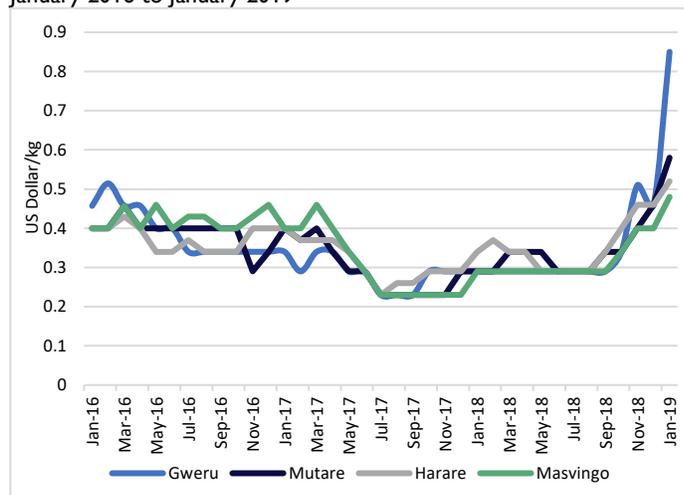


*Sharp macroeconomic decline expected to drive high prices and humanitarian assistance needs*

In October 2018, new monetary and fiscal policies were implemented in Zimbabwe in an attempt to combat persistent liquidity constraints. These policies were followed in January 2019 with a 150 percent increase in fuel prices. As a result of these actions, food and non-food prices have increased notably, and the January fuel price increase triggered widespread protests. Furthermore, poor households are accessing lower than normal agricultural labor opportunities given poor seasonal performance since October, and many are likely to harvest crops later than normal in May. FEWS NET expects that an above-average number of people will be in Crisis (IPC Phase 3) or worse through the peak of the extended lean season in April. During the May to June harvest, food security will likely improve, though needs will still be higher than normal. Humanitarians should prepare for above-average assistance needs in 2019 and anticipate above-average food prices in areas receiving cash/voucher assistance.

**Figure 1.** Retail prices of maize grain in four reference markets, January 2016 to January 2019



Source: Ministry of Lands, Agriculture, Water, Climate, and Rural Resettlement

New monetary and fiscal policies announced by the Reserve Bank of Zimbabwe and the Ministry of Finance and Economic Development in October 2018 sought to combat Zimbabwe’s persistent liquidity constraints. These policies included the separation of Nostro Foreign Currency Accounts from local Foreign Currency Accounts (RTGS), and the application of a two cent per dollar tax on mobile and electronic transactions, up from a previous charge of five cents per transaction. The former action led to the depreciation of the RTGS, including bond notes, to near four bond notes/USD on the parallel market. These policies also led to a spike in prices of food, fuel, and other key commodities. However, food supplies were somewhat stabilized in late October when the Government of Zimbabwe (GoZ) lifted the two-year import ban on food and non-food commodities.

In mid-January, the macroeconomic situation further deteriorated after the GoZ announced a 150 percent increase in petrol and diesel prices. In addition to triggering protests, the increase in fuel prices led to transport fees more than doubling and food and non-food prices increasing further. By January 2019, maize grain prices had increased 50–200 percent from September 2018 (Figure 1), with one of the largest increases in Gweru, which is operating more heavily in bond notes and reportedly has a low maize supply. The prices of sugar, wheat flour, and bread increased between 35 and 100 percent in key markets between the same months, while cooking oil prices increased over 300 percent. Prices are similar to or higher than those observed in mid-2016, though unlike mid-2016, many markets are currently facing shortages of basic commodities.

Most food and non-food prices are expected to increase and remain well above average through at least March 2019 and will likely range between 50 and 100 percent above average. Given the increased cost to suppliers in transporting their products and milling grains, the costs of basic commodities in rural areas have increased significantly and in some cases are considered prohibitive for poor households. Furthermore, the GoZ has announced that a Zimbabwean currency will likely be introduced in 12 months. Given that policies and structures are not yet in place for this transition, the announcement casts further uncertainty on markets, which could contribute to continued price volatility for much of the 2019/20 marketing year (April to March).

In addition to the poor macroeconomic conditions, the 2018/19 agricultural season has started poorly, with widespread rainfall deficits of 15–45 percent below the long-term averages observed across the country. This has resulted in lower than normal agricultural labor opportunities for poor households who rely on this as a key source of income during this time of year.

Furthermore, given late planting in many areas, harvesting of crops is likely to occur later than normal in May rather than April, extending the 2018/19 lean season.

Prior to these events, FEWS NET already expected higher than normal needs during the 2018/2019 lean season due to poor 2017/18 production that is resulting in atypically high market dependence for many poor households. Following the recent deterioration in macroeconomic conditions, it is now expected that above-average food prices, shortages of some commodities, and lower than normal income will drive even higher needs than initially anticipated. Overall, FEWS NET expects that the number of people likely to face Crisis (IPC Phase 3) or worse will be higher than average in 2019.