

THE ZIMBABWE'S ECONOMIC PULSE



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The State of the Economy and 2026 Economic Outlook, Risks, Prospects and Policy Options

Produced by





AEDS' EXECUTIVE DIRECTOR'S STATEMENT

The Zimbabwe Economic Pulse (ZEP) is a flagship report of the Africa Economic Development Strategies and Business Times, which provides hard facts, granular information and forecasts on the country's economic prospects grounded in rigorous economic inquiry and analysis. The ZEP seeks to fill in fundamental lacuna of independent views on the state of the economy and economic prospects which is anchored by economic modelling, deep analysis of existing data and development of powerful insights.

This inaugural report provides a deep analysis of the state of the Zimbabwean economy in 2025 and succinctly forecasts 2026 economic outlook. In terms of structure, this report provides a thorough analysis of global and domestic economic developments. With respect to global economic developments and outlook, the report provides a thorough analysis of growth and inflation trends in advanced economies, emerging markets and Sub-Saharan Africa- within the purview of geopolitical events, economic determinants like climate-induced risks, inflation, demand and supply et cetera- and their implications on Zimbabwe. In the same vein, developments on international commodities and their impact on Zimbabwe economy is provided. With respect to the Zimbabwean economic affairs, this report delves deep into the real sector, fiscal developments, monetary and exchange rate developments, financial markets development, external sector and public debt.

Most critically, as part of the analysis of domestic economic developments, this report reviewed the performance of socio-economic development indicators which, *inter alia*, include: poverty levels, stunting growth, unemployment, health, education, quality of life and population metrics.



Based on our economic analysis and economic modelling, we argue that the 2026 economic outlook remains cautiously optimistic, underpinned by a stable exchange rate, sustained disinflationary process which will see the country hitting single inflation by year end, currency stability, progression from managed stability to durable stability, impressive growth rates averaging 5% and vibrant agricultural sector which is buttressed by normal to above normal rain season. On a refreshing note, Government has not borrowed from the central bank for more than 12 months and has been running close to a balanced net fiscal position, albeit the existence of an unclosing government open position, especially driven by unpaid export surrenders and outstanding suppliers' credits. Going forward, we are refreshed by the fact that the Reserve Bank is committed to ensure that there will be no accommodation of the fiscus and as a long-term arrangement, NDS2 has set a cap of 5%, which is in line with SADC benchmarks. In the same vein, in view of the fact that fiscal pressures remains a primary risk to economic stability, we argue that any deviation from budget discipline, particularly through monetisation of the budget deficit, will reignite inflation and undermine the ZWG.



Strikingly, our analysis shows that although the country has made significant progress on the economic development indicators, social development indicators reveals depressing outlook. This means that economic progress has not cascaded down to the masses. In addressing this anomaly, we provided grounded policy recommendations with empirical underpinnings aimed at fostering shared and inclusive growth.

What is unique about the ZEP is that, unlike the common economic analysis which provide a review of the state of the economy using past and current data, this report provides economic forecasts of key economic indicators such as inflation, exchange rates, interest rates and economic growth up to 31 December 2026. It is our humble view that this report will provide an

invaluable guide on economic developments in Zimbabwe and positively inform market expectations. It is our modest view that readers, market watchers and authorities will find this report useful for policy formulation and decision making.

I would like to express my gratitude to the AEDS's Board, Technical Team, Research and Support Team, our valued stakeholders and partners for their dedication and collaboration. Together we make Zimbabwe great. AEDS remains steadfast.

We are purpose-driven. *Our work is not just a job, it's our purpose.* We deeply care about economic transformation of poor and marginalised people and commit to serving clients in a way that realises substantial and participatory transformation.

Professor Gift Mugano (PhD)
EXECUTIVE DIRECTOR



BUSINESS TIMES EDITOR'S STATEMENT

The flagship Zimbabwe Economic Pulse (ZEP) report, produced by African Economic Development Strategies (AEDS) in partnership with Business Times, provides a comprehensive analysis of the current state of our economic landscape and a clear outlook on the future.

Presented at a critical juncture, this report addresses an urgent need within our national discourse for independent, evidence-based insight that inform policy and decision making.

As Business Times, a member of the integrated media group, AB Communications, which also operates ZiFM Stereo, 98.4FM Midlands, Hevoi FM, TruckAds, among many other platforms, we are committed to delivering authoritative and actionable economic intelligence to Zimbabwe's business community.

Our market leadership in business, financial and economic reportage is built on a foundation of trust, and this ZEP report exemplifies that commitment.

It moves beyond mere commentary to provide robust data, detailed analysis and rigorous modelling necessary for informed decision making.

The ZEP report is meticulously structured to offer both a global perspective and an in-depth domestic analysis. It analyses international economic trends and geopolitical developments to contextualise Zimbabwe's position in the world.

Domestically, it provides a thorough review of the real sector, fiscal and monetary policy developments, financial markets, and public debt.

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Importantly, it links these macroeconomic indicators to the lived realities of our citizens by analysing key socio-economic metrics.

What distinguishes the ZEP report is its forward-looking approach. This is not solely a review of the past, it also offers projections for critical indicators such as inflation, exchange rates, and economic growth through to the end of 2026.

Designed as a vital resource, it serves market watchers, policy makers and all stakeholders invested in Zimbabwe's sustainable development.

On behalf of Business Times, I extend my sincere gratitude to the dedicated AEDS. I also want to thank the entire Business Times and AB Communications teams for their essential contributions.

I look forward to continued collaboration as we present this valuable addition to Zimbabwe's economic dialogue, a resource I trust will inform, challenge and ultimately help shape a more prosperous Zimbabwe.

Phillimon Mhlanga
BUSINESS TIMES EDITOR



EXECUTIVE SUMMARY



1. Introduction

This 2025 economic review and 2026 economic outlook report provides a barometer or yardstick for measuring economic developments in Zimbabwe. This report inter alia provides a useful lens through which to scrutinise economic developments in 2025 with a view to mapping economic growth trajectories in Zimbabwe- risks, prospects and economic interventions. This report is structured as follows: section 2 discusses global economic developments and economic outlook; section 3 discusses domestic developments and economic outlook; section 4 discusses social economic indicators; and section 5 presents the comprehensive interview with the Governor of the Reserve Bank of Zimbabwe.

2. Global Economic Developments and Outlook

On the backdrop of increased geopolitical risks and heightened trade uncertainty, global economic growth is projected to slightly dipped from 3.3% in 2024, to 3.2% in 2025 and 3.1% in 2026, reflecting slower expansion (International Monetary

Fund (IMF), 2025). In 2026, in particular, the growth momentum registered in early 2025 is anticipated to moderate as front-loaded trade activity unwinds, while high inflation and tight fiscal conditions limit policy support in advanced economies. As a result of the existence of residual uncertainty, headwinds and elevation of global risks due to tariff wars and worsening geopolitics, the medium-term outlook remains below the pre- Covid 19 pandemic average of 3.7%, (IMF, 2025).

Strikingly, Sub-Saharan Africa's growth outlook faces growing risks in an everchanging global economic landscape which continues to be in a flux. To be specific, stricter global financial conditions and escalating trade tensions are expected to weaken demand, depress commodity earnings and raise borrowing costs, thereby further straining already heavy debt burdens for many Sub-Saharan African economies. Declining aid flows, especially after the exit of USAID and redirection of resources to Ukraine, is anticipated to further exacerbate the already tight fiscal space and may result in several countries struggling to fund essential services, such as health, education and food security.

Global inflation continues to ease with the global annual inflation rate of 5.6% in 2024, 4.2% in 2025 and a further anticipated decline to 3.7% in 2026 and is expected to stabilise around 3% by 2030. This moderation reflects easing food and energy prices, improved supply conditions and tighter monetary policies. The fall in global inflation coupled with easing of food and energy prices in particular is expected to positively affect the Zimbabwean economy because the country is a net energy import and relies on food imports especially rice, hard wheat and oil seeds.



International commodity prices are anticipated to decline in 2025 and 2026. The World Bank projected the overall commodity price index to fall by 12% in 2025 and a further 5% in 2026, and reaching a six-year low in nominal terms. These declines are broad-based across energy, metals and agriculture, though precious metals remain an exception, holding near record highs. To be specific, world metal prices vary by metal, with precious metals like gold around **\$4,380-\$4,400/oz** and platinum around **\$2,200/oz**, while industrial metals show diverse trends, such as copper near **\$5.69/lb** and aluminium around **\$2,950-\$3,000/MT**, with prices constantly fluctuating based on futures markets.

The sustained increase in gold price which is anticipated to remain on an upward trend is accelerated by tariff wars instigated by the United States which negatively affected investment in financial markets due to uncertainties. Resultantly, investment in gold is considered as a safe haven hence the reason gold witnessed a surge in demand and prices.

In view of the fact that gold traditionally constitute **53%** of mineral exports and **48%** of total exports, the surge in gold prices has immense benefits for Zimbabwe in terms of increase in export revenue which will dilute potential loss of export revenue arising from declining prices of base metals, that is, platinum, rhodium, chrome and nickel.

Oil prices are expected to average **US\$66** per barrel in 2025, and projected to fall further in 2026 to **US\$61** per barrel. This is a positive development to a country such as Zimbabwe which is import-dependant; and changes in price of oil has direct impact on the country's prices.

Towards the end of 2025, agricultural commodity markets were characterized by overall declining price trends due to significant volatility driven by ample

supplies of major grains, strong production in key regions, and macroeconomic factors. However, specific tree crops like coffee and cocoa have seen high prices. The World Bank's agricultural price index dropped nearly 7% in 2025 and is projected to decline further in 2026, thereby marking a potential fourth consecutive year of decline.

The decline in the prices of grains is a welcome development for Zimbabwe since the country imports critical grains such as wheat, maize and rice to ensure food security. On the contrary, the surge in prices of commodities such as coffee is a positive development for the Zimbabwean economy since the country is a net exporter of coffee.

3. Domestic Economic Developments and Outlook & Policy Options

Real sector developments: the Zimbabwean economy is anticipated to build on a robust recovery from recent drought and posted an impressive growth rate of 6.6% in 2025 driven by a resurgent agricultural sector and increased mining output. Again, on the back of favourable rain season, a surge in gold prices and falling oil prices, coupled with currency stability and expanded irrigated cropping, the Zimbabwean economy is estimated to grow at 5.0% in 2026 which is aligned with our own estimates.

Inflation outlook: Buoyed by an aggressively tight monetary policy stance and efforts to constrain fiscal pressures, the introduction of the new currency –the gold-backed Zimbabwe Gold (ZWG) - ended the hyperinflationary spiral of the preceding Zimbabwe dollar (ZWL) era and initiated a disinflation process. Resultantly, from end of September 2024 to present, authorities have exceptionally managed to foster a stable exchange rate which significantly contributed to the disinflation process which has seen month-on-month ZWG inflation receding to 0.23% and annual ZWG



inflation plummeting to 15.4% by December 2025 from 95.8% in July 2025. However, US dollar annual inflation, stood at 12.39% and remains a worrying factor and is driven by shocks, that is, supply shocks, rent-seeking and speculative behaviour. Going into 2026, our estimates shows a sustained disinflation path, with annual ZWG inflation anticipated to decline to single-digit levels by April 2026 and while month-on-month inflation is projected to end the year at 0.2%. This projection is based upon several reinforcing factors or assumptions which

inter alia include firmly anchored inflation expectations, sustained stability in the local currency's exchange rate, and strengthened coordination between monetary and fiscal authorities to prevent deficit monetisation.



Fiscal developments: in recent years, especially from 2023 – 2025, the country's fiscal position is under severe pressure, characterized by a critical financing squeeze due to persistent structural imbalances. Some of the key drivers of fiscal pressures, inter alia, include a high public compensation bill, capital outlays in infrastructure development and, most significantly, the servicing of substantial debt inherited from the Reserve Bank of Zimbabwe (RBZ). Consequently, while the headline fiscal balance remained broadly stable, the underlying financing shortfall manifested in the accumulation of an estimated US\$600 million in domestic expenditure arrears in 2024. Estimates for 2025 indicate a modest budget deficit of approximately -0.3% of GDP, but this stability masks a reality of continued payment difficulties and reliance on arrears to balance accounts, a trend expected to extend into 2026.

