



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ZIMBABWE WINTER SCHOOL

**Presentation
By**

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POSITIONING FOR GROWTH IN THE FACE OF DEFLATION



Presentation Format

- 1 • The Age Of Turbulence
- 2 • Global and Regional Outlook
- 3 • Domestic Economy - Deepening Deflation
- 4 • Positioning For Growth: Strategic Initiatives
- 5 • The Macro Context
- 6 • Concluding Remarks

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- 1 • **The Age of Turbulence**
 - 2 • Global and Regional Outlook
 - 3 • Domestic Economy - Deepening Deflation
 - 4 • Positioning For Growth: Strategic Initiatives
 - 5 • The Macro Context - Rebalancing the Economy
 - 6 • Concluding Remarks

The Age of Turbulence

- ❑ The World Economic and Business environment is increasingly characterized by recurring global financial Turbulence
- ❑ Over the past 4 decades, no less than a dozen international or regional financial crises:
 - 1987 Stock Market crash
 - The 1991/92 Japanese Banking crisis
 - The 1997/98 East Asian Crisis
 - The Russian Financial Crisis of 1998
 - The 2002 Argentinian banking crisis
 - The 1994 Mexican Crisis
 - The 2008/2009 Global Financial crisis

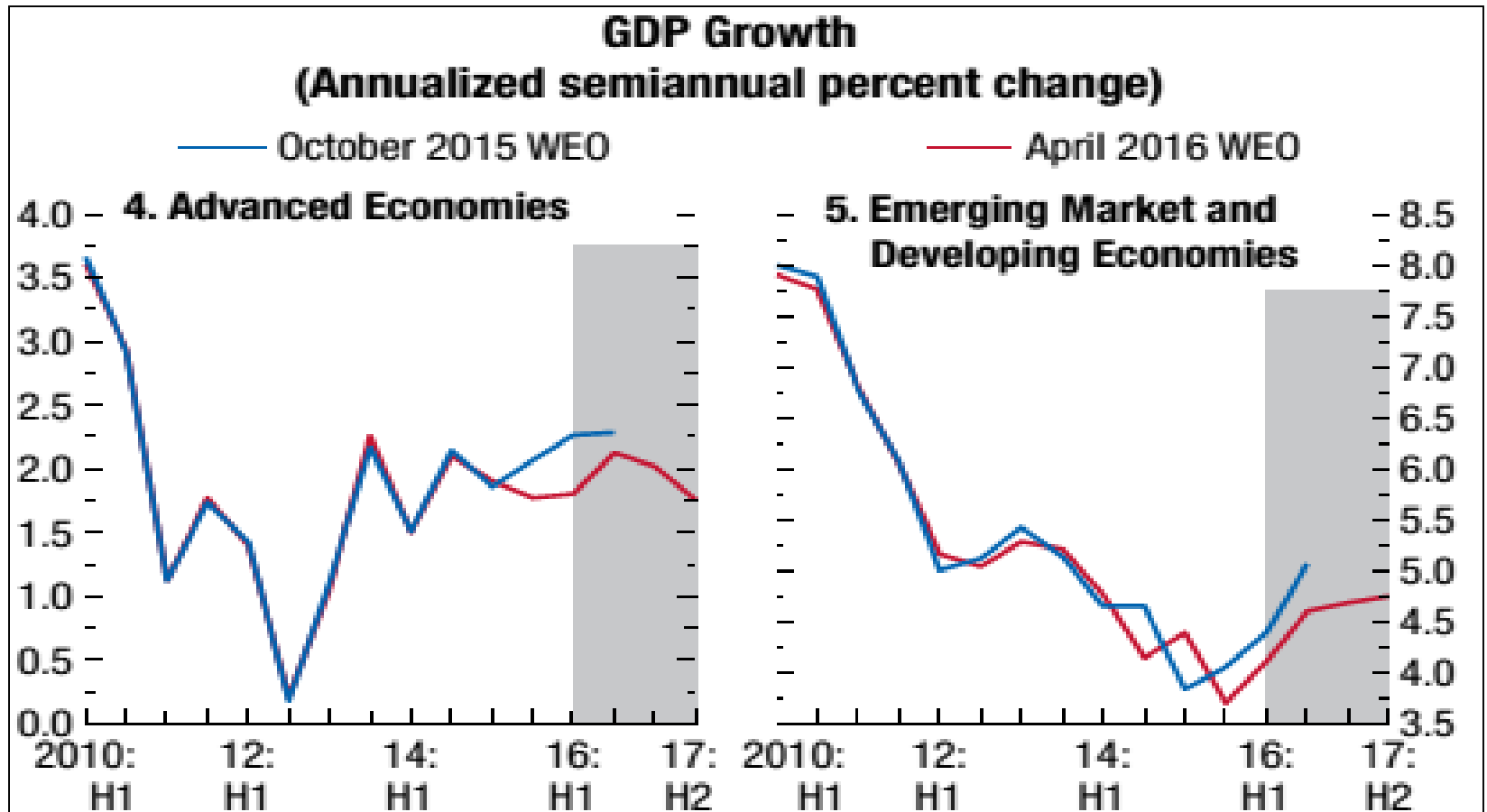
The Age of Turbulence

- ❑ Increasing Global financial volatility;
- ❑ Associated with the deregulation of Global Financial Markets
 - ❑ The hallmark and frontier of macroeconomic and trade policies ...
 - Big Bang, UK in 1986.....
 - Repeal of the Glass Steagall Act in the USA in 1999....
- ❑ The role of the Bretton Woods Institutions in financial reforms & opening in emerging market economies
- ❑ Most emerging market economies insufficiently equipped to deal with large scale financial markets volatility
- ❑ Cascading effects on the real sectors, BOP and Fiscus

The Global Economic Outlook

- ❑ The World Economic performance is very much determined by the Chinese economic performance and India;
- ❑ China economy has weakened over the past 2 years
- ❑ On going rebalancing in the global economy;
- ❑ Global fundamentals could be further weakened by Brexit
- ❑ IMF: Revised World economic growth forecasts – downward review to **3.2% in 2016 and 3.5%** growth for 2017
- ❑ World Bank forecasts: revised to **2.4% for 2016 and 2.8%** in 2017
- ❑ Heightened risk aversion across the board.....Brexit will add

The Global Economic Outlook



The high growth is registered in emerging markets developing economies rather than developed economies

The Global Economic Outlook

- A sharper-than-expected slowdown along China's needed transition to more balanced growth, with international spillovers through trade, commodity prices, and confidence, with attendant effects on global financial markets and currency valuations.
- Adverse corporate balance sheet effects and funding challenges
 - *potential further dollar appreciation and tighter global financing conditions as the United States exits from extraordinarily accommodative monetary policy.*
- A sudden rise in global risk aversion; leading to sharp further depreciations and possible financial strains in vulnerable emerging market economies. Indeed, in an environment of higher risk aversion and market volatility could generate broader contagion effects.
- An escalation of ongoing geopolitical tensions in a number of regions affecting confidence and disrupting global trade, financial, and tourism flows.

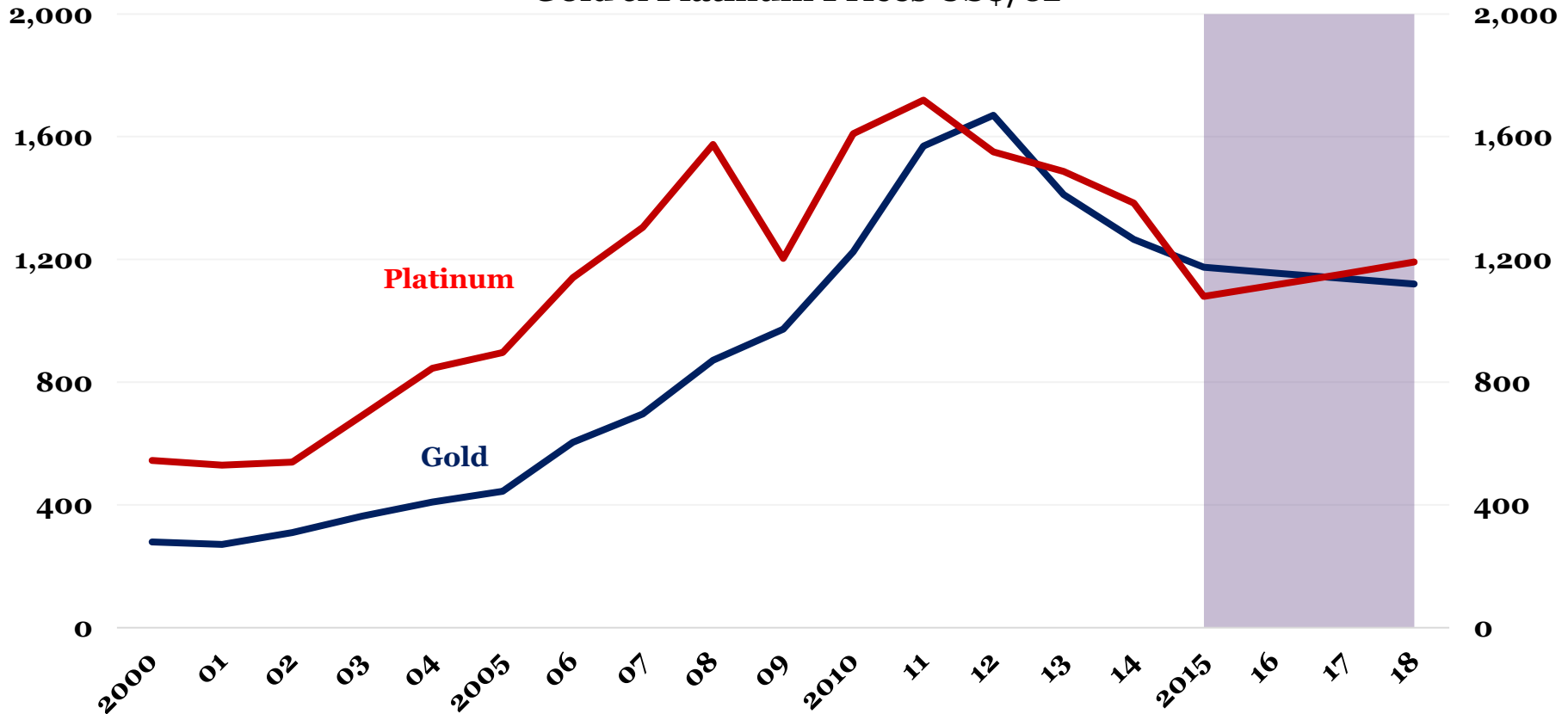
China's Growth and SSA Growth



1. SSA growth trends, closely tied to China's growth

SSA Economies Highly dependent on China

Gold & Platinum Prices US\$/oz



- China is the largest single trade partner of SSA
- China's slowdown & weak demand negatively affecting commodity prices
- China rebalancing its growth away from manuf, Construction & exports towards **services & Consumption**
- Mining Cos struggling to remain viable – Cost build

Southern Africa Economic Outlook

- Major risks to the outlook for the region stem from **external factors**.
 - **Weakening mineral and commodity prices**
 - **End of QE in USA by Fed – strengthening USD**
 - **Tightening global financial conditions**
 - **Slower Global demand**
- Further weakening in emerging markets or in advanced economies could affect sub-Saharan Africa's prospects for growth, including through commodity price declines.
- **In 2016, average growth in sub-Saharan Africa is expected to weaken further due to weakening external demand conditions**
- **Exports have weakenedlow international commodity prices**

South Africa Growth Prospects.....

The IMF has revised SA growth prospects to 0.7%:

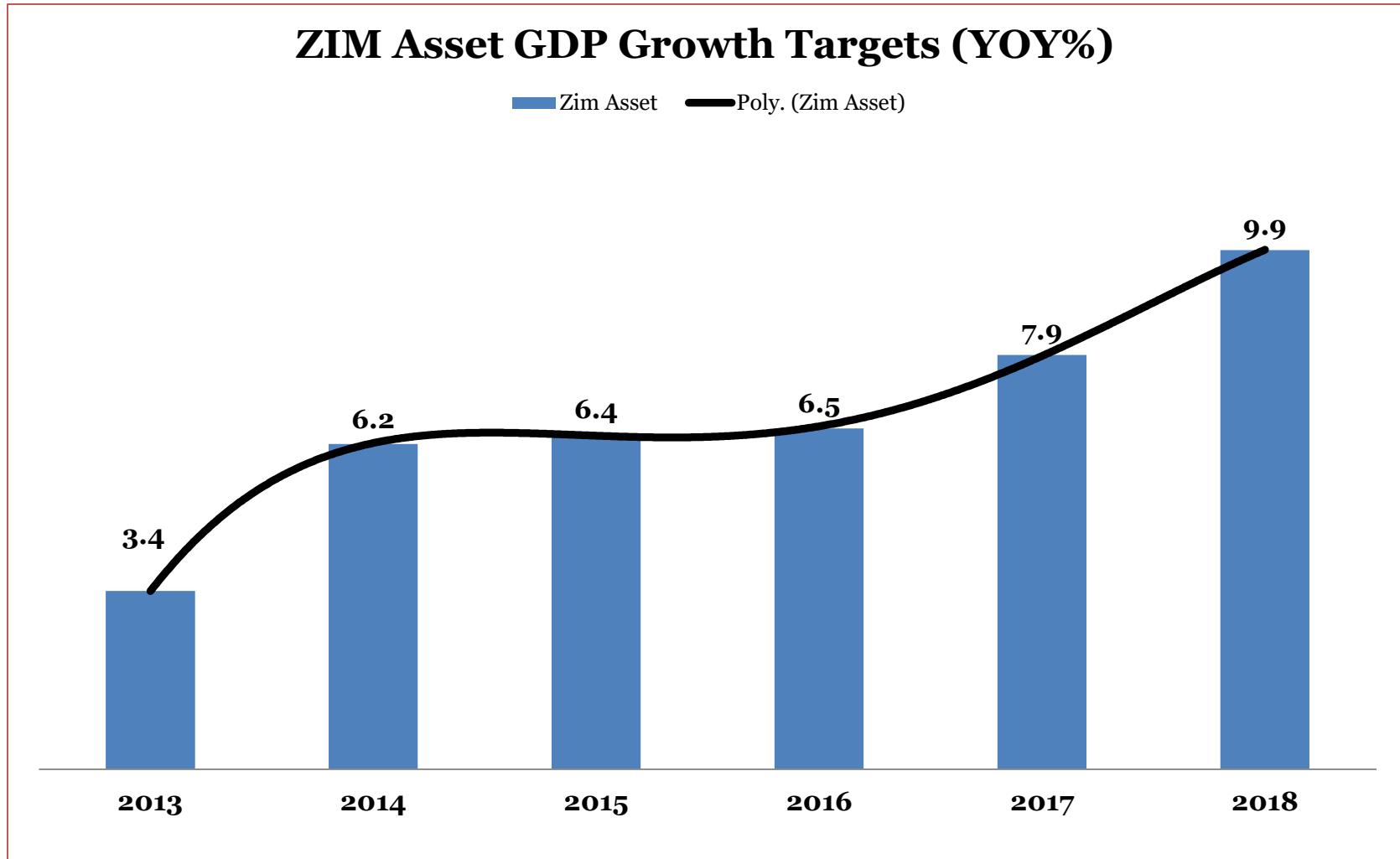
- i. A sharper slowdown in China, further weakening external demand;
- ii. Corporate balance sheet and funding challenges reflecting the strengthening of the US dollar and tightening global conditions;
- iii. Brexit will further amplify global financial markets volatility, with spillover effects on SA and possible financial strains in vulnerable emerging markets

