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As Inflation Soars, Zimbabwe Economy Plunges

By MICHAEL WINES

JOHANNESBURG, Feb. 6 — For close to seven years, Zimbabwe's economy and quality of life have been in slow, uninterrupted decline. They are still declining this year, people there say, with one notable difference: the pace is no longer so slow.

Indeed, Zimbabwe's economic descent has picked up so much speed that President Robert G. Mugabe, the nation's leader for 27 years, is starting to lose support from parts of his own party.

In recent weeks, the national power authority has warned of a collapse of electrical service. A breakdown in water treatment has set off a new outbreak of cholera in the capital, Harare. All public services were cut off in Marondera, a regional capital of 50,000 in eastern Zimbabwe, after the city ran out of money to fix broken equipment. In Chitungwiza, just south of Harare, electricity is supplied only four days a week.

The government awarded all civil servants a 300 percent raise two weeks ago. But the increase is only a fraction of the inflation rate, so the nation's 110,000 teachers are staging a work slowdown for more money. Measured by the black-market value of Zimbabwe's ragtag currency, even their new salaries total less than 60 American dollars a month.

Doctors and nurses have been on strike for five weeks, seeking a pay increase of nearly 9,000 percent, and health care is all but nonexistent. Harare's police chief warned in a recently leaked memo that if rank-and-file officers did not get a substantial raise, they might riot.

In the past eight months, "there's been a huge collapse in living standards," Iden Wetherell, the editor of the weekly newspaper Zimbabwe Independent said in a telephone interview, "and also a deterioration in the infrastructure — in standards of health care, in education. There's a sort of sense that things are plunging."

Mr. Mugabe's fortunes appear to have dimmed as well. In December, the ruling party that has traditionally bowed to his will, the Zimbabwe African National Union-Patriotic Front, balked at supporting a constitutional amendment that would have extended his term of office by two years, to 2010. The rebuff exposed a fissure in the party, known as ZANU-PF, between Mr. Mugabe's hard-line backers and others who fear he has brought their nation to the brink of collapse.

The trigger of this crisis — hyperinflation — reached an annual rate of 1,281 percent this month, and has been near or over 1,000 percent since last April. Hyperinflation has bankrupted the government, left 8 in 10 citizens destitute and decimated the country's factories and farms.

Pay increases have so utterly failed to keep pace with price increases that some Harare workers now complain that bus fare to and from work consumes their entire salaries.

Citing a leaked central bank document, Reuters reported Tuesday that prices of basic items like meat, cooking oil and clothes had risen 223 percent in the past week alone.

Soaring costs have made it impossible for both national and local governments to meet budgets and for businesses to afford raw materials, while subsidies for basic commodities have drained the government treasury and promoted corruption.

Seeking to revive farm production, for example, the government sells gasoline to farmers at a bargain rate of 330 Zimbabwe dollars per liter — and farmers promptly resell it on the black market for 10 times that, leaving their fields idle.

Mr. Mugabe, who blames a Western plot against him for Zimbabwe’s problems, has rejected all calls for economic reform. The government refuses to devalue Zimbabwe’s dollar, which fetches only 5 to 10 percent of its official value on the thriving black market. As a result, foreign exchange to buy crucial imported goods like spare parts and fertilizer has effectively dried up.

Despite acceptable rains, one international aid official said, Zimbabwe’s corn crop is currently lagging behind last year’s — and that harvest was among the worst in history. The official spoke on condition of anonymity because the assessment had not been made public.

The central bank’s latest response to these problems, announced this week, was to declare inflation illegal. From March 1 to June 30, anyone who raises prices or wages will be arrested and punished. Only a “firm social contract” to end corruption and restructure the economy will bring an end to the crisis, said the reserve bank governor, Gideon Gono.

The speech by Mr. Gono, a favorite of Mr. Mugabe, was broadcast nationally. In downtown Harare, the last half was blacked out by a power failure.

Eighty-two years old, wily and physically robust, Mr. Mugabe has survived both international condemnation and domestic upheaval before.

Efforts to suppress dissent are rising: in recent weeks, trade union officials were seriously injured in police beatings, arsonists burned the home of a leading pro-democracy activist and church leaders were arrested while meeting to discuss the economic crisis. Foreign journalists remain barred from the country under threat of imprisonment, and harassment of Zimbabwean journalists has sharply increased.

But hyperinflation is eroding the government’s control over every aspect of public life and, by extension, over its own future.

“It’s out of control now, and they have to bring it back in control,” said John Robertson, a Harare-based economist and a frequent critic of government policies. “We’re reaching the steepest slopes of the process. They say they can fix prices, but the things that cause price increases come from so many different directions that the government can’t control them all.”

That growing loss of control is apparent. The black market, which already flourishes beyond the reach of tax collectors and regulators, is likely to grab an even larger share of the economy when the government freezes prices in March, because stores will be unable to make a profit selling products at government-fixed prices.

Problems with water and power supplies have become acute because of a lack of foreign exchange and salaries for workers; a wave of blackouts hit the nation early last month when 100 electrical workers walked out to protest low pay.

Zimbabwe's political opposition has failed for years to mount an effective work stoppage to protest living conditions. But public workers, the bedrock of government support, this year have begun to walk off the job because there is no longer enough money to pay them a living wage.

The average teacher, for example, earns barely one-fourth of the salary needed to keep a family of six out of poverty. The military, unhappy with January's 300 percent pay hike, is seeking 1,000 percent.

The growing number of strikes also has emboldened the Zimbabwe Congress of Trade Unions, a center of opposition to Mr. Mugabe, to make its own plans for a general work stoppage.

"People in Zimbabwe tend to be resilient," said Jamal Jafari, an analyst for the Washington-based International Crisis Group, which monitors political risks worldwide. "But that having been said, what has to be the scariest statistic for the government is the fact that large sectors of the civil service and the military are far below the poverty line. They simply can't raise salaries fast enough."

Mr. Jafari and some political and economic analysts in southern Africa say they now believe that Zimbabwe faces a political showdown within months, as the governing bodies of ZANU-PF wrangle over whether to grant Mr. Mugabe an extended term or to put less radical members of the ruling party in power.

Few expect a democratic revolution; the one rival party, the Movement for Democratic Change, is riven by splits, systematically suppressed by the government and without an effective leader. Regardless, these experts say, by failing to arrest this accelerating decline, Zimbabwe is edging toward a day of political reckoning that years of diplomatic jawboning and political jockeying have failed to produce.

For the government, "the big problem about Zimbabwe is that the one thing you can't rig is the economy," said one Harare political analyst, who refused to be identified for fear of being persecuted. "When it fails, it fails. And that can have unpredictable effects."