



**FIRST QUARTER 2011 TREASURY BULLETIN**  
*January – March 2011*

**Ministry of Finance**

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## INTRODUCTION

1. The 2011 First Quarter Treasury Bulletin provides update on the Budget performance and related economic developments for the first three months of the year.
2. The quarterly outturn is measured against the 2011 National Budget projections and targets underpinned by the Macroeconomic Framework outlined below:

|                                                                     | 2009   | 2010   | 2011   |
|---------------------------------------------------------------------|--------|--------|--------|
| <b>Real Sector and Inflation</b>                                    |        |        |        |
| GDP level in US\$ Million                                           | 5623   | 6716   | 8073   |
| GDP growth (%)                                                      | 5.7    | 8.1    | 9.3    |
| Annual Inflation (average) (%)                                      | -7.7   | 4.0    | 4.5    |
|                                                                     |        |        |        |
| <b>External Sector</b>                                              |        |        |        |
| Exports of goods and services (US\$ millions)                       | 2006.4 | 2540.0 | 2790.2 |
| % of GDP                                                            | 28.3   | 31.1   | 29.2   |
| Imports of goods and services (US\$ millions)                       | 3659.8 | 4043.6 | 4042.5 |
| % of GDP                                                            | 57.1   | 52.9   | 43.9   |
| Overall Balance of Payments (US\$ millions)                         | -1767  | -463   | -388   |
|                                                                     |        |        |        |
| <b>Central Government</b>                                           |        |        |        |
| Total Revenue Central Government (including grants) (US\$ millions) | 973.0  | 2200.0 | 2746.0 |
| % of GDP                                                            | 17     | 33     | 34     |

## **ECONOMIC OVERVIEW**

3. Overall economic performance in the first quarter of 2011 shows improved performance for most sectors of the economy that includes agriculture, mining, manufacturing, tourism and electricity.

### **Agriculture**

4. Agriculture is projected to grow by 19.3% in 2011, with tobacco output now estimated to record 200 million kgs from the original projection of 150 million kgs.
5. The 2011 tobacco marketing season opened on 8 February 2011 with Tobacco Sales Floor, BOKA Auction Floors and Millennium Tobacco Auction Floors, licenced to buy tobacco from the farmers.
6. As of 31 March 2011, a total of 26.95 million kgs worth US\$82 million had been sold. Over the same period in 2010, a total of 21.6 million kgs was sold for US\$71.2 million.
7. However, the average price of US\$3.04 recorded for the first quarter is lower than the US\$3.26 that prevailed in the first quarter of 2010.

## Tobacco Deliveries

|                          | 2010 1 <sup>st</sup> Quarter | 2010 Cumulative | 2011 1 <sup>st</sup> Quarter |
|--------------------------|------------------------------|-----------------|------------------------------|
| Deliveries (million kgs) | 21.8                         | 122.86          | 26.95                        |
| Average price (US\$/kg)  | 3.26                         | 2.89            | 3.0                          |
| Total Value (Million)    | 71.2                         | 355.1           | 81.9                         |

Source: TIMB

## *Maize*

8. The 2011 Second Crop and Livestock Assessment Survey was conducted in April 2011. Members of the Committee are Ministries of Agriculture, Mechanisation and Irrigation Development; Economic Planning & Investment Promotion; ZIMSTATS and Food & Agriculture Organisation (FAO).
9. Findings of the survey are estimating a reduced maize output of 1.45 million tons from the original projection of 1.5 million tons. This is due to the prolonged dry spell that affected most parts of the country from January.
10. Similarly, cotton output is now estimated at 220 000 tons from the initial projection of 300 000 tons.
11. Notwithstanding depressed outputs on maize and cotton, the overall agricultural growth is expected to remain in line with the

original growth forecast of 19.3% mainly due to improved tobacco output.

12. Farmers should benefit from the improved marketing arrangements promised by the launch of the Zimbabwe Commodity Exchange in January 2011.
13. The Commodity Exchange should ensure transparency in the marketing of agricultural commodities, while also guaranteeing prompt payment and forward contracts, as well as enabling farmers to use their agricultural produce as collateral for borrowings from the financial markets, among other possible benefits.

## Mining

14. Mining sector performance in the first quarter is consistent with the overall projected sectoral growth of 33% for 2011.
15. In the first quarter, total gold production amounted to 2.5 tons, a 29.5% increase from the 1.9 tons produced during the same quarter in 2010. The projected annual gold production in 2011 is 13 tons.
16. Contributory factors are the continued firming of commodity prices in the international market. Gold prices increased by 4.8% from US\$1 356.4 per ounce in January to US\$1 421.0 per ounce by March.

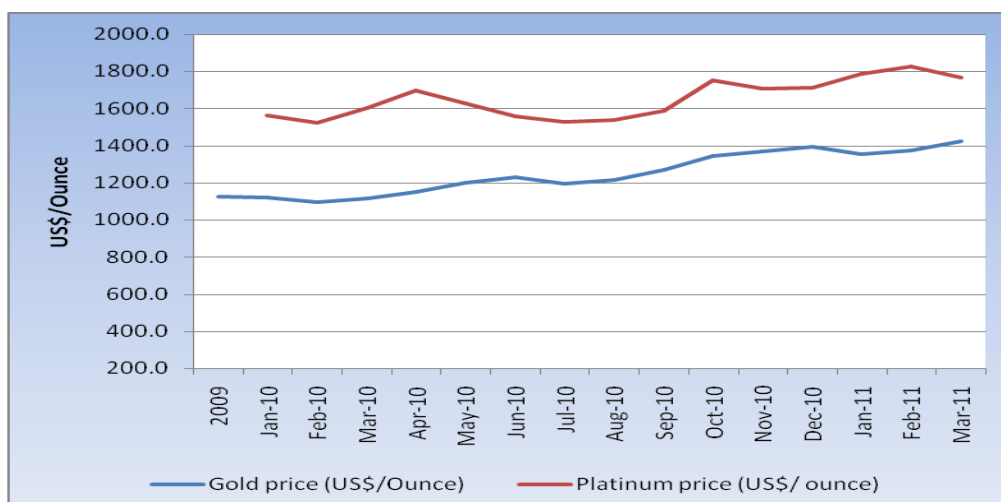
17. In addition, mining houses are already benefitting from improved power supply following their reprioritisation and ring fencing by ZESA. This strategy has played a significant role, particularly for gold production in the first quarter.
18. However, other mineral output remained relatively at the same levels in the first quarter compared to the same period in 2010.

#### Main Minerals Output

|              | <b>1st<br/>Quarter<br/>2009</b> | <b>2009<br/>Actual</b> | <b>1st<br/>Quarter<br/>2010</b> | <b>2010<br/>Actual</b> | <b>1st Quarter<br/>2011</b> | <b>2011<br/>Projection</b> |
|--------------|---------------------------------|------------------------|---------------------------------|------------------------|-----------------------------|----------------------------|
| Gold/kg      | 305.815                         | 4,966                  | 1,931.1                         | 9,620                  | 2,500.37                    | 13,000                     |
| Nickel/t     | 1,172.91                        | 4,858                  | 1,562.7                         | 6,133                  | 1,560.65                    | 7,700                      |
| Chrome/t     | 1,795.21                        | 201,000                | 140,394.37                      | 516,776                | 134,954                     | 700,000                    |
| Platinum/kg  | 1,432.5                         | 6,848                  | 2,120.93                        | 8,639                  | 2,118.15                    | 12,000                     |
| Palladium/kg | 1,099.19                        | 5,355                  | 1,713.83                        | 6,916                  | 1,688.86                    | 8,800                      |

Source: Chamber of Mines, Fidelity Printers

#### Monthly Gold & Platinum price movements: Dec 2009- March 2011



## Manufacturing

19. A number of initiatives were undertaken in the first quarter and these are set to benefit immensely the performance of the manufacturing sector, whose projected growth in 2011 is 5.7%.
20. On 9 March 2011, Government signed the US\$100 million Zimbabwe Economic and Trade Revival Fund (ZETREF) with AFREXIMBANK. This signalled the operationalisation and commencement of draw downs under this Facility, which should provide the much needed capital for industry for retooling, re-equipping and procurement of raw materials.
21. Government also signed the Bilateral Investment Protection and Promotion Agreement (BIPPA) with the Republic of Botswana on 21 March 2011. This is expected to unlock the P70 million line of credit facility targeted for local industry.
22. The above, coupled with improved electricity availability, should support improved manufacturing sector capacity utilisation.

## Electricity

23. Interventions in the power sector by both Government and ZESA Holdings have resulted in improved electricity supply. Government



has already disbursed US\$13.5 million out of the US\$55 million budgeted for in the 2011 National Budget. This, coupled with improved settlement of bills by consumers should enable improved electricity generation at Hwange power station as well as resumption of power generation at Harare, Bulawayo and other small thermal power stations.

24. As a result, total domestic power generation increased from 892 MW in January to 1294 MW in February and stood at 1171 MW in March as indicated in the table below.

Electricity Production & Imports (MW)

|                 | January    | February    | March        |
|-----------------|------------|-------------|--------------|
| <b>Kariba</b>   | 563        | 605         | 711          |
| <b>Hwange</b>   | 303        | 388         | 395          |
| <b>Munyati</b>  | 26         | 16          | 14           |
| <b>Bulawayo</b> | 0          | 17          | 14           |
| <b>Harare</b>   | 0          | 7           | 10.408       |
| <b>Total</b>    | <b>892</b> | <b>1294</b> | <b>1171</b>  |
| <b>Imports</b>  | <b>320</b> | <b>320</b>  | <b>157.5</b> |

25. The improved ZESA cashflows also facilitates power importation from HCB and ZESCO as reflected in the table above.
26. In the outlook, the power utility should also benefit from the additional resources being mobilised under the Multi-Donor Trust Fund, which to date has generated in excess of US\$40 million and continued Budget disbursements.