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- 1 • The Age Of Turbulence
 - 2 • The Global and Regional Economic Outlook
 - 3 • **Domestic Economy – Deepening Deflation**
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Current State of the Economy

- Current State of the economy characterized by rapidly entrenching deflationary pressures across key sectors
- Official 2016 Forecasts revised to **1.4%** real GDP growth (from **2.7%**)
- There are ***Significant downside risks to 2016 growth prospects.***
 - Mid season drought that affected 50% of maize & 20% tobacco output
 - Low international mineral/commodity prices affecting the Mining sector
 - Jan – May Gold output was 4.4% lower than same period last year
 - Manufacturing sector capacity utilization.....34.3%;
 - Liquidity and cash challenges
 - Possibility of higher transaction costs (e.g. import payments)
 - Fiscal Revenue Under Performance (delayed salaries for Civil servants)
 - ***Real GDP growth may be less than 1% for 2016***

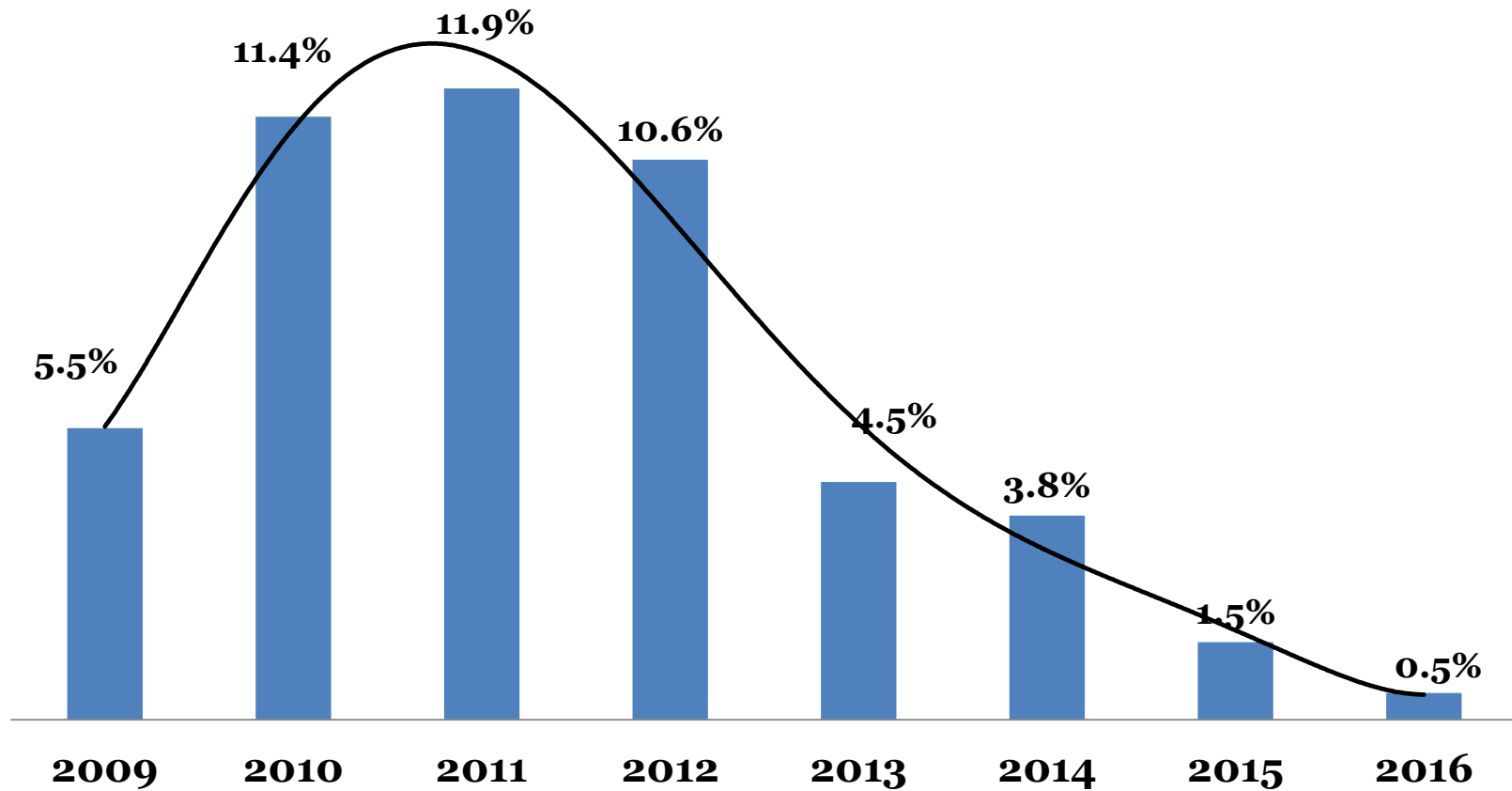
ZIM ASSET GDP GROWTH Targets



- ZIM ASSET Growth targets

Current Reality Check

Real GDP Growth(yoy)



- Low or negative Real GDP Growth in 2016

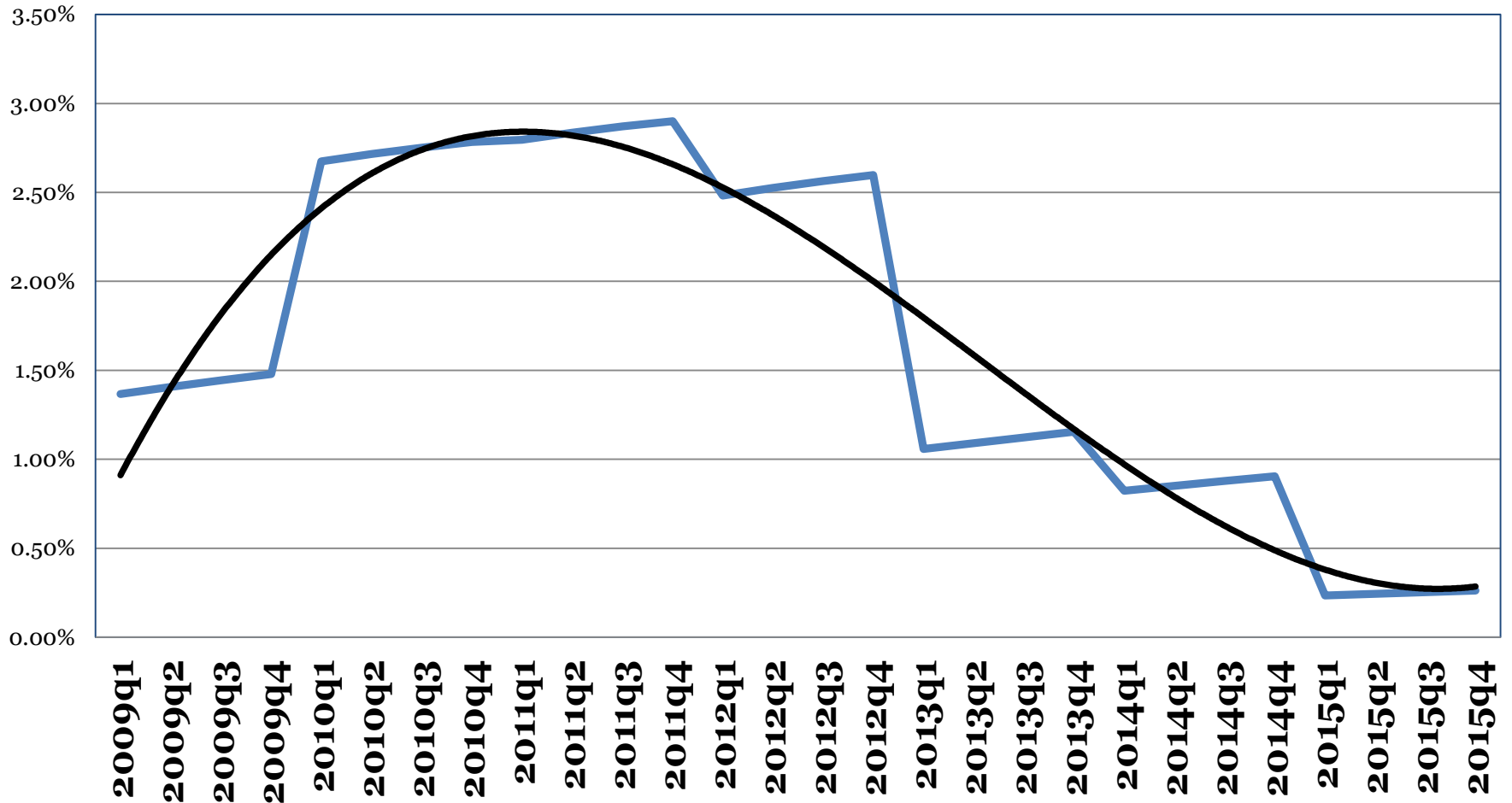
Current Reality Check

□ Where is our challenge?

- i. Falling Aggregate demand
- ii. Falling Industry Production Capacity
- iii. Liquidity and Cash challenges
- iv. Unsustainable CA deficit (Imports)
- v. Structural challenges impeding growth
 - o Energy and power
 - o IEE Uncertainty
 - o Fragile Investment Environment
 - o High business operating costs

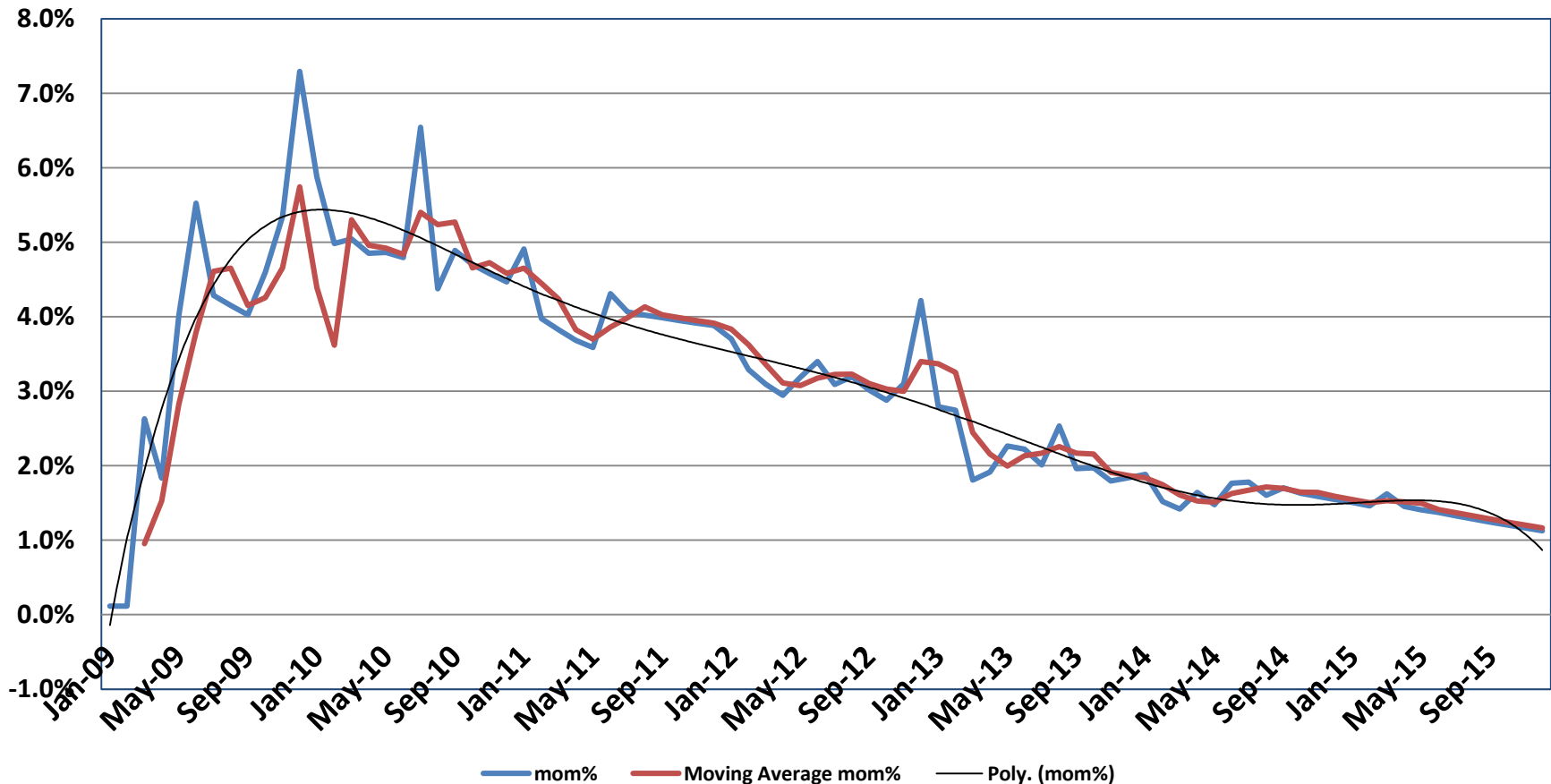
Current REALITY Check.....

Quarter on Quarter Real GDP Growth (%)



