

Zimbabweans told to defend and protect the local currency

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President Emmerson Mnangagwa says there is no going back from the Zimbabwe dollar



Zimbabwe has banned all foreign currencies, including the rand and the US dollar. Picture: REUTERS

In a New Year message to the nation, Zimbabwe's President Emmerson Mnangagwa told Zimbabweans to "defend and protect" the country's currency from collapse in 2020 but insisted there will be no re-introduction of other currencies.

The Zimbabwe dollar, which is not recognised outside the country's borders, was one of the worst-performing currencies in the world in 2019 after it plunged from 1:2.50, when it first started formal trading in February this year, to 1:15 on the interbank market.

It's even weaker on the black market, which is popular with most Zimbabweans, where it trades at 1:20 with the US dollar.

In 2009, hyperinflation, estimated to have reached 87 sextillion percent, prompted the government to ditch its sovereign currency in favour of a basket of foreign currencies anchored by the US dollar and the rand.

After using the multi-currency for 10 years, Zimbabwe returned to its local currency in 2019 but is now facing its worst economic crisis in a decade with triple-digit inflation and shortages of fuel, electricity and medicines, while drought has also left half the population in need of food aid.

In his New Year message, Mnangagwa appealed to Zimbabweans to protect the local currency from another rout saying “our own currency, the Zimbabwe dollar, must speedily take root.”

“There is no going back on mono-currency. Let us individually and collectively defend and protect it, a symbol of national pride and sovereignty,” Mnangagwa said.

His call comes as many businesses in Zimbabwe continue to price goods and services in US dollars, as they lack confidence in the local currency. Though it is now illegal to use foreign currency to buy local goods, many people still take the risk and some businesses charge in both US and Zimbabwe dollars.

Mnangagwa said the Zimbabwe government recorded some successes in achieving fiscal discipline in 2019, despite the economy’s challenges.

“The fiscal discipline we have installed under the second republic saw us rein in the budget deficit. The new trend of budget surpluses will continue and resources from there will be used to finance more public services such as healthcare facilities, schools, roads and related projects with a direct impact on people’s well-being.”

However, Harare-based economist John Robertson said Zimbabwe’s currency would be hard to stabilise as the official currency market is heavily influenced by the black market. “It is the black market that runs the economy in Zimbabwe. In fact, most of the foreign currency is found on the black market. So it makes it difficult to stabilise a currency that is run by speculators and opportunists’.”

Robertson said some companies in Zimbabwe are engaging in the dishonest practice of buying foreign currency from the formal market and trading it on the informal market to get a 20% to 25% profit. “Such practices lead to growth in money supply and do not help in stabilising the currency.”

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