BIZCOMMUNITY

Currency crashes, so barter's better

Zimbabweans are switching to barter, payment in kind and the use of foreign currencies, such as neighbouring South Africa's rand, instead of the local dollar to survive hyperinflation and the accelerating economic meltdown.

Harare - Zimbabwe's currency is still officially pegged at Z$250 to one US dollar; early last week the informal market price was about Z$100,000 to US$1, but by yesterday, Monday 25 June it had crashed to Z$400,000 against the US dollar. In January this year US$1 was being traded for Z$3,000.

The country's inflation rate - the highest in the world - is officially at more than 3,700%, although independent economists believe the real rate of inflation is around 20,000% and could reach 1.5 million% by the end of 2007.

Purses and wallets have become redundant; Zimbabweans have been using shopping bags, suitcases, sacks and other large containers to carry cash. Bank tellers are hidden from view by huge piles of the increasingly worthless currency as long queues wait to withdraw as much as they can in an attempt to beat the galloping inflation that has crippled the country, once a regional economic powerhouse.

Conversations in banking halls are drowned out by the constant drone of money-counting machines - importing the machines is one of the few remaining growth industries, but this mini-boom could also be ending, as Zimbabweans are increasingly forced to resort to barter, payment in kind and using foreign currencies.

Barter

"We pay for soybeans and can swap one ton for a drum of fuel," said a recent advert in the state-sponsored daily newspaper, *The Herald*; bartering is becoming commonplace as individuals, traders and markets seek an alternative method of determining value.

Thomsen Siziba, a newly resettled farmer in the prime farming area of Chegutu, Mashonaland West Province, told IRIN that farm workers no longer wanted to be paid in cash, but rather in kind.

"The gazetted (monthly) wages for farm workers is about Z$70,000 (US$0.17 at the current parallel market exchange rate of Z$400,000 to US$1) - which basically is not enough to buy two litres of cooking oil, which costs Z$350,000 (US$0.87) - or a bar of soap, which costs Z$270,000 (US$0.67), or a bottle of beer which costs Z$75,000 (US$0.18)," he said.

Siziba said they knew the economy was collapsing and "a lot of the farm workers say they no longer want long-term contracts which would tie them to me; the farm workers say they would rather work for food and clothing handouts instead of money, which they say is now worthless".

More than a third of the population will require food assistance by early next year, according to a recent joint report by the UN Food and Agriculture Organisation and the UN World Food Programme.

Ditching the Zimbabwean dollar

Onward Chabvepi, a vegetable hawker in the capital, Harare, told IRIN he had lost confidence in both President Robert Mugabe's ruling ZANU-PF government and the local currency.

"The prices of just about everything are increasing every day. I am not a sophisticated economist, but one thing that I know is that our currency is now worthless, and that it is safer to convert most of the money which I earn to South African rands, the US dollar or the Botswana pula, which are much more stable currencies."

A tenant in Belvedere, an up-market suburb of Harare, told IRIN his landlord had given him notice that from July his rent should not be paid in Zimbabwean dollars but in fuel, which currently sells for about Z$220,000 a litre. His monthly rent will now cost him 80 litres of petrol, or Z$17.6 million (US$44).

Analysts said the growing use of the South African rand or US dollar for day-to-day trading was a watershed in Zimbabwe's economic malaise. "It's a clear sign that people no longer have confidence in the Zimbabwean dollar," said Prof Tony Hawkins of the Graduate School of Management at the University of Zimbabwe.

He said the hyperinflation cycle, fuelled by the government's printing of money, has led to too much currency in circulation and people were opting to keep their money in foreign currencies that were more secure.

"The key cause of inflation is government and the central bank printing money - they are no longer publishing the figures of the total money in circulation," he said.

Hawkins told IRIN that although some people were engaging in barter trade, the chances that it would become widespread were minimal. "Logically, you could see that happening, but on a wider scale people prefer to sell their products in foreign currency, which is more secure and does not lose its value."

Post-Mugabe era

Since 2000, more than a quarter of the population - over three million people - are believed to have migrated to neighbouring countries in search of work, or further afield to England and the United States. Only one in five people in Zimbabwe is employed.

Industry and International Trade Minister Obert Mpofu told IRIN: "As government, we are concerned about the daily price increases and we have set up a taskforce that will work with security ministries and curb the price increases. They will also investigate the causes of basic commodities shortages, which are only found on the black market." Cross-border buying has also increased.

The freefall of Zimbabwe's economy has many commentators believing that the endgame of Mugabe's 27-year rule is at hand, and cite last week's talks in South Africa between the main opposition party, the Movement for Democratic Change, and representatives of the ZANU-PF government as an indicator of this.

Donor countries, including Britain, the former colonial power until 1980, are reportedly compiling a list of Zimbabwe's requirements in a post-Mugabe era, although there is no indication that Mugabe is contemplating stepping down from office and has publicly stated that he intends running in presidential elections scheduled for next year.

A US$3billion, five-year stabilisation programme, which includes food aid, land reform and health assistance, would be required, according to reports.

Article courtesy of [IRIN]