27. The target for electricity generation in 2011 is 1650 MW.

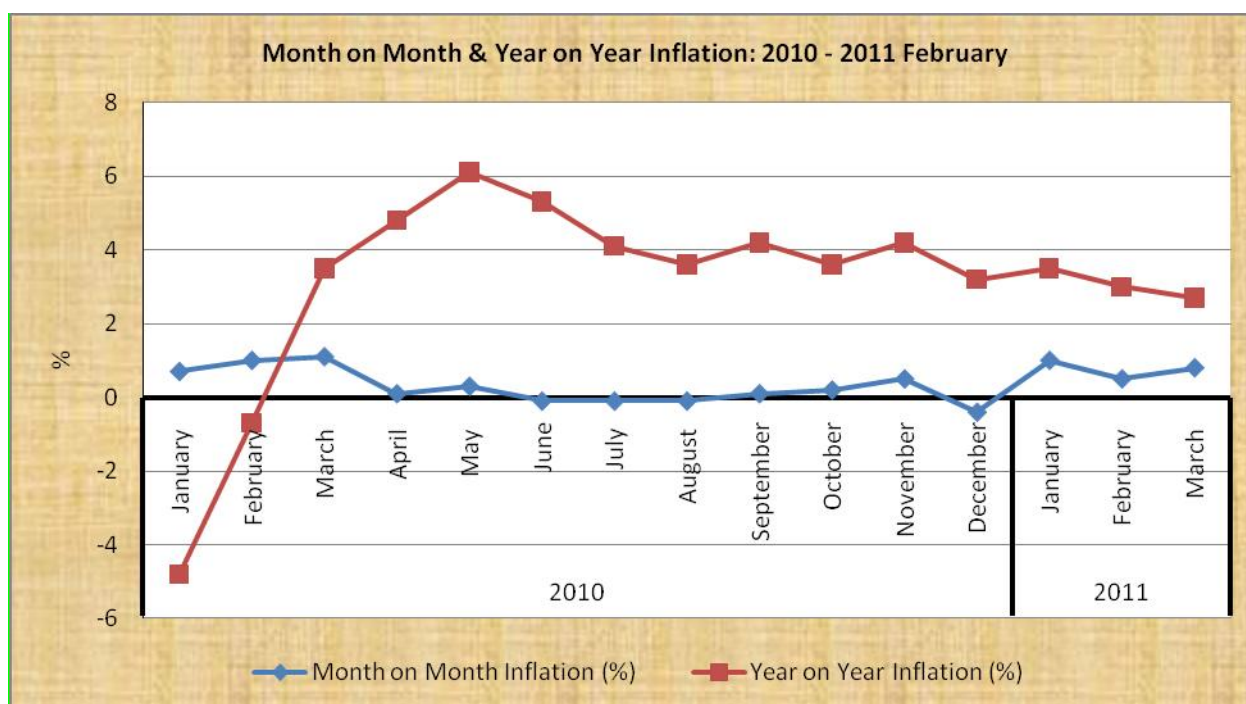
### *Demand Management*

28. Complementing the above interventions are the Demand Side Management (DSM) measures being implemented by ZESA. These include measures in support of the replacement of incandescent bulbs with Compact Fluorescent Lamps (CFLs), which should yield significant electricity savings.

### *Inflation*

29. Inflation has remained generally under control during the first quarter of the year. Year on year inflation which had risen in January to 3.5% from 3.2% in December 2010, decelerated to 3.0% and 2.7% in February and March, respectively.

30. Similarly, month on month inflation decelerated from 0.9% in January 2011 to 0.5% in February, before marginally increasing to 0.8% in March.



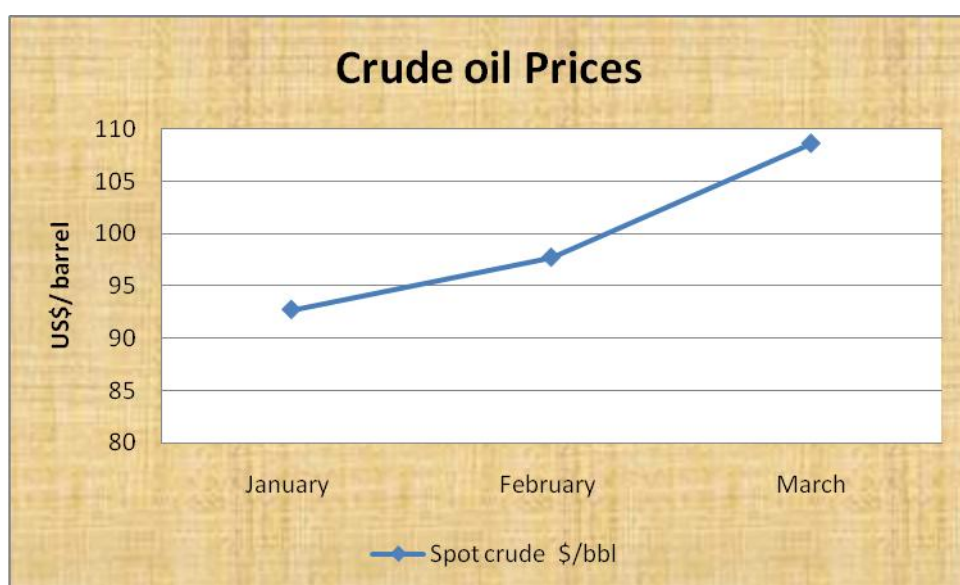
31. In comparative terms, Zimbabwe's inflation remains impressively within the SADC targeted levels.

Year on Year Inflation for selected SADC countries (%): 2011

| COUNTRY             | January | February | March |
|---------------------|---------|----------|-------|
| <b>Angola</b>       | 15.3    | 15.1     | 14.8  |
| <b>Botswana</b>     | 7.5     | 8.5      | 8.5   |
| <b>Lesotho</b>      | 3.1     | 3.2      | 4.5   |
| <b>Malawi</b>       | 6.6     | 7.0      | 7.2   |
| <b>Mauritius</b>    | 6.4     | 6.8      | 7.2   |
| <b>Mozambique</b>   | 16.5    | 15.23    | 13.8  |
| <b>Namibia</b>      | 3.5     | 3.1      | 3.8   |
| <b>South Africa</b> | 3.7     | 3.6      | 4     |
| <b>Swaziland</b>    | 4.4     | 5.4      | 4.3   |
| <b>Tanzania</b>     | 6.4     | 7.5      | 8.0   |
| <b>Zambia</b>       | 9.0     | 9.0      | 9.3   |
| <b>Zimbabwe</b>     | 3.5     | 3.0      | 2.7   |

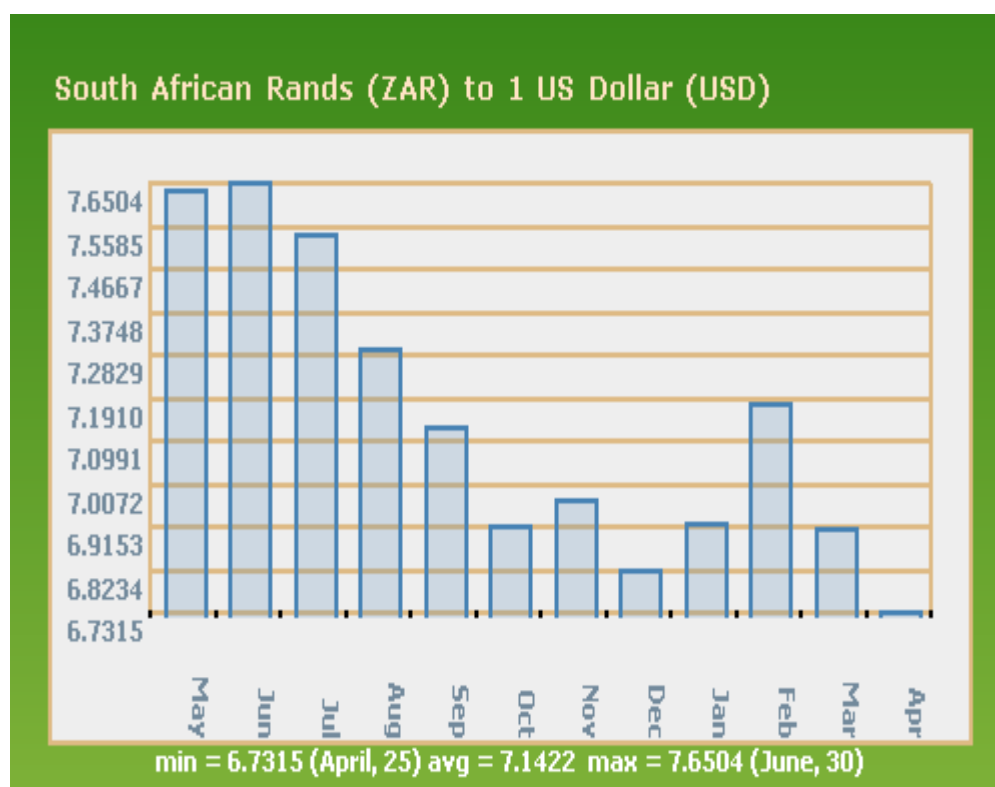
## *Threats & Risks*

32. In the outlook, inflationary threats remain the continued increase in international fuel prices, due to the on going political disturbances in North Africa and the Middle East.
33. Since January 2011, crude oil has increased from under US\$90 per barrel to around US\$110 per barrel. This trend, if it continues will impact negatively on our domestic economy as it will put off track our 2011 macroeconomic framework assumptions.



34. The volatility of the exchange rate between the South African rand and the US dollar is also of concern, given Zimbabwe's position as a net importer of South Africa. Since January this year, the South African rand has strengthened by 3.9% as indicated below.

Movement of ZAR against the USD: May 2010- April 2011



## FINANCIAL SECTOR

35. The banking system remains vulnerable with weak capitalisation, rising non performing loans and the tight liquidity situation. The non compliance to the minimum capital adequacy threshold requirement by some small banks is worsening the vulnerabilities in the sector.
36. Furthermore, the balance sheet of the Reserve Bank needs to be restructured with non core assets and liabilities transferred into a Special Purpose Vehicle.

