R.I.P. Zimbabwe Dollar

by

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As I wrote on 25 June 2008, "Zimbabwe is in the late stages of a classic hyperinflation. ... Inflation is galloping ahead as the supply of Zimbabwe dollars surges and the demand for them shrinks. Eventually, the currency will totally collapse as people simply refuse to accept it." In recent months, facts on the ground have validated this prognostication. The Zimbabwe dollar is dead.

Last year, I developed a hyperinflation index for Zimbabwe. The index began on 5 January 2007, a month before Zimbabwe entered the hyperinflation zone. Due to a lack of reliable data, I stopped reporting the index on 14 November 2008. This index was based on non-cash Zimbabwe dollar transactions. These had accounted for the bulk of transactions in Zimbabwe. By the end of November, however, there were virtually no non-cash Zimbabwe transactions taking place and the Zimbabwe Stock Exchange had stopped trading. The non-cash Zimbabwe dollar is, therefore, dead.

Ashes are all that is left of the Zimbabwe dollar — a remnant of paper money. During Zimbabwe's hyperinflation, foreign currencies replaced the Zimbabwe dollar in a rapid and spontaneous manner. This "dollarization" process was legalized in late January 2009. Even though the Zimbabwe paper money remnant circulates alongside foreign currencies, its real value is tiny, its use is limited, and its value against the U.S. dollar is cut in half every two days.

Zimbabwe failed to break Hungary's 1946 world record for hyperinflation. That said, Zimbabwe did race past Yugoslavia in October 2008. In consequence, Zimbabwe can now lay claim to second place in the world hyperinflation record books.

Highest Monthly Inflation Rates in History

<table>
<thead>
<tr>
<th>Country</th>
<th>Month with highest inflation rate</th>
<th>Highest monthly inflation rate</th>
<th>Equivalent daily inflation rate</th>
<th>Time required for prices to double</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungary</td>
<td>July 1946</td>
<td>1.30 x 10^{16}%</td>
<td>195%</td>
<td>15.6 hours</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>Mid-November 2008 (latest measurable)</td>
<td>79,600,000,000%</td>
<td>98.0%</td>
<td>24.7 hours</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>January 1994</td>
<td>313,000,000,000%</td>
<td>64.6%</td>
<td>1.4 days</td>
</tr>
<tr>
<td>Germany</td>
<td>October 1923</td>
<td>29,500%</td>
<td>20.9%</td>
<td>3.7 days</td>
</tr>
<tr>
<td>Greece</td>
<td>November 1944</td>
<td>11,300%</td>
<td>17.1%</td>
<td>4.5 days</td>
</tr>
<tr>
<td>China</td>
<td>May 1949</td>
<td>4,210%</td>
<td>13.4%</td>
<td>5.6 days</td>
</tr>
</tbody>
</table>

Source: Prof. Steve H. Hanke, February 5, 2009.

New Hyperinflation Index (HHIZ) Puts Zimbabwe Inflation at 89.7 Sextillion Percent

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Zimbabwe is the first country in the 21st century to hyperinflate. In February 2007, Zimbabwe’s inflation rate topped 50% per month, the minimum rate required to qualify as a hyperinflation (50% per month is equal to a 12,875% per year). Since then, inflation has soared.

The last official inflation data were released for July and are hopelessly outdated. The Reserve Bank of Zimbabwe has been even less forthcoming with money supply data: the most recent money supply figures are ancient history—January 2008.

Absent current official money supply and inflation data, it is difficult to quantify the depth and breadth of the still-growing crisis in Zimbabwe. To overcome this problem, Cato Senior Fellow Steve Hanke has developed the Hanke Hyperinflation Index for Zimbabwe (HHIZ). This new metric is derived from market-based price data and is presented in the accompanying table for the January 2007 to present period. As of 14 November 2008, Zimbabwe’s annual inflation rate was 89.7 Sextillion ($10^{21}$) percent.

Since mid-November 2008, the weekly update of the HHIZ has been put on hold. The market-based price data from Zimbabwe have deteriorated and, at present, cannot be used to update the HHIZ. HHIZ updates will be resumed as soon as the quality of the data reaches a satisfactory level.

Steve H. Hanke is one of the world’s leading experts on exchange-rate regimes. He has played a prominent role in designing and implementing monetary reforms that have stopped very high or hyperinflations in eight countries.