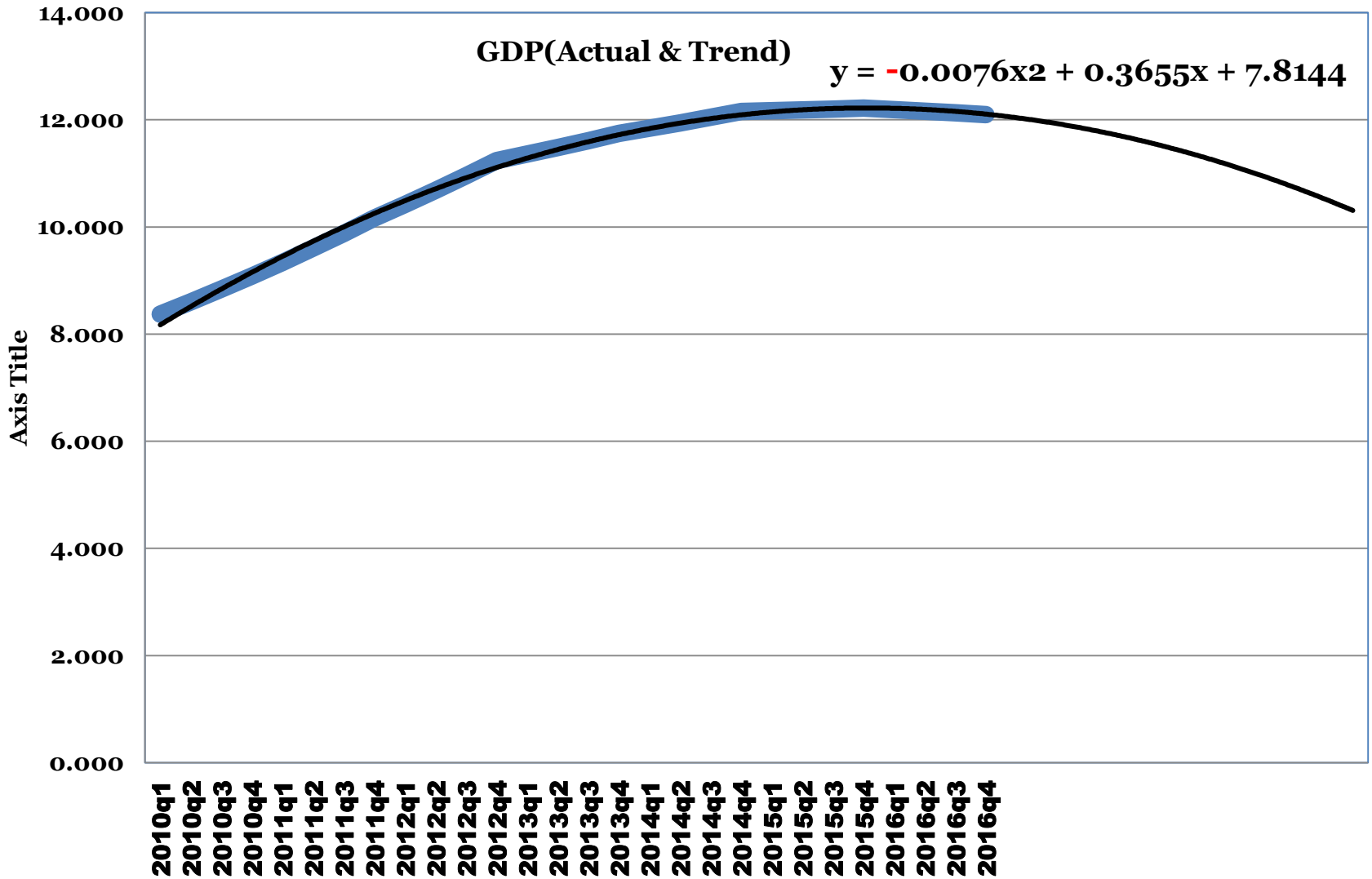
Declining Domestic Demand

Consumer Demand Growth (Actual & Forecasts)
Based on VAT on Domestic Goods

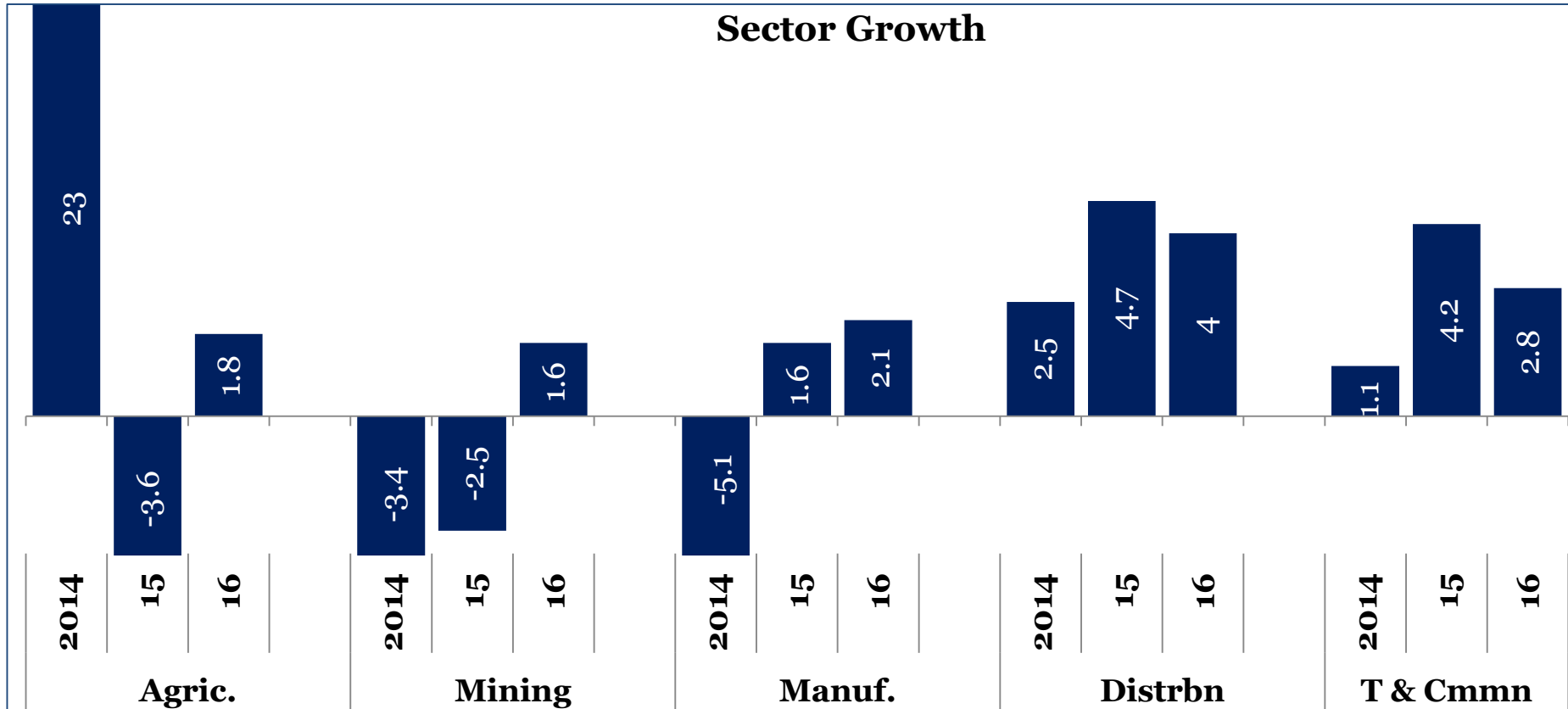


- Trend Decline in Consumer demand from VAT Sales

Declining Production Capacity



Growth Sectors Facing Headwinds:



Agric.

- El Nino weather to reduce output – short season seed varieties recommended
- Financial requirement - \$1.7bn to be met by Banks, Gvt, Partners etc

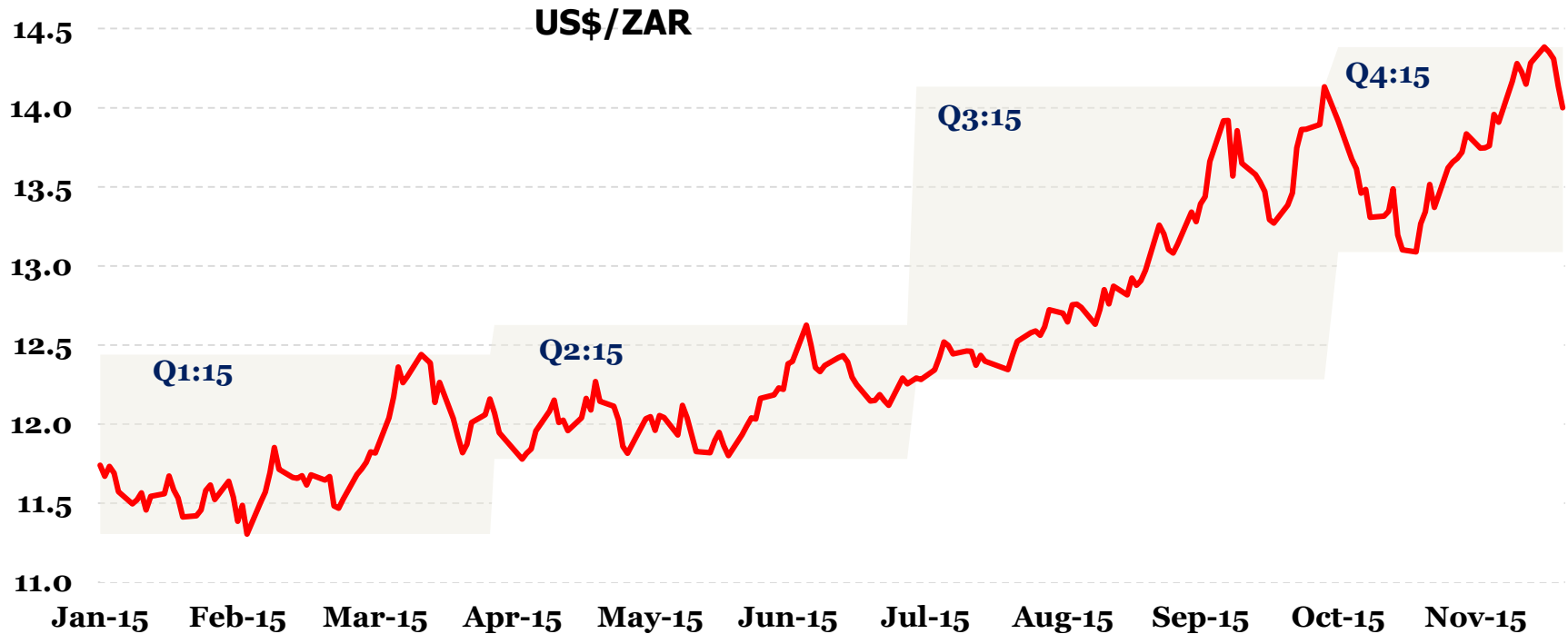
Mining

- Commodity Prices - a downside risk
- Mining Cos forced to reduce production & suspend expansion projects

Manuf.

- Low capacity utilisation
- Import tariffs critical to protect selected industries
- Tourism affected by strong USD

Impact of Rand depreciation Vs US Dollar



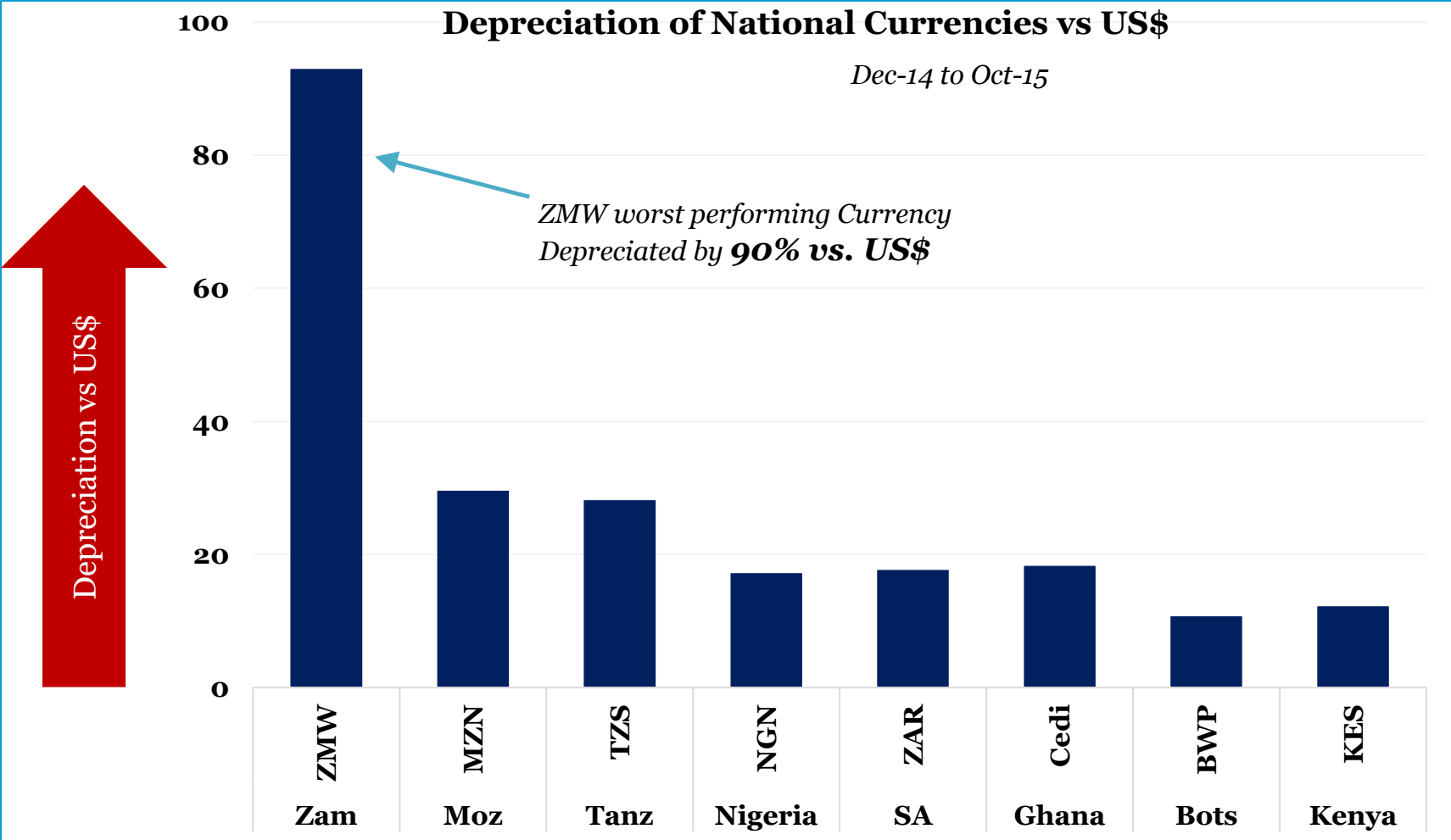
In Zimbabwe:

- Rand weakening – will weaken further in 2016
- US Mon. Policy Tightening ...ZAR to weaken
- Loss of competitiveness by local exporters

In the Region:

- Fears of US Fed rate hike triggering “**Risk Off**” behaviour leading to capital flight & financial markets volatility

Regional Currencies slide against USD



2016 Inflation Outlook

- Year-on-Year inflation, to remain largely negative in **2016**.
- Headline inflation has remained negative, improving slightly from **-3.30% in Oct. and -1.69% in May 2016**.
- Persistent deflationary pressures in the economy, driven mainly by low domestic aggregate demand, weakening South African Rand and shrinking disposable incomes.
 - i. Disposable incomes remains low;
 - ii. low aggregate demand persists
 - iii. current account continues to widen;
 - iv. Liquidity constraints continues;
 - v. The Rand continues to weaken against the US Dollar.
- ***Budget with Rand decline of 15- 20% in 2016 (Also factor Brexit)***

Inflation: Actuals & Forecasts (YOY%)

	CPI	MOM		YOY%
Jan-15	99.20	-0.003	Jan-15	-1.27%
Feb-15	99.12	-0.001	Feb-15	-1.40%
Mar-15	99.10	0.000	Mar-15	-1.20%
Apr-15	98.21	-0.009	Apr-15	-2.65%
May-15	98.04	-0.002	May-15	-2.70%
Jun-15	97.90	-0.001	Jun-15	-2.81%
Jul-15	97.95	0.000	Jul-15	-2.77%
Aug-15	97.65	-0.003	Aug-15	-2.77%
Sep-15	97.29	-0.004	Sep-15	-3.11%
Oct-15	97.01	-0.003	Oct-15	-3.30%
Nov-15	97.18	0.002	Nov-15	-2.46%
Dec-15	97.07	-0.001	Dec-15	-2.47%
Jan-16	97.02	0.000	Jan-16	-2.20%
Feb-16	96.92	-0.001	Feb-16	-2.22%
Mar-16	96.81	-0.001	Mar-16	-2.31%
Apr-16	96.60	-0.002	Apr-16	-1.64%
May-16	96.38	-0.002	May-16	-1.69%
Jun-16	96.29	-0.001	Jun-16	-1.65%
Jul-16	96.29	0.000	Jul-16	-1.70%
Aug-16	96.29	0.000	Aug-16	-1.39%
Sep-16	96.55	0.003	Sep-16	-0.76%
Oct-16	96.74	0.002	Oct-16	-0.27%
Nov-16	96.94	0.002	Nov-16	-0.25%
Dec-16	96.98	0.000	Dec-16	-0.10%

2016 Inflation Forecasts (yoy%)

Headline Inflation: Actual & Forecasts (YOY%)