### *Deposit Base*

37. Notwithstanding the above, total deposits in the financial sector continue to grow, with January recording US\$2.36 billion, whilst February and March recorded US\$2.4 billion and US\$2.58 billion, respectively.
38. Lending also increased from US\$1.81 billion in January to US\$1.9 billion in March, translating into a loan to deposit ratio of 77.3% in the first quarter.

|                      | Deposits (US\$ billions) | Lending (US\$ billions) | Lending to Deposit Ratio (%) |
|----------------------|--------------------------|-------------------------|------------------------------|
| <b>December 2010</b> | 2.22                     | 1.68                    | 76                           |
| <b>January 2011</b>  | 2.36                     | 1.82                    | 76.6                         |
| <b>February 2011</b> | 2.46                     | 1.88                    | 76.4                         |
| <b>March 2011</b>    | 2.578                    | 1.993                   | 77.3                         |

### *Interest on deposits*

39. Interest on savings deposits remained relatively low, further undermining savings mobilisation.

## *Lending Rates*

40. On the contrary, lending rates remain unsustainably high, ranging between 15% and 30%, with over 90% of the total lending being short term.

## Zimbabwe Stock Exchange

41. As a result of the firming international prices, the mining index increased from 216.82 points in January to 237.2 points in March 2011.
42. On the other hand, the industrial index performance remained relatively flat at around 160 points for the period under review.

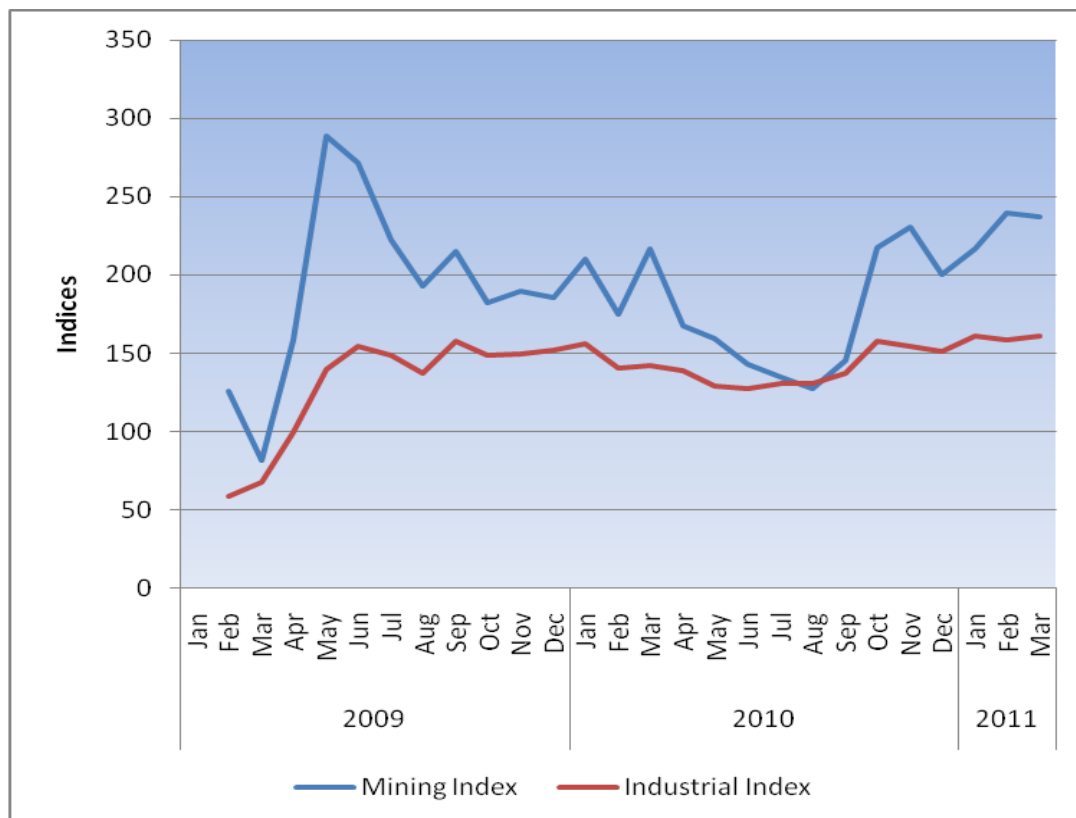
## Mining, Industrial & Market Capitalisation

|                 | Mining Index |        | Industrial Index |        | Market Capitalisation (US\$ billions) |      |
|-----------------|--------------|--------|------------------|--------|---------------------------------------|------|
|                 | 2010         | 2011   | 2010             | 2011   | 2010                                  | 2011 |
| <b>January</b>  | 209.81       | 216.82 | 156.52           | 161.1  | 3.97                                  | 4.13 |
| <b>February</b> | 175.08       | 239.08 | 140.37           | 159.04 | 3.55                                  | 4.10 |
| <b>March</b>    | 216.9        | 237.2  | 142.4            | 160.7  | 3.67                                  | 4.16 |

## Volume & Value of share trades

|                                | January       | February      | March       |
|--------------------------------|---------------|---------------|-------------|
| <b>Volume of Shares traded</b> | 302,743,550   | 239,515,915   | 349,977,640 |
| <b>Value of Shares traded</b>  | 32,553,129.74 | 47,477,520.86 | 36,374,502  |

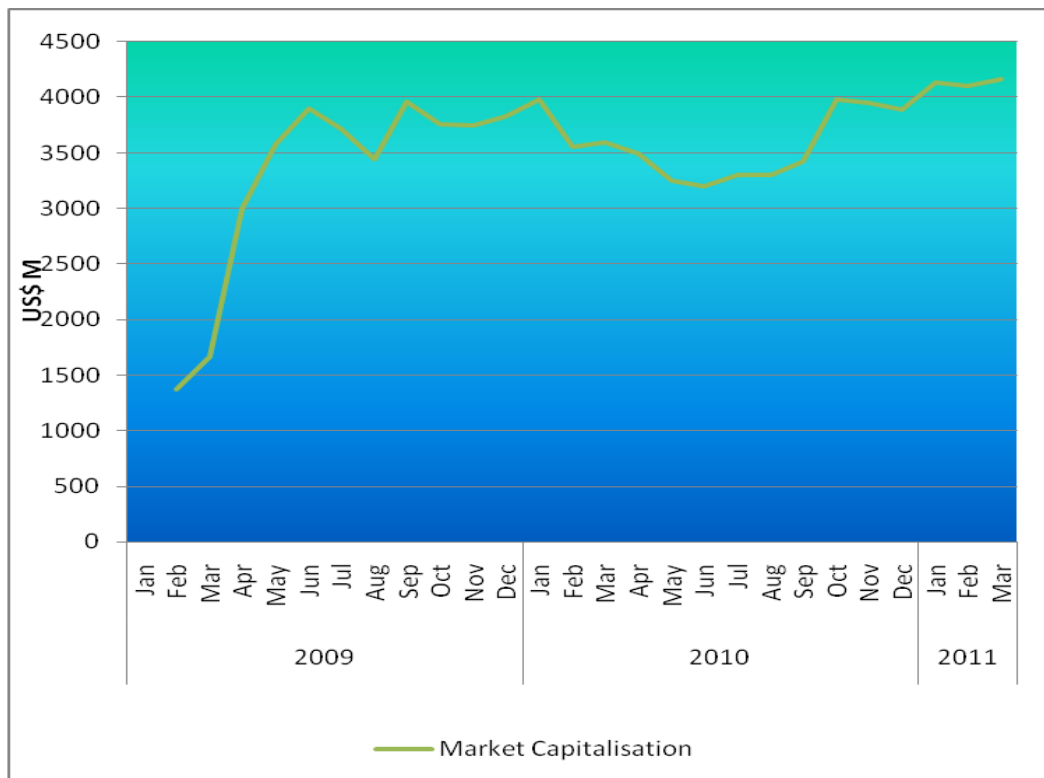
## Mining & Industrial Indices: Feb 2009- March 2011



43. Similarly, market capitalisation remained stagnant at around US\$4.1 in the first quarter.



## Market Capitalisation: Feb 2009- March 2011



44. Performance of equities in most regional markets remains subdued in the first quarter. This is as a result of continued increase of international oil prices and supply disruptions following disturbances in major oil producing countries.

## Balance of Payments

### Trade balance

45. The trade deficit, at US\$557.6 million has worsened during the first three months of 2011 when compared with the US\$496.9

million deficit recorded over the same period in 2010. This is largely due to increased fuel import costs, coupled with higher costs on imports of raw materials and intermediate goods for industry.

## Imports

46. Imports increased during the first three months of 2011 to US\$1.5 billion from US\$1.1 billion during the same period in 2010. Most imports comprised of motor vehicles, ICT equipment, machinery, chemicals, fuel, cereals, among others.

## Exports

47. On the other hand, exports during the first quarter of 2011 increased by 67.2% from US\$617.9 million in 2010 to US\$1.0 billion in the first three months of the year. Major exports were minerals and tobacco products.

