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Zimbabwe's growth forecast falls

VICTORIA FALLS: Zimbabwe's Finance Minister Tendai Biti has cut the country's 2012 economic growth forecast to 4.0%, mainly owing to lower than expected agricultural production, local media said on Monday.

"New information shows that the growth rate of 5.6% announced in the mid-May review will be revised downwards to around 4.0%," Biti told lawmakers and business leaders in Victoria Falls ahead of the presentation of the annual budget for 2013.

"Due to drought, we have lost a third of maize production," the Daily News said in reference to one of the country's staple crops.

Last year, Biti said the economy was expected to grow by 9.4% in 2012 with help from revenue from the sale of diamonds, but in the middle of this year he slashed that forecast, citing weak earnings from gem sales.

Agriculture, the backbone of the economy, had been projected to grow by 11.6% this year but that estimate has been thrown out and officials now think that the sector will contract by 5.8%, Biti said.

Many farmers lost their crops following a long dry spell in the middle of the farming season.

Farming was hampered by shortages of fertiliser and seed, while some new farmers failed to buy enough stocks for their lands.

On a brighter note, Biti said that the mining sector was expected to grow by 16.7%, higher than the initial forecast of 15.9%.

Zimbabwe's domestic debt is $300m.

The state owes the power company Zimbabwe Electricity Supply Authority (ZESA) $30m, and the fixed telephone operator TelOne $60m.

Seed and fertiliser companies are owed $40m.

"This is a crisis," Biti acknowledged. "When you fail to pay creditors you create a gridlock."

He went on to say that the value of imports was projected to reach $7bn while a further $5bn was needed to revive the manufacturing sector.

Zimbabwe's economy is showing some signs of recovery from a nearly 10-year recession during which inflation officially peaked in 2008 at 231-million percent, after which the national statistics agency stopped recording it.

The economic situation and political tension in the aftermath of a bloody presidential run-off election forced President Robert Mugabe to accept a power-sharing government with rival, Prime Minister Morgan Tsvangirai.

The authorities have discarded Zimbabwe worthless local currency and approved use of foreign currency, mainly the dollar.

Biti said tax revenue collections to September were $2.5bn, lower than the government's target of $2.8bn.

He said that it would cost $14.2bn to repair the country's road, railway and power generation networks, which have been neglected for years.

Source: *AFP* via I-NET Bridge