

How conducive is the Zimbabwean economy to investment

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When looking at how productive a country is and/or can become, one aspect which can give a wealth of insight is a macroeconomic investment. This does not refer to an individual's investments in banks and the financial sector, but rather the investment in capital products that increase productivity and efficiency in the economy as a whole. This type of investment is one of the components of aggregate demand, which is the total demand for goods and services within a particular economy. It is thus a key driver of economic growth.

Interest rate, among other factors, influences investment. Many companies rely on loans from banks to purchase new equipment and buildings. Thus an increase in interest rates will have a carryover effect on businesses. The Reserve Bank of Zimbabwe (RBZ) raised the overnight interest rate to 70 percent earlier in the year. This move to tame inflationary pressures has made borrowing from banks more expensive for companies and thus making it more difficult to invest in new machinery which could potentially improve production and efficiency.

The supply of essential services or the lack thereof also affects investment. The bad weather experienced over the year as well, as the debt owed to providers have contributed to the supply of essential services, such as electricity suffering immensely. Zimbabwe Electricity Supply Authority (ZESA), the nation's power utility, has consequently failed to provide sufficient electricity to the nation. According to the Minister of Energy and Power Development, Minister Fortune Chasi, ZESA is currently owed an amount of ZWL\$1.2 billion by service users and has only managed to recover ZWL\$55 million. Consequently, ZESA has been forced to turn to other nations' power utilities for assistance, and in so doing have run up a debt of US\$70 million. Understandably, these other power utilities have cut back on the amount of electricity they are providing to Zimbabwe. This has led to a daily 18-hour load shedding schedule which affects consumers and businesses alike. Companies with systems that are either automated or computerised have had to rely on alternative energy sources, such as solar energy and generators. To add fuel to the fire, businesses have to make do with the frequent fuel price hikes. This extra cost to businesses means that profits are much lower, leaving less room for investment in new, exciting though risky projects.

Another factor which affects investment is the ease of doing business in an economy. According to the World Bank's 2019 Ease of Doing Business annual rankings, Zimbabwe is ranked 155 among 190 economies in the ease of doing business. This ranking is determined by regulatory performance under situations affecting the life of a business, such as when starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. A ranking of 155 means that the Zimbabwean economy is one of the least conducive to business operations, as the regulatory environment is among the least friendly. However, it is encouraging to know that the government, through the Minister of Finance and Economic Development, Honourable Prof. Mthuli Ncube, has

pledged to remove said regulatory, transactional and administrative hurdles.

The 2019 Global Competitiveness Report published by The World Economic Forum ranked Zimbabwe's economy as 127th most competitive economy out of 140. Competitiveness refers to the capacity of a country to effectively compete with other economies. This performance ranking is based on 12 pillars that fall under 4 main criteria. Under the first category, termed Enabling Environment, Zimbabwe was ranked 122nd out of 140. The pillars assessed in this category are institutions, infrastructure, ICT adoption, and macroeconomic stability. The second category, Human Capital, assesses pillars of health, and skills, and ranked Zimbabwe 126th out of 140. The third category, Markets, placed Zimbabwe 131st out of 140 and was graded using pillars of product market, labour market, financial system, and market size. The final grouping, which is called Innovation ecosystem, tested pillars of business dynamism and innovation capability, placed Zimbabwe 132nd out of 140.

The existence of corruption in a country deters investment. According to Transparency International, Zimbabwe is ranked 160th least corrupt country out of 180 countries, with a score of 22 out of 100. A score of 0 out of 100 is scored by a highly corrupt country, whilst a score of 100 out of 100 is scored by a country that is devoid of corruption. This places Zimbabwe among the most corrupt nations in the world, 21st most corrupt country to be more specific.

These rankings, as well as, the political and economic climate do not instill much confidence in the Zimbabwean economy and are sure to dissuade foreign investors from investing in the economy.

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