Zimbabwe: Govt calls emergency meeting as prices skyrocket

By Dumisani Ndlela

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Government, today moved swiftly to curtail a rapid escalation of prices which threatened to erode the embattled new currency introduced on Friday.

National Incomes and Pricing Commission (NIPC) chairman, Goodwills Masimirembwa said they had summoned retailers, wholesalers as well as the leadership of two industrial bodies, the Confederation of Zimbabwe Industries (CZI) and the Zimbabwe National Chamber of Commerce (ZNCC) to an emergency meeting after government concerns over escalating prices between Friday and Saturday.

Masimirembwa said government was worried by the business sector's response to the introduction of the new currency and wanted to warn those increasing prices without the NIPC's authority that “they would be arrested."

The Reserve Bank of Zimbabwe announced the introduction of the new currency on Wednesday, re-denominating the old currency by a factor of 1:10,000,000,000, effectively removing ten zeros from all monetary values.

The highest denomination of the new notes is a Z$500.

The country currently has at least 28 types of recently introduced bearer cheque notes, which will no longer be legal tender from December 31, 2008, of different denominations in circulation, but most have already become obsolete because of inflation. The highest is currently a Z$100bn agro bearer cheque introduced in July. The country has been printing so-called bearer cheques since 2003 because of the fast erosion of the currency has made it untenable to print real money.

The RBZ had removed three zeros from the country's currency in August 2006.

Economists and commentators fear that the introduction of the new currency in a hyperinflationary environment and in the absence of a social pact was likely to batter the new currency, forcing increased money printing by the central bank to meet demand for notes and coins.

The manufacturing sector is operating at below 30% capacity, meaning low productivity levels and acute commodity shortages across the country, a key recipe to mounting inflationary pressure.

ABOUT DUMISANI NDLELA

Dumisani Ndlela is a Zimbabwean journalist specialising in business and financial reporting, with experience reporting on commodities, stock and financial markets, advertising, marketing and the media. He has previously reported from a number of regional countries as well as from the UK and Germany on commodities and regional integration. He can be contacted on dndlela@yahoo.co.uk.
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