It is almost Christmas. Another year has gone by in Zimbabwe and we again look back on a year that has been full of changes with no change at all in the way we live or our country is governed. The only relief is that we have had a short spell of rain which has brought relief to many parts of the country but still shows disturbing signs that climate change is no longer a projection but a daily reality.

The year opened with a sharp reduction in the amount of cash people could withdraw from their banks. This triggered a steady deterioration in the cash situation so that by the end of the year, restrictions were limiting daily withdrawals as low as $20. The reason for the bank crisis is a massive deficit in the budget which has resulted in the State issuing billions of dollars in the form of Treasury Bills and this has absorbed virtually all the real money in the banking system.

In 2016, the regime went two steps further in this process – first they started to take money illegally, from people's accounts via the RTGS system and bank Nostro accounts. By the end of the year this was reflected in the accounts of the Reserve Bank as an unsecured, interest free overdraft. This paralysed the bank transfer system and by the end of the year transfers are being delayed by anything up to 6 months as the Bank struggles to find the money to meet their obligations and the needs of the country.

Then came the decision to issue a new currency – called 'Bond Notes'. They have struggled with this decision, knowing full well that it could trigger a violent response from an already angry and frustrated population. Eventually they cautiously released $25 million in the new notes into the market. They made no difference to the cash situation as banks were forced to further reduce daily withdrawals. Queues lengthened outside all banks and the US dollar is trading at about an average premium now of 20 per cent.

A former Bank employee has told me that they have printed US$2,5 billion in the new currency and have been holding this in storage in Harare for months. Any move to release significant volumes of the new notes will lead inevitably to a sharp reduction in their real market value and inflation – which has averaged nearly minus 2 per cent all year, will start to gain momentum.

On the economic front, the slowdown in all economic activity that started as soon as Zanu PF took control of the country in August 2013, continued. Company closures and unemployment rose and the stock market continued its slow decline. A small rise in share values at the end of the year as people tried to use their "RTGS dollars" – a phantom form of currency, to buy real assets that might hold their value in the turbulent times ahead, made little difference overall and you can buy equities here for 10 per cent of their asset values.

This was reflected in revenues to the State which declined across the board despite every effort to squeeze water from stone by the authorities. It was not helped by the discovery of massive and endemic corruption in the Revenue Authority. By the year end 25 per cent of all State expenditure had to be funded by borrowed money in a market that simply had no liquidity at all. Desperate measures to try and get financial assistance from any quarter, has had no success and the latest effort to try and clear arrears with the ADB have fallen flat.

On the political front the conflicts in the Zanu PF Party increased in intensity throughout the year. Increasingly frail, Mr. Mugabe was unable to control his Party leadership and all he was able to do was to keep them from killing each other and retaining a semblance of balance between the main factions. The big loser in all of this in 2016 has been Mr. Mnangagwa, the Vice President and Minister of Justice. For three years he has controlled all the levers of hard power in the regime and has clearly been working towards the early (or late) retirement of the President and becoming his successor.

Despite the fact that he held all the aces, locally and the support of both China and South Africa, he has not been able to deal with the leadership of his rival faction in the Party and get Mr. Mugabe to step down. His fate has been sealed by the decision yesterday, at the Masvingo meeting of the Party; that Mr. Mugabe will be the candidate of the Zanu PF Party in 2018 when he will be 94 years old and barely able to walk and speak.

So Zanu PF goes into the coming year, weaker than at any time in its history, led by a man who is visibly incapable of fulfilling his responsibilities, either in the Party or the State. The faction war that has enveloped the Party since 2014 is unresolved and can only intensify and grow as competition to replace Mr. Mugabe as leader accelerates. Already we hear rumors that one faction is courting Mrs. Mujuru to try and get her back into the fold and on the side of one grouping to try and shift the balance of power.

One significant development in 2016 has been the growing rift between the War veterans and the Zanu PF Party. Because of their roots in the military this has profound implications and could be a decisive factor in the year ahead.

On the Opposition front, the news at the end of the year that they are considering the formation of an Alliance to fight the next election took the country by surprise but has been widely accepted. Further to this agreement, the statements last week that the Opposition will seek to establish a national government to control the State for the next 5 year term, was equally welcomed. The problems that will confront the next government after 38 years of corrupt and incompetent Zanu PF led government, will be so great that only a national government representing our best brains and talents, could be expected to cope.

So what about 2017? To me it looks as if 2017 will be little different to 2016, except that all our problems will be amplified. The fiscal deficit will continue at the present level but will be funded by printing currency – the result a resumption of inflation and the declining value of the currency in circulation – the hard currencies will vanish from formal markets except for what the Reserve Bank can steal from exporters.

Asset values will not recover and anyone who sells an asset runs the risk of being paid in a currency that has no real value and cannot be remitted abroad. There will be growing pressure on incomes as the regime maintains cash values using a currency that is declining in value. By the year end, the main casualty of this situation will be the Civil Service whose real incomes will halve in value or more. In a way this will resolve the fiscal deficit but at the expense of spending power and demand in the domestic markets.

Mr. Mugabe remains the pivot around which the future depends – his departure in any form, would instantly change the outlook and the situation in the country. But so long as he holds onto power and his Party simply cannot allow him to retire, he will remain the main obstacle to progress and recovery.

Eddie Cross

Harare, 18th December 2016