- Negative 2016 Inflation Outlook

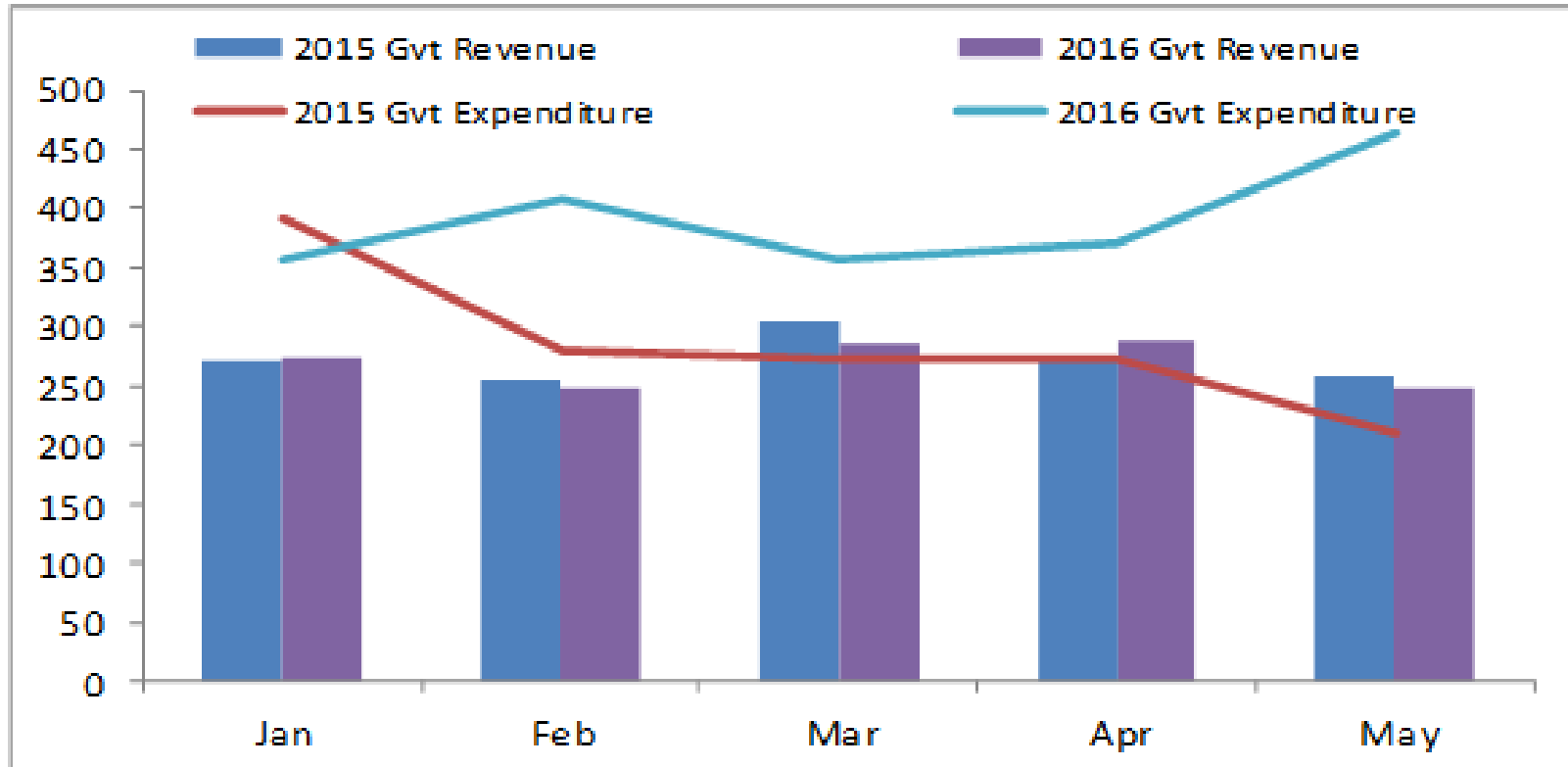
Inflation Forecasts (YOY%)

- **Near Term:** Deflationary conditions to persist characterized by:
 - ✓ Company closures
 - ✓ Falling disposable incomes;
 - ✓ Industry capacity utilization decline;
 - ✓ Declining domestic aggregate demand
 - ✓ Unsustainable Current Account balance
- Depreciating Rand compounds deflationary pressures
- Rising regional/domestic food prices

Fiscal Sector

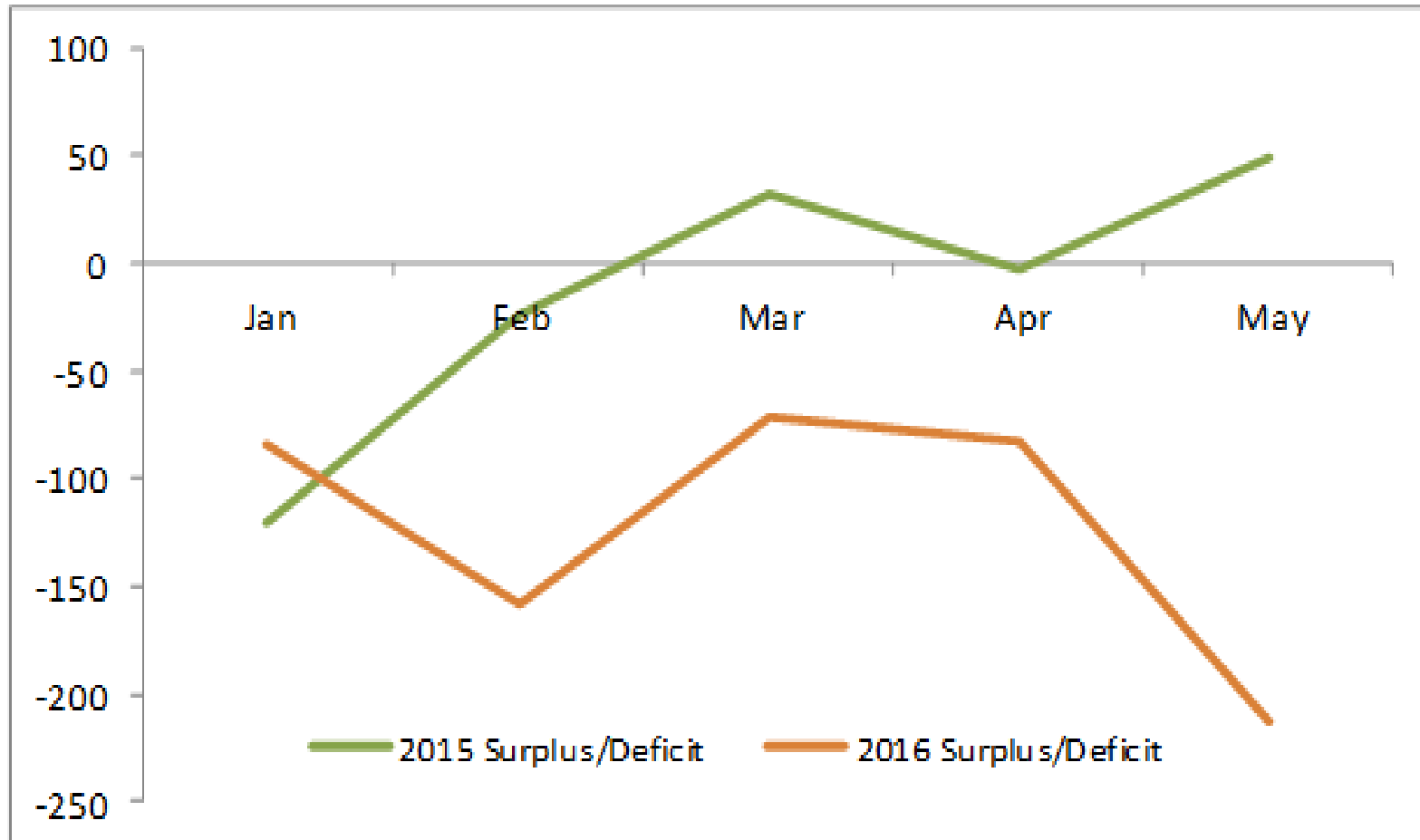
- Fiscal Pressures persist on the back of declining revenues and high recurrent expenditures
- First Quarter Fiscal revenues were 15.6% lower than last year
- Second Quarter Fiscal revenues were 2.5% lower than last year
- Late payment of Civil Servants salaries.
- The deficit is largely financed from borrowing form the domestic financial sector as noted by a significant growth in credit to Government
- Fiscal revenues decline due to:
 - i. Slowdown in the economy
 - ii. Company closures
 - iii. Retrenchments and layoffs
 - iv. Informalization of the economy

Fiscal Sector



- Government expenditure in 2016 is comparatively higher than in 2015 over the same period.
- Government high expenditures and deficits being financed through TBs

Fiscal Sector



- ***The deficit is largely financed from borrowing form the domestic financial sector as noted by a significant growth in credit to Government.***

Balance of Payments

- ❑ The current account deficit at **US\$3.30 billion** in 2015
- ❑ **C/A balance at US\$4.2 bn in 2013 and US\$3.4 bn in 2014**
- Total imports for the 5 months to May 2016 amounted to US\$2.07 billion, while exports amounted to US\$948 million, giving rise to a trade deficit of US\$1.2 billion. The trade deficit narrowed by 15% compared to last year.
- Total trade through to May at \$3.01 billion was 11% lower;
- The Trade deficit (January to May) at US\$1.2 billion was 15% lower than last year.

Balance of Payments

- On current trends, if the economy has no fresh growth impetus, total exports for the year are forecast to decline by **23.9%** to US\$2.005 billion. Correspondingly imports compression will be sustained leading to a 20.2% decline in imports to US\$4.5 billion.
- The trade deficit is forecast to narrow by 17% to US\$2.5 billion
- Diaspora funding is currently an important source of liquidity, at **US\$1.5 billion**.
- ***FDI levels into the country, at US\$491 million are even lower than diaspora flows.***

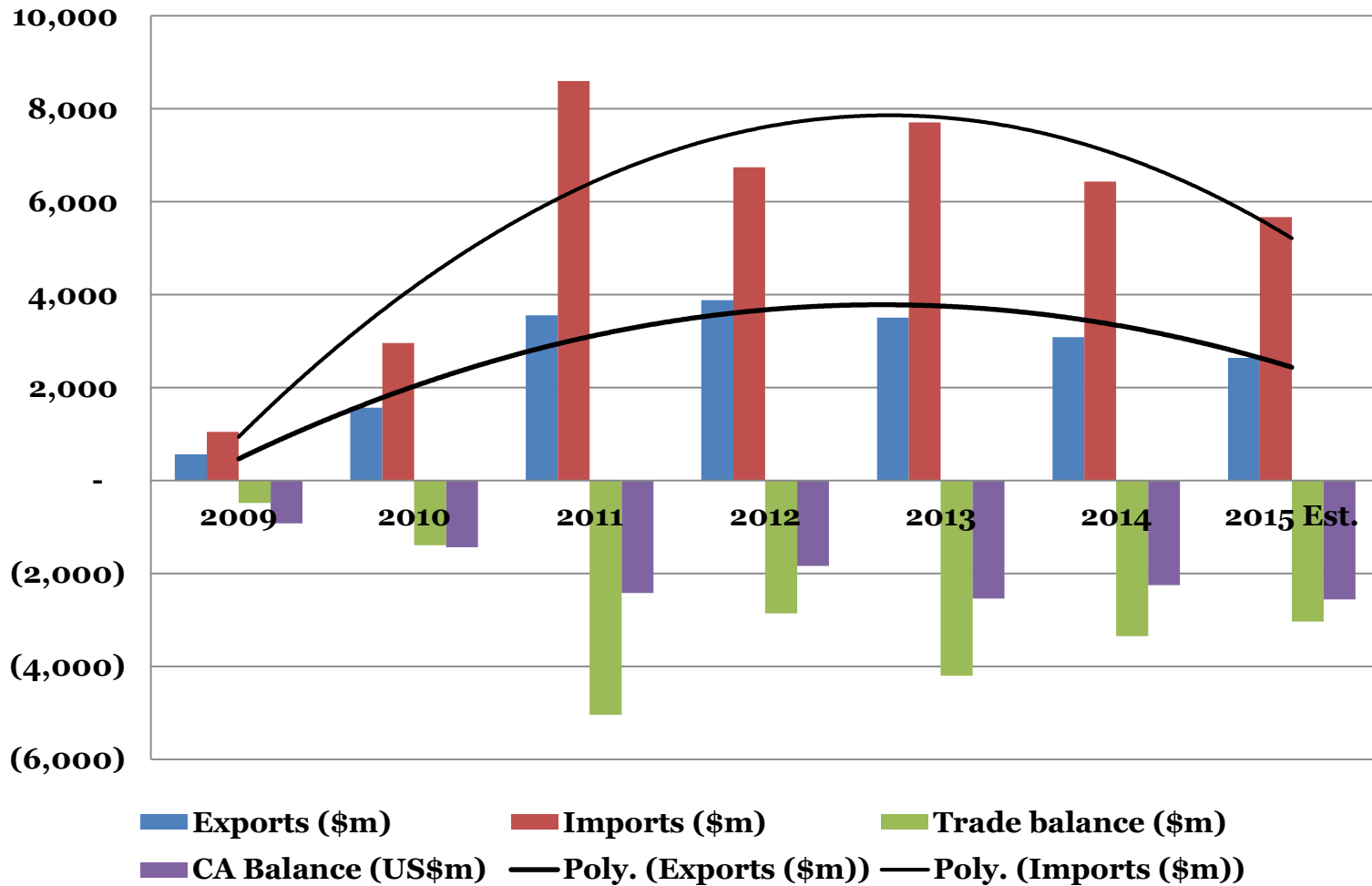
Balance of Payments

	Exports (\$m)	Imports (\$m)	Trade balance (\$m)
2009	564	1,045	(481)
2010	1,569	2,960	(1,390)
2011	3,556	8,594	(5,038)
2012	3,884	6,740	(2,857)
2013	3,507	7,704	(4,197)
2014	3,084	6,434	(3,350)
2015 Est.	2,637	5,670	(3,034)
2016Proj.	2,005	4,525	(2,519)
2017Proj.	1,550	3,288	(1,738)

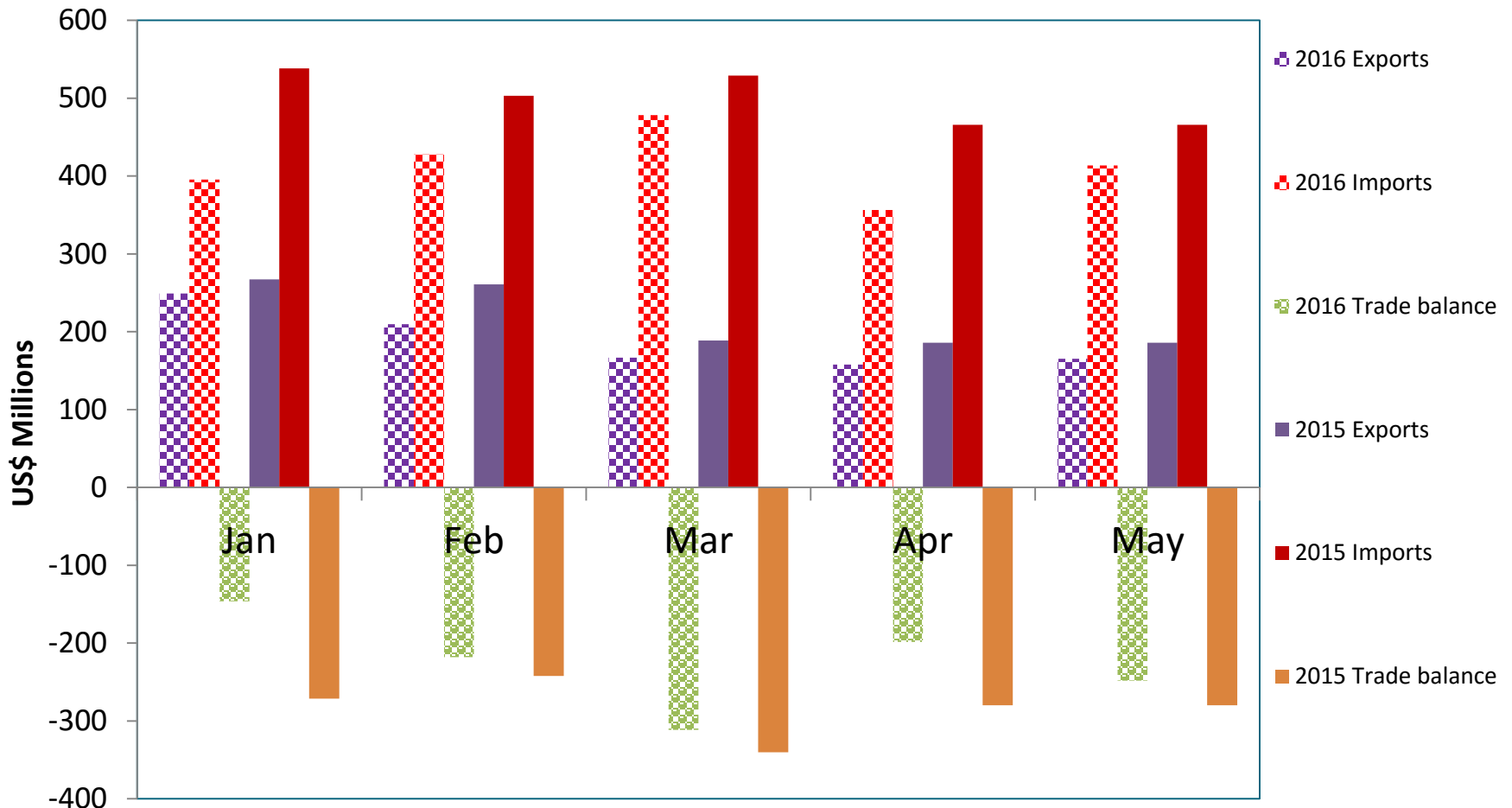
Drought related Food imports to widen the trade deficit in 2016 with imports of 500 000 MT at \$150 million.

