe's revenues from precious metals, base metals and tobacco
* China's decreased willingness to compete for Zimbabwean projects at financial, insurance and construction levels has yet to show signs of improving

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