<table>
<thead>
<tr>
<th>Date</th>
<th>Month-over-month inflation rate (%)</th>
<th>Year-over-year inflation rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2007</td>
<td>50.54</td>
<td>2,200.20</td>
</tr>
<tr>
<td>April 2007</td>
<td>100.70</td>
<td>3,713.90</td>
</tr>
<tr>
<td>May 2007</td>
<td>55.40</td>
<td>4,530.00</td>
</tr>
<tr>
<td>June 2007</td>
<td>86.20</td>
<td>7,251.10</td>
</tr>
<tr>
<td>July 2007</td>
<td>31.60</td>
<td>7,634.80</td>
</tr>
<tr>
<td>August 2007</td>
<td>11.80</td>
<td>6,592.80</td>
</tr>
<tr>
<td>September 2007</td>
<td>38.70</td>
<td>7,982.10</td>
</tr>
<tr>
<td>October 2007</td>
<td>135.62</td>
<td>14,840.65</td>
</tr>
<tr>
<td>November 2007</td>
<td>131.42</td>
<td>26,470.78</td>
</tr>
<tr>
<td>December 2007</td>
<td>240.06</td>
<td>66,212.30</td>
</tr>
<tr>
<td>January 2008</td>
<td>120.83</td>
<td>100,580.16</td>
</tr>
<tr>
<td>February 2008</td>
<td>125.86</td>
<td>164,900.29</td>
</tr>
<tr>
<td>March 2008</td>
<td>281.29</td>
<td>417,823.13</td>
</tr>
<tr>
<td>April 2008</td>
<td>212.54</td>
<td>650,599.00</td>
</tr>
<tr>
<td>May 2008</td>
<td>433.40</td>
<td>2,233,713.43</td>
</tr>
<tr>
<td>June 2008</td>
<td>839.30</td>
<td>11,268,758.90</td>
</tr>
<tr>
<td>July 2008</td>
<td>2,600.24</td>
<td>231,150,888.87</td>
</tr>
<tr>
<td>August 2008</td>
<td>3,190.00</td>
<td>9,690,000,000.00</td>
</tr>
<tr>
<td>September 2008</td>
<td>12,400.00</td>
<td>471,000,000,000.00</td>
</tr>
<tr>
<td>October 2008</td>
<td>690,000,000,000.00</td>
<td>3,840,000,000,000,000,000.00</td>
</tr>
<tr>
<td>14 November 2008</td>
<td>79,600,000,000,000.00</td>
<td>89,700,000,000,000,000,000,000.00</td>
</tr>
</tbody>
</table>


Sources: Reserve Bank of Zimbabwe (2008a) and authors’ calculations.
Sources: Imara Asset Management Zimbabwe and author’s calculations.

A Note on Zimbabwe’s Official Inflation Rate

Notes:
1. Numbers are reported with three significant figures.
2. The HHIZ is reported on the last trading day of the week.
3. The monthly inflation rate is HHIZ(t)/HHIZ(t-4) - 1 and the annual inflation rate is HHIZ(t)/HHIZ(t-52) - 1.
4. The HHIZ values are numerical estimates. In consequence, they are subject to revision when new price data are incorporated into the estimates.
5. Prof. Hanke would like to thank Alex Kwok for his research assistance on this project.
6. Prof. Hanke can be reached at his Johns Hopkins University office: (410) 516-7183 or hanke@jhu.edu

Congressional Testimony

Studies


"The Loss of Property Rights and the Collapse of Zimbabwe" by Craig J. Richardson, Cato Journal Vol. 25 No. 3, Fall 2005.

Longer Articles

"How to Kill Zimbabwe’s Hyperinflation," by Steve H Hanke, Global Dialogue, August 2008.


"Mugabe Is the Mobutu of Our Time" by Marian L. Tupy, Spectator, March 18, 2008.

"How the Loss of Property Rights Caused Zimbabwe’s Collapse" by Craig Richardson, Economic Development Bulletin no. 4, November 14, 2005.

Op-Eds


"KILL CENTRAL BANKS TO FIX INFLATION IN ZIMBABWE" by Steve H. Hanke, The Times, July 12, 2008.


Podcasts

 Power Sharing in Zimbabwe* featuring Marian L. Tupy, September 17, 2008 [Flash Audio, 06:27]*

 Poverty and Economy in Mugabe's Zimbabwe* featuring Rejoice Ngwenya, August 14, 2008 [Flash Audio, 06:51]*

 How Inflation Robs Zimbabwe* featuring Rejoice Ngwenya, July 29, 2008 [Flash Audio, 08:18]*

 Mugabe's Power Grab in Overtime* featuring Marian L. Tupy, April 4, 2008 [Flash Audio, 08:02]*

 Elections in Zimbabwe* featuring Marian L. Tupy, March 31, 2008 [Flash Audio, 06:18]*

 Disastrous Health Situation in Zimbabwe* featuring Richard Tren, March 25, 2008 [Flash Audio, 08:45]*

Video

 ![Steve H. Hanke discusses hyperinflation in Zimbabwe on TVO's The Agenda with Steve Paikin](March 11, 2010 [Flash Video, 13:40])

 ![Steve H. Hanke delivers an address before the Annual Commercial Farmers' Union Congress in Harare](August 5, 2009 [Flash Video, 34:00])

 ![Steve H. Hanke delivers a keynote address before Imara's International Investor Conference in Harare](July 30, 2009 [Flash Video, 35:47])

 ![Marian L. Tupy discusses the Zimbabwe elections on BBC World News](July 18, 2008 [Flash Video, 04:53])

 ![Marian L. Tupy on Gallup discussing Zimbabweans' desire for change](April 1, 2008 [Real Media, 03:02])

 ![Marian Tupy on BBC World talking about Zimbabwe's elections](March 28, 2008 [Flash Video, 05:04])

 ![Marian Tupy on CNN International discussing Zimbabwe's elections](March 28, 2008 [Flash Video, 05:22])

Forums

 "Escaping Poverty in Sub-Saharan Africa," July 28, 2008 [Capitol Hill Briefing]
Before embarking on a controversial land reform programme, Zimbabwe was one of the top horticultural exporters to the European Union, supplying fresh fruit and flowers to some of the world’s leading supermarket chains. But there are some farmers who have managed to keep their produce going, despite the high costs of production and political instability.