BALANCE OF PAYMENTS – Trade Balance)

Balance of Payments (US\$bn)

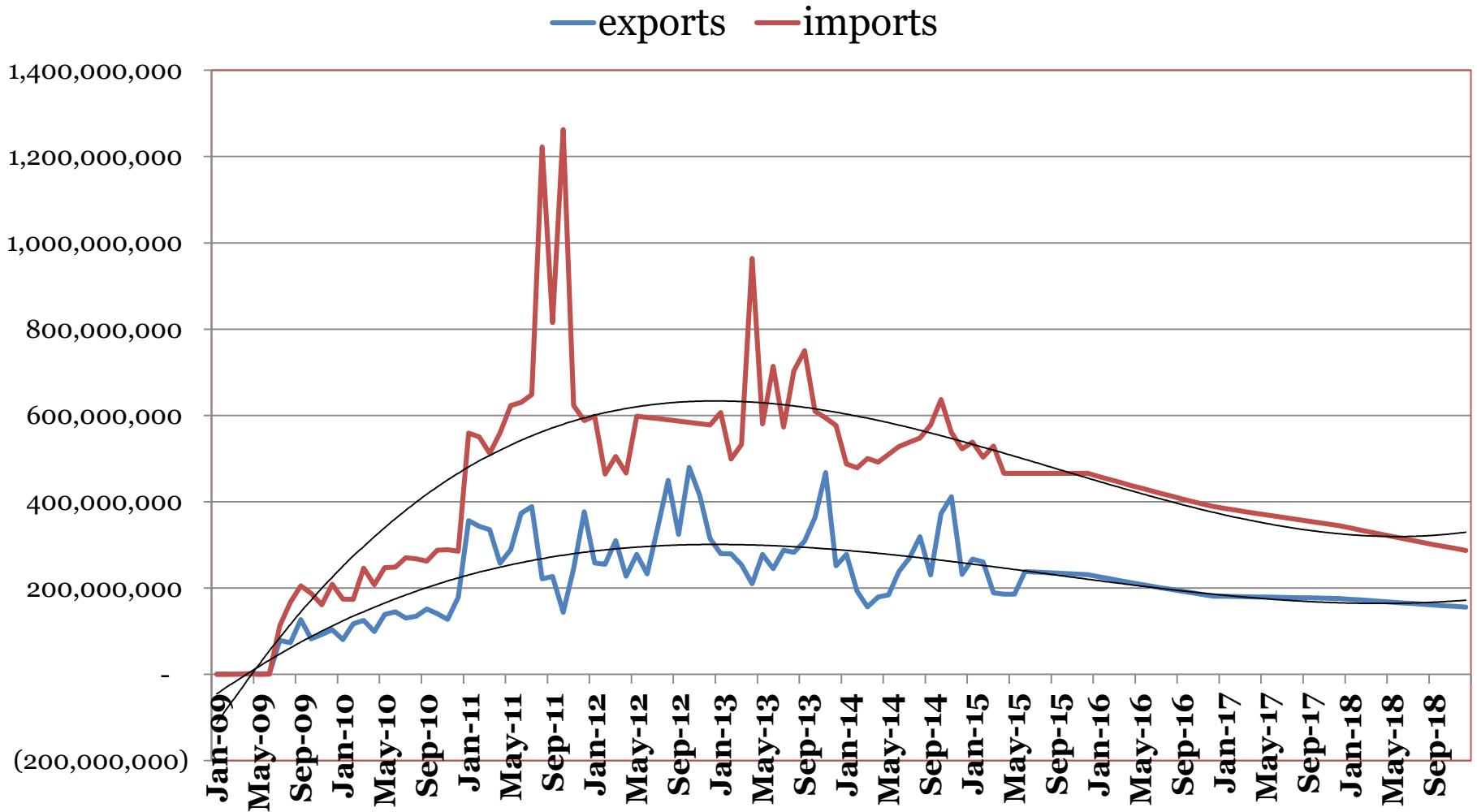


Import Compression: 2016



- 2016 imports and exports are comparatively lower than 2015

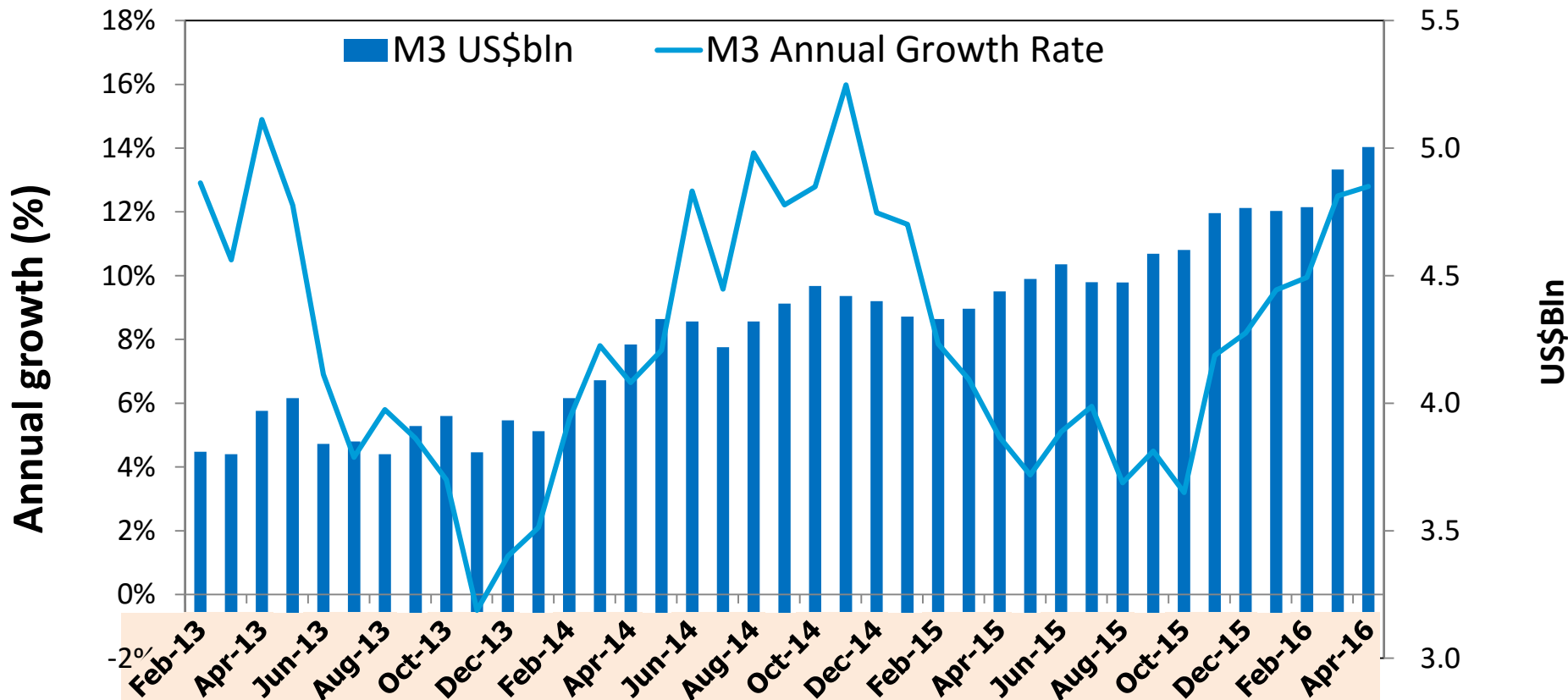
Import Compression: Actuals & Forecasts



Banking Sector Deposits (Broad Money)

- Annual broad money increased by **12.5%** from US\$4.37 billion in March 2015 to US\$4.92 billion in March 2016
- The annual growth in broad money was largely on account of increases in savings, 22.6% demand, 21.3%; and long term deposits, 18.3%. Short term deposits, however, decreased by 24.1% during the period under review. The distribution of deposit classes to total deposits was as follows:
 - Demand, 52.4%;
 - Long term, 21.4%;
 - Short term, 12.5%; and
 - Savings deposits, 13.8%.

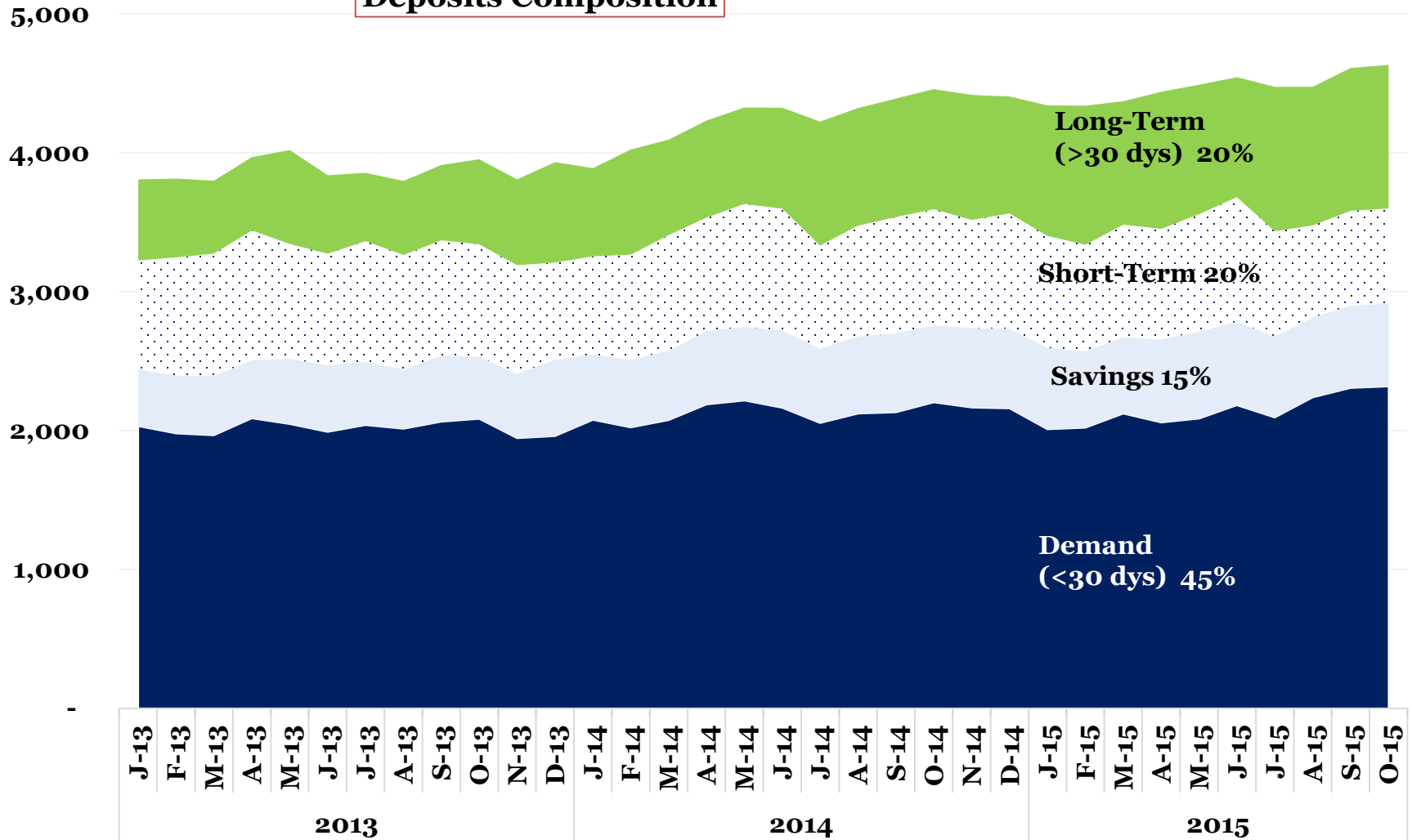
Banking Sector Deposits (Broad Money)



- Total Banking sector deposits \$5.0bn (April. 2016)
- Slower growth in deposits correlates to high CA deficit

Banking Sector Deposits

Deposits Composition



□ **Recent Monetary Authorities Measures**

- The Central Bank recently implemented a raft of measures designed to promote the multicurrency, exports and optimal usage of scarce foreign exchange, in addition to cash management measures.
- ***The Banking sector has welcomed the measures.....,***
- ***But the interventions by Monetary Authorities do not address the underlying challenges of the Zimbabwean economy, which are rooted in the lack of competitiveness. At the core of Zimbabwe's cash challenges is the unsustainable budget deficit and widening current account deficit, a symptom of low domestic production and low productivity and high domestic consumption.***