Exchange rate developments: The ZWG currency continued to face scepticism from a public scarred by previous monetary failures, leading to limited voluntary adoption. Our estimates show that the baseline forecast anticipates a period of fragile stabilization, with ZWG maintaining a managed float with moderate volatility,

and inflation continues a gradual, though uneven, decline. To be specific, using econometric modelling, we anticipate the

exchange rates, that is, parallel market and interbank will remain unchanged for the entire 2026 (see figure 4). Likewise, we anticipate exchange rate premiums to narrow down to below 20%.

Financial markets developments: the banking sector's capital adequacy ratio has remained well above the domestic regulatory minimum of 12%, averaging 36.95% between 2024 and September 2025, and is expected to remain high in 2026. The ratio of nonperforming loans remained low averaging 2.87% over the same period. Total loans and advances constituted the largest portion of total banking sector assets, at 32.94%, as at 30 September 2025.

Money markets developments: based on our analysis, we are of the view that baseline scenario anticipates cautious stabilization, with the ZWG gradually gaining a firmer foothold in formal interbank and securities markets, albeit the US dollar is expected to retain its dominant role for savings and major transactions. Although inflationary pressures are expected to continue to subside while the exchange rate stability holds, we anticipate the policy rate to remain unchanged for the large part of 2026



as the authorities work towards achievement of durable stability. However, from the last quarter of 2026, we expect monetary authorities to start calibrating the monetary policy and ease interest rates gradually in line with market developments and economic agents' expectations.

External sector: Zimbabwe's current account balance was in surplus at US\$1.3 billion (1.1% of GDP) in 2024 and expected to widen to US\$1.4 billion (2.5% of GDP) in 2025. Total foreign currency receipts in 2025 hit US\$16.2 billion up from US\$13.3 billion in 2024. This positive shift is driven by robust export growth, particularly in gold due to high global prices, and remarkably strong diaspora remittances which are estimated to have surpassed US\$2.7 billion in 2025. Concurrently, the trade deficit is narrowing, and is forecasted to decline from US\$1.7 billion in 2024 to US\$1.5 billion in 2025, as local agricultural recovery curbs food imports and softer fuel prices contain the import bill. On a refreshing note, for the first time in history, foreign reserves are now at US\$1.2 billion as at 31 December 2025, corresponding to 1.5 months of import cover. With the current trajectory, the country could easily achieve the SADC minimum benchmark of 3 months import cover before 2030. The medium-term outlook is further buttressed by anticipated growth in gold production, agricultural exports and steel exports.

Public debt: in 2025, total Public and Publicly Guaranteed (PPG) debt amounted to US\$23.4 billion (44.7% of GDP), that is, up from US\$21.5 billion as at December 2024. The debt stock comprises external debt amounting to US\$13.6 billion, and domestic debt of US\$9.8 billion. Of serious concern is the rate at which the Government of Zimbabwe is acquiring domestic debt by MDAs on the back of abuse of public finance management systems (PFMS) – literally weakening the role of the Ministry of Finance, Economic Development and Investment Promotion on managing the national purse.

Resultantly, between 2022 and 2024, a staggering domestic debt of US\$1.7 billion was acquired by MDAs without necessary approvals and due process was hardly followed. The overall domestic debt burden has escalated, compounded by continued reliance on high-cost, short-term financing amid limited alternative sources. The government's deteriorating debt servicing capacity is further evidenced by recent policy measures which, *inter alia*, include a partial reprofiling of domestic debt obligations – involving a temporary suspension of servicing treasury bonds related to blocked funds, the RBZ, Fidelity Gold Refinery, and RBZ printing and minting – coupled with an accumulation of arrears to suppliers. Together, these actions signal a tightening of financing constraints and a weakening fiscal position.



Despite the positive baseline forecast, the 2026 economic outlook faces headwinds which authorities should pay extra attention to the following:

- (a) First, fiscal discipline must be non-negotiable and legally entrenched, with a zero-tolerance stance on quasi-fiscal operations, abuse of Public Finance Management Systems, and a commitment to transparent, cash-based budgeting;
- (b) Second, monetary policy should remain data-driven and restrictive until single-digit inflation is decisively achieved. For the sake of emphasis, current interest rates must remain for the rest of 2026 with a view to foster durable stability. Likewise, the focus of the RBZ must be on liquidity management through market-based instruments rather than use of administrative measures;



- (c) Third, confidence-building is critical. In this regard, authorities must accelerate reforms as well as improving transparency and regular reporting on the composition and reserves backing the local currency to deter speculation. Most importantly, authorities must continue to interact with the public to establish their pain points currency and undertake quarterly perception surveys on the same;
- (d) Finally, deepening structural reforms to improve competitiveness and supply responses across the economy will help address inflationary pressures at their root with a view to ensuring that stability is underpinned by real sector growth rather than suppression of demand alone.

In the same vein, in the banking sector, systemic liquidity management is impaired due to delays in weekly releases of required reserves and delays in repayment of both principal and interest for Treasury securities hindering banks' ability to meet tax obligations, access foreign currency, or utilize emergency facilities. This liquidity fragmentation threatens financial intermediation.

In addressing the aforementioned challenges, it is our modest view that authorities should consider the following policy options:¹²

- (a) In order to ensure that credit is channelled to the real economy, authorities could introduce a graduated regulatory incentive, such as lowering reserve requirements for banks that increase their lending to productive sectors like agriculture, manufacturing, and SMEs;
- (b) In line with (a), authorities may consider a complete overhaul of the liquidity management framework by fostering coordination between Treasury and RBZ with a view to ensure timely settlement of principal and interest payments on securities. If implemented, these measures would help stabilize bank profitability on a more sustainable foundation of intermediation margins rather than speculative gains.

4. Social Development Indicators & Policy Options

Although the country has made significant progress on the economic development indicators, social development indicators reveal a depressing outlook. This means that economic progress has not cascaded down to the masses.

Poverty levels: poverty rates in Zimbabwe have stubbornly remained largely unresponsive to structural changes for several decades. The prevalence of poverty, the proportion of the population living below the poverty line, has consistently ranged between 57% and 63.3% since the mid-1990s. According to Zimbabwe's Central Statistical Office (now ZimStat), the 1995 Income, Consumption, and Expenditure Survey (ICES) recorded a poverty prevalence rate of 63.3%, followed by 60.6% in the 2001 ICES. In the 2011/12 Poverty, Income, Consumption, and Expenditure Survey (PICES), ZimStat reported a poverty prevalence rate of 62.6%, and the 2017 PICES reported 60.6%. The 2019 mini-PICES indicated a slight decline to 57%, but by 2023 the rate continued to hover around 60%. Of significant concern is the fact that the prevalence of poverty has continued to be significant despite periods of impressive



economic growth and macroeconomic stability. In order to reduce poverty, policy options should include expanding social protection programs and designing useful social security benefits, providing educational, health support and employment opportunities to vulnerable populations, promoting cooperatives, microfinance, and market access for smallholder farmers, and developing pro-poor infrastructure such as roads, electricity, water, and ICT, especially in rural areas. The upscaling of the current program on borehole drilling and nutritional gardens will significantly reduce poverty in marginalized areas

Stunting growth: stunting is a key indicator of chronic undernutrition, reflecting long-term deficiencies in nutrition, healthcare, and overall living conditions. According to the Zimbabwe Demographic and Health Survey (ZDHS) 2023/24, about 27% of children under five in Zimbabwe, are stunted, with approximately 6% classified as severely stunted, indicating chronic undernutrition. What is particularly concerning is the lack of significant progress in reducing stunting. For example, the ZDHS 2015 reported a similar prevalence rate (27%), highlighting a persistent challenge over time. Climate shocks, such as droughts, remain a major obstacle to reducing stunting among children. To achieve a more substantial decline, social protection programs need to be scaled up. These include expanding access to borehole water, developing nutritional gardens, enhancing school feeding programs, and providing vulnerable households with agricultural inputs. Additionally, macroeconomic stability is critical to ensure the effective implementation of nutrition and social protection programs.

Unemployment: Zimbabwe's universities churn thousands of graduates each year, many of whom struggle to secure formal employment. Statistics from the Ministry of Higher and Tertiary Education, Innovation, Science and Technology Development indicate that approximately 30,000 students graduate annually, yet fewer than 20 % obtain jobs in the formal sector. As a result, a large proportion of the labour force is unable to access formal employment opportunities. In 2024, the unemployment rate stood at 20.5%, according to ZimStat's third-quarter Labour Force Survey (LFS). The situation is particularly severe among young people: about 49.5% of youth aged 15–35 years are not in education, employment, or training (NEET), pointing to deep structural challenges in absorbing young people into productive work. Consequently, many Zimbabweans turn to the informal economy, which has become a major source of livelihood and a significant reservoir of entrepreneurial potential that could be harnessed to drive economic growth. The 2024 Economic Census estimated that the informal sector accounts for about 76% of economic activity in Zimbabwe. ZimStat's third-quarter 2024 LFS further reported that less than half of the working-age population was engaged in the labour market by late 2024. The labour force participation rate, the proportion of working-age people who are either employed or actively seeking work, was approximately 47.6–48%. Looking ahead, increased business optimism for 2026, underpinned by current macroeconomic stability, suggests that more jobs may be created. Surveys conducted by business member organisations (BMOs) indicate that many enterprises are optimistic about 2026 and plan to scale up production and employment. However, despite this optimism, job creation is unlikely to keep pace with the growing number of new



entrants into the labour market. For instance, in the first quarter of 2024, employment increased modestly from 3.17 million in the fourth quarter of 2023 to 3.19 million, but that was insufficient to reduce unemployment, which continued to rise. The 2019 Labour Force Survey reported an unemployment rate of 16%, which had increased to 20.5% by 2024.

Health: health metrics in Zimbabwe present a largely sombre picture over the past two decades, with the notable exception of average life expectancy which increased from 59 years in 2015 to about 65 years in 2025, according to ZimStat DHS. This improvement is largely attributed to better control of HIV/AIDS. The infant mortality rate (deaths of children under one year per 1,000 live births) and neonatal mortality rate (deaths within the first 28 days) have deteriorated over the past decade, while the under-5 mortality rate has remained largely unchanged. These trends indicate limited progress in reducing early child deaths, with both infant and neonatal mortality having increased since 2015. The health sector continues to face significant challenges, including drug shortages, constrained fiscal space, and limited health financing, all of which undermine service delivery. According to the 2023/24 DHS, only 8% of the population has health insurance, meaning that roughly 92% rely on out-of-pocket payments for healthcare. While the continuation of a stable macroeconomic environment may improve access to health financing for some, limited fiscal space is likely to continue hindering overall progress in health service delivery in 2026. Although the health budget allocation increased nominally from US\$785.9 million in 2025 to US\$997 million in 2026, the Ministry of Health and Child Care received only 28% of its requested allocation, suggesting that many of the sector's challenges are likely to persist in 2026.

Education: the national literacy rate for people aged 15 and above is approximately 93.6–93.7%, according to the 2022 Zimbabwe Population and Housing Census (ZimStat). Literacy is conceived as the ability to read and write, typically measured by completion of at least Grade 3 of primary school. This represents a slight decline from the 96% recorded in the 2012 Census, but Zimbabwe's literacy rate remains among the highest in Africa. The female literacy rate is about 92–93%, while the male literacy rate is around 95%. Education in Zimbabwe is expected to continue performing well in 2026 and the near future. However, a potential risk to knowledge production may arise from the misuse of artificial intelligence (AI), which could encourage learners to become less independent in their critical thinking.

Quality of life: according to UNICEF, about 64% of Zimbabwe's population have access to basic drinking water services, while only 42% have access to basic sanitation. These figures have stagnated since 2020. The 64% access rate for basic drinking water is comparable to Mozambique, but far below other African countries, for example, 93% in South Africa, 95% in Botswana, 88% in Namibia, 77% in Zambia, and 87% in Malawi. In rural areas of Zimbabwe, approximately 81% of people have access to improved water sources, but issues with quality, reliability, and distance remain serious concerns, particularly under drought conditions. Urban areas also face significant challenges in accessing clean water and adequate sanitation, largely due to the ageing sewer and water infrastructure, a problem expected to persist in 2026. Modest gains in access are, therefore, expected due to new WASH programs, infrastructure investments, and improved rural farm incomes.



The government should therefore continue to support UNICEF WASH programs and undertake a review of water and sanitation policies to ensure sustainable progress.

