

Zimbabwe FM slashes growth forecast by half

HARARE: Zimbabwe's finance minister on Thursday slashed the 2015 growth forecast from 3.2 percent to 1.5 percent after a slump in farm produce due to drought.



"Economic growth is now projected to decelerate to below the original target," Patrick Chinamasa said in his mid-term budget statement to parliament.

"Deceleration in overall economic growth signifies the contribution of agriculture, and the need for drought-proofing the economy given adverse effects of climate change."

Earnings from agriculture, a top contributor to the economy, would decline by 8.2 percent this year, he said.

In November last year Chinamasa projected 3.2 percent economic growth this year up from 3.1 percent in 2014.

Total revenues for this year will be \$3.6bn down from the targeted \$3.9bn while the expenditure will be reduced from \$4.1bn to \$4bn, he said.

The country is also saddled with \$8.4bn in external and internal debts.

Chinamasa said the government was working on reducing its wage bill which takes over 75 percent of the budget to under 40 percent.

But despite the huge bloated wage bill, the country is struggling to pay its 230,000 civil servants and has often had to resort to shifting pay dates for workers, while waiting for money.

Zimbabwe's economy has been on a downturn for more than a decade with slow growth, low liquidity and high unemployment.

The International Monetary Fund earlier this year said Zimbabwe faced a "difficult" economic outlook.

Laws which require locals to hold majority stakes in all firms are also blamed for scaring off foreign investors.

Chinamasa called on the authorities to create a conducive environment to lure foreign investors.

"We also need to urgently tackle the bureaucratic hurdles that are hindering private sector growth, leading to low rankings in the ease of doing business indices," Chinamasa said.

Source: AFP

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