Banking Sector Developments

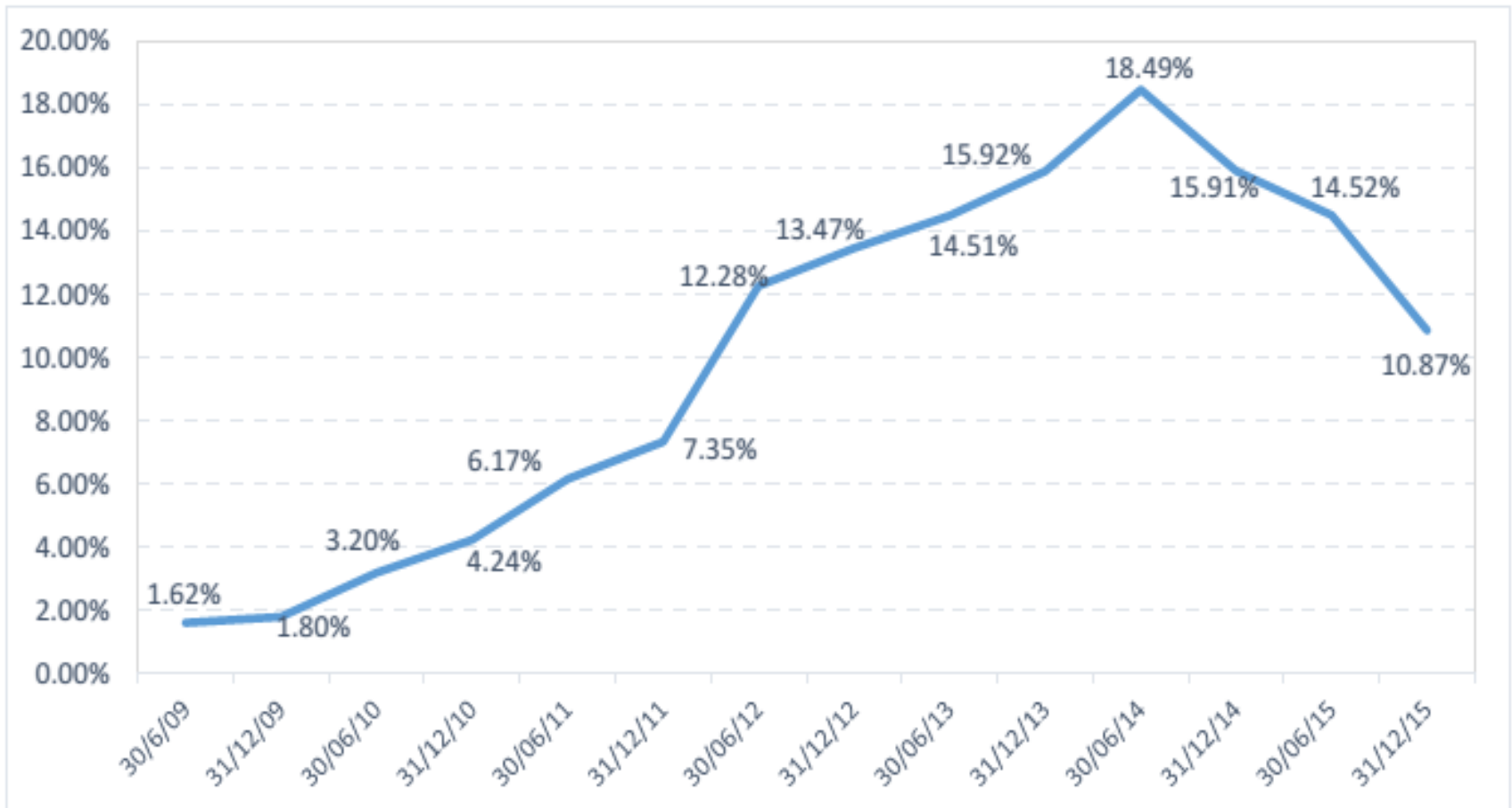
□ Summary of **Monetary Authorities** Measures:

- i. A USD\$200 million foreign exchange and export incentive facility.
- ii. Introduction of Bond Notes of denominations of \$2, \$5, \$10 and \$20
- iii. A foreign exchange priority list to guide banks in the allocation of foreign currency
- iv. Cash withdrawal limits
- v. Measures to promote increased use of plastic money.
- vi. Accommodation of ZAR (South African Rand), EUR (Euro currency), BOND Currency in the RTGS system
- vii. Reduction of maximum lending rates to 15%.

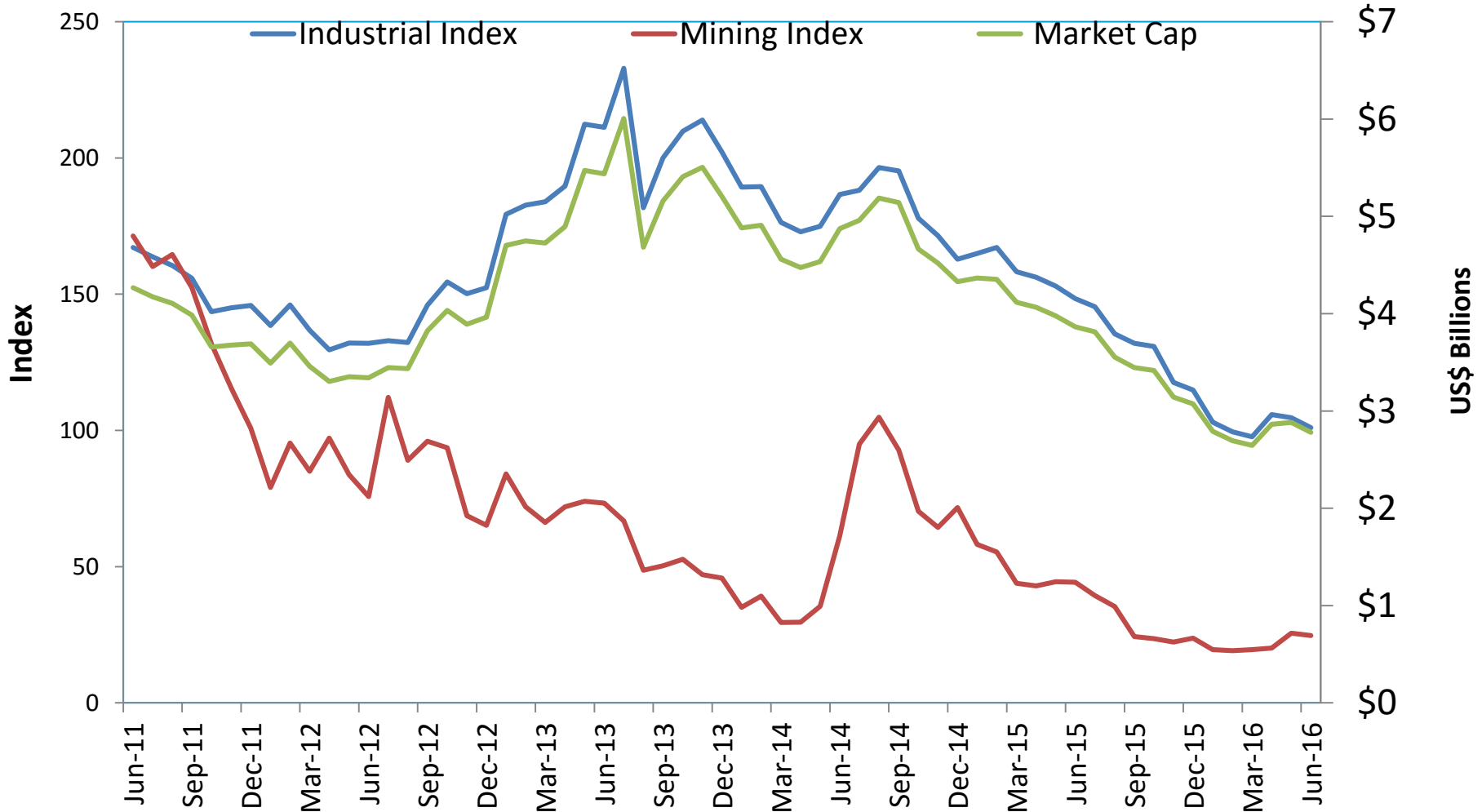
Non Performing Loans

- *Non-performing loans topped 20.5%: Dec 2014*
- *NPLs at 10.5%: Dec 2015*
- *NPLs partly being addressed via ZAMCO*
- *Banks Tightening lending due to rising NPLs*
- *Rising NPLs compounded by worsening economic conditions and corporate distress*

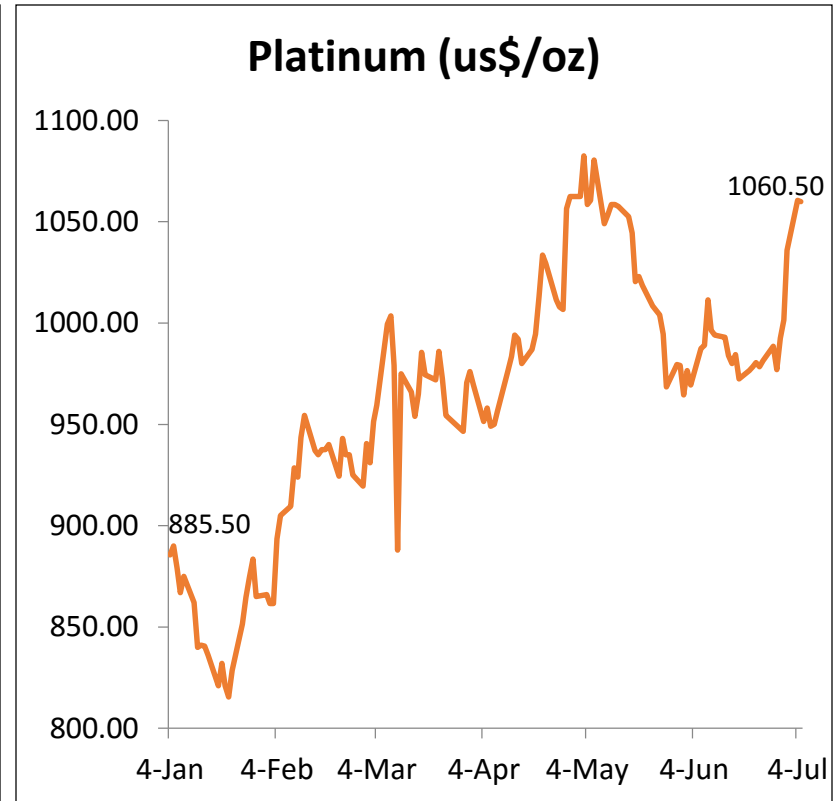
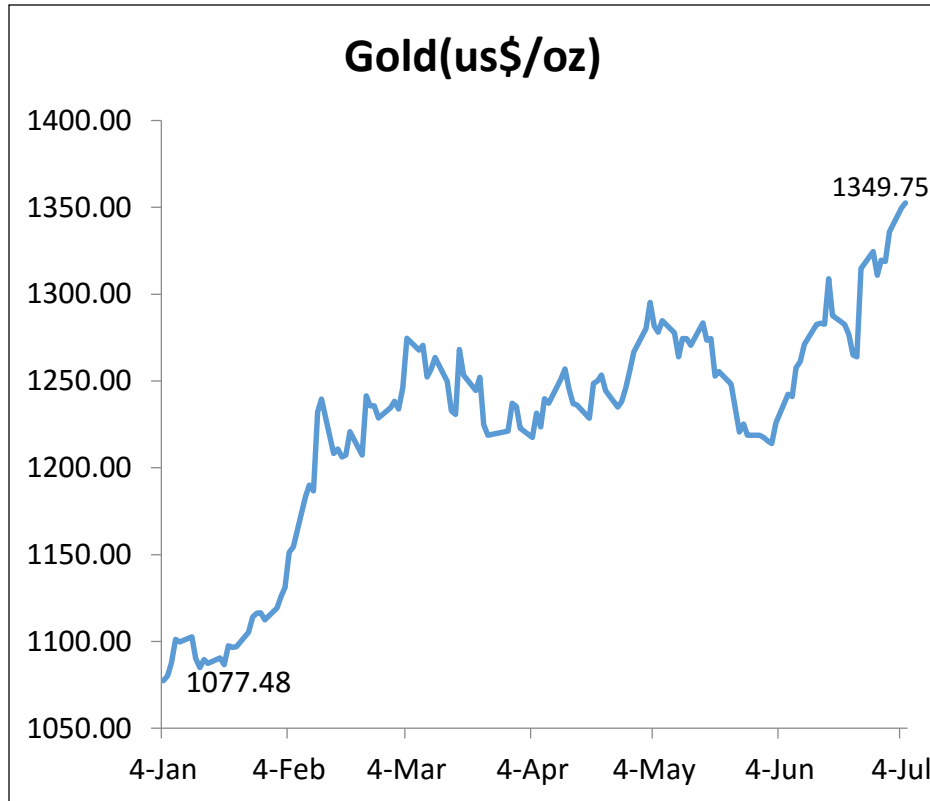
Non Performing Loans



Stock Market Trends

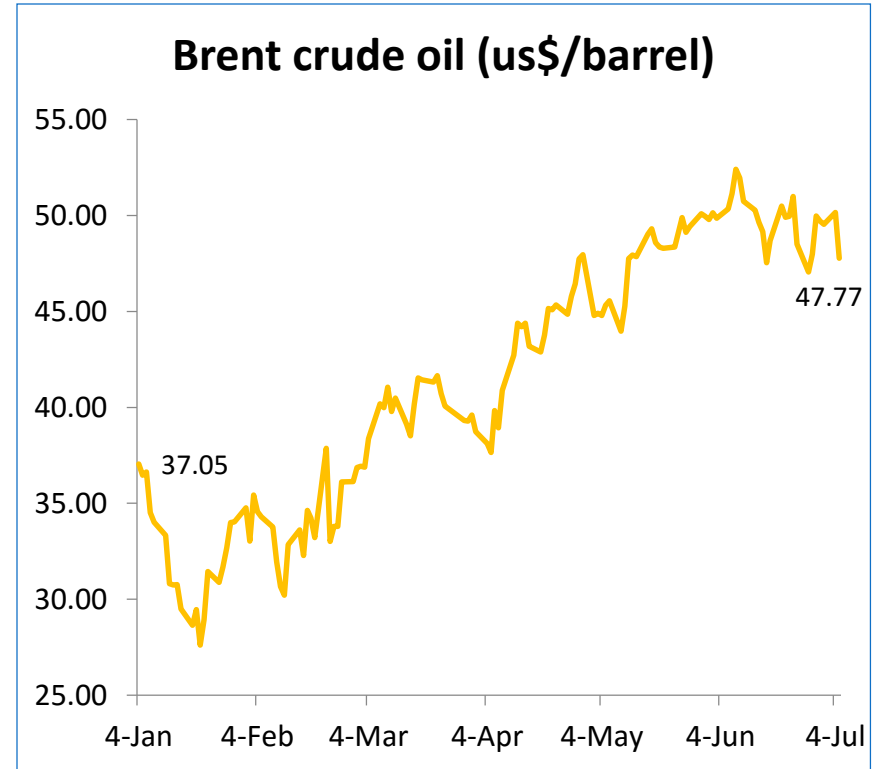
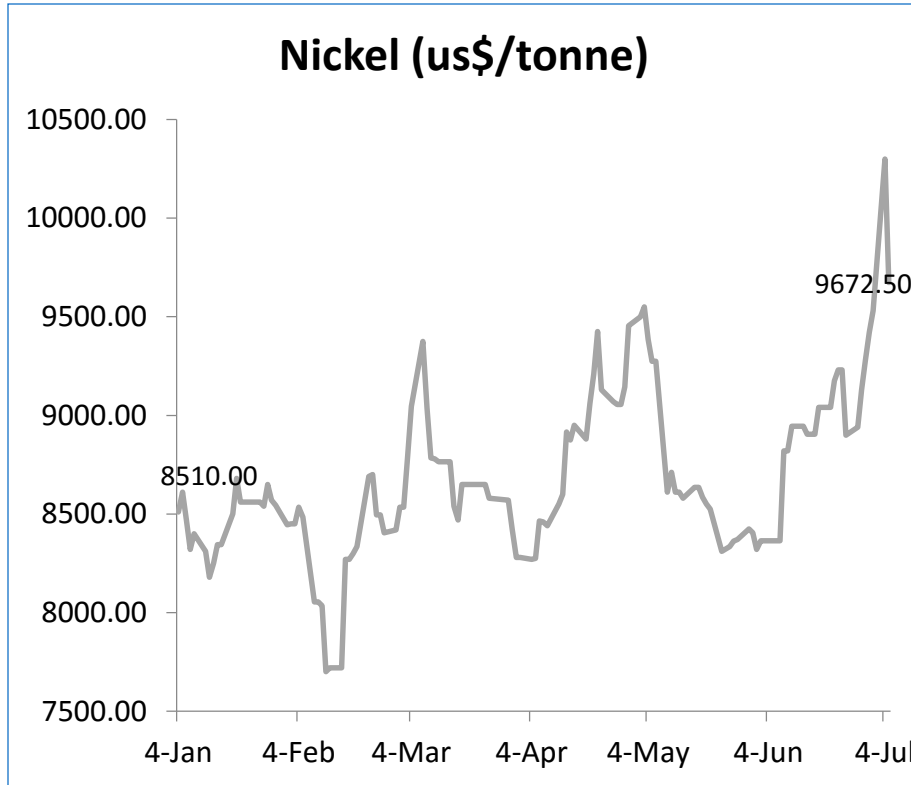