Population growth: the 2022 Population and Housing Census recorded a population of 15.2 million in Zimbabwe. Based on these statistics, with a death

rate of 7.9 per 1,000 and an annual growth rate of 1.6%, the population is projected to reach 15.9 million in 2025 and 16.2 million in 2026, increasing further to 17.2 million by 2030. Although the growth rate is modest, it will continue to exert additional pressure on the country's already strained resources. Strikingly, 72.2% of the population are youth.





ACRONYMS AND ABBREVIATIONS

AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AMA	Agricultural Marketing Authority
ARDA	Agricultural Rural Development Authority
CZI	Confederation of Zimbabwe Industries
ECSC	European Coal and Steel Community
FAO	Food and Agricultural Organisation
DISCO	Dinson Iron and Steel Company
GDP	Gross Domestic Product
IMF	International Monetary Fund
MDAs	Ministries, Departments and Agencies
MIF	Mutapa Investment Fund
MLAFWRD	Ministry of Lands, Agriculture, Fisheries, Water and Rural Development
MoFEDIP	Ministry of Finance, Economic Development and Investment Promotion
NDS2	National Development Strategy 2
OECD	Organisation for Economic Co-operation and Development
OPC	Office of the President and Cabinet
PICES	Poverty, Income, and Expenditure Surveys
RBZ	Reserve Bank of Zimbabwe
SADC	Southern African Development Community
USD	United States Dollar
ZWG	Zimbabwe Gold (Currency)
ZIMRA	Zimbabwe Revenue Authority



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The report was authored by Professor Gift Mugano (Executive Director) in close collaboration with Dr Tonderai Kapesa, Ms Primrose Moyo and Ms Pretty Nyathi. Dr Caren Pindiriri provided critical review and feedback, enhancing the depth and accuracy of the analysis.

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Dr Carren Pindiriri has over 20 years research experience and possess immense research experience in the areas of agricultural, environmental and development economics. He is a holder of PhD in Economics from the University of Zimbabwe, an MPhil degree in Environmental Economics from the University of Oslo, an MSc degree in Economics and an BSc Economics degree from the University of Zimbabwe. Over the years he has worked as a consultant for the private sector, the Government of Zimbabwe and international organisations including World Bank, United Nations, SNV, African Development Bank, ODI, GIZ, AERC, International Trade Centre and numerous NGOs. Over the years, he had worked as coordinator and a member of the national and regional technical committees on national census and IDRC survey on upscaling Technical and Vocational Education and Training in Sub-Saharan Africa (Zimbabwe, Uganda and Tanzania). He is a senior lecturer at the University of Zimbabwe and accomplished researcher with several publications in international peer reviewed journals.



Dr Tonderai Kapesa

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1. INTRODUCTION

This 2025 economic review and 2026 economic outlook report provides a barometer and a lens through which we can review economic developments in Zimbabwe. The report, *inter alia*, furnishes a comprehensive insight into Zimbabwe's economic developments in 2025 and maps the outlook for economic developments in 2026; the risks, potential and policy considerations.

This report is structured as follows: section 2 discusses global economic developments and economic outlook; section 3 discusses domestic developments and economic outlook; section 4 discusses social economic indicators; and section 5 presents the comprehensive interview with the Governor of the Reserve Bank of Zimbabwe.

2. GLOBAL ECONOMIC DEVELOPMENTS AND OUTLOOK

2.1. Economic Growth

Against the backdrop of elevated geopolitical risks and heightened trade uncertainty, global economic growth is projected to fall from a projection of 3.3% in 2024, to 3.2% in 2025 and 3.1% in 2026; thereby reflecting slower expansion (International Monetary Fund (IMF), 2025). In 2026, in particular, the growth momentum registered in early 2025 is anticipated to

moderate as front-loaded trade activity unwinds, while high inflation and tight fiscal conditions limit policy support in advanced economies. As a result of the existence of residual uncertainty, headwinds and elevation of global risks due to tariff wars and worsening geopolitical risks, the medium-term outlook remains below the pre- Covid 19 pandemic global economic growth average of 3.7%, (IMF, 2025).

Table 2.1: Global Growth Estimates and Projections

Category	2024	2025	2026
World	3.3	3.2	3.1
Advanced economies	1.8	1.6	1.6
United States	2.8	2.0	2.1
Euro Area	0.9	1.2	1.1
United Kingdom	1.1	1.3	1.3
Germany	-0.5	0.2	0.9
Emerging markets	4.3	4.2	4.0
China	5.0	4.8	4.2
India	6.5	6.6	6.2

Source: IMF World Economic Outlook (October 2025)



In the advanced economies, economic growth is projected to slow to 1.6% in 2025 and 2026; which is a slight decline from 1.8% in 2024 (IMF, 2025). Likewise, in 2025 and 2026, on the back of policy uncertainty and fiscal expansion aimed at offsetting trade frictions, the United States' economy is projected to grow by 2% in 2025 and 2.1% in 2026, that is, lower than 2024 economic growth of 2.8% (IMF, 2025). Overall, higher tariffs, uncertainty and weak external demand derail prospects for robust growth notwithstanding the fact that inflation outlook is declining and central banks are gradually easing their monetary policies; which aspects should ideally support global economic activities.

In 2026, GDP growth in the Euro Area is anticipated to slow down to 1.1% from 1.2% in 2025 as a result of weak domestic demand regardless of solid growth in Ireland and stronger consumption in Germany. On the back of fiscal easing and stronger exports, Germany is projected to recover from a 2024 recession of 0.5% and expand by 0.2% in 2025 and 0.9% in 2026. Along a similar trajectory, building on a new trade deal with the United States and improved external conditions, the United Kingdom is projected

to record growth of 1.3% for both 2025 and 2026.

In Emerging and Developing Economies (EMDEs), growth is projected to moderate from 4.3% in 2024, to 4.2% in 2025 and 4.0% in 2026. Although higher global borrowing costs and trade disruptions remain headwinds, robust domestic demand in Asia and parts of Africa continues to underpin resilience in EMDEs. In China, supported by stronger trade and fiscal expansion, growth is forecast at 4.8% in 2025, before easing to 4.2% in 2026. On the back of growing investment and higher domestic demand, India remains the fastest-growing economy in the world, with real GDP growth of 6.6% in 2025 and 6.2% in 2026.

Sub-Saharan Africa (SSA)

Sub-Saharan Africa's economic growth is projected to remain resilient, albeit below pre-pandemic averages. In 2026, growth in SSA is projected to rise to 4.4%, up from 4.1% in 2024 and 2025. Although this marks a modest recovery, economic growth remains softer than expected due to weak external demand, persistent global headwinds, geopolitical risks and domestic financing constraints.

Table 2.2: Selected Sub-Saharan African Economies GDP Growth (%)

Category	2024	2025	2026
Sub – Saharan countries	4.1	4.1	4.4
Fuel Exporters	3.9	3.6	3.9
Nigeria	4.1	3.9	4.2
Angola	4.4	2.1	2.1
Middle– Income Countries	3.1	3.3	3.5
South Africa	0.5	1.1	1.2
Mauritius	4.9	3.2	3.4
Zambia	4.0	5.8	6.4
Low – Income Countries	6.0	5.9	6.2
Ethiopia	8.1	7.2	7.1
Tanzania	5.5	6.0	6.3
Uganda	6.3	6.4	7.6

Source: IMF World Economic Outlook (2025)



Strikingly, Sub-Saharan Africa's growth outlook faces growing risks in a global economic landscape which is uncertain and remain in a state of flux. To be specific, tighter global financial conditions and escalating trade tensions are expected to weaken demand, depress commodity earnings and raise borrowing costs, thereby further straining already heavy debt burdens for many Sub-Saharan African economies. Declining aid flows especially after the exit of USAID and redirection of resources to Ukraine, is anticipated to further exacerbate

the already constrained fiscal space and may result in several countries struggling to fund essential services such as health, education and food security.

In SADC growth is projected to sustain an upward increase from 2.6% in 2024, to 2.9% in 2025 and 3.0% in 2026. Despite this modest recovery, SADC growth remains below the sub-Saharan Africa average of 4.1%, reflecting financing constraints, structural weaknesses, energy deficits and high debt levels in several member states.

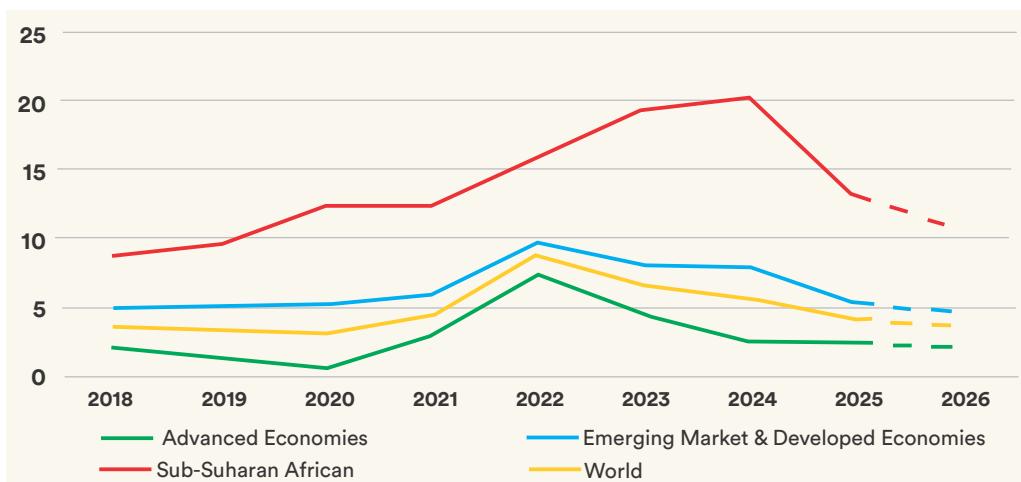
Table 2.3: Selected SADC Countries GDP Growth Projections (%)

Category	2024	2025	2026
SADC	2.6	2.9	3.0
Angola	4.2	2.1	2.1
Botswana	-3.0	-0.9	2.3
Lesotho	2.2	1.4	1.1
Madagascar	4.2	3.8	4.3
Mozambique	2.1	2.5	3.5
Namibia	3.7	3.6	3.8
Eswatini	2.8	4.3	4.6
Tanzania	5.5	6.0	6.3
South Africa	0.5	1.1	1.2
Zimbabwe	1.7	6.6	5.0

2.2 Global Inflation

After the post-Covid 19 pandemic and commodity price shocks, global inflation continues to ease with the global annual inflation rate of 5.6% in 2024, 4.2% in 2025 and a further anticipated decline to 3.7% in 2026 and is expected to stabilise around 3% by 2030. This moderation reflects easing food and energy prices, improved supply conditions and tighter monetary policies.

Figure 2.1 : Global Inflation (%)



Source: IMF (2025)



However, progress remains uneven across regions, with persistent risks from geopolitical shocks, trade tensions and climate-related shocks. To be specific, inflation in most industrial countries is gravitating towards the long-term trend, with inflation projected to decline from 2.6% in 2024, to 2.2% by 2026. In EMDEs, inflation is expected to ease from 7.9% to about 4.7% over the same period. In Sub-Saharan Africa, although supported by better food supply and tighter monetary policies, deceleration of inflation is slower, with the inflation rate projected to decline from 20.3% in 2024, to 10.9% by 2030.



2.3 International Commodity Prices

In the wake of several years of volatility, global commodity prices are generally expected to decline in 2025 and 2026. The World Bank forecasts the overall commodity price index to fall by 12% in 2025 and a further 5% in 2026, reaching a six-year low in nominal terms. These declines are broad-based across energy, metals and agriculture, though precious metals remain an exception, holding near record highs.

2.3.1 Metals

World metal prices vary by metal, with precious metals like gold around \$4,380-\$4,400/oz and platinum around \$2,200/oz, while industrial metals show diverse trends, such as copper near \$5.69/lb and aluminium around \$2,950-\$3,000/MT, with prices constantly fluctuating based on futures markets.



