

# Zimbabwe Business Forecast Report Q1 2015

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## Abstracts

### Core Views

The political emergence of President Robert Mugabe's wife Grace undermines Vice-President Joice Mujuru's leadership ambitions. A clearer picture of the ongoing power struggle will emerge after the ruling ZANU-PF party holds its congress in December.

Zimbabwean economic growth will remain constrained by political risk, policy uncertainty, low commodity prices and a depreciating South African rand. A clear mandate for a reformist regime following the December ZANU-PF conference presents upside risks to our 2015 real GDP growth forecast of 2.7%.

The Zimbabwean economy will remain near deflationary territory over the coming quarters owing to weak demand, a depreciating South African rand and low oil prices.

## Contents

Executive Summary  
Core Views  
Key Risks To Outlook

### **CHAPTER 1: POLITICAL OUTLOOK**

SWOT Analysis  
BMI Political Risk Index  
Domestic Politics  
Succession Question Nearing An Answer

The political emergence of President Robert Mugabe's wife Grace undermines Vice-President Joice Mujuru's leadership ambitions. A clearer picture of the ongoing power struggle will emerge after the ruling ZANU-PF party holds its congress in December.

TABLE: POLITICAL OVERVIEW

Long-Term Political Outlook

Mugabe's New Term: Key Challenges

Zimbabwe faces an uncertain political future following the resounding victory of President Robert Mugabe and his ZANU-PF party in the 2013. The main policy issues are likely to be the party's drive to indigenise the economy; questions about the independence of the judiciary and security services; and the Zimbabwean government's turbulent relationship with the West. The race to succeed the ageing Mugabe will also feature prominently in the years ahead.

### **CHAPTER 2: ECONOMIC OUTLOOK**

SWOT Analysis  
BMI Economic Risk Index  
Economic Activity  
Political Uncertainty, Weak Rand Weighing On Economy

Zimbabwean economic growth will remain constrained by political risk, policy uncertainty, low commodity prices and a depreciating South African rand. A clear mandate for a reformist regime following the December ZANU-PF conference presents upside risks to our 2015 real GDP growth forecast of 2.7%.

Table: Economic Activity

Monetary Policy

Inflation To Remain Near Zero Into 2015

The Zimbabwean economy will remain near deflationary territory over the coming

quarters owing to weak demand, a depreciating South African rand and low oil prices.

Table: Monetary Policy

Banking Sector

Banking Crisis Risks Growing

Increasing asset growth is not a sign that Zimbabwe's banks are returning to health as the source of this asset growth is not sustainable. The sector continues to face significant challenges arising from high non-performing loans and tight liquidity. The absence of a lender of last resort means risks of a major banking sector crisis remain high.

Regional Economic Outlook

Oil At USD60/bbl Would Be Negative For Region

Oil prices at USD60/bbl would have a harmful impact on Sub-Saharan Africa's economic growth outlook as the negative shock to the region's net oil exporters would be greater than the boost received by net oil importers. Exporters would face deteriorating fiscal and external positions, with Sudan particularly at risk. Importers would see their terms of trade improve and, in some cases, inflation decline. Kenya would likely be the biggest beneficiary of low oil prices.

## **CHAPTER 3: 10-YEAR FORECAST**

The Zimbabwean Economy To 2023

Policy Risks To Constrain Long-Term GDP Growth

The performance of the Zimbabwean economy will remain inextricably linked to the policy and political climate over the coming years. Although the trajectory of this is difficult to predict, at this juncture we believe that the economy will expand but only at a very subdued rate as much-needed foreign investment will remain at bay owing to nationalistic policies of the ZANU-PF dominated government.

Table: Long -Term Macroeconomic Forecasts

## **CHAPTER 4: OPERATIONAL RISK**

SWOT Analysis

Operational Risk Index

Operational Risk

Table: Operational Risk

Transport Network

Table: Sub-Saharan Africa - Transport Network Risks

Economic Openness

Table: Sub-Saharan Africa - Economic Openness Risk

Table: Imports  
Table: Top Export Partners

## **CHAPTER 5: BMI GLOBAL ASSUMPTIONS**

Global Outlook

Reality Check: Uncertainty Reigns

Table: Global Assumptions

Table: Developed States , Real GDP Growth , %

Table: BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH  
FORECASTS, %

Table: Emerging Markets , Real GDP Growth , %

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