Commodities Prices



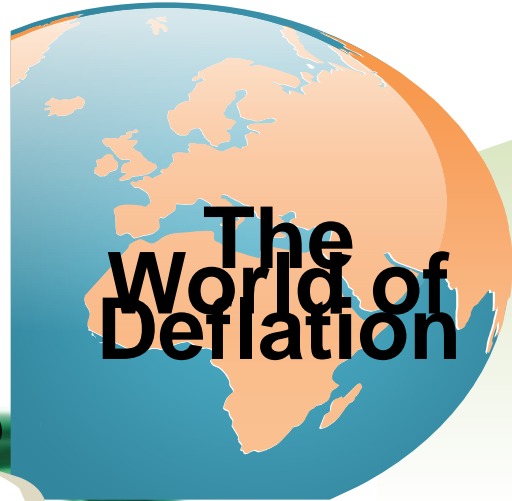
- Commodities prices are recovering with Gold prices firming by 25.5% from Jan to 05 July 2016
- Platinum prices recovered by 19.7% in 2016

Commodities Prices



- Nickel prices increased by 13.7% in 2016
- Oil prices firm 28.9% in 2016

Challenges of Deflation



Falling domestic demand
12 – 22% decline in demand

Falling prices and margins Across key sectors deflation narrows margins and profits

Wage Rigidities
means real wages rising putting pressure on bottom line

Funding challenges means Low **innovation & technology adoption**

Strengthening **US dollar**

Widening CA deficit
Domestic **Dumping of foreign goods/ High consumption relative to local supply**

Cash and **Liquidity**

-
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Positioning For Growth

- Business Model Realignment
- Current Assets & Current Liabilities Management
 - Cash Management
 - Debtors & Creditors Management
- Review of Business Lines Profitability
- Cost Containment
- Value Innovation
- Vision and Business Leadership

Positioning For Growth: Strategic Initiatives

□ Business Model Re-Alignment

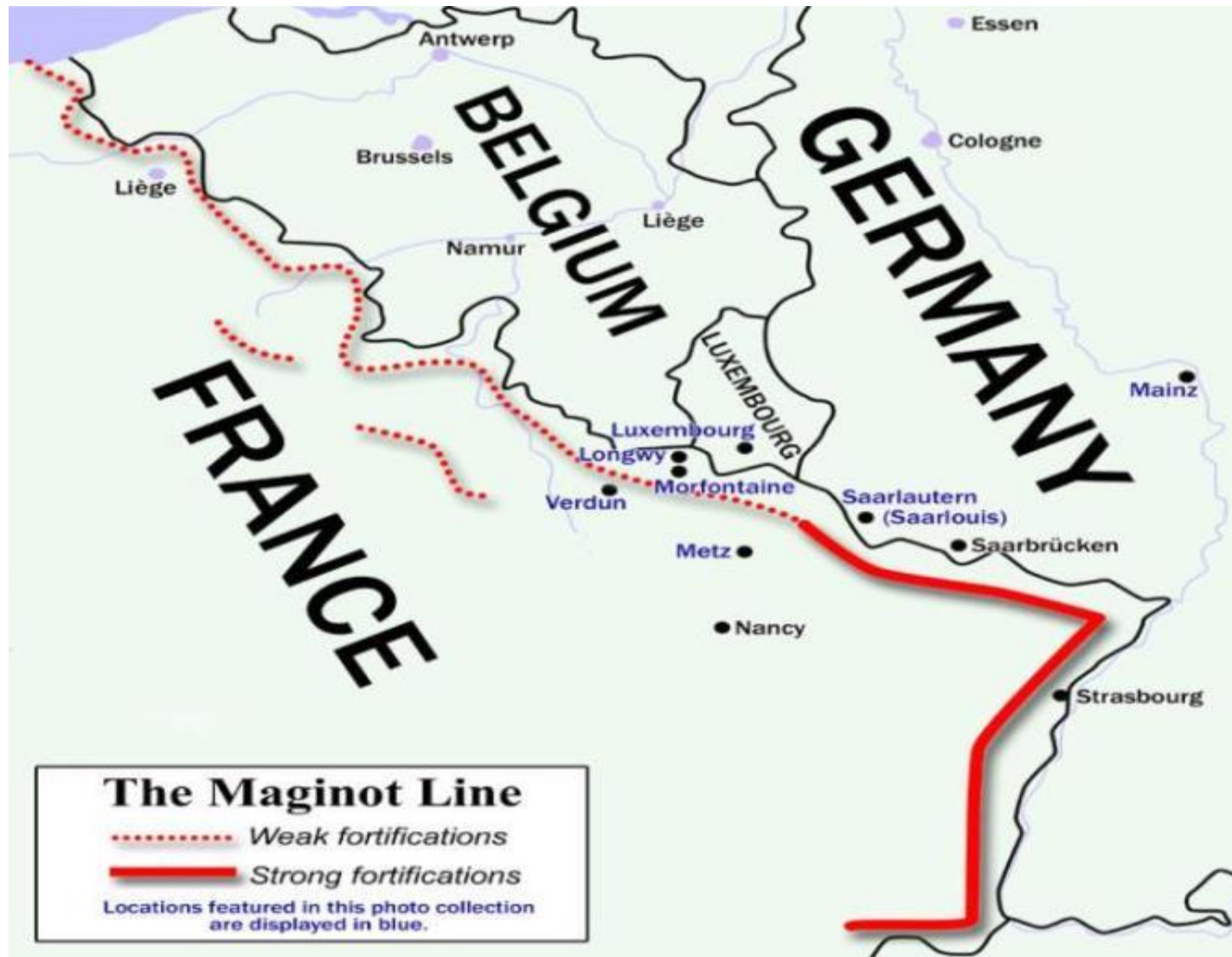
- Deservedly about the Most Important Issue of Our Time
- Asking Questions/Probing the Business Model
- Is there synchrony between Near Term Vs Medium Term strategies
- Is there alignment between objectives and resource deployment
- Why are we doing what we are doing?
- Is it the most effective and efficient?
 - i. Of what we are doing, what is working Optimally (and must be amplified)
 - ii. Of What we are doing, what is working sub-optimally (must be modified)
 - iii. Of what we are doing, what is not working (must be discarded)

Positioning For Growth: Strategic Initiatives

□ Business Model Re-Alignment

- How do we redefine the Business Model to suit changing times
- The business environment will remain difficult for a while
- A complete/ comprehensive evaluation of our:
 - *Internal systems, Processes and Peopleoverhaul*
- ***No room for “Shibboleths” or old Traditions of Man/ mired and trapped in a “Kodak” mindset***
- Great danger: **Static Vs Fluidity: “Maginot Line”** Mentality
 - ✓ **Maginot Line:** A series of military fortifications along the French/Germany border erected in the inter war years....
 - ✓ Directly influenced by the static/trench warfare of WW1

Positioning For Growth: The Maginot Line

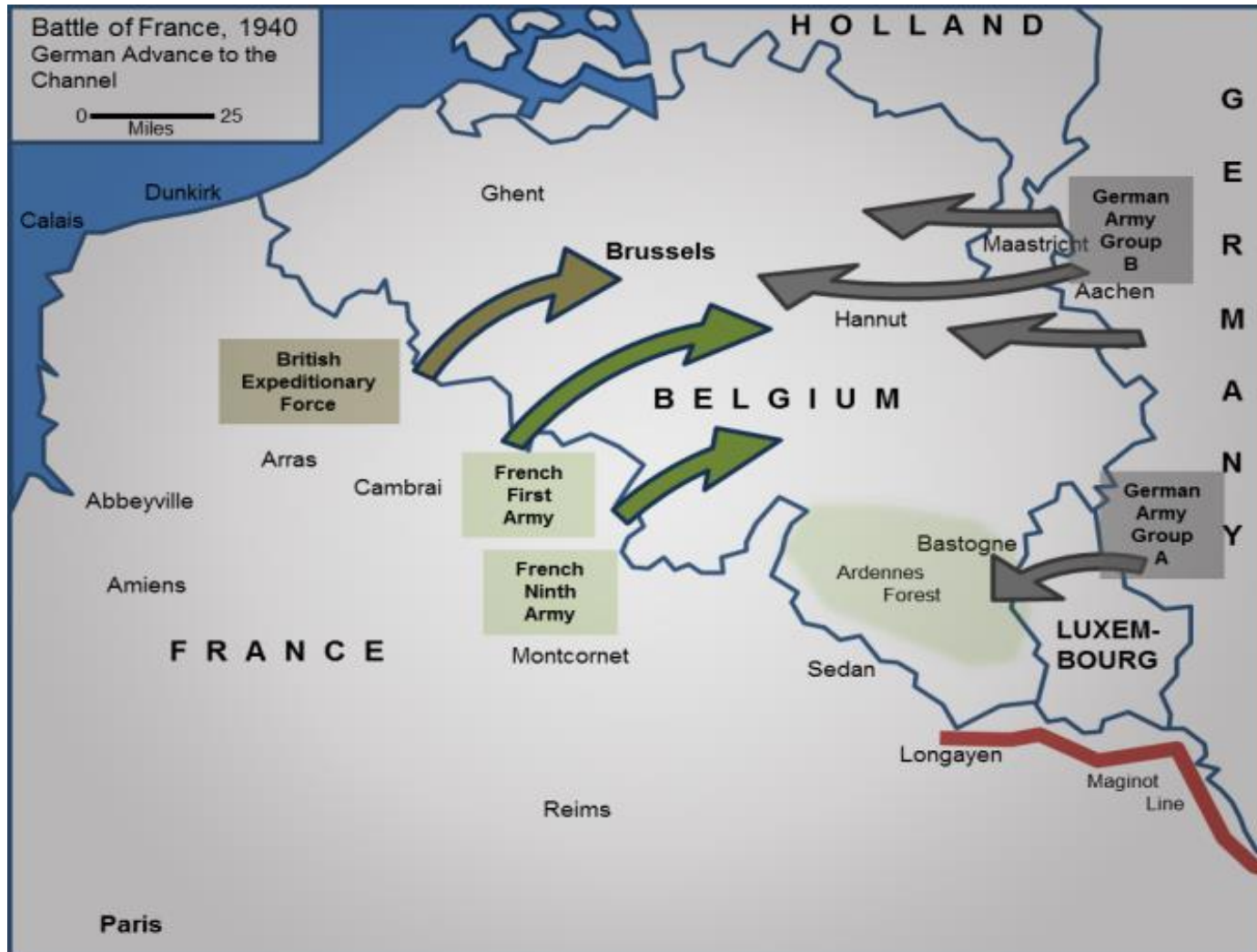


Positioning For Growth: Strategic Initiatives

- The **Maginot Line** named after the Andre Maginot the French Interwar Minister of Defense. ...a line of concrete fortifications, obstacles built by the French in the 1930s to stop the Germans in the event of another war
- French military experts extolled the Maginot Line as a work of genius, believing it would prevent any further invasions from Germany – considered impenetrable. Considered impervious to attacks, including aerial bombings and tank fire.
- ***Isolated voices, among them Charles de Gaulle criticized the delusion of the Maginot Line, advocating instead for investing in Mobility -Mobile Warfare techniques &equipment***

Positioning For Growth: Strategic Initiatives

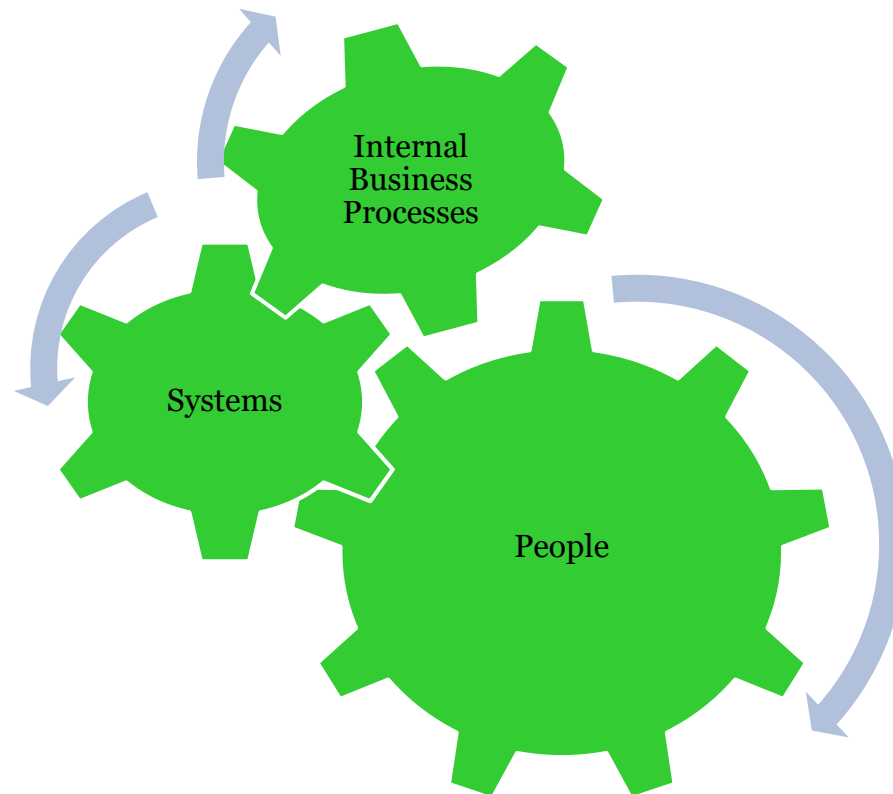
- The Maginot lineEmblem of Static Battle Plan



Positioning For Growth.....

Business Model Realignment

Interrogating the Business Model



Positioning For Growth

□ **Agility and Flexibility** – responding quickly to unanticipated changes -

The Fox vs Hedgehog.....

- Flexible (decentralized) decision making without losing control vs Top Down Centralized (Hedgehog) approach
- Unprecedented Times with unprecedented risks and opportunities
- Diversify funding sources and duration neutral – matching Funding Assets/liabilities
- **Prof. Savelle** – Gordon Business School

□ **VUCA**

- Volatility
- Uncertainty
- Complexity
- Ambiguity

Positioning For Growth

☐ Current Assets & Liabilities Management

▪ In the Kingdom of Deflation: Cash is King!