### Exports, Imports & Trade Balance Comparison

|                      | 2009 1st Quarter | 2009 Total     | 2010 1st Quarter | 2010 Total        | 2011 1st Quarter | 2011 Proj.        |
|----------------------|------------------|----------------|------------------|-------------------|------------------|-------------------|
| <b>Exports</b>       | 657,248,139      | 1,613,273,048  | 617,862,396      | 3,380,090,223     | 1,032,851,344    | 4,035,218,010.85  |
| <b>Imports</b>       | 793,316,454      | 3,213,071,169  | 1,114,738,869    | 5,161,808,815     | 1,590,473,402    | 5,222,862,495.06  |
| <b>Trade Balance</b> | -136,068,316     | -1,599,798,121 | -496,876,473     | -1,781,718,592.61 | -557,622,058     | -1,187,644,484.22 |

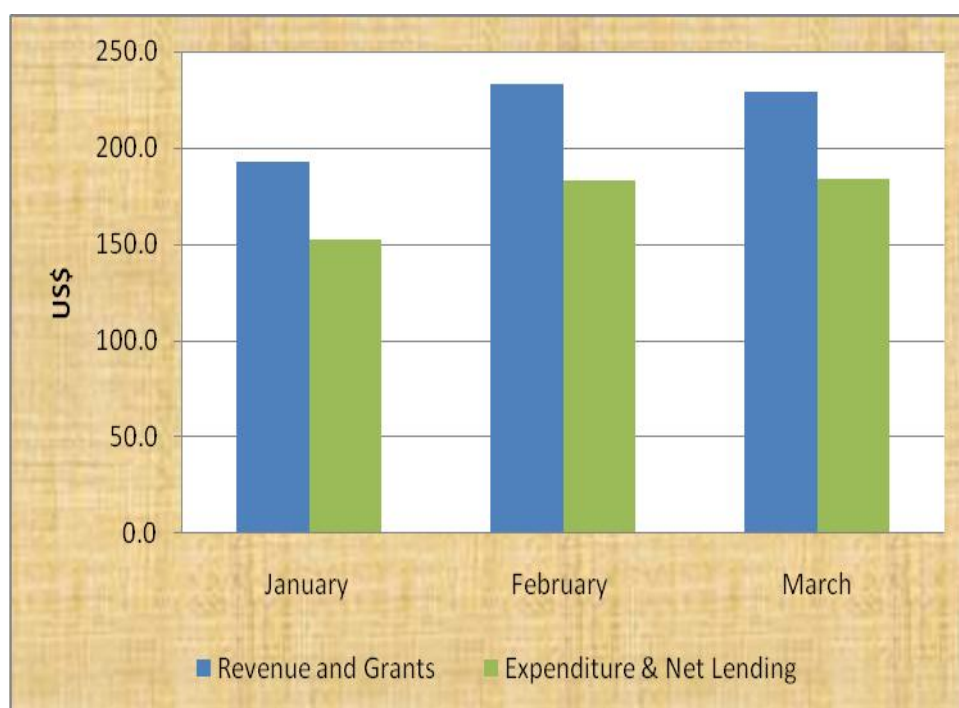
## **Government Debt**

48. The country's high debt overhang of over US\$7.1 billion remains an obstacle to the economy's linkage with external financial markets.
49. Measures to overcome this include the approval by Government of a hybrid debt resolution strategy encompassing the traditional HIPC debt relief initiative and use of the country's natural resource endowments in support of economic recovery.
50. In this regard, the Debt Management Office is now fully operational. This should facilitate the implementation of the Zimbabwe Accelerated Arrears Clearance Debt Development Strategy (ZAADS).

## **BUDGET PERFORMANCE**

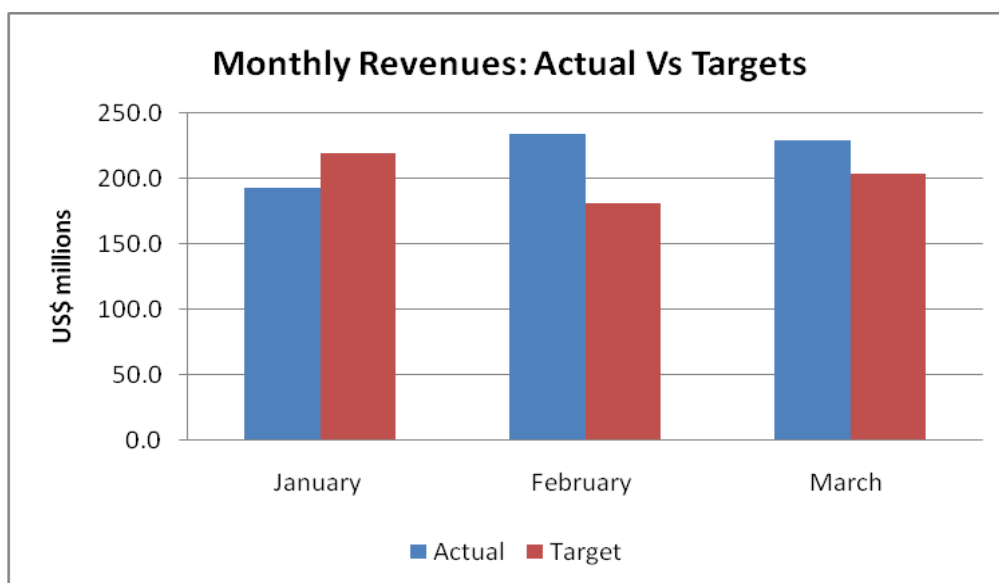
51. Total expenditures of US\$519.5 million incurred in the first quarter were contained within total revenue collections of US\$655.6 million in line with the principle of cash budgeting.
52. The monthly revenue and expenditure pattern is indicated below:

### 2011 Monthly Total Revenue & Expenditure

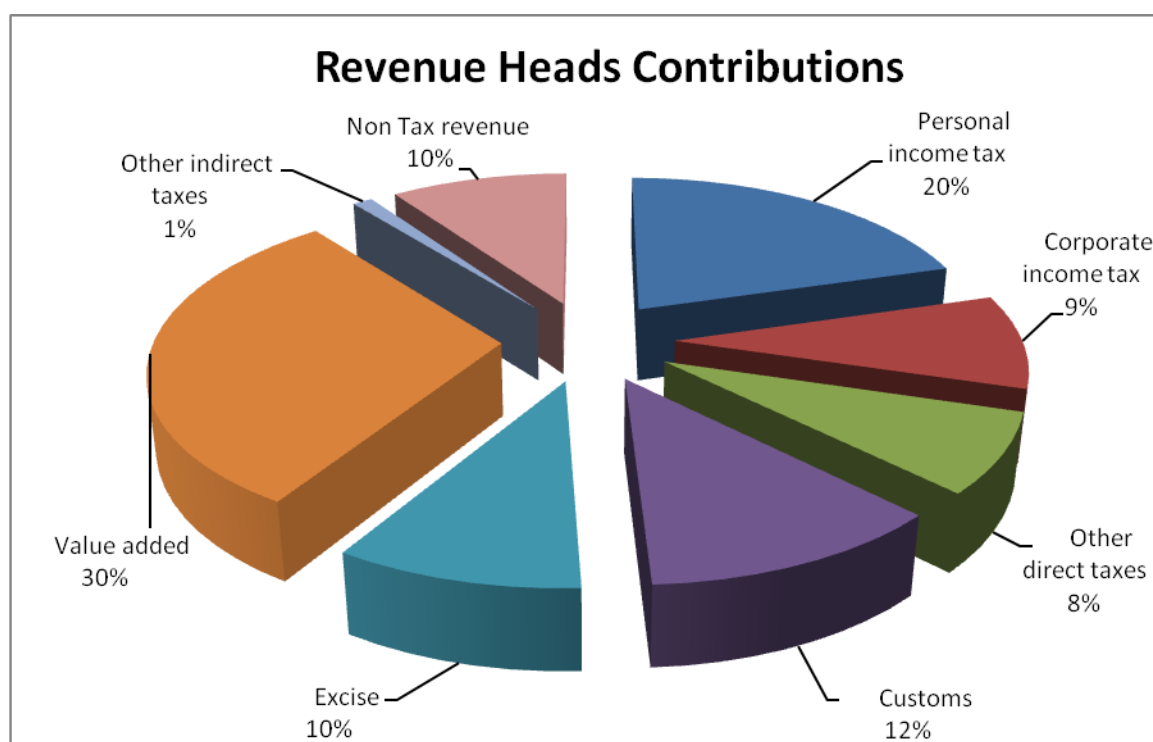


### Revenue Performance

53. Total revenue collections for the first three months of 2011 amounted to US\$655.6 million. While collections in the month of January were below the target, improved collections in the month of February and March resulted in total quarterly collections surpassing the target of US\$603.9 million by 8.57%.



54. Major revenue contributors to total revenues were Value Added Tax (30%), US\$199.4 million; Pay As You Earn (20%) US\$134.1 million; customs duty (12%), US\$77.9 million; corporate tax (9%), US\$60.2 million; and non tax revenue (10%), US\$63.6 million.



## Quarterly Revenue performance: 2010 & 2011

| (US\$ millions)      | 2010  |       |       |       | 2011  |
|----------------------|-------|-------|-------|-------|-------|
|                      | QI    | QII   | QIII  | QIV   | QI    |
| Revenue and Grants   | 411.5 | 519.1 | 655.7 | 752.7 | 655.6 |
| Revenue              | 411.5 | 519.1 | 655.7 | 752.7 | 655.6 |
| Tax revenue          | 399.8 | 498.6 | 602.9 | 713.4 | 592.0 |
| Personal income tax  | 69.0  | 99.8  | 120.6 | 138.2 | 134.1 |
| Corporate income tax | 42.8  | 57.8  | 52.5  | 103.4 | 60.2  |
| Other direct taxes   | 19.9  | 35.8  | 52.6  | 59.7  | 50.7  |
| Customs              | 64.5  | 68.3  | 105.2 | 101.9 | 77.9  |
| Excise               | 33.6  | 42.7  | 32.3  | 56.4  | 62.6  |
| Value added          | 165.3 | 184.4 | 235.0 | 245.2 | 199.4 |
| Other indirect taxes | 4.8   | 9.7   | 4.6   | 8.5   | 7.2   |
| Non Tax revenue      | 11.7  | 20.5  | 52.8  | 39.4  | 63.6  |
| Grants               | -     | -     | -     | -     | 0.0   |

55. Below is the summary of individual tax head performances:-

### *Value Added Tax*

56. The bulk of VAT collections were in January which amounted to US\$70.2 million. February and March collections amounted to US\$61.6 million and US\$67.6 million, respectively.

