

Zimbabwe's economy at crossroads: IMF

HARARE: Zimbabwe's economy is showing no signs of recovery after adverse weather, low exports and election year uncertainty shattered growth prospects, the International Monetary Fund said Friday, 7 November.



Image source: wikipedia.org

The economy of the troubled southern African country "is at a crossroads," the IMF said.

"The economic situation remains difficult," it said laying out the path Zimbabwe could take towards recovery.

The global lender said the government needs strong macro-economic policies and debt relief along with a strategy to clear arrears in order to overcome its economic challenges.

It had indicated in September that Harare could not get fresh financial aid until it services its old debts.

Until two years ago, Zimbabwe's economy had shown signs of recovery from a decade-long downturn which saw runaway annual inflation peaking at 231 million percent.

But that "post-hyperinflation rebound has ended," the IMF said in a statement.

The economy registered 10.5% growth in 2012 after the government trashed the local currency which had been rendered worthless by hyperinflation only to decelerate to 4.5% growth in 2013, the fund said.

"The external position is precarious with low international reserves, a large current account deficit, an overvalued real exchange rate and growing external arrears," the IMF said.

"Credit and deposit growth have slowed down sharply, liquidity conditions are tight and the banking system remains weak."

Zimbabwe's economy has been in a tailspin for more than a decade, only able to manage slow growth at best that has done little to reduce high unemployment.

Elections last year exacerbated the economic woes as the government was forced to borrow to fund the elections and businesses adopted a wait-and-see stance while foreign investors stayed away.

Despite election campaign promises to fix the economy, the government of veteran President Robert Mugabe appears out of sorts.

It had at the start of the year forecast 6.4% economic growth this year but later revised the figure downwards to 3.1%, citing depressed mineral output.

Fiscal pressures arose early this year following higher-than-budgeted wage increases and revenue shortfalls as the economy weakened.

The country owes domestic and foreign creditors \$10bn and a controversial law limiting foreign ownership enacted by Mugabe in 2007 has spooked international investors.

The 90-year-old president has argued that the law forcing foreigners to hand over majority stakes in companies empowers black Zimbabweans who were disadvantaged by discriminatory colonial laws.

But critics complain that the law and the frequent amendments to it have been a key factor in hobbling the country's once vibrant economy.

Source: AFP

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