

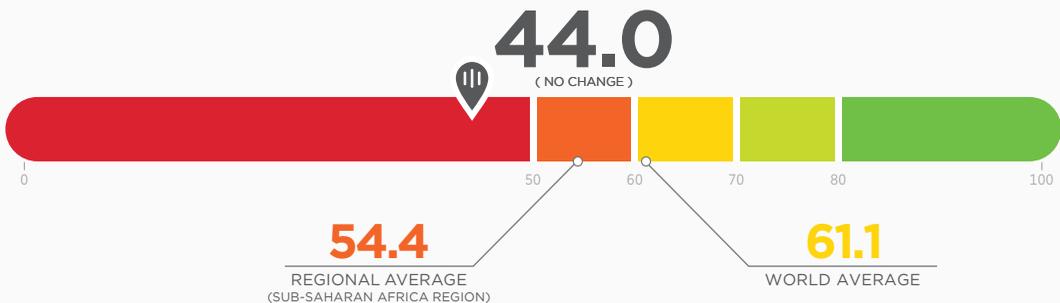
ZIMBABWE

WORLD RANK: **174** | REGIONAL RANK: **44**
 ECONOMIC FREEDOM STATUS: **REPRESSED**

Zimbabwe's economic freedom score is 44.0, making its economy the 174th freest in the 2018 *Index*. Its overall score has not changed, with significant improvements in scores for the **trade freedom** and **judicial effectiveness** indicators exactly offset by a plunge in **fiscal health**. Zimbabwe is ranked 44th among 47 countries in the Sub-Saharan Africa region, and its overall score is below the regional and world averages.

Zimbabwe's economy is characterized by instability and volatility, both of which are hallmarks of excessive government interference and mismanagement. Massive corruption and disastrous economic policies have plunged the country into poverty. An inefficient judicial system and general lack of transparency severely exacerbate business costs and entrepreneurial risk. The government will likely adopt desperate short-term measures to stave off economic collapse, possibly including a unilateral de-dollarization that would reopen the door to hyperinflation, further crippling the private sector and severely undermining macroeconomic stability.

ECONOMIC FREEDOM SCORE



NOTABLE SUCCESSES:
Monetary Stability

CONCERNS:
Rule of Law, Open Markets, and Business Freedom

OVERALL SCORE CHANGE SINCE 2014:
+8.5

FREEDOM TREND



QUICK FACTS

POPULATION:
14.5 million

GDP (PPP):
\$28.6 billion
0.5% growth in 2016
5-year compound annual growth 4.1%
\$1,970 per capita

