Zimbabwe Economic Update: Recent Economic and Poverty Developments and Food Security
Overview

- The pandemic worsened economic challenges necessitating implementation of critical reforms
- The economy is expected to rebound in 2021 but poverty levels will remain elevated
- Coverage of social assistance programs remains limited
Recent economic growth was constrained by economic challenges, climate shocks, and the pandemic.

The economy contracted for two consecutive years.

The worst drought in a decade sharply reduced agriculture, electricity, and water storage in 2019.


...and even higher losses in the informal sector.

Fiscal consolidation helped to break away with unsustainable fiscal deficits and supported macroeconomic stability.

Fiscal accounts have remained broadly balanced since 2019

... while spending was reallocated to wages, social benefits, and public investment

Sources: MOFED, and World Bank staff estimates.
The monetary response during the second half of 2020 stabilized exchange rate and prices

The introduction of forex auction, reserve money targeting and other supporting measures stabilized parallel market rates

..contributing to the easing of inflationary pressures from August 2020

Sources: ZIMSTAT, RBZ and World Bank staff estimates.
However, reliance on imported food and maize remains significant

Imports of maize and food surged in 2020

... and remained high in 2021 despite expected bumper harvest

Sources: ZIMSTAT, and World Bank staff estimates.
Medium-term outlook points to economic recovery, although risks to the outlook are on the downside

Recovery is expected in the medium-term

... supported by stabilization of prices

Sources: ZIMSTAT, and World Bank staff estimates.
Poverty trends
Zimbabwe has a strong Poverty monitoring system based on ZIMSTAT’s ‘Poverty, Income, Consumption and Expenditure Surveys (PICES)

Rapid PICES telephone survey introduced in July 2020 (no consumption measurement)

*PICES = Poverty Income Consumption and Expenditure Survey

Note: PICES 2011 and PICES 2017 are robust year-round surveys. In the 2019 (face-to-face) and 2020-2021 (by telephone) surveys a subsample of the PICES households was re-interviewed during 1-2 months and data are only representative for those months. Telephone surveys were introduced across the world after the onset of Covid19, with support from the World Bank
The number of extreme poor people more than doubled between 2011 and 2020

• Extreme poverty rose from 23 percent in 2011/12 to 38 percent in April-May 2019. During 2017-2019 urban poverty rose faster than rural poverty in relative terms.
• Preliminary estimates suggest the number of extreme poor reached 7.9 million in 2020—49 percent of the population. This is driven by job and income losses in urban areas, and a deterioration of social services and a drop in agricultural production in rural areas.

Source: ZIMSTAT Poverty Update 2017-2019 and preliminary WB estimates
* The value of a basket of food items typically consumed by Zimbabweans that provides minimum energy needs (2200kcal/day/person)
Standard errors: 2017 (rural = 0.6%, urban = 1.3%); 2019 (rural = 2.9%, urban = 4.3%)
Note: Urban is based on the official classification and may exclude some of the densely populated peri-urban areas.

Sources: 2011, 2017 and April-May 2019 estimates – ZIMSTAT
*2019 and 2020 annual estimates are based on World Bank simulations
Zimbabwe’s international extreme poverty rate is higher than the average of Sub-Saharan Africa

Poverty headcount ratio at $1.90 a day (2011 PPP) (% of population) 2010-2020

Source: World Development Indicators (dots) combined with annual simulations for Zimbabwe (red triangles)
Between 2017 and April-May 2019 welfare dropped relatively more among the poorest and in urban areas...

Per Capita Consumption Growth Rate from 2017- April/May 2019 by welfare group (decile)

Consumption expenditure fell by 25% for the poorest ten percent of the population.

Consumption expenditure rose by 17% for the richest ten percent of the population.

Dramatic drops in welfare for all the urban population, but the poorest were hit hardest.