Figure 2.2: World Gold Prices for a 10 year period 2015-2025



Source: Goldprice.org (December 2025), World Bank Commodities Price Data (June 2025)



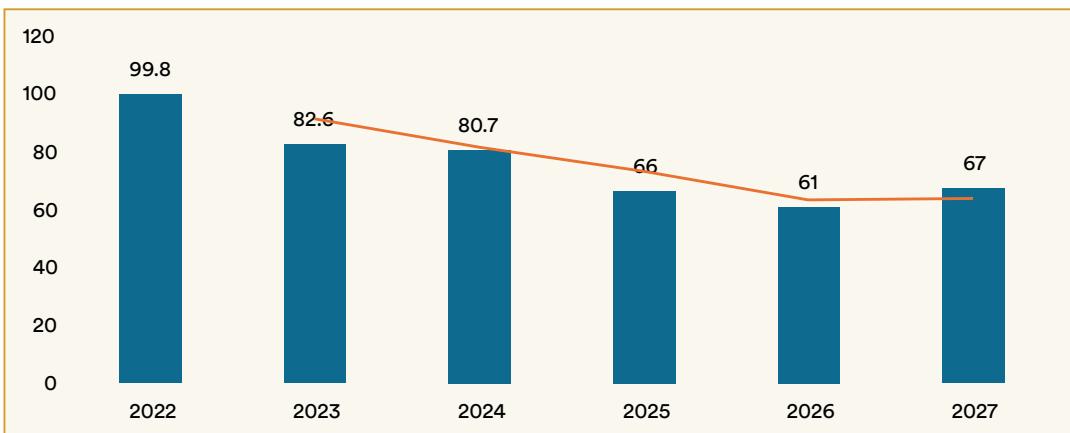
Gold prices show an upward trend from 2015 to 2025 from US\$1100 to US\$4500 per ounce, respectively. This is an indicator of positive development to countries which are large exporters of gold. This is accelerated by US tariff policies, which negatively affected investment in financial markets due to uncertainties. As such, investors consider an alternative investment in the form of gold which has increased both in demand and price.

Implications for Zimbabwe

Gold is the major export of minerals for Zimbabwe and accounts for the greater proportion of mineral tax revenue. Firming in world price of gold is a favourable development to both small scale (makorokoza) and large scale producers. This has a positive effect on the exports, employment, and mineral tax revenue. However, falling prices of platinum will, therefore, have serious impacts on Zimbabwe's exports receipts, tax revenues and employment. Coupled with retention policy, this negative economic development is likely to render the industry less viable

2.3.2 Crude Oil

Fig 2.3: World Average Prices of Crude Oil



Source: World Bank Commodities Price Data (June 2025)

Oil prices are expected to average \$66/bbl in 2025, and projected to fall further in 2026 to \$61/bbl. Uncertainty to supply due to OPEC production cuts are expected to influence the price. This is a positive development to countries such as Zimbabwe which are vulnerable to supply shocks.





Implications for Zimbabwe

Oil price stability in international markets and supply stability are positive developments to Zimbabwe on both price stability and importation bill. However, Zimbabwe has its own challenges wherein fuel is bought only in foreign currency. Soon after the introduction of the ZWG\$ as its own currency and floating exchange rate at the same time, importers of fuel, the partial stability of local currency has maintained the premium gap between official and black market rate. The situation would have been worse than this if there were no stability in world prices.

2.4 Agriculture Commodities

Agricultural commodity markets in late 2025 were characterized by overall declining price trends due significant volatility driven by ample supplies of major grains, strong production in key regions and macroeconomic factors. However, specific tree crops like coffee and cocoa have seen high prices. The World Bank's agricultural price index dropped nearly 7% in 2025 and is projected to decline further in 2026, thereby marking a potential fourth consecutive year of decline.



Table 2.4: World Average Commodity Prices of Selected Agriculture Commodities

	Unit	Annual Price Averages				
		2023	2024	2025	2026	2027
Maize	US\$/MT	253	191	198	195	197
Wheat	US\$/MT	260	260	280	285	310
Soyabeans	US\$/MT	530	462	382	386	394
Tobacco*	US\$/kg	4.96	4.65	5.89	5.90	6.20

Source: World Bank (June 2025); Statista Price Data (December 2025)



Box 2.1: World Average Commodity Prices of Selected Agriculture Commodities

Maize - prices were volatile from 2023 to 2025. In 2027, the average price for maize was forecast to reach US\$197 nominal U.S. dollars per metric tonne. This is expected to be a slight increase from the price in 2024 of US\$191.



Wheat - the global price of Wheat has experienced an upward trend over the past two years, reflecting shifts in market supply and demand. The wholesale prices ranged from \$260 to \$288 USD per tonne, signalling continued growth in Wheat price. The prices are projected to continue rising in the future due to continued conflict in high producing regions. However, scientific developments in most countries for high quality wheat for bread producing wheat might lower the demand and reduce the price of wheat.



Soybean - The global wholesale price of Soybean has followed a downward trend over the past two years, influenced by evolving market conditions. In 2023, prices averaged \$598 per tonne. However, by 2024, prices declined to an average of \$462 per tonne, signalling reduced demand or increased supply for Soybean. As of 2025, global soybean prices were fluctuating, with recent data showing figures around \$382 per metric tonne. It is projected to rise to \$386 in 2026 and \$394 in 2027.



Tobacco - the global market for raw tobacco is diverse, with prices highly dependent on factors such as quality, processing method (e.g., flue-cured, burley), and origin. Tobacco world average import/export prices were fluctuating above US\$4 from 2022 to 2025.



Box 2.2: Implications on Zimbabwe

Implications for Zimbabwe

Decrease in price of maize is likely to affect Zimbabwe positively given that the country has to import maize to meet supply and demand by different food and beverage producing firms.

For tobacco, commercial farmers continue to set the pace for high-quality tobacco deliveries, ensuring strong prices. Small-scale farmer deliveries are expected to increase significantly in the coming weeks, leading to higher supply and a probable decline in the average price. The average price since 2022 has ranged between US\$3.43 to US\$3.68 per kg. A highest price record of US\$5.75 per kg was recorded in 2025. Contractors have secured top-quality tobacco season by season have positioned themselves well in terms of price performance. The country has the highest recorded output of 368 million kilograms of tobacco in the 2025 selling season, resulting in revenue generation of US\$1.2 billion dollars, making it the highest revenue contributor subsector.



3. DOMESTIC ECONOMIC DEVELOPMENTS OUTLOOK & POLICY OPTIONS

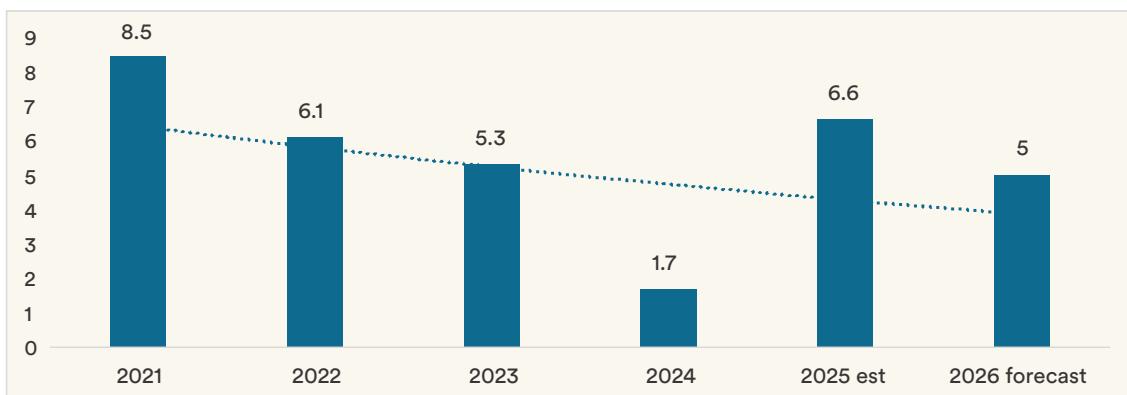
3.1 Real Sector

Buoyed by a robust recovery from recent drought, the Zimbabwean economy has demonstrated notable resilience in 2025, achieving an estimated growth rate of 6.6% underpinned by a resurgent agricultural sector and heightened mining output. In 2026, the Ministry of Finance, Economic Development and Investment Promotion (2025)'s growth estimates for the Zimbabwean economy is estimated at 5.0% which is aligned with our own estimates (see figure 4.1). This projected growth rate is driven by several factors which include, *inter alia*:

- (a) Favourable weather patterns, including expected normal to above-normal rainfall and expanded irrigated cropping, are set to boost agricultural performance;
- (b) Economic stability is expected to be anchored by prudent fiscal and tight monetary policies aimed at maintaining price and exchange rate stability;
- (c) Decline in global prices of crude oil is anticipated to reduce domestic production cost since fuel is a critical cost driver across value chains;
- (d) Elevated gold prices are expected further stimulate mining sector growth and foreign currency inflows;
- (e) Deepening ease-of-doing-business reforms, including the rationalisation of licences and charges, is expected to lower production costs and enhance the competitiveness of local products.



Figure 4. 1: GDP Growth Rate (%)

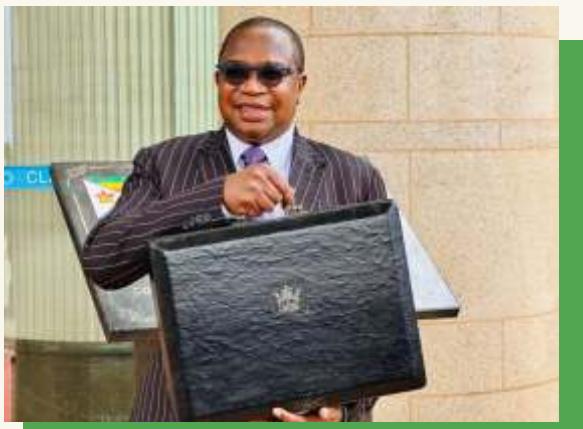


Source: Ministry of Finance, Economic Development and Investment Promotion (2025)



However, notwithstanding the positive sentiments presented above, the country's economic growth trajectory faces significant downside risks which include the following:

- (a) Climate change shocks such as excessive rains and flooding may negatively affect agricultural yields and output thereby undermining economic growth;
- (b) The prevailing macroeconomic stability is still fragile and could be unsettled by fiscal pressures, potentially reigniting currency volatility and inflationary pressures.
- (c) Decline in international gold prices or a spike in oil prices could undermine foreign currency inflows and increase production expenses;
- (d) The anticipated benefits from business reforms may be diluted by slow or inconsistent implementation, while existing structural challenges like energy shortages pose persistent threats to productivity and output.



In view of the foregoing observations on possible risks that could scuttle economic growth and secure durable macroeconomic stability, the following are possible remedies:

- (a) Authorities should prioritise building climate resilience through accelerated investment in irrigation and water management infrastructure to reduce agricultural dependence on rainfall;
- (b) Reinforce macroeconomic stability by maintaining tight monetary policy and strict fiscal discipline across MDAs by enforcing adherence to Public Finance Management Systems, avoiding quasi-fiscal operations, and building foreign exchange reserves by taking advantage of the prevailing gold prices;
- (c) Concurrently, institution of structural policies with a view to promote economic transformation and diversification of exports with a view to reduce vulnerability to external price shocks;
- (d) Most critically, the ease of doing business agenda must be deepened beyond licensing to address fundamental issues like property rights and regulatory predictability, ensuring reforms translate into tangible investment and competitiveness gains. In this regard, the Government of Zimbabwe should establish strong institutions whose mandate is to create a conducive environment for business.