57. However, overall VAT collections of US\$199.4 million were below the quarterly target of US\$241.0 million by 17.3%.

58. The operationalisation of the fiscalised recording of taxable transactions should assist improved VAT collections. The implementation of this project is being expedited following the retendering of additional suppliers from the current two.

### *Pay As You Earn (PAYE)*

59. PAYE collections for the period under review had been gradually increasing from US\$40.2 million recorded in January to US\$46.5 million and US\$47.3 million in February and March, respectively. Cumulatively, PAYE collections stood at US\$134.1 million, against a quarterly target of US\$105.4 million.
60. The above collections accounted for 20.4% of total revenue collected in the first quarter, becoming the second best contributor after VAT.

### *Customs Duty*

61. Customs duty collections in the first quarter were US\$77.9 million against a target of US\$70 million, yielding a positive variance of 11.3%. Collections for the period accounted for 11.9% of total revenues and emerged the third biggest contributor.
62. January collections surpassed the target by 11.6%, from US\$23.3 million, against a target of US\$20.6 million. The same trend was observed in March as collections of US\$29.5 million were above the target of US\$24.1 million by 22.5%. February collections were in line with the target of US\$25.1 million.

63. The improved customs duty performance is attributed to increased importation of raw materials and other goods for the industry.
64. Government, through the 2011 National Budget, reduced customs duty on a number of categories of goods which also resulted in increased importation. Adjustments were effected in the following categories:

| Category of Goods                    | 2010 Customs Duty Rate (%) | 2011 Customs Duty Rate (%) |
|--------------------------------------|----------------------------|----------------------------|
| Motor Vehicles exceeding 1,500cc     | 40-60                      | 40                         |
| Selected Household Goods             | 40                         | 30                         |
| Selected Medical Apparatus           | 40                         | 10                         |
| Selected Landscaping Equipment       | 40                         | 25                         |
| Generators                           | 5                          | 0                          |
| Beverage Sector Inputs (malt & hops) | 10                         | 5                          |
| Packaging Material                   | 15                         | 10                         |
| Poultry Feeds                        | 10                         | 5                          |
| Blankets                             | 40%+US\$2.50/kg            | 40%+US\$1.50/kg            |
| Clothing                             | 40%+US\$2.50/kg            | 40%+US\$1.50/kg            |
| Used Clothing & Footwear             | US\$20/kg                  | US\$5/kg                   |
| Travel Bags                          | 40%+US\$5/kg               | 40%+US\$2.50/kg            |
| Footwear                             | 40%+US\$5 per pair         | 40%+US\$1 per pair         |

### *Corporate Tax*

65. Overall contribution of corporate tax to total revenues accounted for 9.2% and occupied the fifth position.



66. Cumulative collections amounted to US\$60.2 million, against a target of US\$35.0 million. The bulk of collections were from the first Quarterly Payment Date due on 25 March 2011 as well as clearance of corporate payment arrears.
67. January collections amounted to US\$13 million, whilst February and March recorded US\$14.0 million and US\$33.1 million, respectively.

### *Excise Duty*

68. The revenue head realised US\$62.6 million for the quarter under review against a target of US\$47.6 million, resulting in a 31.4% positive variance.
69. The improved performance of the revenue head was on account of improved excise collections mainly from fuels, beer and tobacco.

|                             | January      | February     | March        | Cumulative Total |
|-----------------------------|--------------|--------------|--------------|------------------|
| Excise duties               | 17,378,385.0 | 20,127,022.8 | 25,049,855.5 | 62,555,263.3     |
| Beer                        | 6,113,735.0  | 5,843,345.4  | 5,608,392.1  | 17,565,472.5     |
| Wines and Spirits           | 37,274.3     | 881,682.7    | 142,697.8    | 1,061,654.8      |
| Tobacco                     | 3,253.4      | 4,607.3      | 2,637,602.7  | 2,645,463.3      |
| Second Hand Motors Vehicles | 781,167.8    | 621,552.1    | 648,469.5    | 2,051,189.3      |
| Fuels                       | 10,442,954.6 | 12,775,835.3 | 16,012,693.6 | 39,231,483.5     |

### *Domestic Dividend and Interest*

70. Cumulative collections under this revenue head for the period under review amounted to US\$20.0 million, against a target of US\$10.3 million, yielding a positive variance of 94.1%. Collections have been steadily increasing from US\$6.5 million in January and US\$7.4 million in February.
71. The good performance of this tax head is due to cash dividends payments declared by most companies.

### *Vehicle Carbon Tax*

72. Total revenues collected in the first quarter of 2011 amounted to US\$8.3 million, against a quarterly target of US\$8.4 million, resulting in a negative variance of 0.97%. January collections were the highest with US\$3.2 million, against a target of US\$2.6 million. February collections were below the target by 0.87% as US\$2.28 million, was collected, against a target of US\$2.3 million, whilst March collections were US\$2.9 million.

### *Tobacco Levy*

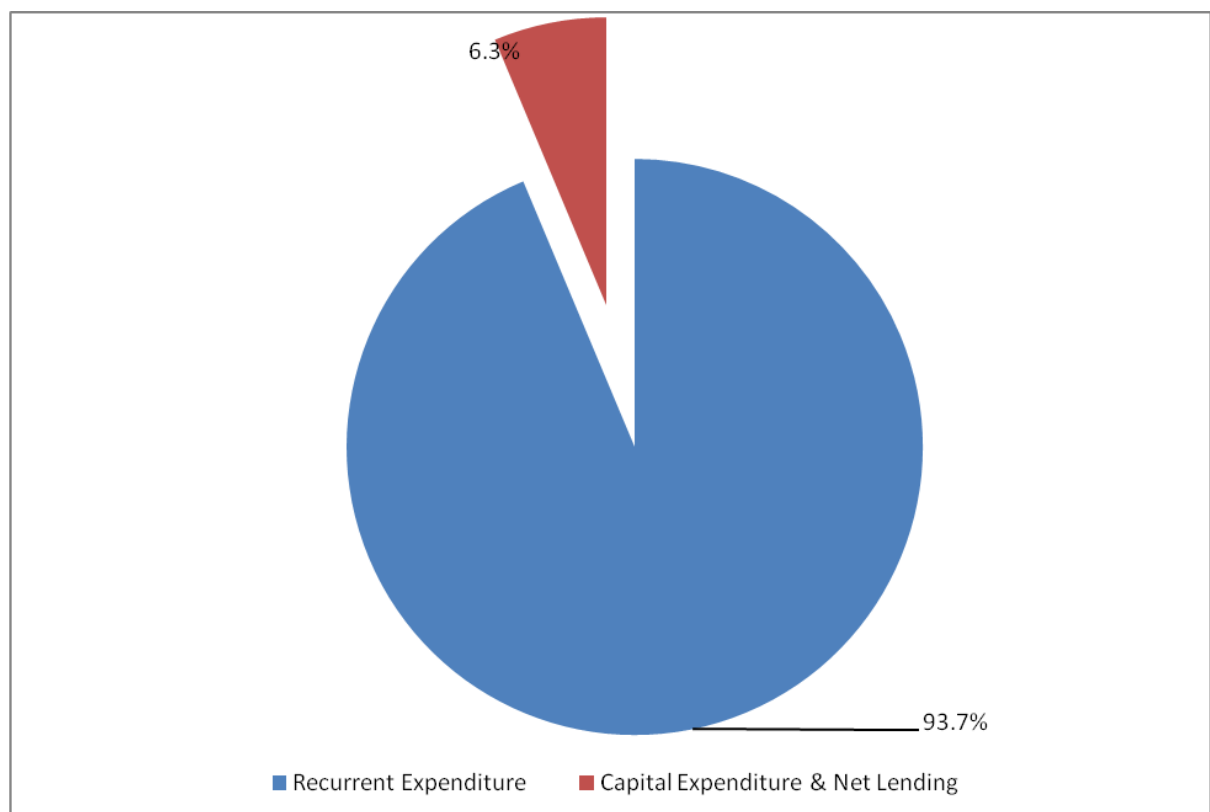
73. The tobacco levy which is levied at a rate of 1.5% on tobacco farmers and 1.55% for tobacco merchants raised US\$0.98 million during the first quarter.

### *Non Tax Revenue*

74. Total non tax revenue collections for the quarter under review amounted to U\$63.6 million, against a target of US\$56 million. This revenue head accounted for 9.7% of total revenues. Most revenues came from Government property, interest and dividends which raked in US\$43.3 million thereby contributing 68% to total non tax revenue collections.
75. The remaining US\$20.3 million came from fees and charges on services provided by Government Ministries and Departments.
76. This revenue head's performance surpassed the first quarter of 2010 performance by 80%. A total of US\$12.5 million was collected in January against a target of US\$16.1 million. The month of February had the bulk, with US\$47.6 million, against a target of US\$22.6 million, giving a positive variance of 111.1%.

## Expenditure Developments

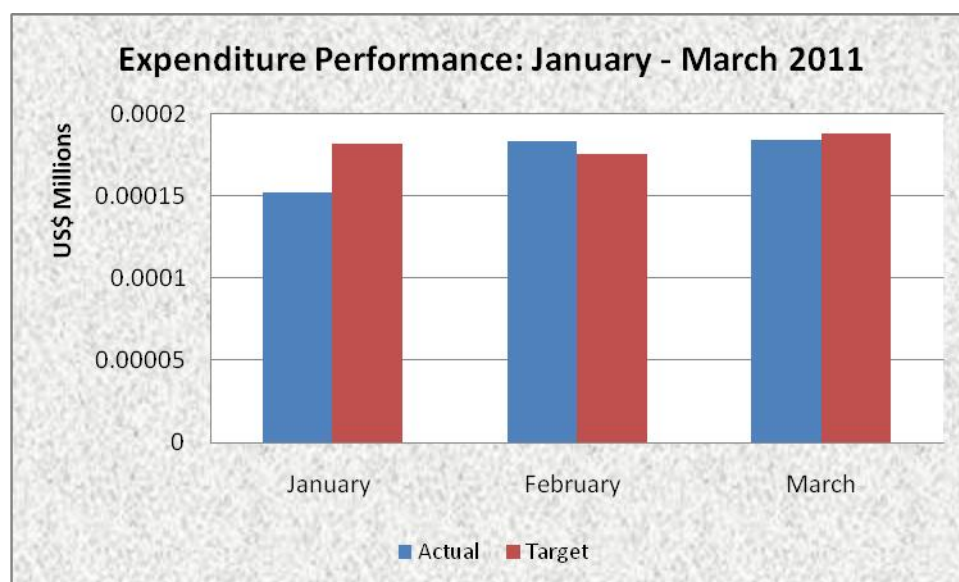
77. Total expenditures during the first quarter of 2011 amounted to US\$ 519.5 million, against a target of US\$545.3 million.
78. Of this amount, recurrent expenditures accounted for 93.7%, whilst the remainder 6.3% went towards capital expenditures and net lending.