Source: World Bank, 2020
...and inequality rose

The richest 10% of the population consumes 40% of the total national consumption (April-May 2019)

The Gini Index of inequality is increasing rapidly: from 44 in 2017 to 50 in April-May 2019\(^1\)


\(^1\)Among the highest in Sub-Saharan Africa
Extreme poverty levels are likely to remain elevated

- Extreme poverty is likely to drop only marginally to 45% in 2022 as the scars from two years of recession, food insecurity, and the pandemic linger....
- The number of extreme poor is expected to drop marginally to 7.7 million in 2021 and 7.5 million in 2022.
  - Better harvest, but slow recovery of job losses
  - Continued fast population growth according to ZIMSTAT projections

Source: World Bank
* Based on ZIMSTAT/ UNFPA population projections which suggest an annual population growth of 2.35%
**Proportion of people below the national food poverty line of US$29.80 per person per month. Based on growth to poverty elasticities using the PICES 2017 as a basis. For 2019 micro-simulations were used based on the mini-PICES of April-May 2019
Imputation-based estimates from Rapid-PICES also suggest that the extreme poverty rate reached 49 percent in 2020.

Although, poverty is in general much lower in urban areas, urban poverty has risen faster than rural poverty in relative terms since 2017.

Rapid PICES phone survey post-Covid
The pandemic led to a substantial drop in employment

13% of those who were working pre-COVID no longer worked in July 2020. This was 18% for the urban population.

Employment had recovered slightly by March 2021 when 57% of the working-age respondents worked.

Employment status, July 2020 (%)

<table>
<thead>
<tr>
<th></th>
<th>National</th>
<th>Urban</th>
<th>Rural</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worked last week</td>
<td>51</td>
<td>61</td>
<td>45</td>
<td>54</td>
<td>43</td>
</tr>
<tr>
<td>Worked pre-COVID but not last week</td>
<td>13</td>
<td>18</td>
<td>10</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Did not work pre-COVID or last week</td>
<td>36</td>
<td>21</td>
<td>45</td>
<td>32</td>
<td>44</td>
</tr>
</tbody>
</table>

Employment status, March 2021 (%)

<table>
<thead>
<tr>
<th></th>
<th>National</th>
<th>Urban</th>
<th>Rural</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worked last week</td>
<td>57</td>
<td>66</td>
<td>51</td>
<td>62</td>
<td>49</td>
</tr>
<tr>
<td>Worked last month but not last week</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Did not work last month or last week</td>
<td>41</td>
<td>29</td>
<td>48</td>
<td>36</td>
<td>49</td>
</tr>
</tbody>
</table>

Source: ZIMSTAT Rapid PICES phone survey conducted in July 2020

‘Worked’ or ‘having a job’ is defined as doing any work for pay or to generate income

Source: ZIMSTAT Rapid PICES phone survey completed in March 2021
A significant share of households that wanted to buy basic food stuffs such as maize meal, cooking oil, or chicken was unable to do so. This share was much higher among rural households than urban households.

The most common reason was unaffordability.

A significant share of households still report reduced income from various sources

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proportion of households with reduced or no income since the onset of COVID-19 (round 1) or since last interview (rounds 2 and 3) (among the households reporting income from the source)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Round 1</strong></td>
<td><strong>Round 2</strong></td>
</tr>
<tr>
<td>Pension</td>
<td>28</td>
</tr>
<tr>
<td>Income from properties, investments or savings</td>
<td>55</td>
</tr>
<tr>
<td>Wages</td>
<td>44</td>
</tr>
<tr>
<td>Non-farm family business</td>
<td>87</td>
</tr>
<tr>
<td>Remittances from abroad</td>
<td>65</td>
</tr>
<tr>
<td>Assistance from family members in the country</td>
<td>75</td>
</tr>
<tr>
<td>Assistance from the government</td>
<td>54</td>
</tr>
<tr>
<td>Assistance from NGOs/charitable organizations</td>
<td>84</td>
</tr>
<tr>
<td><strong>% of households</strong></td>
<td><strong>% of households</strong></td>
</tr>
</tbody>
</table>
Food security has also improved but the level of insecurity remains high

More households were severely or moderately food insecure...

...especially in rural areas

Source: ZIMSTAT, Rapid PICES phone survey July 2020 and March 2021.
Coverage of social protection programs and humanitarian assistance is limited

Only half of the extreme poor indicated they received public spending programs and humanitarian assistance in April-May 2019.

About 10% of urban households had access to cash transfers in Sept ‘20 and March ‘21.

Around 20% of rural households received food aid in March ‘21.

Source: Based on Rapid PICES phone survey July 2020, September 2020, and March 2021

Source: Based on ZIMSTAT mini-PICES 2019 data
THANK YOU