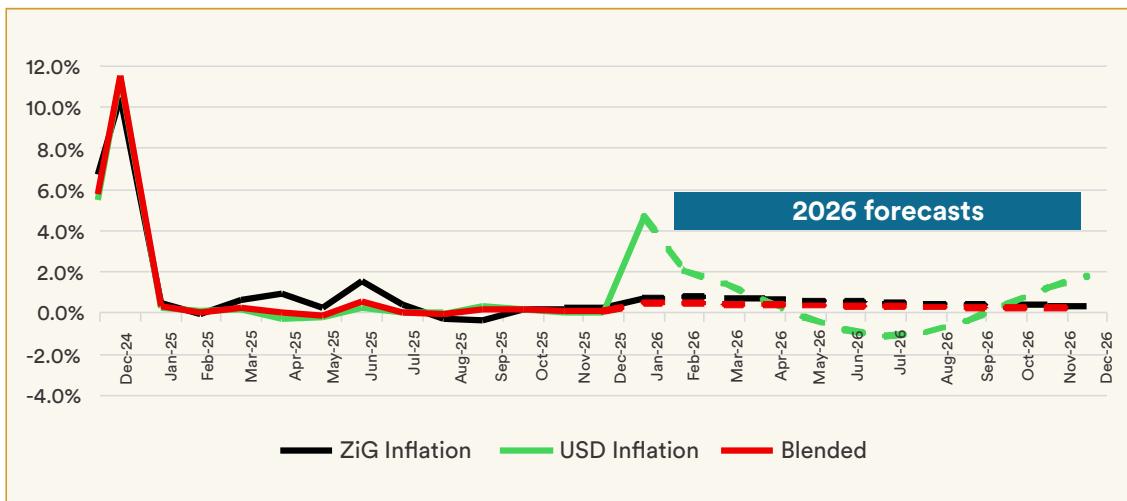


3.2 Inflation Developments

The introduction of the structured Zimbabwe Gold (ZWG) currency in April 2024 marked a watershed turning point of Zimbabwe's economy because it laid the foundation for an economic endeavour aimed at curing decades long macroeconomic instability and currency crisis. Supported by an aggressively constrained monetary policy stance and efforts to constrain fiscal pressures, the introduction of the new currency ended the hyperinflationary spiral of the preceding Zimbabwe dollar era and initiated a disinflation trajectory.

Resultantly, from end of September 2024 to present, authorities have exceptionally managed to foster a stable exchange rate which significantly contributed to the disinflation process which has seen month-on-month ZWG inflation receding to 0.23% and annual ZWG inflation plummeting to 15.4% by December 2025 from 95.8% in July 2025. In addition, US dollar annual inflation, stood at 12.39% remains a worrying factor and is driven by shocks, that is, supply shocks, rent-seeking and speculative behaviour.

Figure 2: Month-on-Month Inflation Trends and Forecasts



Source: AEDS Own Estimates

Going into 2026, our estimates show a sustained disinflation path, with annual ZWG inflation anticipated to decline to single-digit levels by April 2026 and while month-on-month inflation is projected to end the year at 0.2%. This projection is based on upon several reinforcing factors or assumptions which *inter alia* include firmly anchored inflation expectations, sustained stability in the local currency's exchange rate, and strengthened coordination between monetary and fiscal authorities to prevent deficit monetisation. The expectation is that prudent fiscal management will avoid injecting excessive liquidity, while the RBZ will maintain a cautiously restrictive stance to solidify gains and rebuild trust and confidence in the local currency.



Despite the positive baseline forecast, the 2026 inflation outlook faces headwinds which authorities should pay extra attention to:

The foremost vulnerability remains fiscal policy slippage. Any deviation from budget discipline, particularly through monetisation of the budget deficit, will reignite inflation and undermine the ZWG. (c)

In our humble submission, in order to secure the disinflation trajectory and mitigate these risks, a reinforcing and consistent policy mix, we submit that authorities should consider the following measures:

- (a) First, fiscal discipline must be non-negotiable and legally entrenched, with a zero-tolerance stance on quasi-fiscal operations, abuse of Public Finance Management Systems, and a commitment to transparent, cash-based budgeting;
- (b) Second, monetary policy should remain data-driven and restrictive until single-digit inflation is decisively achieved. For the sake of emphasis, current interest rates must remain for (d)

the rest of 2026 with a view to foster durable stability. Likewise, the focus of RBZ must be on liquidity management through market-based instruments rather than use of administrative measures;

Third, confidence building is critical. In this regard, authorities must accelerate reforms as well as improving transparency and regular reporting on the composition and reserves backing the local currency to deter speculation. Most importantly, authorities must continue to interact with the public to establish their pain points currency and undertake quarterly perception surveys on the same.

Finally, deepening structural reforms to improve competitiveness and supply responses across the economy will help address inflationary pressures at their root, ensuring that stability is underpinned by real sector growth rather than suppression of demand alone.

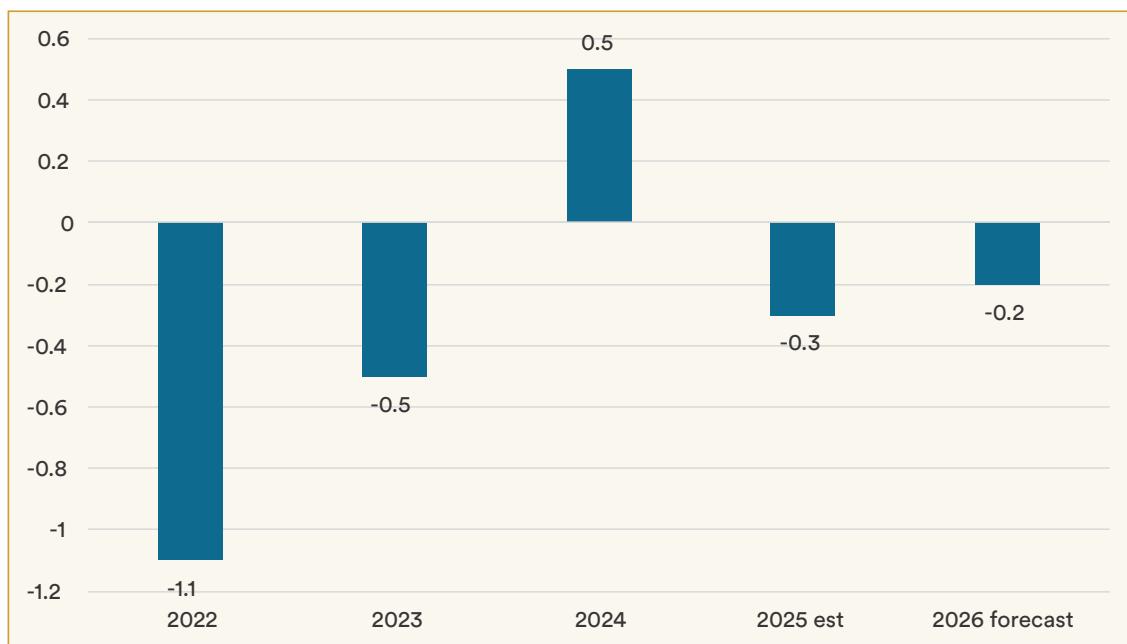


3.3 Fiscal Developments

In recent years, especially from 2023–2025, the country's fiscal position is under severe pressure, characterized by a critical financing squeeze due to persistent structural imbalances. Some of the key drivers of fiscal pressures *inter alia* include high public compensation bill, capital outlays infrastructure development and, most significantly, the servicing of substantial debt taken over from the Reserve Bank of Zimbabwe (RBZ) as well as debt issued in 2023 (equivalent to about 7% of GDP) to capitalize the Mutapa Investment Fund.

Consequently, while the headline fiscal balance remained broadly stable, the underlying financing shortfall manifested in the accumulation of an estimated US\$600 million in domestic expenditure arrears in 2024. Estimates for 2025 indicate a modest budget deficit of approximately -0.3% of GDP, but this stability masks a reality of continued payment difficulties and reliance on arrears to balance accounts, a trend expected to extend into 2026.

Figure 3.3: Fiscal Balance as a Percentage of GDP



Source: Ministry of Finance, Economic Development and Investment Promotion (2025)

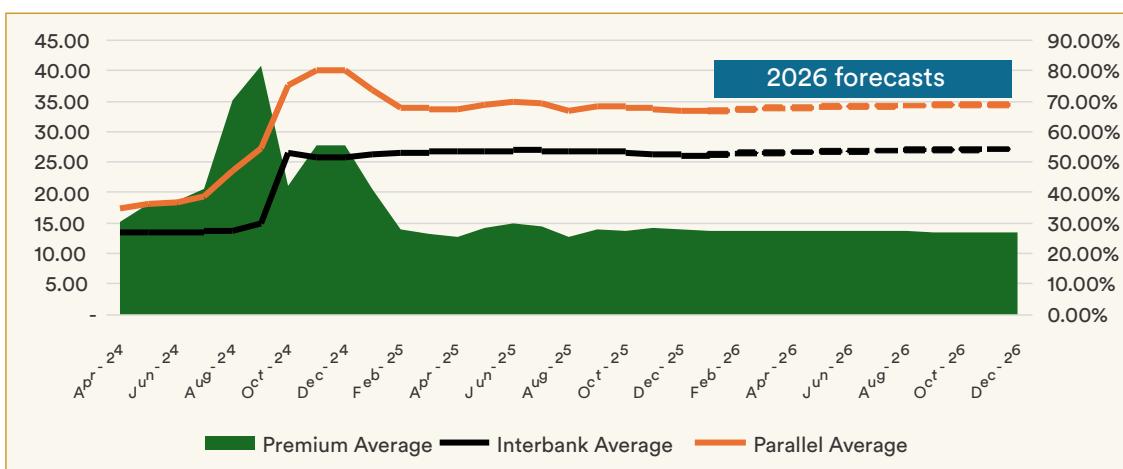
On a refreshing note, Government has not borrowed from the central bank for more than 12 months and has been running close to balanced net fiscal position, albeit the existing of an unclosing government open position, especially driven by unpaid export surrenders and outstanding suppliers' credits. Going forward, we are refreshed by the Reserve Bank is committed to ensure that there will be no accommodation of the fiscus and as a long-term arrangement, NDS2 has set a cap of 5%, which is in line with SADC benchmarks. In the same vein, in view of the fact that fiscal pressures remain a primary risk to economic stability, we argue that any deviation from budget discipline, particularly through monetisation of the budget deficit, will reignite inflation and undermine the ZWG.



3.4 Monetary and Exchange rate developments

The introduction of the ZWG in 2024 markedly shifted the thrust of Monetary Policy to being highly proactive, transparent and forward-looking, guided by developments in inflation and the exchange rate. Our estimates indicate that the baseline forecast anticipates a period of fragile stabilization, with ZWG maintaining a moderate volatility, and inflation continues a gradual, though uneven, decline. To be specific, using econometric modelling, we anticipate the exchange rates, that is, parallel market and interbank to remain unchanged for the entire 2026 (see figure 4).

Figure 3.4: Exchange Rate Developments



Source: Ministry of Finance, Economic Development and Investment Promotion (2025)

Likewise, we anticipate exchange rate premium to narrow down to approximately 20% (see figure 4). This projected outlook on exchange rates is based on the following assumptions:

- (a) Continued stability of the ZWG and most critically, sustained fiscal discipline which is key in avoiding monetization of deficits;
- (b) We anticipate the monetary policy remain restrictive stance and later towards the end of 2026 to cautiously transition from a purely restrictive to a more balanced approach, with a possibility of slight easing of interest rates after attaining durable stability towards the end of the year, though rates will remain high by regional standards;

It is our collective view that authorities will stay on course and will continue to institute fiscal discipline, tight monetary policy and deepen the implementation of structural policies which are a priori requirement for import substitution, export growth and job creation. In view of this submission, we are of the humble view that the success in 2026 will be two-pronged:

- (a) Extending of the stability horizon to 2026 and beyond.
- (b) Going beyond managed stability to durable stability characterised by deepening use of the ZiG in financial transactions, and restoration of credibility of the Central Bank and government policies in general.



3.5 Financial Markets Development

3.5.1 Banking Sector Development

The banking sector's capital adequacy ratio has remained well above the domestic regulatory minimum of 12%, averaging 36.95% between 2024 and September 2025, and is expected to remain high in 2026. The ratio of nonperforming loans remained low averaging 2.87% over the same period. Total loans and advances constituted the largest portion of total banking sector assets, at 32.94%, as at 30 September 2025.

Notwithstanding this, the following challenges remains in the banking sector:

- (a) Systemic liquidity management is impaired due to delays in weekly releases of required reserves and delays in payment of both principal and interest for Treasury securities hindering banks' ability to meet tax obligations, access foreign currency, or utilize emergency facilities. This liquidity fragmentation threatens financial intermediation;
- (b) The banking sector's stability faces significant underlying risks despite a high headline capital adequacy ratio. The critically low share of loans to productive sectors (30% of assets) indicates a severe misallocation of credit, stifling private investment and economic growth;
- (c) Declining profitability because exchange rate stability ends a period of windfall valuation gains thereby weakening banks' ability to organically generate capital.



