

Services snapshot

Zimbabwe



KEY SERVICES DATA¹, 2012

Services² share of industry value added 2013: **65%**
 Employment in services 2011: **29%**
 Trade in services³ contribution to GDP: **11%**
 Services share of total exports: **8%**
 Services export breakdown: **travel (50%), transportation (41%), other commercial services (9%)**
 Services import breakdown: **transportation (79%), other commercial services (15%), travel (6%)**
 Services exports: **US\$ 963 million**
 Services imports: **US\$ 359 million**
 Services trade deficit: **US\$ 604 million**

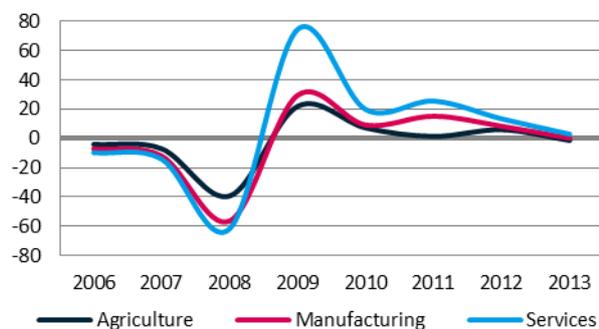
SERVICES AT A GLANCE

Between 2000 and 2009, negative GDP growth rates were registered, driven by, among others, the involvement in the DRC war between 1998 and 2002. After 2009, GDP growth rates averaged 9% p.a. before dropping sharply again to 2% p.a. in 2013, 7 times less than the 2011 growth rate.⁴

In value-added terms, services are the main contributor to GDP. The sector traditionally accounts for more than 50% of GDP and in 2013 it accounted for 65%. Since 2006, services value added annual growth rate has been higher than manufacturing and agriculture (see Figure 1).⁴ However, agriculture is the main employer: the latest registered agriculture sector share of the employment was 66% in 2011.⁵

The evolution of services imports and exports tended to be irregular until 2009 when a more definite path can be identified. Between 2009 and 2011 both services imports and exports steadily increased with imports being larger and growing faster than exports thus generating an increasing **services trade deficit**. The average annual growth rate was 31% for services imports and 17% for services exports. Thereafter, between 2011 and 2012, imports decreased and the services trade deficit started decreasing since exports

Figure 1. Trends in value added growth rates



remained steady. The services share of exports is following a downward path: between 2009 and 2013 it decreased from 10% to 8%.⁶

The main services exports are travel services (a proxy for tourism) accounting for around 50% of services exports since 2004, followed by transportation. On the import side, transportation is dominant at 79% of services imports in 2012. The transport services share of services imports have been over 65% since 2002.⁶

SERVICES SUBSECTORS

Financial services

Given the underperforming economy and declining economic indicators over the past decade, the financial sector situation was regarded as grave by the IMF in 2009. Since 2010, the sector has been recovering. Zimbabwe boasts a rather developed infrastructure for financial and banking services, following South Africa with respect to financial services skills in the region. The Stock Exchange is one of the leading stock markets in Africa.⁷

Trade in insurance and financial services is in surplus. Before 2008, the trade surplus averaged US\$ 10 million. After 2008 only data on insurance services are available. Figure 2 shows the insurance and financial services trade surplus until 2008 and the insurance services trade surplus from 2009 onwards. The latter was US\$ 1.5 million in 2009 and has hovered around this level thereafter.⁶

Communication services

Since 2000 there has been a dramatic increase in mobile cellular subscriptions. Between 2007 and 2012 the number grew almost tenfold from 10 mobile cellular subscriptions per 100 inhabitants in 2007 to 96 in 2012. The rate of telephone lines per 100 inhabitants has averaged 2% since the end of the 1990s.⁴ There are currently 3 main mobile operators

Figure 2. Financial services share in services trade

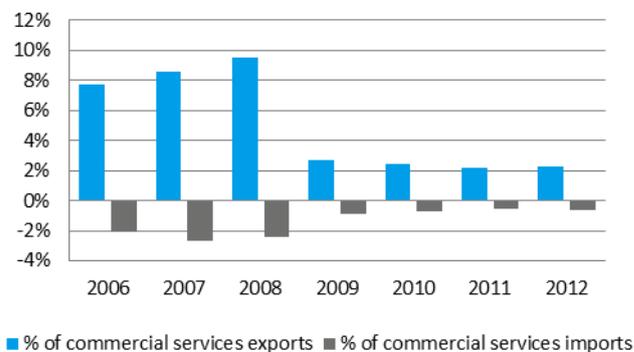


Figure 3. Communication services share in services trade

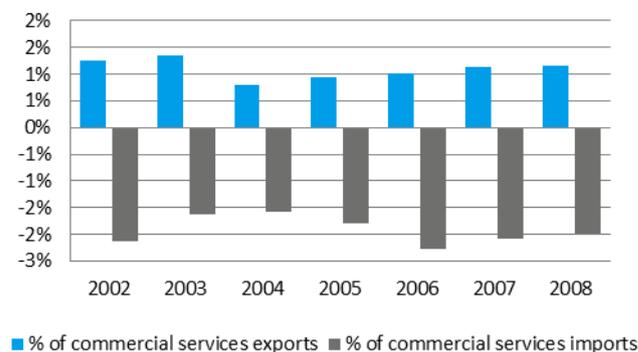
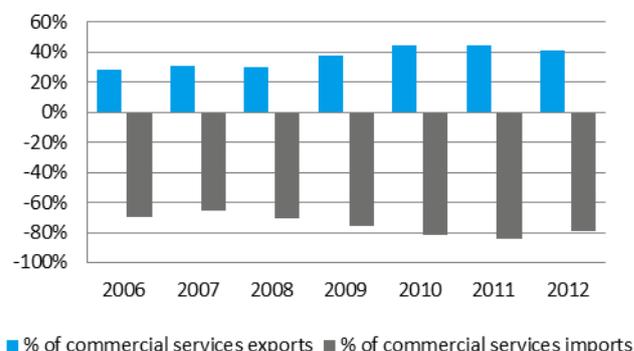


