

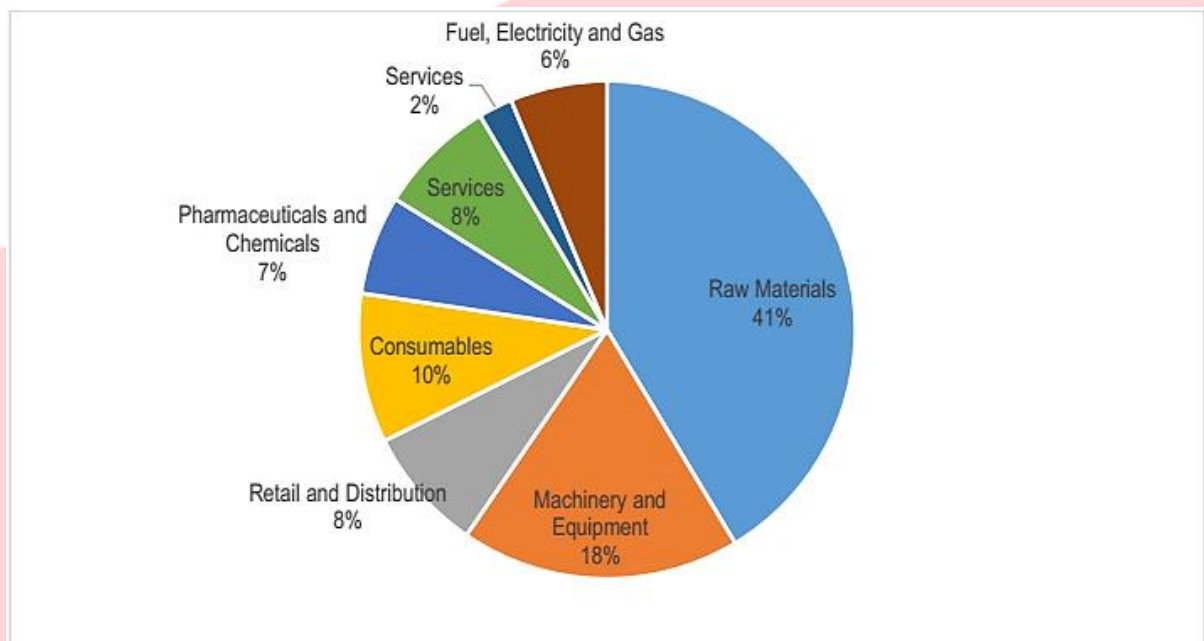


**2021 MID-TERM BUDGET AND ECONOMIC REVIEW  
HIGHLIGHTS**

ZNCC National Office  
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**The Minister of Finance and Economic Development, Hon. Prof. Mthuli Ncube presented the Mid-Term Budget and Economic Review to the Parliament of Zimbabwe on Thursday, 29 July 2021. Here are the major highlights.**

1. **Economic Growth:** Positive growth prospects at the world, Sub-Saharan Africa (SSA) and domestic levels on the back of fiscal and monetary interventions, Covid 19 vaccinations, and firming international commodity prices. Growth projections revised upwards, global (0.5% to 6%), SSA (3.1% to 3.4%) and Zimbabwe (7.4% to 7.8%). Higher domestic growth rates are projected in agriculture, electricity generation, accommodation and food services, as well as financial services. The economy is expected to grow by 7% in 2022.
2. **Inflation:** Significant decline in inflation from 837.5% in July 2020 to 106.6% in June 2021. The July year-on-year inflation is 56.37% and 2.56% for month-on-month inflation. Month-on-month inflation is expected to stabilize below 3%, while annual inflation is expected to further decline to the 22% - 35% range by December 2021. The decline in inflation is attributed to the monetary targeting framework, which has contained money supply growth and stabilized the exchange rate.
3. The **Foreign currency auction system** continues on course. Total allotments as at 30th June 2021 stood at US\$1,544.98 million. Of this amount, 41% financed raw materials, 18% capital goods such as machinery and equipment, and 8% went into fuel, electricity and gas. The manufacturing companies account for 17 out of the top 20 auction beneficiaries. Distribution of foreign currency on the auction as at 29 June 2021 is as follows:



