

# ZIMBABWE

## Key conditions and challenges

**Table 1** 2023

Population, million	16.7
GDP, current US\$ billion	33.5
GDP per capita, current US\$	2012.0
International poverty rate (\$2.15) <sup>a</sup>	39.8
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	64.5
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	85.0
Gini index <sup>a</sup>	50.3
School enrollment, primary (% gross) <sup>b</sup>	96.0
Life expectancy at birth, years <sup>b</sup>	59.3
Total GHG emissions (mtCO2e)	115.8

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2019), 2017 PPPs.  
b/ Most recent WDI value (2021).

GDP growth is projected to slow to 3.3 percent in 2024 after a solid post-pandemic recovery in 2022-23. While a slowdown was expected, the growth is further affected by persistent macroeconomic instability with high inflation and exchange rate distortions, an El Niño-related drought, and projected lower export prices. The fiscal deficit is expected to increase due to the transfer of RBZ's external liabilities to the treasury. Drought conditions will affect agricultural output and increase food insecurity and, potentially, poverty.

Zimbabwe's economic performance is hampered by continued macroeconomic instability and power shortages. High inflation, exchange rate distortions, and a difficult business environment raise the cost of doing business, which in turn are leading to underinvestment, a rise in informal activity, and erosion of the fiscal revenue base. Jointly, this significantly undermines the economy's long-term growth prospects. The investment climate is further hampered by inadequate electricity supply with power shortages estimated to cost Zimbabwe 6.1 percent of GDP per annum.

Zimbabwe's external debt has rapidly increased in recent years, driven by external arrears and legacy debt. External debt has risen from US\$9.5 billion in 2018 to US\$17.5 billion in 2023 (an estimated increase from 26 to 95 percent of GDP). The increase is driven partly by debt arrears as the GoZ stopped servicing external debt in 2000, and Zimbabwe's external arrears accumulated to US\$6.9 billion in 2023 mostly to IFIs. The government is implementing arrears clearance and debt resolution strategy that is critical for debt resolution and access to financial support. As part of this, Zimbabwe also resumed token payments to multilateral creditors in 2021.

Poverty has been elevated, on account of continued macroeconomic instability, poor job creation in the productive sectors,

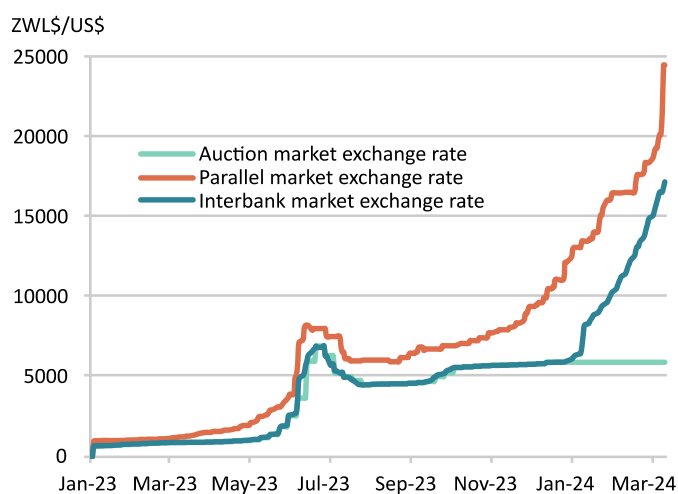
weather and global health shocks, and a weak social protection system. The national extreme poverty rate has declined from its 2020 post-pandemic peak of 49 percent to 43 percent in 2022. Yet, poverty and vulnerability remain high, against a background of cyclical agricultural production, climate shocks, and elevated food prices.

## Recent developments

Driven by post-pandemic recovery, Zimbabwe was one of the fastest-growing SADC economies in 2022 and 2023. Real GDP is estimated to have grown by 5.5 in 2023, after a 6.5 percent growth in 2022, on the back of an expansion in agriculture, mining, and remittances-induced services growth. Nevertheless, macroeconomic volatility fuelled by monetary instability and substantial exchange rate distortions continues to keep Zimbabwe's economic activity below its potential.

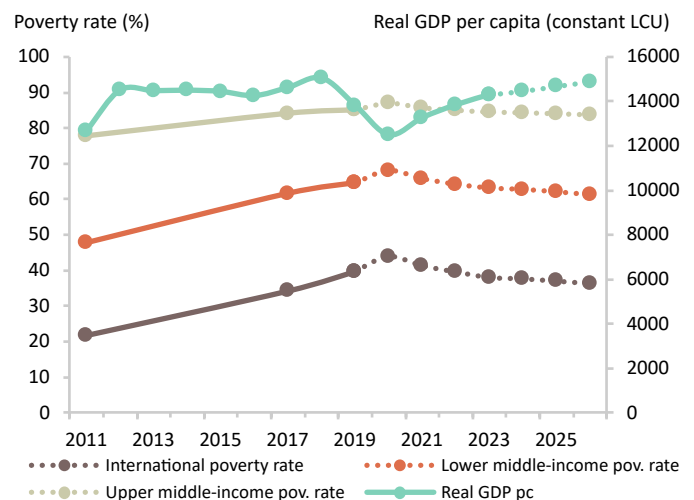
Inflationary pressures remain high in 2024 as local currency depreciation intensified. Annually inflation increased for the fourth consecutive month in February 2024, reflecting sharp depreciation of the local currency at both official and parallel foreign exchange market. Annual inflation increased from 26.5 percent in December 2023 to 47.6 percent in February 2024. The official exchange rate has depreciated by 788 percent in 2023 with the parallel market premium estimated at 30 percent as of February 2024. Meanwhile, the Minister of Finance announced a possible move to a currency board, but details are lacking.