Figure 4. Transport services share in services trade



in the market, namely Econet, Net One and Telecel. All of them provide for 2G, 3G, GPRS and Enhanced Data GSM Environment (EDGE) services. All providers use their own network, resulting in a fragmented market and increased price of services.⁷

Internet penetration is considerably less than for mobile phones. In 2013 there were 19 Internet users per 100 inhabitants: this was already a 60% increase from 2009. Less than 1 fixed broadband Internet subscriber per 100 inhabitants and 3 secure Internet servers per 1 million people were recorded in 2013.⁴ In the same year, 7% of households were recorded as owning a computer and 5% had Internet access at home.⁸

Trade in communication services is in deficit. Communication services have accounted for 1% of services exports and 2% of services imports since 2000.⁶

Transport services

Transportation dominates services imports with a share of services imports over 65% since 2002. In 2012 the share was 79%.⁶

Infrastructure remains underdeveloped. The Government's indigenization policy as well as Fast Track Land Reform Programme undermine the business environment and discourage international investment. However, more private participation in the sector has been increasingly enabled. This has had a positive effect on development and the quality of infrastructure for transport services.⁷

Road transport plays an important role in distribution of imports and exports as well as transit of freight, especially along the Pan-Africa Highway. National Railways of Zimbabwe (NRZ), however, also has a central role in regional trade as Zimbabwe serves as a transit hub thanks to its favourable location between Zambia, Botswana, South Africa and Mozambique. Moreover, Zimbabwe ranks among the leading

countries in the region for usage of computerized customs clearance systems.⁷

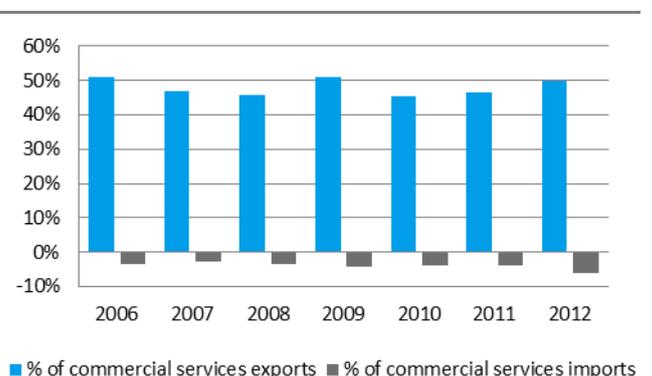
Zimbabwe is a net importer of transport services. The trade deficit gradually increased until 2011 reaching US\$ 808 million. In 2012 it fell to US\$ 618 million, given a decrease in imports and a progressive increase in exports (see Figure 4).⁶

Tourism

Tourism is not only one of the most important economic drivers, but also an essential source of employment, embodying much potential for poverty reduction. Travel services have been around 50% of total services exports since 2004 whereas travel services share in services imports is traditionally less than 5% (see Figure 5). In 2012 the **trade surplus on travel services** was US\$ 119 million.⁶

In 2013, the tourism industry generated 8% of total employment and contributed 11% of GDP.⁹ The sector's contribution to GDP has been on the rise since 2009, and is forecast to contribute 15% to GDP in 2015.⁷

Figure 5. Travel services share in services trade



FOREIGN DIRECT INVESTMENT (FDI)

Despite the devastating effect of political and economic struggles on investment inflows just over a decade ago, in more recent years FDI inflows have been increasing. In particular, FDI net inflows more than doubled from US\$ 166 million to US\$ 400 million between 2010 and 2011.⁴

The main inflows of FDI originate from China, South Africa and Mauritius¹⁰, with China constituting more than 50% of the proposed projects.¹¹ The sectors attracting most investment have been mining, construction and manufacturing. Inflows to tourism, transport and other commercial services sectors have also been significant.⁷

Zimbabwe has potential for successfully attracting FDI but the high cost of doing business is a major deterrent.¹¹ The World Bank ranked Zimbabwe 171st out of 189 economies in the Ease of Doing Business Index 2014.¹²

FOOTNOTES / SOURCES

1. Key data derived from: UN statistics division – National Accounts Official Country Data, ILOSTAT – LFS – Labour Force Survey, WTO Trade Profile, ITC Trade Map.
2. The services percentage of industry value added includes construction and utilities.
3. All trade data is for commercial services. Data for all figures derived from Trade Map (ITC, UNCTAD, WTO joint dataset).
4. World Bank - World Development Indicators.
5. ILOSTAT – LFS – Labour Force Survey.
6. ITC Trade Map.
7. WTO Secretariat, Trade Policy Review, Zimbabwe.
8. ITU, Country Profile, Zimbabwe (2013).
9. World Travel and Tourism Council. Travel and Tourism, Economic Impact, Zimbabwe (2014).
10. Zimbabwe Investment Authority, FDI in Zimbabwe.
11. African Development Bank - African Economic Outlook, Zimbabwe (2014).
12. World Bank Group – Doing Business Index, June 2014.



For additional information

Contact person: Jane Drake-Brockman, Trade in Services Senior Officer
E-mail: drake-brockman@intracen.org
Telephone: +41-22 730 0446

Street address: ITC, 54-56 Rue de Montbrillant, 1202 Geneva, Switzerland
Postal address: ITC, Palais des Nations, 1211 Geneva 10, Switzerland
Internet: www.intracen.org