## Expenditure Components

|                 | Recurrent Expenditure (US\$ Million) | Capital Expenditure & Net Lending (US\$ Million) |
|-----------------|--------------------------------------|--------------------------------------------------|
| <b>January</b>  | 146.8                                | 5.6                                              |
| <b>February</b> | 160.4                                | 22.7                                             |
| <b>March</b>    | 179.5                                | 4.5                                              |
| <b>Total</b>    | <b>486.6</b>                         | <b>32.8</b>                                      |

79. Monthly expenditure performance is shown in the graph below:

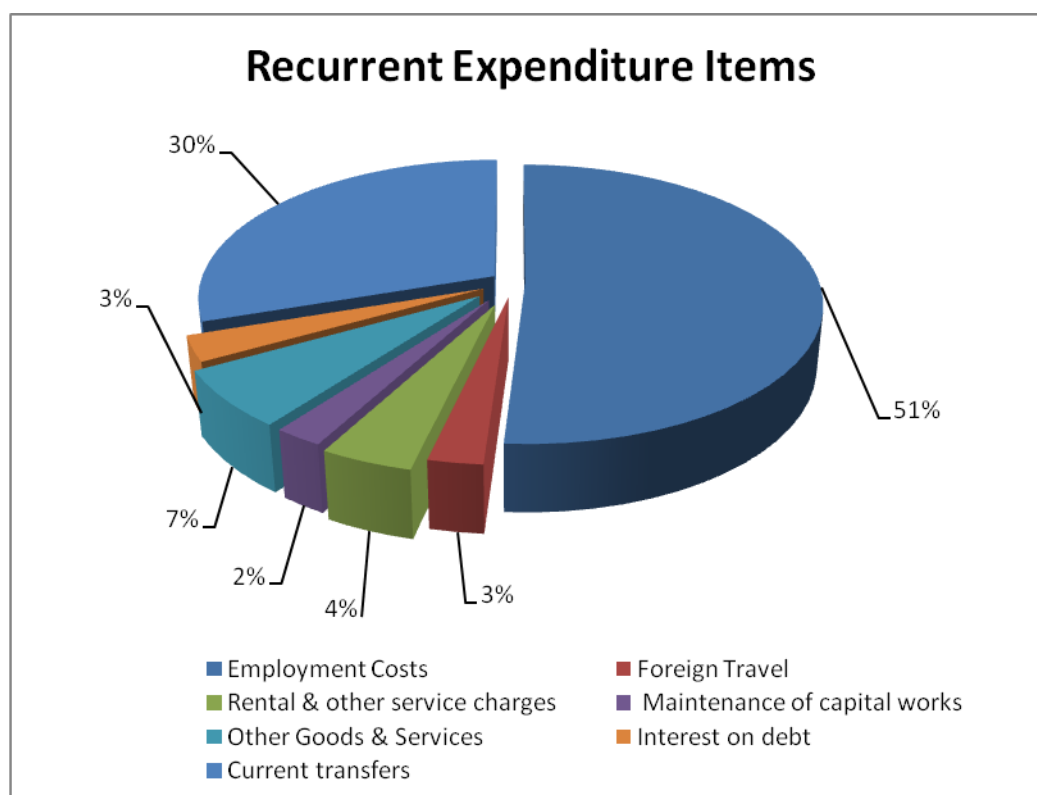


## *Recurrent Expenditures*

80. Current expenditure for the period January to March amounted to US\$486.6 million.

81. This expenditure outturn espouses the challenges and the pressures arising from the implementation of the Budget.

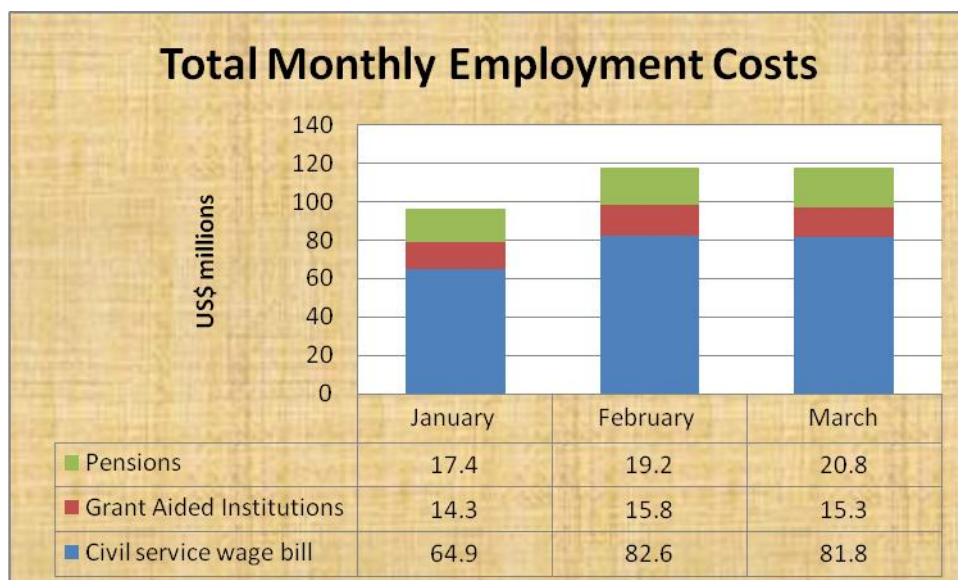
82. The distribution of the current expenditures for the period under review is indicated below.



### *Employment Costs*

83. Total employment costs for the three months to March 2011 amounted to US\$332.1 million, representing 63.9% of total expenditures and 51% of recurrent expenditures. Of this amount, the civil service wage bill amounted to US\$229.1 million, representing 44.1 % of total expenditures compared to the 40.6% for the same period in 2010. Salaries for grant aided institutions staff amounted to US\$45.4 million.

84. In the 2011 National Budget, Government budgeted a total of US\$1.4 billion for employment costs. However, the salary reviews awarded to civil servants in January 2011 following negotiations with Workers' Unions will result in employment costs overrun for 2011 of over US\$150 million.
85. The implication therefore, is that Government might be forced to cut some expenditure items or defer some expenditure payments to accommodate this.
86. Already, the increase in Government domestic arrears under which payments to various service providers are accumulating and the reduced capital budget compromises the 2011 Budget tenets.



### *Pension Payments*

87. Pension payments are linked to salaries and wage levels of serving members. Any increase in the wage bill also results in increase in pension payments.
88. Accordingly, pension payments for the period under review amounted to US\$57.4 million, compared to US\$44.2 million incurred during the same period in 2010.

### *Goods and Services*

89. Total expenditure on goods and services for the period under review amounted to US\$76.8 million. This amount is comprised of programmes and institutions (US\$16.5 million), rentals & other charges (US\$16.9 million), maintenance (US\$7.5 million), domestic travel expenses (US\$2.1 million), communication services (US\$5.8 million) and medical supplies (US\$4 million), among others.
90. Foreign travel for the three months to March amounted to US\$12.5 million compared to US\$5.6 million incurred during the first quarter of 2010. Foreign travel expenditures for the period under review represented 2.0% of the total expenditures.