- i. In a deflationary period, the price of EVERYTHING declines – **which makes Cash the place to be.**
- ii. In deflation, when **asset prices are declining all around**, return ON capital is not nearly as important as return OF capital.
- iii. As asset prices plummet.....**Cash** can buy More; often at bargain prices
- iv. Cash as an asset is appreciating in real terms in deflation;
- v. Means debt too is getting heavier in real terms..... no nominal changes
- vi. Wage rigidities/stickiness.....nominal wages means real wages are increasing in deflation!**
- vii. Short term contracts.....prices can be renegotiated as demand changes

Positioning For Growth

□ **Current Assets vs Current Liabilities Management**

- i. Increase holding of working capital and reduce holding of real assets, including inventory/stocks
- ii. Reduce long term borrowing
- iii. Reduce duration of liabilities
- iv. Avoid fixed costs and where possible shift to variable costs;
- v. Diversify sources of revenue.. Income streams based on cash flows
- vi. Working creatively with both debtors and creditors to optimize on innovative financing arrangements
- vii. Fortify strong business relationships with customers and suppliers
 - o Share risks or take no prisoners

Positioning For Growth

□ Strategic Business Lines.....

- Not every business line brings optimum revenue
- Refreshing business lines
- Optimizing on Key lines that drive revenue growth
- Pareto Principle.....which lines give Max. return per \$
- A broad front vs a narrow Focus on performing products
- Not allowing other product lines to disappear

Positioning For Growth

☐ Cost Containment

- ✓ Game in town – Surgical Precision
 - ✓ Line by Line Cost cutting;
- ✓ Linked to Business process revamp;
 - ✓ Which costs can we do without and which costs to negotiate down
- ✓ Revisit agreements with all service providers....."lets survive together...."
- ✓ Wage adjustment.....???



Positioning For Growth

□ Value Innovation

- How to we redefine our Value Proposition.....
- To offer Value at lower cost
- Quite different from standard differentiation or cost leadership
- Offering a unique blend of value at affordable cost
- Probing customer tastes and creating new customer needs
- Creating New uncontested market place vs Red Ocean Strategy
- Popularized by ***W. Chan and Renee Mauborgne***.....
 - INSEAD Blue Ocean Strategy Institute

Positioning For Growth

□ Business Leadership

- Tidal wave of changes in the business environment has washed away many a great corporate entities
- **Kodak (2012)**....hanging too long to obsolete assumptions and old *shibboleths* (or trapped in a Time warp of old traditions) never fully grasped the impact of digital technology in the Photography business
- Recreating the business universe of an era long overtaken by new developments

Positioning For Growth

□ Business Leadership

- Can you tell when we are in trouble from a Strategy Mapping point of view:
 - i. We are overly consumed Swot/Swoc Analysis; PESTLE
 - ii. Porter's Five Forces Industry analysis Template
 - iii. Rudiments of Competitive advantage;
 - iv. Product based or loyalty to brands vs Customer loyalty
- These are still important but if they are the core of Strategy Mapping.....
- It is more about the Leadership capacity to ***see clearly the unseen*** in the Complex tapestry of the world of business
- *Do you have capacity to locate opportunities as arising from threads of discontinuities*
- Leadership in business is less about position; less what we learn at Univ. or Business school

Positioning For Growth

□ Business Leadership

- Asking questions repeatedly as it relates to Business Strategy mapping:
 - i. **What am I not seeing** about this business landscape;
 - ii. Where are the threads and patterns, types and discontinuities.....;
 - iii. What is changing about our customer tastes and preferences.....
 - iv. What are the fundamental issues driving changes in customer tastes and preferences.....are these near term or structural shifts
 - v. How do we achieve optimum deployment of resource
- Leadership in business is less about position; less what we learn at Univ. or Business school and more about vision & pragmatism

Positioning For Growth

□ Business Leadership:

- **Far Sightedness/ Foresight**

- Those in management with capacity for Farsightedness
 - J. M. Keynes and the Versailles Treaty Provisions
 - Theodore Herzl and the Dream of Diaspora Return

- **Cultivating a culture of TEAM**

- Right balance in Leadership/Management
- A team that works in concentric rings – mutually reinforcing

- Positioning and Marketing Strategies

- Innovation and Inventiveness

DENG XIAOPING.....Vision & Leadership...

坚持党的基本路线一百年不动摇



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- 1 • The Age Of Turbulence
 - 2 • The Global and Regional Economic Outlook
 - 3 • Domestic Economy – Deepening Deflation
 - 4 • Positioning For Growth: Strategic Initiatives
 - 5 • **The Macro Context**
 - 6 • Concluding Remarks

The Macro Context

□ The current Macro and business environment in Zimbabwe:

- Significant structural and Reform Agenda issues
- Grappling with symptoms, not underlying causes
- Government is work in progress, notably in respect of:
 - Doing Business Reforms;
 - Debt and Arrears Clearance Program
 - Potential Game Changer
 - Special Economic Zones & Focus on Investment
- Huge Gov. and Private Sector Consumption..... High absorption....
- Low Investment levels.....(IEE Measures & Policy Predictability)
- Structural constraintsenergy, power, transport.....High cost of business
- Exchange Rate Overvaluation
- Over liberalized environment since 2009



Beyond The Near Term Economic Recovery Prospects

□ Economy to rebound in the Medium Term On Condition:

I. Doing Business Reforms

II. Improving the Investment Environment

III. Business Costs Realignment

IV. Labour Laws Reforms

V. Re-Engagement with International Community;

i. Post LIMA

ii. External Debt and Arrears resolution;

VI. Review of IEE Measures.....

VII. Investment in Energy and Power

Economic Recovery Prospects

- **Debt and Arrears Clearance - Post-LIMA (Potential Game Changer)**
- Once the country clears its arrears the country regains access to international capital markets:
 - A program to assist Zimbabwe is likely to be in place
 - Clearing the external debt and arrears helps the country:
 - » Access to international financial markets
 - » Increase liquidity in the economy
 - » Reduce cost of capital by reducing country risk premium
 - » Receive BOP and Budgetary support
 - » The private sector will have access to international capital
 - » Investment in **agriculture and infrastructure** development

Rebalancing the Economy

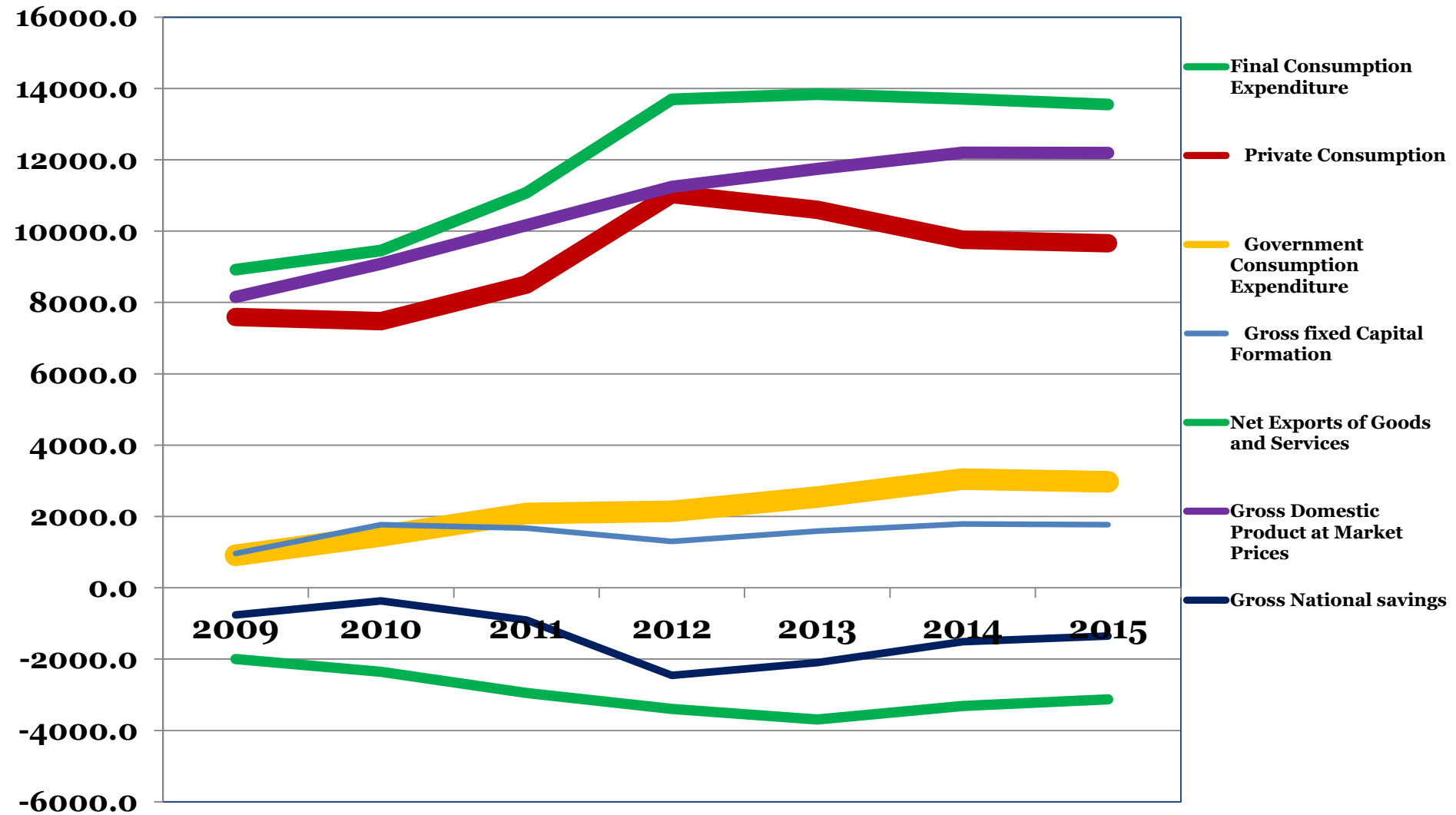


Macro Reform Program

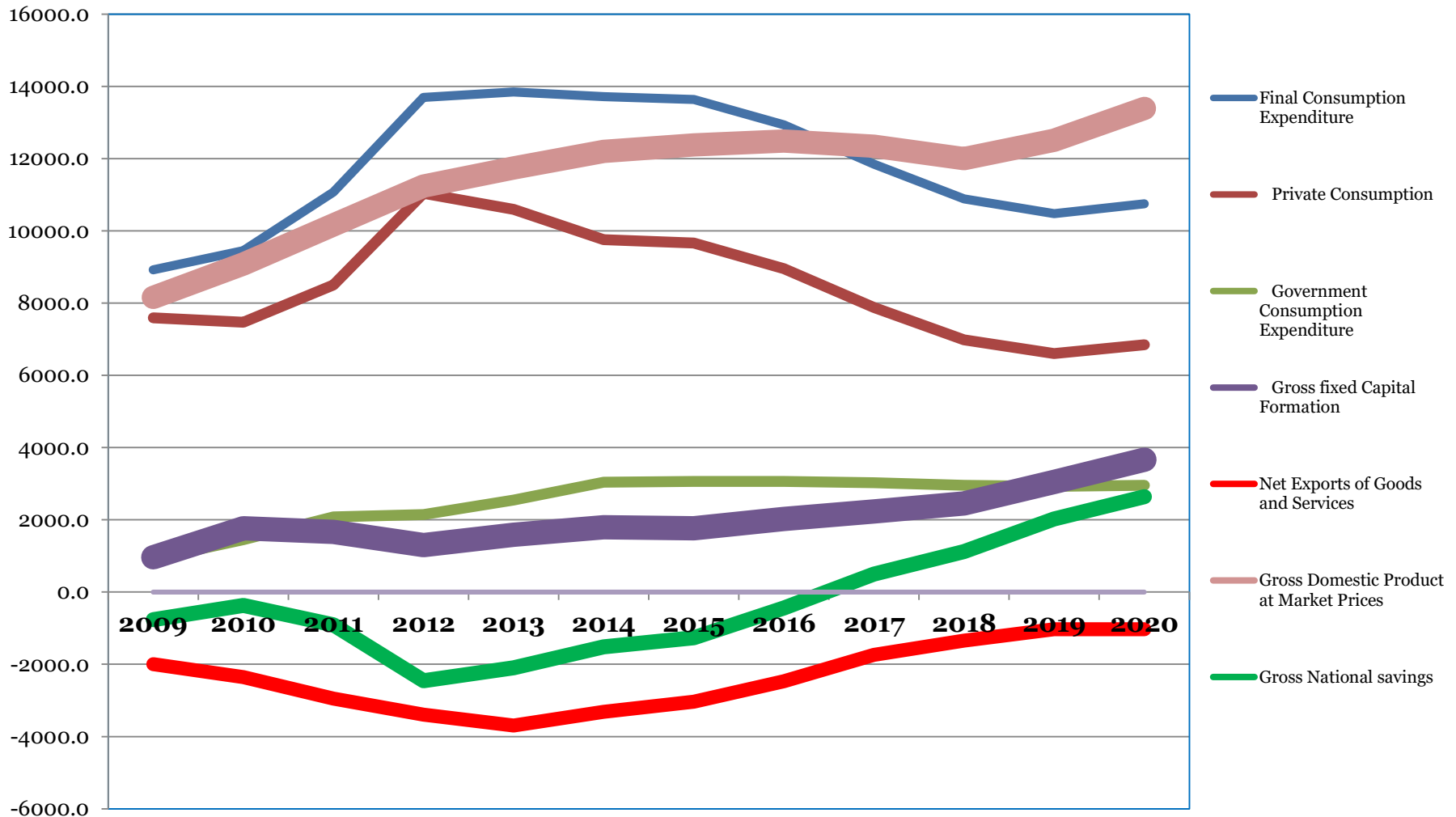
Rebalancing the Economy

- ❑ **But First Things First.....**
- ❑ **There is urgent need to rebalance the economy:**
 - **How:** Immediate measures to reduce surging **absorption** in the economy (defined as final private consumption and Government recurrent expenditures) by:
 - **Reduce** Private Consumptionunsustainable thirst for imports
 - **Reduce** Government current expenditure.....
 - Increase fiscal budget allocation to **Infrastructure investment , Capital Budget and Social services** – notably education and Health & Infrastructure in real terms
 - Promote a national savings culture.

Unbalanced Economy.....Unsustainable



Rebalancing The Economy



Rebalancing The Economy

- ❑ **What is required to rebalance the economy for sustainable growth?**
 - i. Debt and Arrears Clearance Program (Gov. is Work in Progress)
 - ii. Comprehensive Macro Economic Reforms
 - ✓ Civil service reforms & expenditure realignment;
 - ✓ SOEs reforms & commercialization;
 - ✓ Improving Doing Business Conditions
 - ✓ Focus on FDI and Investment (Special Economic Zones)... Investment Climate
 - ✓ Zero Tolerance For Corruption (Public & Private sector)
 - iii. Agriculture recovery and growth – Policy Measures For agriculture
 - iv. A Social Compact.....(Gov. Business and labor)
 - v. A shift from Us Dollar to Rand as the transacting currency
 - vi. Across the Board Economy wide wage/cost adjustment of **18 -20%**
 - vii. A Culture of National savings



Politics Remains the Big Elephant in the

Concluding Remarks

- ❑ The times & challenges ahead – Macro & Business environment
 - A business environment that takes no prisoners....
- ❑ Fresh Thinking, innovation, agility – new ways of doing business
- ❑ Do we have mechanisms to sieve and sift new ideas?
- ❑ Better to Have a Team than a SkyWalker “Lone Ranger”
- ❑ No short cuts in a US dollar environment.....
- ❑ Margins are thin; demand is falling.....
 - ❑ Re-alignment on spending

SIYABONGA. TATENDA. THANK YOU



Thanksgiving & Questions