UNEMPLOYMENT:
5.1%

INFLATION (CPI):
-1.6%

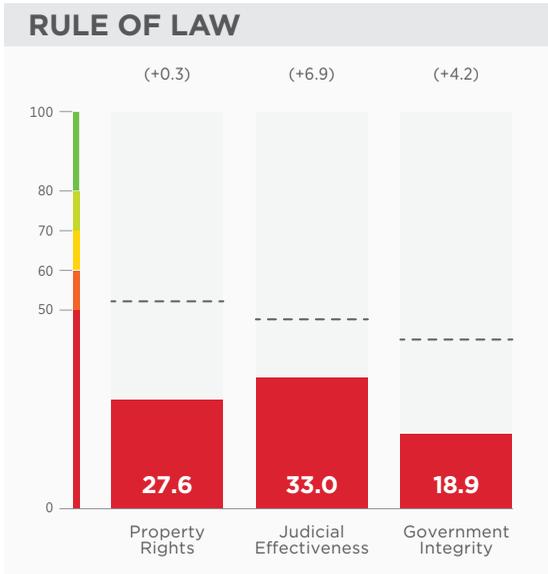
FDI INFLOW:
\$319.4 million

PUBLIC DEBT:
75.3% of GDP

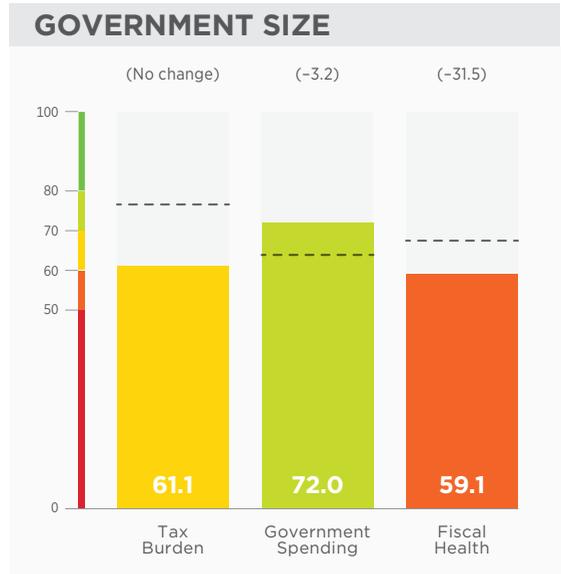
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: The former British colony of Rhodesia became the fully independent Zimbabwe in 1980. Long-time President Robert Mugabe of the Zimbabwe African National Union-Patriotic Front (ZANU-PF) was forced from office in November 2017 and replaced by former Vice President Emmerson Mnangagwa. The economy depends heavily on mining and agriculture, but political instability and protracted economic underperformance have caused a sharp rise in unemployment. The white population, which numbered almost 300,000 at the time of independence, has dwindled to fewer than 30,000.

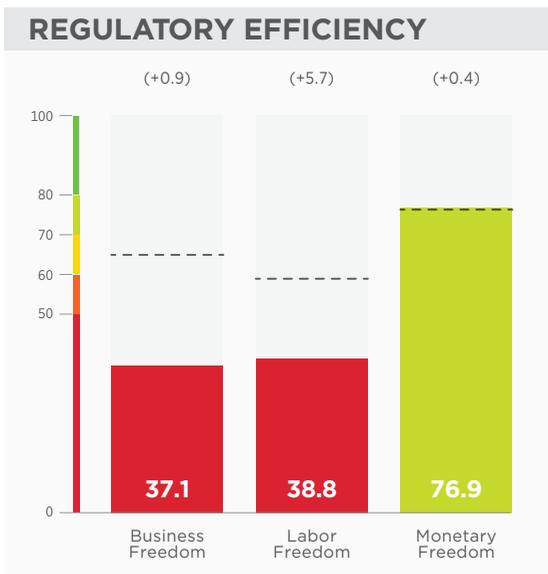
12 ECONOMIC FREEDOMS | ZIMBABWE



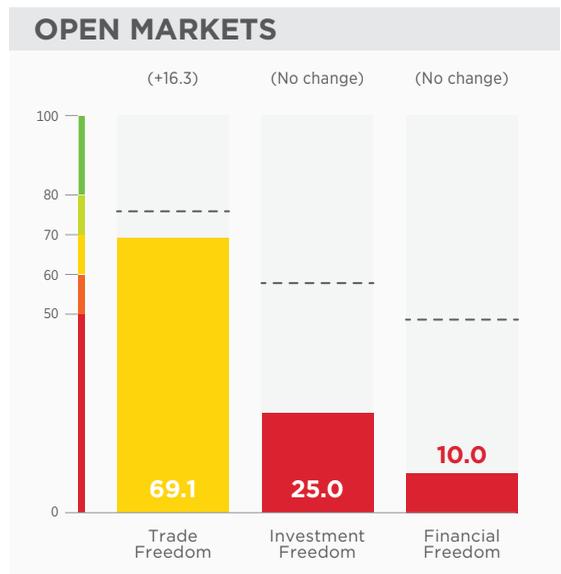
Property rights are not respected. The government enforces interests in residential and commercial properties in cities, but this is not the case with agricultural land. Although the executive branch has exerted considerable pressure on the courts over the years, a recent series of rulings appears to reflect increasing judicial independence. Nevertheless, corruption remains a severe problem at every level of government.



The top personal income tax rate is 51.5 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 24.8 percent of total domestic income. Over the past three years, government spending has amounted to 30.6 percent of total output (GDP), and budget deficits have averaged 4.3 percent of GDP. Public debt is equivalent to 75.3 percent of GDP.



The government routinely expropriates land without compensation, and inconsistent application of “indigenization” and other regulations has severely discouraged business activity. Labor laws are extremely rigid. The government’s increasingly desperate short-term measures to address the country’s economic collapse include higher subsidies.



Trade is significant for Zimbabwe’s economy; the combined value of exports and imports equals 60 percent of GDP. The average applied tariff rate is 5.4 percent. Nontariff barriers significantly impede trade. Foreign ownership levels are capped, and sectoral restrictions impede foreign investment. Extensive state involvement in financial decisions and ongoing political instability have caused a notable contraction of the financial sector in recent years.