

Worse than we thought: IMF cuts Zimbabwe forecast further to -10.4%, but sees 4.2% recovery in 2021

NewZWire

June 30, 2020



Worse than expected: IMF sees Zimbabwe economy down 10.4%

Zimbabwe's economy will shrink by 10.4% in 2020, worse than the 7.4% estimated just two months ago, the IMF has said in a revised forecast that paints a dire picture for African economies this year.

It is the second time the IMF has lowered its estimate for Zimbabwe over the last half year. Before the full impact of COVID-19 became apparent, the Fund had forecast Zimbabwe to see only 0.8% growth this year. The IMF then revised its forecast to 7.4% in April, and now further down to 10.4%.

The Zimbabwe economy will recover 4.2% in 2021, the IMF predicts. In April, the IMF had predicted that Zimbabwe would record growth of 2.5% next year.

Finance Minister Mthuli Ncube, in a letter to the IMF in April, said Zimbabwe's economy could fall by as much as 20% as COVID-19 worsens the economic crisis.

African economies

The IMF's latest outlook warns that Africa is facing its worst crisis in decades. COVID-19 has knocked down commodity prices and hit tourism, two industries on which many African economies, Zimbabwe included, depend on.

“The outlook for 2020–21 is considerably worse than expected in April and subject to much uncertainty,” the IMF says.

Economic activity in Africa this year is now projected to contract by some 3.2%, two times worse than the 1.6% contraction anticipated in April.

“Across country groupings, growth is expected to fall the most in tourism-dependent and resource-intensive countries. Growth in non-resource intensive countries is expected to come to a near standstill,” says the report.

Incomes across Africa, per capita, will fall by 7% relative to expected levels back in October 2019. The incomes will fall to levels last seen nearly a decade ago.

Remittances are expected to drop by about 20%.

“This decline could have a substantial impact on the region given that remittances in the past few years have surpassed FDI and official development flows as the largest source of foreign income for the region, reaching US\$47 billion in 2019.”

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