*Casa África –business opportunities*

# Republic of Zimbabwe

Prior to the current pandemic, GDP was expected to grow in 2020 to reach 4.6% and increase by one percentage point the following year. A recovery is also expected in agriculture and mining, supported by increased and well-targeted investment. But with the current outlook, output is expected to decline in both sectors, largely due to the outbreak of the pandemic and associated shocks, as well as policy actions to limit the spread. As a result, the economy is expected to contract from 7.5 per cent to 8.5 per cent in 2020, with a modest recovery in 2021. The budget deficit is expected to remain above 5% due to the negative effects of tax relief measures and weak business activity. Despite the accommodative monetary policy aimed at easing market liquidity constraints, the effect will be offset by structural deficiencies such as foreign exchange shortages and lack of confidence in the local currency, so that by 2020, average inflation of 217% is expected, amplified by VIDOC-induced shocks-19. On the other hand, the deterioration of the trade balance and secondary income account will push the current account into deficit territory by 2.0% of GDP.

The regeneration of civil society and the commitment of political actors to a positive social contract should accelerate reforms before the pandemic. Significant natural resources, relatively good public infrastructure and a skilled labour force provide opportunities to join supply chains in Africa and to increase trade in the African continental free trade area.

Prior to the country's liquidity crisis in 2015, Zimbabwe was very open to trade. Since then, import restrictions, as well as the loss of reserves and international price volatility of some of its products, both exports and imports, have been reduced. South Africa is by far the country's largest trading partner. The country's second largest supplier is Singapore, followed by China and Zambia. In terms of exports, after South Africa, the main destinations are Mozambique and the United Arab Emirates. The country's exports are not very diversified, since precious stones, including diamonds and gold in addition to tobacco, account for nearly 75 per cent of its exports. On the import side, gasoline, cereals, electrical and mechanical machinery and vehicles stand out.

In terms of challenges, unsustainable high debt, high budget deficits, cash and foreign exchange shortages, and persistent shortages of essential goods are hampering a significant economic recovery, which has now been exacerbated by the COVID-19 crisis. Spending on development and the provision of social services remains limited. As the Zimbabwean dollar depreciates, local creditors are losing the value of their loans and payments for goods and services provided to the government, and external debt servicing is becoming increasingly unsustainable. In turn, this downward spiral in the economy fuels unemployment and poverty. In addition, lack of finance, high input costs, obsolete machinery and inadequate infrastructure (especially in the energy sector), limited progress in land reform and relaxation of investment regulations are major challenges for private sector development. Many years of investment are needed for a modest recovery in infrastructure.

AEO: https://www.afdb.org/en/documents/african-economic-outlook-2020

AEO (Suplemento COVID-19): https://www.afdb.org/en/documents/african-economic-outlook-2020-supplement

ICEX: https://www.icex.es/icex/es/navegacion-principal/todos-nuestros-servicios/informacion-de-mercados/sectores/agroalimentarios/documentos/DOC2018795598.html