Source: Reserve Bank of Zimbabwe, 2021

4. **Banking sector** safe and sound, and remains adequately capitalized, with aggregate core capital increasing by 20.74% to settle at ZW\$64.21 billion from the previous year.
5. **Balance of Payments:** Current account surplus projection for 2021 is US\$611.6 million, lower than the US\$1,1 billion for 2020. Growth in diaspora remittances is expected to sustain current account surplus.
6. **Diaspora remittance** receipts between January and June 2021 stood at US\$746.9 million, compared to US\$288.7 million received during the same period last year. End of year remittance projections stand at US\$1.3 billion.
7. **Merchandise exports** are projected to increase by 4.2%, from US\$4 931.9 million in 2020 to US\$5 139.8 million in 2021, buoyed by minerals (Platinum Group of Metals (PGMs) and chrome and high carbon ferrochrome exports).
8. **Merchandise imports** are projected to increase by 11.1% to US\$5 245.7 million in 2021, from US\$4 719.9 million in 2020, driven by increases in fuel, machinery and raw material imports. Good agricultural season to lower food imports.
9. **Budget Out-turn:** For the period January-June 2021, revenues are estimated at ZWL\$198.2 billion (vs a target of ZWL\$182.1 billion) whilst expenditures were about ZWL\$197.6 billion (vs a target of ZWL\$189.8 billion), resulting in an almost balanced budget position, with a small surplus of ZWL\$570 million).
10. **COVID-19 Vaccination:** To date, resources amounting to US\$93.2 million have been spent on vaccines alone. Government has set aside US\$100 million for vaccines acquisition.
11. **Strategic Grain Reserve:** As at 26 July 2021, grain deliveries to GMB depots stood at 636 884 tons valued at ZWL\$20.9 billion, of which 566 751 tons was for maize, 58 212 tons small grains, 11 260 tons soya beans and 661 tons wheat. Anticipated deliveries are estimated at 1.9 million tons and valued at ZWL\$62 billion.
12. **Domestic debt** as at the end of April 2021 amounted to ZWL\$20.9 billion. The domestic market remains the primary source of government debt financing.
13. **Arrears and External Debt:** As at end of December 2020, total Public and Publicly Guaranteed external debt, including RBZ external guaranteed debt, amounted to US\$10.5 billion, representing 71.2% of GDP. External debt arrears alone make up over US\$6.5 billion (77%) of total external debt. Quarterly token payments to lenders save for Paris Club Creditors have resumed.

14. **Development Partner Support** pledges amount to US\$841.5 million, and disbursements to date stand at US\$430 million, accounting for 51% of commitments for 2021.
15. **Supplementary Budget:** Given the Minister's conclusion that existing budget allocations and policies are achieving the desired results, there is no supplementary budget for 2021. The budget expenditure target of ZWL\$421.6 is to be maintained in the outlook period to December 2021. Substantial policy changes shall come in the 2022 National Budget.