In addressing the aforementioned challenges, it is our humble view that authorities should consider the following policy options:

- (a) In order to ensure that credit is channelled to the real economy, authorities could introduce a graduated regulatory incentive, such as lowering reserve requirements for banks that increase their lending to productive sectors like agriculture, manufacturing, and SMEs;
- (b) In line with (a), authorities may consider a complete overhaul of the liquidity management framework by fostering coordination between Treasury and RBZ with a view to ensure timely settlement of principal and interest payments on securities. If implemented, these measures would help stabilize bank profitability on a more sustainable foundation of intermediation margins rather than speculative gains.





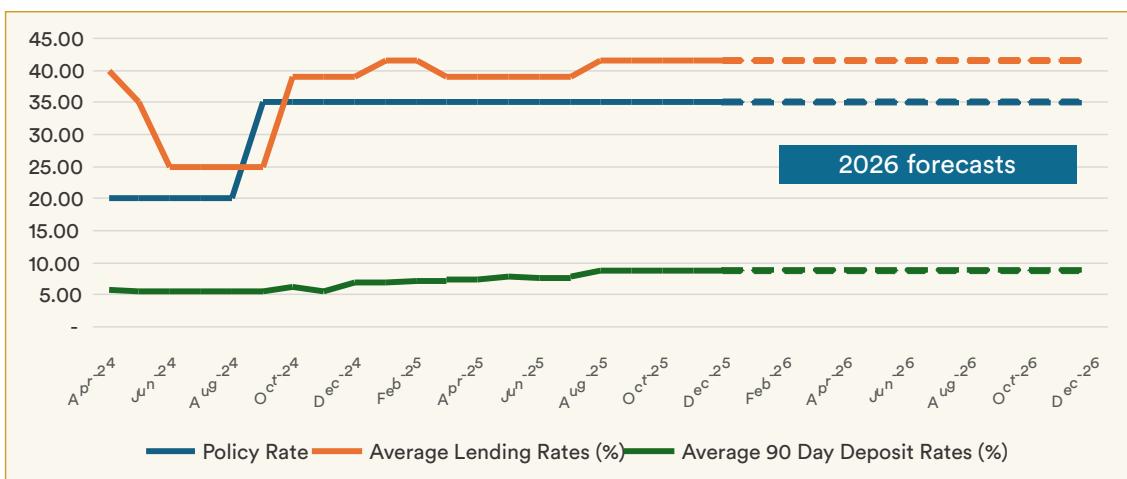
3.5.2 Money Markets Development

In April 2024, with the introduction of ZWG, the money markets were defined by a pivotal structural reform and a restrictive policy stance which is aimed at curbing profound macroeconomic instability. To buttress this new unit and combat inflation, the Reserve Bank of Zimbabwe maintained a tight monetary policy, holding interest rates exceptionally high while aggressively conducting liquidity mopping-up operations. Market dynamics reflected these pressures and underlying confidence issues. Despite these measures, the economy remained largely dollarized, and

activity in the parallel foreign exchange market continued, underscoring the enduring challenge of fostering trust in the local currency.

The Reserve Bank of Zimbabwe's Monetary Policy Committee (MPC) reviewed the Bank Policy Rate from 20% to 35% effective 27 September 2024, to curtail exchange rate and inflation pressures. There is minimal reliance on the lender of last resort facility as most banks relied on the liquidation of NNCDs to meet their liquidity needs.

Figure 3.5: Interest Rate Trends



Source: AEDS Own Estimates

Based on our analysis, we are of the view that baseline scenario anticipates cautious stabilization, with the ZWG gradually gaining a firmer foothold in formal interbank and securities markets, albeit the US dollar is expected to retain its dominant role for savings and major transactions. Although inflationary pressures are expected to continue to subside while the exchange rate stability holds, we anticipate the policy rate to remain unchanged for the large part of 2026 as the authorities work towards durable stability (see figure 3.5).

However, from the last quarter of 2026, we expected monetary authorities to start calibrating the monetary policy and ease interest rates gradually in line with market developments and economic agents' expectations.



3.5.3 Capital Markets Development

The Zimbabwean capital markets navigated a complex and transitional phase from 2024 through 2025, dominated by the seismic shift of the April 2024 introduction of the structured Zimbabwe Gold (ZWG) currency. This reform necessitated a complete redenomination of local currency instruments, leading to initial market paralysis followed by a cautious recalibration under a newly formalized multi-currency trading system. The equity market, operating with a three-currency listing framework, exhibited volatile price discovery with a clear investor preference for US dollar exposures and counters with tangible asset backing or foreign revenue streams, such as mining houses. Despite moderate USD-index growth, this trend reflected more of an inflation-hedging dynamic than robust fundamental confidence with primary market activity remaining dormant. Simultaneously, the domestic debt market struggled to develop beyond short-term tenors, as the government issued high-yield Treasury instruments while longer-dated ZWG bond issuance foundered due to prohibitively high-risk premiums demanded by wary investors.

Looking ahead to 2026, the trajectory of the capital markets is inextricably linked to the continued credibility of the ZWG and broader macroeconomic stability. The equity market is likely to see subdued, commodity-driven growth in USD terms. However, this fragile recovery faces



substantial downside risks. A loss of faith in the currency or fiscal slippage could trigger rapid capital flight into tangible assets, a collapse in real market valuations, and a freezing of debt markets, potentially prompting damaging regulatory interventions. Conversely, a sustained drop in inflation combined with significant foreign investment could unlock a faster re-rating and even restart the dormant corporate bond market.



3.5.4 Pensions and Insurance Sector Developments

The Zimbabwean pensions and insurance sector from 2024 to 2025 navigated a landscape defined by profound structural upheaval and a persistent crisis of confidence, driven primarily by the April 2024 introduction of the Zimbabwe Gold (ZWG) currency. The mandatory conversion of assets and liabilities into the new unit created immense operational complexity, exacerbating long-standing fears among policyholders and pensioners of a repeat of historical value erosion. This deep-seated scepticism stifled growth thereby leading to a continued preference for informal savings and a marked shift toward USD-denominated products, which created a two-tier system that further marginalized the nascent ZWG-based ecosystem. Investment portfolios faced severe constraints, as regulated prescribed asset allocations clashed with a volatile and illiquid ZWG bond market, forcing continued heavy reliance on the equity market as a speculative store of value rather than a source of stable returns. Throughout the period, the Insurance and Pensions Commission (IPEC) actively guided the transition amidst a resurgence of litigation over legacy benefits, while the sector's core function of providing long-term security remained critically challenged.

Looking ahead to 2026, the sector's trajectory remains inextricably linked to macroeconomic stability and the credibility of the ZWG. In a baseline scenario of cautious stabilization, a slow and fragile rebuilding of trust is possible, potentially fostering modest growth in short-term ZWG-denominated products and prompting necessary regulatory reforms, such as an overhaul of the prescribed asset regime. This could lead to industry consolidation and innovation in hybrid and inflation-protected offerings. However, the sector faces existential downside risks; a loss of currency confidence would trigger a catastrophic erosion of asset values, a solvency crisis across funds, a surge in litigation, and a rapid contraction of the formal market as citizens flee to tangible assets and informal savings clubs. Conversely, a sustained economic recovery paired with a definitive resolution of historical grievances could unlock the sector's potential to mobilize long-term capital for development. Ultimately, 2026 will be a test of whether the sector can begin to transcend its role as a mere survivor of monetary volatility and start to rebuild its foundational social contract as a reliable provider of future financial security.



3.5.5. External Sector

Zimbabwe's current account balance was in surplus at US\$1.3 billion (1.1% of GDP) in 2024 and expected to widen to US\$1.4 billion (2.5% of GDP) in 2025. Total foreign currency receipts in 2025 hit US\$16.2 billion up from US\$13.3 billion in 2024. This positive shift is driven by robust export growth, particularly in gold due to high global prices, and remarkably strong diaspora remittances, which are estimated to have surpassed US\$2.7 billion in 2025. Concurrently, the trade deficit is narrowing, forecast to reduce from US\$1.7 billion in 2024 to US\$1.5 billion in 2025, as local agricultural recovery curbs food imports and softer fuel prices contain the import bill. On a refreshing note, for the first time in history, foreign reserves are now at US\$1.2 billion as at 31 December 2025, corresponding to 1.5 months of import cover. With the current trajectory, the country could easily achieve the SADC minimum benchmark of 3 months import cover well before 2030.

The medium-term outlook is further supported by anticipated growth in gold production, agricultural sector and steel exports. To secure these gains and promote sustainable stability, targeted policy actions are essential. A dedicated strategy is needed to accumulate foreign exchange reserves, potentially by allocating a fixed share of export and remittance proceeds, with the explicit goal of reaching the minimum 3-month import cover to anchor the ZWG currency. Windfall revenues from high commodity prices should be strategically reinvested into productivity-enhancing areas like agriculture and critical mining infrastructure. Furthermore, policies should aim to formalize and channel more diaspora remittances into productive investments through incentivized channels, such as cost-reduced transfer systems or diaspora bonds.





3.5.6. Public Debt

In 2025, total Public and Publicly Guaranteed (PPG) debt amounted to US\$23.4 billion (44.7% of GDP), that is, up from US\$21.5 billion as at December 2024. The debt stock comprises external debt amounting to US\$13.6 billion, and domestic debt of US\$9.8 billion (see table 3.1). The stock of external debt was US\$13.6 billion as at end September 2025, up from US\$13.2 billion as at end December 2024. The debt owed to bilateral and multilateral creditors amounted to US\$6.4 billion (47.5%) and US\$4.9 billion (36%), respectively (see table 3.1).



Table 3.1: Total PPG Debt Stock [30 September 2025 (US\$ million)]

Description	DOD	PRA	IRA	Penalties	Arrears +Penalties	Total
Total Public Debt (A+B)	13,904	5,041	1,894	2,514	9,450	23,355
A. External Debt (1+2+3)	5,852	3,319	1,870	2,516	7,705	13,557
1. Bilateral Creditors	1,567	1,973	628	2,266	4,867	6,434
Paris Club	53	1,470	504	2,151	4,125	4,178
Non-Paris Club	1,514	503	124	115	742	2,255
2. Multilateral Creditors	2,038	1,346	1,242	250	2,838	4,876
World Bank	72	813	728	-	1,541	1,613
African Development Bank	19	302	447	-	749	768
European Investment Bank	7	158	26	250	435	441
Trade and Development Bank	698	12	27	-	40	738
Afreximbank	1,191	43	7	-	51	1,242
Others	51	17	5	-	23	73
3. RBZ Debt Assumed by Treasury	2,247	-	-	-	-	2,247
B. Domestic Debt	8,052	1,722	23	-	1,746	9,798
Government Securities	4,861	443	23	-	466	5,327
Treasury Bills	300	77	2	-	79	379
Treasury Bonds	4,561	366	22	-	387	4,948
Service providers	-	1,280	-	-	1,280	1,280
White Farmers Compensation	3,191	-	-	-	-	3,191

Source: Zimbabwe Public Debt Management Office (2025)

DOD: Disbursed Outstanding Debt

PRA: Principal Arrears

IRA: Interest Arrears

Other Multilateral Creditors: -BADEA, IFAD, NDF, and OFID



With respect to domestic debt, it is largely constituted by government securities (US\$5.327 billion), white farmers' compensation (US\$3.191 billion) and services providers (US\$1.280 billion). Of serious concern is the rate at which the Government of Zimbabwe is acquiring domestic debt by MDAs on the back of abuse of public finance management systems (PFMS) – literally weakening the role of the Ministry of Finance, Economic Development and Investment Promotion on managing the national purse (see Box 3.1).

Box 3.1: Abuse of Public Finance Management Systems

The Ministry of Finance, Economic Development and Investment Promotion pointed out that during the period 2022 – 2025 the accumulated expenditure arrears to suppliers of goods and services including transfers and subsidies, are as a result of rampant abuse of Public Financial Management Act and rent seeking behaviour. Specifically, the following were observed:

- Ministries, Departments and Agencies (MDAs) were transacting outside the Public Finance Management Systems (PFMS);
- Weak controls and monitoring systems;
- Over contracting where MDAs were committing above the budgeted resources;
- Higher costs of goods and services as suppliers prices in payment delays, including using parallel market exchange rate especially during the 2022 – 2023 period; and
- Misalignment of the budget and cash releases

Source: *Ministry of Finance, Economic Development and Investment Promotion (2025)*



Resultantly, between 2022 and 2024, a staggering domestic debt of US\$1.7 billion was acquired by MDAs without necessary approvals or having followed due process (see table 3.2).