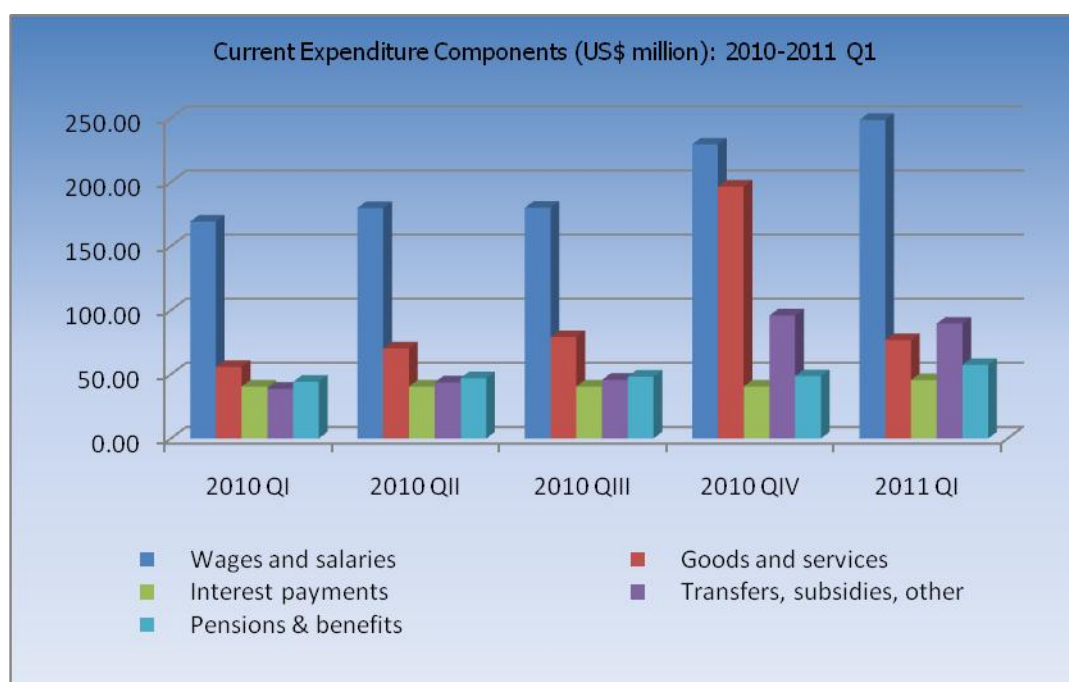


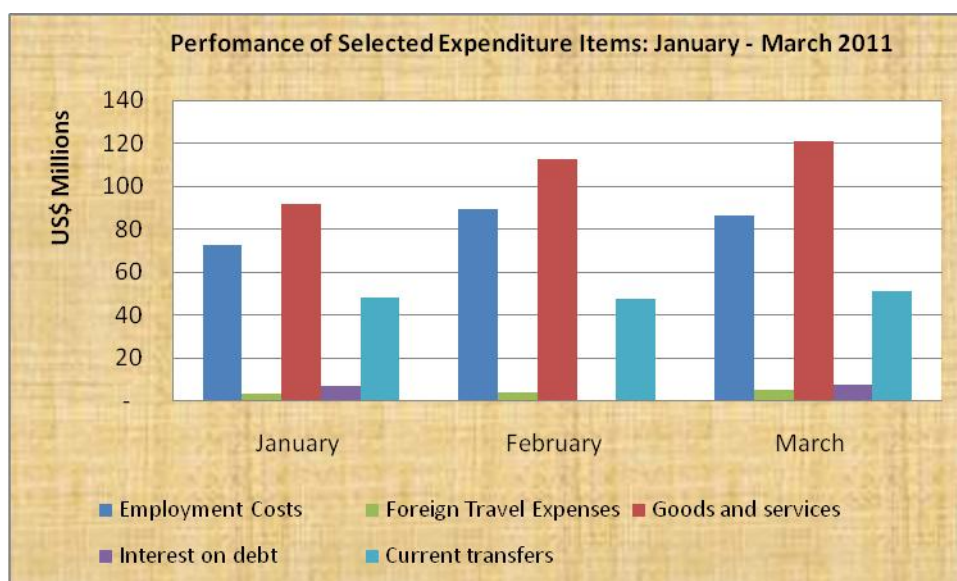
## *Grants and Transfers*

91. For the three months ending March 2011, a total amount of US\$89.6 million was expended under this item which is higher than US\$38.8 incurred during the same period in 2010. Of this amount, US\$20.9 million relates to operational expenses for grant aided institutions.

## *Interest on Debt*

92. A total of US\$12.4 million was paid as interest on foreign debt.





### *Capital Expenditures*

93. An amount of US\$32.8 million was expended on capital expenditure and net lending during the three months period to March, representing 6.3% of the total expenditure compared to 5.3% achieved for the same period in 2010.
94. Treasury disbursed US\$500 000 to the DDF for road and bridges and US\$500 000 to the Rural and Capital Development Fund (RCDF) for the rehabilitation of boreholes.
95. Harare Institute of Technology received US\$165 000 for the rehabilitation of three hostel blocks and NUST received US\$600 000 for the construction of the Ceremonial Hall building during the period under review.

96. In addition, ZINWA received US\$200 000 for the rehabilitation and upgrading of water supply schemes. Local Authorities received US\$1.67 million for water and sewer rehabilitation targeting Mutoko RDC (US\$320 000), Chiredzi RDC (US\$150 000), Chegutu RDC (US\$550 000) and Chitungwiza Local Authority (US\$650 000).
97. An amount of US\$13.5 million was disbursed to ZESA for the rehabilitation of Hwange Power Station and US\$0.5 million for the rehabilitation of small thermal power stations.
98. Achieving the desired 30% capital expenditure to total expenditures remains an enormous challenge.

# STATISTICAL TABLES

## GOVERNMENT FINANCES: 2009 - 2011

|                                                               | 2009                 | 2010                    | 2011 Jan-March       |
|---------------------------------------------------------------|----------------------|-------------------------|----------------------|
| <b>Total revenue<sup>1</sup></b>                              | <b>933,647,862.3</b> | <b>2,339,056,919.76</b> | <b>655,649,752.2</b> |
| Tax revenue                                                   | 882,562,451.2        | 2,214,590,030.28        | 592,028,270.7        |
| Income and profits                                            | 221,406,412.3        | 852,121,178.0           | 244,983,107.6        |
| Customs duty                                                  | 212,219,336.3        | 339,883,763.8           | 77,920,434.8         |
| Excise duty                                                   | 67,899,027.1         | 165,084,301.1           | 62,555,263.3         |
| Sales tax/ VAT                                                | 367,235,143.5        | 829,987,148.7           | 199,402,995.4        |
| Other taxes                                                   | 13,802,532.0         | 27,513,638.7            | 7,166,469.6          |
| Non tax revenue                                               | 51,085,411.1         | 124,466,889.5           | 63,621,481.4         |
| <b>Total expenditure and net lending</b>                      | <b>920,900,134.2</b> | <b>2,171,559,108.0</b>  | <b>517,284,028.0</b> |
| Current expenditure                                           | 803,977,378.8        | 1,603,299,383.0         | 484,426,504.0        |
| Goods and services                                            | 603,911,320.0        | 1,160,123,272.0         | 323,124,558.2        |
| Employment costs                                              | 409,261,162.0        | 758,409,143.0           | 248,698,723.1        |
| Other                                                         | 10,815,562.0         | 53,220,847.0            | 74,425,835.1         |
| Interest on debt                                              | 19,792,693.8         | 30,771,448.0            | 14,302,600.0         |
| Foreign                                                       | 16,427,445.8         | 30,771,448.0            | 14,302,600.0         |
| Domestic                                                      | 3,365,248.0          | 0.0                     | 0                    |
| Transfers                                                     | 180,273,365.0        | 412,404,663.0           | 146,999,345.8        |
| Capital expenditure                                           | 45,203,723.0         | 415,269,713.0           | 20,437,524.0         |
| Net lending                                                   | 1,098,208.0          | 88,380,000.0            | 12,420,000.0         |
| <b>Balance, excluding grants and foreign interest arrears</b> | <b>12,747,728.2</b>  | <b>328,743,705.2</b>    | <b>87,961,427.3</b>  |
| Grants                                                        | 41,287,696.8         | 0.0                     | 0.0                  |

## MONTHLY REVENUE PERFORMANCE: 2011

|                                                   | Jan-11               | Feb-11               | Mar-11               | CUM.ACTUAL: Mar-11   |
|---------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Total Revenue Including Zimra Grant</b>        | <b>192,998,216.4</b> | <b>233,507,476.0</b> | <b>229,144,059.8</b> | <b>655,649,752.2</b> |
| <b>Tax Revenue</b>                                | <b>184,857,580.4</b> | <b>185,866,062.5</b> | <b>221,304,627.8</b> | <b>592,028,270.7</b> |
| <b>Tax on Income and profits</b>                  | <b>71,164,661.8</b>  | <b>76,686,295.7</b>  | <b>97,132,150.1</b>  | <b>244,983,107.6</b> |
| Individuals                                       | 40,210,091.9         | 46,495,711.6         | 47,344,275.0         | 134,050,078.4        |
| Companies                                         | 13,031,045.3         | 14,041,343.5         | 33,135,111.0         | 60,207,499.7         |
| Domestic dividend and interest                    | 7,398,616.9          | 6,517,352.7          | 6,075,210.1          | 19,991,179.7         |
| Tobacco Levy                                      | -                    | 158,107.8            | 825,906.5            | 984,014.2            |
| Royalties                                         | 6,717,155.4          | 6,370,964.7          | 3,301,599.6          | 16,389,719.6         |
| Other income taxes                                | 624,312.2            | 825,272.2            | 3,592,590.0          | 5,042,174.4          |
| Vehicle Carbon Tax                                | 3,183,440.2          | 2,277,543.3          | 2,857,458.1          | 8,318,441.6          |
| <b>Customs duties</b>                             | <b>23,337,365.4</b>  | <b>25,064,309.8</b>  | <b>29,518,759.7</b>  | <b>77,920,434.8</b>  |
| Oil products                                      | 4,030,694.8          | 3,760,185.4          | 3,943,942.2          | 11,734,822.4         |
| Other(Prime &Surtax)                              | 19,306,670.6         | 21,304,124.4         | 25,574,817.5         | 66,185,612.4         |
| <b>Excise duties</b>                              | <b>17,378,385.0</b>  | <b>20,127,022.8</b>  | <b>25,049,855.5</b>  | <b>62,555,263.3</b>  |
| Beer                                              | 6,113,735.0          | 5,843,345.4          | 5,608,392.1          | 17,565,472.5         |
| Wines and Spirits                                 | 37,274.3             | 881,682.7            | 142,697.8            | 1,061,654.8          |
| Tobacco                                           | 3,253.4              | 4,607.3              | 2,637,602.7          | 2,645,463.3          |
| Second Hand Motors Vehicles                       | 781,167.8            | 621,552.1            | 648,469.5            | 2,051,189.3          |
| Fuels                                             | 10,442,954.6         | 12,775,835.3         | 16,012,693.6         | 39,231,483.5         |
| <b>Value Added Tax (VAT)</b>                      | <b>70,203,947.0</b>  | <b>61,579,298.6</b>  | <b>67,619,749.9</b>  | <b>199,402,995.4</b> |
| VAT on Domestic Goods                             | 50,722,652.92        | 43,081,212.18        | 43,101,395.24        | 136,905,260.3        |
| Imported Goods & Services                         | 31,910,174.9         | 33,317,335.4         | 40,245,881.3         | 105,473,391.6        |
| Refunds                                           | (12,428,880.9)       | (14,819,249.0)       | (15,727,526.6)       | (42,975,656.5)       |
| <b>Other indirect taxes</b>                       | <b>2,773,221.2</b>   | <b>2,409,135.7</b>   | <b>1,984,112.6</b>   | <b>7,166,469.6</b>   |
| <b>Non-tax Revenue</b>                            | <b>8,140,636.0</b>   | <b>47,641,413.4</b>  | <b>7,839,432.0</b>   | <b>63,621,481.4</b>  |
| <b>Revenue from Investments &amp; Property</b>    | <b>805,931.0</b>     | <b>41,853,573.9</b>  | <b>622,098.8</b>     | <b>43,281,603.7</b>  |
| Govt Property rent, interest and dividends etc.   | 805,931.0            | 41,853,573.9         | 622,098.8            | 43,281,603.7         |
| <b>Fees: Govt./Dept facilities &amp; services</b> | <b>4,661,026.29</b>  | <b>4,891,273.2</b>   | <b>4,855,364.3</b>   | <b>14,407,663.8</b>  |
| <b>Pension Contribution</b>                       | <b>469,260.9</b>     | <b>84,011.6</b>      | <b>646,947.9</b>     | <b>1,200,220.4</b>   |
| <b>Other</b>                                      | <b>443,945.4</b>     |                      |                      | <b>443,945.4</b>     |
| Gvt sales,licences,fines etc                      | 411,255.9            | 242,725.5            | 649,786.6            | 1,303,768.0          |
| Judicial Fines                                    | 453,872.2            | 290,977.9            | 461,332.6            | 1,206,182.7          |
| Refunds of Miscellaneous Payments from Votes      | 200,578.19           | 217,229.7            | 265,436.7            | 683,244.6            |
| Miscellaneous                                     | 686,061.1            | 54,166.8             | 330,674.9            | 1,070,902.8          |
| Automated Teller Machine (ATM)                    | 8,705.0              | 7,454.9              | 7,790.2              | 23,950.1             |
| <b>Retained &amp; Prepaid Revenue(Others)</b>     | <b>2,277,558.7</b>   | <b>(5,240,601.7)</b> | <b>(575,315.8)</b>   | <b>(3,538,358.8)</b> |
| Aids Levy                                         | 1,545,927.2          | 1,814,227.4          |                      | 3,360,154.6          |
| Noczim Levy                                       | 6,413,898.6          |                      |                      | 6,413,898.6          |
| Toll fees                                         | 1,934,076.7          | 1,382,112.3          | 1,453,653.9          | 4,769,842.8          |
| Prepayment Account                                | (7,616,343.7)        | (8,436,941.4)        | (2,028,969.7)        | (18,082,254.8)       |