**FIGURE 1 Zimbabwe / Exchange rates**



Sources: Zimstat and World Bank staff estimates.

**FIGURE 2 Zimbabwe / Actual and projected poverty rates and real GDP per capita**



Source: World Bank. Notes: see Table 2.

Fiscal pressures increased in 2023 ahead of national elections and the transfer of RBZ's external liabilities to the treasury. The government increased civil servants' salaries sharply, both in foreign and local currency. The Treasury took over the servicing of debt of US\$1.8 billion in external liabilities from RBZ. Meanwhile, some of the revenue proposals in the 2024 budget has been reversed, casting doubt on the credibility of the budget. Nevertheless, the implemented taxes like sugar tax have led to an increase in prices.

The current account surplus narrowed in 2023, as remittances from non-governmental organization contracted. Nevertheless, the trade deficit was slightly lower in 2023 compared to 2022. Exports increased by 9.7 percent year-on-year, driven by tobacco and diamond. Imports increased by 6.4 percent driven by fuel and maize imports.

## Outlook

Real GDP growth is projected to slow further to 3.3 percent in 2024, partly reflecting

the impact of structural bottlenecks, macroeconomic instability (high inflation and severe exchange rate volatility), an El Niño-related drought, and lower commodity prices. El-Niño induced drought will affect most rain fed crops and may intensify electricity supply shortages. Nevertheless, continued increase in remittances will help to stimulate growth in services (wholesale and retail trade), and construction. Risks are tilted to the downside and include geopolitical tension, a weak global environment for growth, and high inflation. Inflationary pressures will intensify in 2024, given drought conditions and increase in domestic taxes.

The fiscal deficit will increase in 2024, driven by high interest payments on external debt, drought mitigation related spending, wage pressures, and reversal of several budget revenue measures. Interest payments from servicing RBZ's external liabilities are projected to significantly increase, posing liquidity risks, amid limited access to concessional financing. Fiscal deficit is projected to reach 2.3 percent of GDP in 2024, before slowing to under 2.0 percent in the medium term.

The current account surplus is expected to shrink further, reflecting an increase in imports in the face of drought conditions and lower commodity prices. Exports are therefore expected to decline. Remittances remain the main driver of current account surplus.

Poverty is expected to increase in 2024 due to drought and is projected to remain high in the medium term. The elasticity of poverty reduction to growth has proven to be very low in Zimbabwe, undermining the outlook for poverty reduction amid projected deceleration of growth in 2024. This is further exacerbated by El-Niño induced drought. In the medium term, vulnerability to poverty is expected to increase with changes in temperature and rainfall patterns linked to climate change. Key structural priorities to reduce poverty and break the dependence on weather cycles include boosting agricultural productivity, facilitating structural transformation through investment climate and monetary and exchange rate reforms, and instituting a robust social protection system.

**TABLE 2 Zimbabwe / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
<b>Real GDP growth, at constant market prices</b>	8.5	6.5	5.5	3.3	3.6	3.5
Private consumption	1.5	4.9	3.0	4.0	3.6	3.5
Government consumption	142.1	31.3	30.6	3.6	1.8	2.0
Gross fixed capital investment	12.8	22.3	-18.0	-6.1	5.6	4.6
Exports, goods and services	47.0	43.9	3.0	1.5	3.4	3.4
Imports, goods and services	61.5	54.6	2.0	1.1	2.5	2.5
<b>Real GDP growth, at constant factor prices</b>	8.4	6.4	5.6	3.3	3.6	3.5
Agriculture	17.5	6.2	11.1	-5.9	6.0	4.9
Industry	6.4	5.5	2.8	4.0	3.0	3.1
Services	7.7	7.0	6.0	5.1	3.4	3.4
<b>Inflation (consumer price index)</b>	98.5	193.4	305.0	45.1	15.9	72.3
<b>Current account balance (% of GDP)</b>	1.0	1.0	0.8	0.1	-0.2	0.7
<b>Net foreign direct investment inflow (% of GDP)</b>	0.7	1.0	0.3	0.0	0.0	0.0
<b>Fiscal balance (% of GDP)</b>	-2.0	0.1	-1.2	-2.3	-1.3	-1.2
<b>Revenues (% of GDP)</b>	15.3	16.4	17.2	18.4	18.6	18.4
<b>Debt (% of GDP)</b>	58.4	99.6	97.0	102.6	98.7	91.3
<b>Primary balance (% of GDP)</b>	-1.9	0.2	-0.3	-1.4	-0.4	-0.5
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	41.4	39.6	38.2	37.7	37.1	36.4
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	65.8	64.2	63.1	62.7	62.0	61.2
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	85.6	85.0	84.5	84.3	84.0	83.7
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.4	1.2	0.7	-0.6	-0.4	-0.2
<b>Energy related GHG emissions (% of total)</b>	9.9	10.4	10.8	10.1	9.7	9.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2019-PICES. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2019) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.