Table 3.2: Prioritisation of Arrears

Description	Total US\$ Million	Share of Total (%)
Category 1: Social Benefits and Compensation of Employees	305.04	18
Basic Education Assistance Module(BEAM)	98.00	6
Results Based Financing Claims	77.05	5
War Veterans Benefits	8.04	0
Pension Fund	69.58	4
National Social Security Authority(NSSA)	23.48	1
Medical Health Insurance (PSMAS)	28.50	2
Government Employee Mutual Savings Fund	0.39	0
Category 2: Arrears on Essential Services	58.84	3
Telephone - Telone	1.29	0
Telephone – Netone	0.30	0
Water and Rates (ZINWA & Local Authorities)	7.26	0
Zimbabwe School Examination Council	50.00	3
Category 3: Capital Expenditure and Other Arrears	1,321.61	78
Dam constructionand water supply projects	700.00	42
Road development	222.20	13
Vehicle hire (CMED)	19.41	1
Input supportscheme	380.00	23
Grand Total	1,685.49	100

Source: *Ministry of Finance, Economic Development and Investment Promotion (2025)*

Of significant concern are the unverified arrears which were spent on dams and water supply projects (US\$700 million), road development (US\$222.20 million) and input support scheme (US\$380 million). The alleged funds spent on dams raise questions which are centred on violation of value for money principles especially in the context of the fact that the largest inland dam, that is, Tokwe Mukosi, was constructed at a cost of US\$260 million.

The question which arises is: where are the dams which consumed US\$700 million?

This shift raises significant concerns regarding financial stability and fiscal sustainability. Firstly, the concentration of these bonds within domestic banks and a single major private asset manager – with minimal participation from pensions, insurers, and the

social security fund – compounds the financial sector's vulnerability by strengthening the banks-sovereign nexus and risks crowding out private sector lending and real investment. Secondly, the overall domestic debt burden has escalated, compounded by continued reliance on high-cost, short-term financing amid limited alternative sources.

The government's deteriorating debt servicing capacity is further evidenced by recent policy measures. These include a partial reprofiling of domestic debt obligations – involving a temporary suspension of servicing treasury bonds related to blocked funds, the RBZ, Fidelity Gold Refinery and RBZ printing and minting – coupled with an accumulation of arrears to suppliers. Cumulatively, these actions signal a tightening of financing constraints and a weakening fiscal position.



4. SOCIAL DEVELOPMENT INDICATORS & POLICY OPTIONS

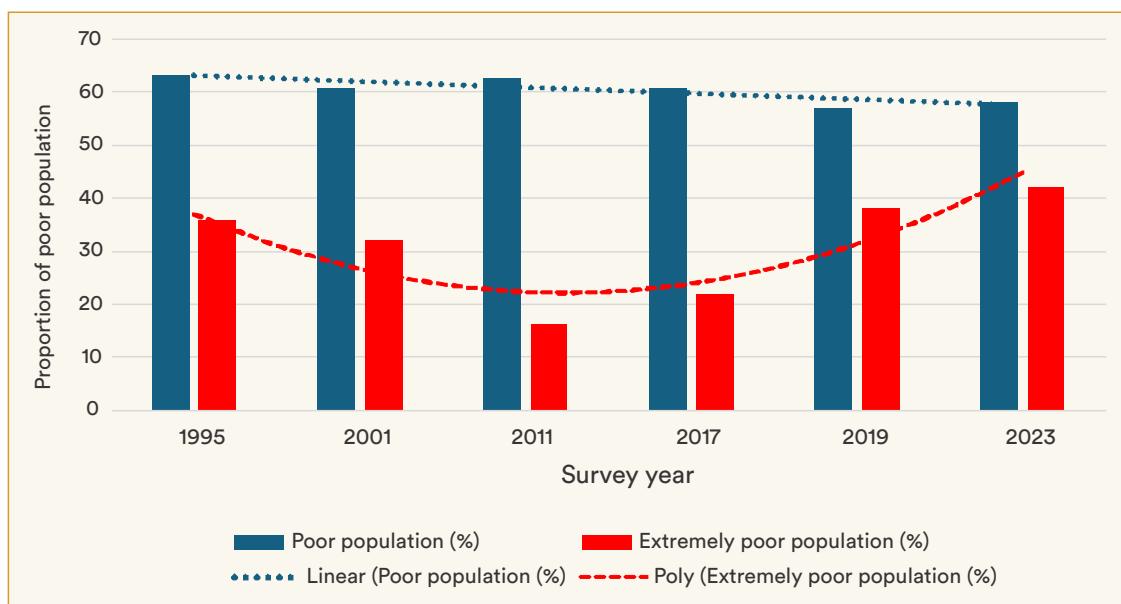
4.1 Poverty levels

Poverty rates in Zimbabwe have adamantly remained largely unresponsive to structural changes for several decades. The prevalence of poverty, the proportion of the population living below the poverty line, has consistently ranged between 57% and 63.3% since the mid-1990s. According to Zimbabwe's Central Statistical Office (now ZimStat), the 1995 Income, Consumption, and Expenditure Survey (ICES) recorded a poverty prevalence rate of 63.3%, followed by 60.6% in the 2001 ICES. In the 2011/12 Poverty, Income, Consumption, and Expenditure Survey (PICES), ZimStat reported a poverty prevalence rate of

62.6%, and the 2017 PICES reported 60.6%. The 2019 mini-PICES indicated a slight decline to 57%, but by 2023 the rate continued to hover around 60%.

What is particularly concerning, however, is the fact that the prevalence of poverty has continued to rise despite periods of impressive economic growth and macroeconomic stability. The trends illustrated in Figure 4.1 are alarming, suggesting that growth has been accompanied by increasing structural inequalities.

Figure 4.1: Poverty trends in Zimbabwe



Source: ZimStat

Most African countries, with a few exceptions such as Rwanda, are experiencing high economic growth alongside rising extreme poverty, as seen in countries like Zimbabwe. For example, Ethiopia recorded economic growth of at least 7% in 2024, yet the proportion of the population living in poverty increased from 33 % in 2016 to over 40% in 2024. Similarly, Zambia's economy grew by over 4% in the past two years, but its poverty prevalence has remained very high, rising from 54.4% in 2015 to 60% in 2022.



In contrast, Rwanda has demonstrated more inclusive growth. Between 2017 and 2024, the country maintained an economic growth rate of at least 5%, accompanied by a decline in the population living in poverty from 39.8% in 2017 to 27.4% in 2024. Outside Africa, countries with modest growth rates have also achieved significant poverty reduction. Mexico, with only about 1% economic growth, reduced poverty from 42% in 2018 to roughly 30% in 2024. Cambodia halved multidimensional poverty from 36.7 to 16.6% between 2010 and 2022, despite a maximum economic growth rate of 5%. Similarly, Peru recorded economic growth of around 3–4% in the 2000s and experienced a substantial drop in poverty prevalence from 59% in 2004 to 20.5% in 2018.

Based on current trends, poverty is expected to remain persistently high in 2026. Although the economy is projected to grow by at least 6%, pronounced inequality is likely to persist, keeping the poverty prevalence rate above 55%. While the total population living in poverty may decline slightly, extreme poverty is expected to remain stubbornly high. Existing fiscal measures, including income redistribution policies, and social programmes are insufficient to reverse this trend. Furthermore, with fiscal and monetary policies largely unchanged over the past four years, similar patterns in poverty are likely to continue through 2026.

To improve the inclusivity of economic growth benefits, the government can learn from countries such as Rwanda, Mexico and Peru that have successfully reduced poverty through inclusive economic growth. While inclusive growth is well-defined in Zimbabwe's development plans, implementation remains subdued. There is need to emphasize and upscale the implementation of inclusivity in economic development. Focus should be on reducing inequality through rural development and infrastructure investments. Other policy options should include expanding social protection programmes and designing

useful social security benefits, providing educational, health support and employment opportunities to vulnerable populations, promoting cooperatives, microfinance, and market access for smallholder farmers, and developing pro-poor infrastructure such as roads, electricity, water, and ICT, especially in rural areas. The upscaling of the current program on borehole drilling and nutritional gardens will significantly reduce poverty in marginalized areas.

4.2 Stunting growth

Stunting is a key indicator of chronic undernutrition, reflecting long-term deficiencies in nutrition, healthcare, and overall living conditions. It is defined as low height-for-age in children under five years of age. According to the Zimbabwe Demographic and Health Survey (ZDHS) 2023/24, about 27% of children under five in Zimbabwe are stunted, with approximately 6% classified as severely stunted, indicating chronic undernutrition.

What is particularly concerning is the lack of significant progress in reducing stunting. For example, the ZDHS 2015 reported a similar prevalence rate (27%), highlighting a persistent challenge over time. Climate shocks, such as droughts, remain a major obstacle to reducing stunting among children. Consequently, the stunting trend has remained largely unchanged over a long period, and similar patterns are expected to persist in 2026.

However, improvements in agriculture are expected to contribute to a slight reduction in stunting. To achieve a more substantial decline, social protection programs need to be scaled up. These include expanding access to borehole water, developing nutritional gardens, enhancing school feeding programs, and providing vulnerable households with agricultural inputs. Additionally, macroeconomic stability is critical to ensure the effective implementation of nutrition and social protection programmes.



4.3 Unemployment

Zimbabwe's universities produce thousands of graduates each year, many of whom struggle to secure formal employment. Statistics from the Ministry of Higher and Tertiary Education indicate that approximately 30,000 students graduate annually, yet fewer than 20 % obtain jobs in the formal sector. As a result, a large proportion of the labour force is unable to access formal employment opportunities. In 2024, the unemployment rate stood at 20.5%, according to ZimStat's third-quarter Labour Force Survey (LFS). The situation is particularly severe among young people: about 49.5% of youth aged 15–35 years is not in education, employment, or training (NEET), pointing to deep structural challenges in absorbing young people into productive work.

Consequently, many Zimbabweans turn to the informal economy, which has become a major source of livelihood and a significant reservoir of entrepreneurial potential that could be harnessed to drive economic growth. The 2024 Economic Census estimated that the informal sector accounts for about 76% of economic activity. ZimStat's third-quarter 2024 LFS further reported that less than half of the working-age population was engaged in the labour market by late 2024. The labour force participation rate—the proportion of working-age people who are either employed or actively seeking work—was approximately 47.6–48%.

Looking ahead, increased business optimism for 2026, underpinned by current macroeconomic stability, suggests that more jobs may be created. Surveys conducted by business member organisations (BMOs) indicate that many enterprises are optimistic about 2026 and plan to scale up production and employment. However, despite this optimism, job creation is unlikely to keep



pace with the growing number of new entrants into the labour market. For instance, in the first quarter of 2024, employment increased modestly from 3.17 million in the fourth quarter of 2023 to 3.19 million, but this was insufficient to reduce unemployment, which continued to rise. The 2019 Labour Force Survey reported an unemployment rate of 16%, which had increased to 20.5% by 2024.

In 2026, employment is expected to increase due to anticipated macroeconomic stability and agriculture-led expansion driven by improved seasonal conditions. Nevertheless, unemployment will remain a major challenge because of the persistent mismatch between the number of jobs created and the number of labour market entrants. The current scale of job creation is insufficient, and we should not expect a significant reduction in unemployment time soon. Policy interventions should, therefore, prioritise expanding employment opportunities. Continued production of graduates without commensurate job creation will perpetuate high unemployment levels. While Education 5.0 is a positive step toward promoting innovation and job creation, the revitalisation and expansion of polytechnics is critical for generating employment in a developing economy such as Zimbabwe.

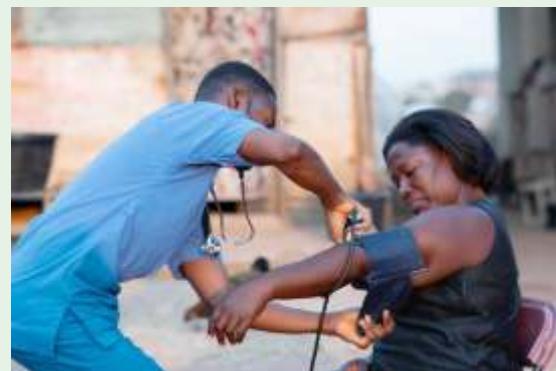


4.4 Health

Health metrics in Zimbabwe present a largely sombre picture over the past two decades, with the notable exception of average life expectancy, which increased from 59 years in 2015 to about 65 years in 2025, according to ZimStat DHS. This improvement is largely attributed to better control of HIV/AIDS.