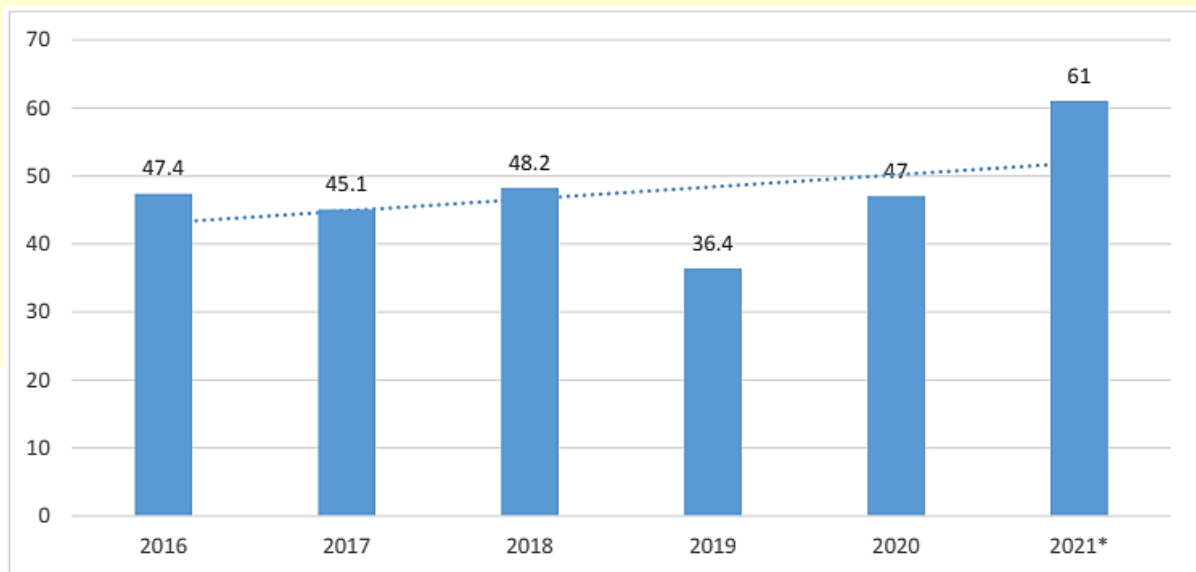
### Sectoral Performance

16. **Agriculture** growth in 2021 has been revised upwards on account of the higher-than expected performance of almost all crops particularly maize, groundnuts, and sorghum. The sector is, therefore, estimated to grow by 34%, up from the original budget projection of 11%
17. **Mining** sector performance remains more or less on course, supported by favourable international mineral prices, stable power availability, the foreign auction system and macroeconomic stability characterized by the stable exchange rate and declining inflation, among other factors. The table below shows developments in mineral production during the first quarter of 2021 and projections for 2021.

	2018	2019 Est.	2020 Est.	Jan-March 2021 Outturn	Q1 Outturn as % of Jan-Dec Target 2021	2021 Budget Projection	Original
<b>Overall Growth (%)</b>	<b>15.3</b>	<b>-12.4</b>	<b>-9</b>				<b>11</b>
Black Granite (tonne)	212.7	155	164	35	20.24		172.9
Chrome (tonnes)	1 756	1 550	1 272.1	300.9	20.6		1500
Coal (tonne)	3347.8	2730	2750.9	669.4	20.28		3300
Cobalt (tonne)	402	402	955.9	53.4	12.35		432.3
Copper (tonne)	9076	8678	7932.8	1899.8	20.36		9331.2
Gold (kg)	35054	29429	20873.2	4310.9	13.47		32000
Iridium (tonne)	586	845	836.7	162	17.50		925.9
Nickel (tone)	17809.8	16278	16479.9	3283.8	21.75		15100
Palladium (kg)	12094	11640	12889.9	2848.6	23.29		12230.9
Phosphate (tonne)	51393	27148	45083.5	8392	31.67		26500
Platinum (kg)	14703	13857	15003.9	3369.3	23.08		14600
Rhodium (kg)	1334	1224	1367.5	305.3	23.12		1320.3
Ruthenium (kg)	1155	792	1026.3	285.8	32.53		878.7
Diamonds (carats)	3252.4	2119	2670.5	702.6	27.02		2600

18. **Manufacturing** growth slowed down by the unanticipated lockdown in Q1 of 2021. However, the sector is projected to rebound by 7% in 2021 mainly on account of continued macroeconomic stability, improved electricity supply and favourable 2020/2021 agriculture season and localization of value chains. The Confederation

of Zimbabwean Industries (CZI) projects average capacity utilization to increase to 61% in 2021, from the 47% recorded in 2020.



Source: CZI \*Projection

19. **Tourism** has been severely affected by the COVID-19 pandemic. The country recorded 65,882 tourist arrivals in the first quarter of 2021, a 90% decline from 639,356 arrivals recorded during the first quarter of 2020.

#### Tourist Arrivals

	2021	2020	% Change	
AFRICA	57,811	567,819	-90%	▼
AMERICAS	974	17,070	-94%	▼
ASIA	453	12,306	-96%	▼
EUROPE	6,324	35,570	-82%	▼
MIDDLE EAST	55	2,114	-97%	▼
OCEANIA	265	4,477	-94%	▼
TOTAL	65,882	639,356	-90%	▼

Source: ZTA

20. A favourable farming season, recovery in the manufacturing sector and firming international commodity prices against a backdrop of COVID-19 vaccinations underpin hopes for a sustainable recovery in the outlook period.

**The End**