## EXPENDITURE PERFORMANCE BY CATEGORY MONTHLY 2011

|                                                                | Jan-11               | Feb-11               | Mar-11               | CUM ACTUAL:Mar-11    |
|----------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Total expenditure and net lending including ZIMRA Grant</b> | <b>152,383,458.6</b> | <b>183,103,179.0</b> | <b>181,797,390.3</b> | <b>517,284,028.0</b> |
| <b>Current Expenditure</b>                                     | <b>146,760,728.6</b> | <b>160,379,451.0</b> | <b>177,286,324.3</b> | <b>484,426,504.0</b> |
| <b>Goods and services</b>                                      | <b>91,787,201.6</b>  | <b>112,721,696.0</b> | <b>118,615,660.6</b> | <b>323,124,558.2</b> |
| Employment Costs                                               | 72,496,149.4         | 89,533,786.3         | 86,668,787.4         | 248,698,723.1        |
| Domestic Travel Expenses                                       | 407,556.1            | 1,022,470.6          | 1,291,792.0          | 2,721,818.7          |
| Foreign Travel Expenses                                        | 3,490,987.8          | 4,092,565.9          | 4,948,734.0          | 12,532,287.7         |
| Communication, Supplies and Services                           | 234,266.8            | 626,261.9            | 883,899.6            | 1,744,428.3          |
| Education supplies and Services                                | 13,378.6             | 38,225.0             | 70,101.2             | 121,704.8            |
| Medical Supplies and services                                  | 1,279,873.8          | 1,118,832.2          | 1,428,012.6          | 3,826,718.6          |
| Office supplies and services                                   | 234,124.5            | 2,576,082.0          | 450,201.9            | 3,260,408.3          |
| Training expenses                                              | 124,350.8            | 374,853.0            | 464,336.9            | 963,540.7            |
| Rental and other service charges                               | 8,758,387.6          | 5,096,258.9          | 7,097,328.4          | 20,951,974.9         |
| Institutional provisions                                       | 1,412,634.2          | 3,273,651.0          | 3,209,704.5          | 7,895,989.7          |
| Other                                                          | 389,913.0            | 950,367.4            | 748,909.4            | 2,089,189.8          |
| Maintenance of capital works                                   | 2,013,369.6          | 4,018,341.9          | 5,115,726.9          | 11,147,438.4         |
| Programmes                                                     | 932,209.5            | -                    | 6,238,125.8          | 7,170,335.3          |
| <b>Interest on debt</b>                                        | <b>6,702,600.0</b>   | <b>-</b>             | <b>7,600,000.0</b>   | <b>14,302,600.0</b>  |
| Foreign                                                        | 6,702,600.0          |                      | 7,600,000.0          | 14,302,600.0         |
| Domestic                                                       |                      |                      |                      | -                    |
| <b>Current transfers</b>                                       | <b>48,270,927.0</b>  | <b>47,657,755.1</b>  | <b>51,070,663.8</b>  | <b>146,999,345.8</b> |
| Pensions                                                       | 17,357,000.0         | 19,175,486.7         | 20,838,193.6         | 57,370,680.3         |
| Other grants and transfers                                     | 30,913,927.0         | 28,482,268.4         | 30,232,470.1         | 89,628,665.5         |
| <b>Capital expenditure</b>                                     | <b>5,622,730.0</b>   | <b>8,403,728.0</b>   | <b>6,411,066.0</b>   | <b>20,437,524.0</b>  |
| Capital transfers                                              | 1,302,730.0          | 8,403,728.0          | 6,411,066.0          | 16,117,524.0         |
| Equity participation                                           | 4,320,000.0          |                      |                      | 4,320,000.0          |
| <b>Net Lending</b>                                             | <b>-</b>             | <b>14,320,000.0</b>  | <b>(1,900,000.0)</b> | <b>12,420,000.0</b>  |
| <b>Long-term loans (net)</b>                                   | <b>-</b>             | <b>14,320,000.0</b>  | <b>(1,900,000.0)</b> | <b>12,420,000.0</b>  |
| Loan and debt                                                  |                      | 14,320,000.0         | 800,000.0            | 15,120,000.0         |
| Recoveries                                                     |                      |                      | (2,700,000.0)        | (2,700,000.0)        |
| <b>Other Grants</b>                                            | <b>9,872,085.6</b>   | <b>7,959,825.8</b>   | <b>6,039,692.3</b>   | <b>23,871,603.7</b>  |
| <i>Noczim Grant</i>                                            | 6,135,494.1          | 6,413,898.6          | 4,225,464.9          | <b>16,774,857.6</b>  |
| <i>Aids Grant</i>                                              | 3,736,591.5          | 1,545,927.2          | 1,814,227.4          | <b>7,096,746.1</b>   |

Source: MOF

## BALANCE OF PAYMENTS SUMMARY

|                                                   | 2009           | 2010           | 2011           |
|---------------------------------------------------|----------------|----------------|----------------|
|                                                   | Actual         | Proj.          | Proj.          |
| <b>CURRENT ACCOUNT (excl.official transfers)</b>  | <b>-1140.3</b> | <b>-1852.5</b> | <b>-1256.4</b> |
| <b>TRADE BAL f.o.b</b>                            | <b>-1599.8</b> | <b>-1781.7</b> | <b>-1187.6</b> |
| Exports f.o.b                                     | 1613.3         | 3380.1         | 4035.2         |
| Imports f.o.b                                     | 3213.1         | 5161.8         | 5222.9         |
| <b>NON FACTOR SERVICE(Net)</b>                    | <b>-266.2</b>  | <b>-443.7</b>  | <b>-422.4</b>  |
| Receipts                                          | 182.4          | 225.0          | 265.0          |
| Payments                                          | 448.6          | 668.7          | 687.4          |
| <b>INCOME(Net)</b>                                | <b>-200.4</b>  | <b>-199.9</b>  | <b>-219.1</b>  |
| <b>PRIVATE TRANSFERS(Net)</b>                     | <b>926.0</b>   | <b>572.8</b>   | <b>572.8</b>   |
| <b>CAPITAL ACCOUNT (Incl. Official Transfers)</b> | <b>-656.5</b>  | <b>1697.5</b>  | <b>425.0</b>   |
| Grants                                            | 391.0          | 231.0          | 210.0          |
| Direct Investment (Net)                           | 105.0          | 123            | 125.0          |
| Portfolio Investment (Net)                        | 67.0           | 63.1           | 80.0           |
| <b>Long Term Capital (net)</b>                    | <b>-127.9</b>  | <b>4.7</b>     | <b>-1.8</b>    |
| <b>Short term capital (net)</b>                   | <b>-1091.6</b> | <b>196.1</b>   | <b>11.8</b>    |
| <b>Errors and omissions</b>                       | <b>-70.2</b>   | <b>-257.1</b>  | <b>0.0</b>     |
| <b>Overall Balance</b>                            | <b>-1867.0</b> | <b>-412.1</b>  | <b>-831.4</b>  |
| <b>Financing</b>                                  | <b>1867.0</b>  | <b>412.1</b>   | <b>831.4</b>   |
| Change in RBZ Usable Reserves                     | -270.1         | 78.5           | 127.3          |
| Net use of Fund resources                         | 0.0            | 0.0            | 0.0            |
| Change in Other Liabilities                       | 148.4          | 21.5           | 0.6            |
| <b>EXCEPTIONAL FINANCING</b>                      | <b>1568.6</b>  | <b>312.0</b>   | <b>661.9</b>   |

Source: RBZ