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Zimbabwe open for shopping

SOMETHING extraordinary is happening in Zimbabwe. Supermarket shelves that were empty three months ago are once more stacked with produce.

Prices, practically doubling daily at one stage, have been going down.

The simple explanation for this apparent miracle in Zimbabwe's broken-down economy is that everything is now priced in US dollars or rands.

Zimbabwe's dollar, shrinking at a dizzying rate despite repeated efforts to relaunch it, has disappeared into nothingness, devoid of value except as a souvenir.

In late January, the Reserve Bank of Zimbabwe gave up trying to stem dollarisation of the economy, and let all companies and individuals conduct transactions in foreign currencies.

Until then, only authorised businesses were allowed to do so. But retailers and service providers were increasingly demanding payment in US dollars or dollar-based fuel coupons.

Then, in a bid to keep the country's currency alive, the bank announced further redenomination of Zimbabwe's dollar: one new unit for every trillion old units.

Bank governor Gideon Gono was adamant that other currencies would never overtake the Zimbabwean dollar, and it would remain "a fundamental economic pillar of our sovereignty".

More importantly, perhaps, was that he could print Zimbabwean dollars at will, and allocate them. His post, now at the centre of a political battle, became the most powerful in the country's distressed economy. But those Zimbabwean dollars have rapidly become irrelevant.

There have been cases before of a country throwing over its own currency and adopting someone else's. Panama, Ecuador and El Salvador, for instance, all use the US dollar. But Zimbabwe is unusual in allowing not one but several foreign currencies.

The rand, popular in Bulawayo, is also used in Harare for small change. Otherwise, the lowest US denomination available is the one dollar note.

Inflation in Zimbabwean dollar terms reached an annual rate of 231-million percent last July – when the authorities stopped counting – and galloped on well into sextillions.

The practice of adding zeros brought an initial spurt of inflation in dollars. The price of a half-litre bottle of mineral water doubled to $2, but has since dropped back to $0,80.

An unsystematic sampling this week produced a consistent story. Chipo, serving at the bakery counter of one Harare supermarket, said that before the change she was marking price increases on the blackboard as often as six times a day. Now prices were stabilising well below their dollar peak. A 20kg bag of maize meal was down from $13 to $10.

Three months ago, shelves were almost empty. Shopkeepers removed goods because they could not make a profit at government-controlled prices, and wholesale suppliers withheld deliveries as they were no longer willing to be paid in money that was plummeting in value by the hour.

Shortages were worsened by customers buying in bulk produce that they could then resell.

Checkouts are busy again now. Most customers buy only a few items at a time, but everybody has US dollars. Any suggestion of paying in Zimbabwean currency is laughed at.

Even small-time street sellers, who have proliferated in the meltdown of the formal economy, have bundles of US notes. Where they come from is a mystery economists find hard to explain.

As soon as the new unity government was inaugurated a month ago, Morgan Tsvangirai, leader of the Movement for Democratic Change and now prime minister, said public servants would all be paid in foreign currency. This included army personnel, who were getting restive at seeing the top brass getting hard currency while their pay was becoming worthless. Teachers, who had stopped going to work, finding that their salaries did not even cover their travel costs, could return.

The first payments came in vouchers for $100 a person. But banks, short of currency supplies, were reluctant to redeem more than $15. While banks do not have the dollars, people in the street somehow do. More than anything, this phenomenon reveals the extent of informal sales networks.

Anything that can be bought or taken into the country can be sold for hard currency. For many Zimbabweans, this sideline activity provides the only meaningful income.

"Everybody's selling something," said a young woman supermarket customer. She has a job, but like many others it has been cut back to 15 days a month. "You're practically working for nothing," she says.

Companies that do not generate foreign-currency income continue paying staff in Zimbabwean dollars. Others pay in mixed currency. Ida, a cashier, said she was still getting a Zimbabwean dollar income even though the shop traded in US dollars. She could use it on some transport, but for nothing else.

Even for US dollar earners there is often a big discrepancy between pay levels and living costs.

A recently promoted barman produced a pay slip showing net monthly pay of $68. Prices, meanwhile, are roughly the same as in a European capital, if not higher. A loaf of bread costs $1, a kilogram of rice $2,70.

Unions have been demanding steep pay rises. The wage bill at one hotel in Harare — a US dollar business — went up by 175% from one month to the next.

While food prices have settled down, state-run services such as telephones have increased their bills sharply, to the extent that customers are refusing to pay. With the switch to dollars, schools have reopened, but parents are flinching at the new fees.

And the government's promise to public sector workers is a risky one.

Economists reckon that without an injection of foreign exchange, the government's ability to honour its pledges in dollars will run out towards the end of next month.

White is a former Africa Editor of the Financial Times.