Other health indicators, however, have shown less progress. The infant mortality rate (deaths of children under one year per 1,000 live births) and neonatal mortality rate (deaths within the first 28 days) have deteriorated over the past decade, while the under-5 mortality rate has remained largely unchanged (Figure 4.2). These trends indicate limited progress in reducing early child deaths, with both infant and neonatal mortality having increased since 2015.

The health sector continues to face significant challenges, including drug shortages, constrained fiscal space, and limited health financing, all of which undermine service delivery. According to the 2023/24 DHS, only 8% of the population



has health insurance, meaning that roughly 92% rely on out-of-pocket payments for healthcare.

While the continuation of a stable macroeconomic environment may improve access to health financing for some, limited fiscal space is likely to continue hindering overall progress in health service delivery in 2026. Although the health budget allocation increased nominally from US\$785.9 million in 2025 to US\$997 million in 2026, the Ministry of Health received only 28% of its original request, suggesting that many of the sector's challenges are likely to persist in 2026.

Figure 4.2: Health statistics



Source: ZimStat



4.5 Education

According to the 2022 Zimbabwe Population and Housing Census (ZimStat), the national literacy rate for people aged 15 and above is approximately 93.6–93.7%. Literacy is conceived as the ability to read and write, typically measured by completion of at least Grade 3 of primary school. This represents a slight decline from the 96% recorded in the 2012 Census, but Zimbabwe's literacy rate remains among the highest in Africa. The female literacy rate is about 92–93%, while the male literacy rate is around 95%.

Education in Zimbabwe is expected to continue performing well in 2026 and the near future. However, a potential risk to knowledge production may arise from the misuse of artificial intelligence (AI), which could encourage learners to become less independent in their thinking.

4.6 Quality of life

According to UNICEF, about 64% of Zimbabwe's population have access to basic drinking water services, while only 42% have access to basic sanitation. These figures have stagnated since 2020. The 64% access rate for basic drinking water is comparable to Mozambique, but far below other African countries—for example, 93% in South Africa, 95% in Botswana, 88% in Namibia, 77% in Zambia, and 87% in Malawi.

In rural areas of Zimbabwe, approximately 81% of people have access to improved water sources, but issues with quality, reliability, and distance remain serious concerns, particularly under drought conditions. Urban areas also face significant challenges in accessing clean water and adequate sanitation, largely due to the ageing sewer and water infrastructure, a problem expected to persist in 2026.

On the positive side, there has been a proliferation of borehole drilling in many rural and urban areas, which has significantly improved access to clean water, especially in rural communities. A good rainfall season is expected to improve water availability in both urban and rural areas by replenishing reservoirs, while also boosting farmers' incomes, which in turn increases demand for borehole drilling, sanitation, and better housing. Modest gains in access are therefore expected due to new WASH programs, infrastructure investments, and improved rural farm incomes.

However, achieving substantial improvements in water and sanitation access will require scaled-up government investment in climate-resilient water infrastructure, including rehabilitated boreholes, solar-powered piped systems, and community water kiosks. Reliance solely on development partners, especially in an environment of declining donor support, will not be sufficient. The government should therefore continue to support UNICEF WASH programs and undertake a review of water and sanitation policies to ensure sustainable progress.

4.7 Population growth

The 2022 Population and Housing Census recorded a population of 15.2 million in Zimbabwe. Based on these statistics, with a death rate of 7.9 per 1,000 and an annual growth rate of 1.6%, the population is projected to reach 15.9 million in 2025 and 16.2 million in 2026, increasing further to 17.2 million by 2030. Although the growth rate is modest, it will continue to exert additional pressure on the country's already strained resources.



5. SPECIAL FEATURE: DINSON IRON AND STEEL COMPANY AND ITS IMPLICATIONS ON THE ZIMBABWE ECONOMY & POLICY OPTIONS

5.1. Introduction

After the demise of the Zimbabwe Iron and Steel Company (ZISCO), the country has been importing iron and steel products amounting to US\$300 million annually. Indicatively, in the last 20 years, the country spent US\$6 billion on iron and steel imports only. This has a massive effect on the economy ranging from draining of foreign currency, externalisation of jobs and loss of possible multiplier effects in the downstream industries.

The entrance of Dinson Iron and Steel Company (DISCO) with a US\$1 billion investment is a refreshing development as it comes in with massive positive spinoffs. DISCO is a subsidiary of Tsingshan Holdings Group, the biggest steel producer in the world and a fortune 500 company. After signing a

memorandum of understanding with the Government of Zimbabwe, the groundbreaking ceremony for the commencement of construction was held on 22 October 2022. On a record time of 18 months, the first phase of construction was completed. As a result, on 13 June 2024, production of pig iron commenced. This was followed by production of billets, deformed bars and steel wire in August 2024, February 2025 and November 2025, respectively. The installed production in the first phase is 600,000 metric tonnes of steel annually. In 2026, the company envisages to enter into second phase of production which will see production of angle iron, tunnel iron making it the biggest iron and steel company in Africa.



5.2. Economic Implications

The positive impact of the DISCO on Zimbabwe's economy includes, inter alia: job creation, skills transfer, import substitution, exports, local economic development and other economic wide impacts such as luring other big investors, establishment of other companies and power generation (see Box 5.1).



Box 5.1: The Impact of DISCO on the Zimbabwe Economy

Job Creation & Skills Transfer: DISCO has a total labour force of 1,700 employees sourced locally. About 95% of jobs are locally sourced. The majority of these workers were unskilled and trained and are now semi-skilled. However, a significant number of skilled engineers went through training and certification in China.

Imports Substitution: In 2025, the company supplied local market with steel products averaging around US\$200 million which effectively means possible imports amounting to US\$200 million have been substituted. Going forward, starting 2026, the company is work on analysis of imports of steel coming into the country with a view of deliberately targeting those tariff lines which are imported by the country in its second phase of production.

Export Revenue: The company reported that in 2025 export revenue of US\$100 million was generated from export markets such as South Africa, Zambia, Democratic Republic of Congo and Mozambique. Going forward, as part of its strategy to grow the export market, the company envisages to undertake market scoping in the region with a view to establish type, quantities and value of steel imported in the region as well as import parity prices. Strikingly, this move will position the country as a major steel producer and export in Africa especially in the context of the African Continental Free Trade Area. On a refreshing note, a combination of the introduction of phase 2 production and aggressive search for new export markets will see the country's steel export exceeding US\$1 billion in by 2030. This will not only contribute towards the achievement of vision 2030 but also contribute towards the stability of the local currency and eventual removal of a multicurrency regime.

Local Economic Development: The company has established a department and focal persons who deals with wellness programmes, local economic development and corporate social investment. To this end, is less than 2 years, the following achievements have been noted: (a) the company has installed state-of-the-art environmentally free thermal power plant which is currently producing 50 megawatts which is enough to power the plant. The company is in the process of expanding power generation at Manhize and offload it into the national grid; (b) establishment of training centre to train and certify workers; (b) construction of bridges to the tune of US\$3 million to date; (c) refurbished five (5) schools which are solarised and powered by boreholes; (d) 25 kilometre road works from Masvingo highway to Manhize which is almost complete; (e) Establishment of livelihoods programmes for both the 45 displaced families and local communities. In respect of the displaced households, the company made a once-off payment of US\$40,000 as compensation. In addition, the for each displaced household, the company built 4 – bedroom house at a cost of US\$52,000, 2-round house (that is, one for kitchen and another one for traditional bedroom), opened a one – hectare plot for each household and had been paying US\$200 per month for the affected families for the last 2 years. In addition, the company bought 50 hectare centre pivot irrigation for the displaced households targeted for their agricultural production which will supply the company and local clients. Already, the company has organised these farmers into a cooperative with the help of Ministry of Lands, Agriculture, Fisheries, Water and Rural Development. On a refreshing note, beyond agribusiness, the organised community has been capacitated to establish a bakery which is producing 500 loaves per day and supplied to the company.

5.3. Policy Options

One of the critical policy aspects which is outstanding in Zimbabwe's economic recovery trajectory is the need to urgently implement the special economic zones incentives since the area was declared special economic zone. The major hindrance in accessing fiscal and non-fiscal incentives is the absence of a package of incentives which are a right fit of the steel sector.



The current incentives are generic and, as such, makes it difficult for the Zimbabwe Revenue Authority to implement them. However, what is refreshing is the fact that, unlike other traditional investors who wait for the incentives to be legislated, DISCO went on to establish a billion dollar investment project and it is already operating without incentives – a clear demonstration of a generic breed of an investor.

In the spirit of establishing regional and global footprint, there is scope for actors to work on establishing a regional steel union which mirrors the European Coal and Steel Community (ECSC) was a pioneering post-WWII organization, formed by the 1951 Treaty of Paris, that pooled coal and steel production of six nations (France, West Germany, Italy, Belgium, Netherlands and Luxembourg) to make war “materially impossible” and foster European

integration, acting as the first step towards the EU by creating a common market and supranational authority- it expired in 2002. Like the ECSC, a regional steel union will help to deepen regional integration as countries will commit to remove tariff and non-tariff barriers, ignite unity, collaboration of participating member states and build critical mass when negotiating on trade and investment with the rest of the world.

By virtue of the fact that DISCO is the biggest steel company in Africa, this proposed arrangement will give the country a good economic stead to export not only in the region but also on the continent and global markets especially against the background that Zimbabwe's is globally competitive. This will also give Zimbabwe and regional country participating on the steel union to enter regional and global value chains at the higher end.





6. THE BIG INTERVIEW

AEDS Executive Director, Professor Gift Mugano (GM) speaks to the Governor of the Reserve Bank of Zimbabwe Dr John Mushayavanhu (JM) regarding the prevailing economic stability and the road map to Monocurrency.

GM 1. To the surprise of market watchers and economic commentators, the ZWG has sustained stability for the last 15 months. What are the key drivers of this stability?

JM

- The Reserve Bank has implemented bold monetary policy measures to foster price, currency and exchange rate stability geared towards containing inflationary and exchange rate pressures since 2024.
- Precisely, the Reserve Bank has walked the talk through implementing a prudent monetary policy stance anchored on optimal money supply management, maintaining positive real interest rates, ensuring a floating exchange rate system and robust accumulation of foreign currency reserves to back the ZWG currency.
- The following are the key drivers supporting the current sustained stability in the economy.
 - o Prudent money supply management with reserve money growth calibrated to support the envisaged growth of 6.6% and a disinflation program expected to bring inflation to low and sustainable levels.
 - o Effective liquidity management aimed at supporting growth of the productive sectors while curbing speculation on the local currency.
 - o Maintenance of positive real interest rates which has curbed speculative borrowing while supporting productive borrowing and fostering a savings culture. This was buttressed by the prudent utilisation of an inflation neutral Targeted Finance Facility (TFF) for productive sectors.
 - o Coordination and complementarity between the Reserve Bank and Ministry of Finance at all levels including Liquidity and Cash Flow Management Committees has allowed synchronicity of payments and support of optimal liquidity management.



Dr John Mushayavanhu
Governor
Reserve Bank of Zimbabwe

**JM**

- o Refined floating exchange rate based on a Willing Buyer Willing Seller (WBWS) framework which has been supported by removal of trading limits and clarifications on trading margins.
- o The smooth functioning of the interbank market has also benefited from increased foreign currency receipts, which amounted to US\$16.2 billion between January and December 2025.
- o The increased foreign currency inflows allowed the Reserve Bank to effectively use surrender requirements to strategically intervene on the interbank market to the tune of US\$1.34 billion since April 2024. This ensured that all bonafide import invoices have been met.
- o Accumulation of foreign reserves to about US\$1.2 billion, which corresponds to 1.5 months of import cover resulting in increased confidence in local currency and stability of the exchange rate.
- o The increased foreign currency reserves have increased the cover for reserve money and broad money to about 6- and 2-times cover, respectively.
- o Furthermore, the non-recourse to Central Bank financing by Treasury in 2025 has been key in underpinning the obtaining sustained stability.
- The above measures have been key in reducing annual ZWG inflation, which fell to 15% in December 2025.
- Importantly, the decline in inflation also resulted in a stable exchange rate with the parallel market premium contained to around 20% for the greater part of 2025.
- Overall, the Reserve Bank's commitment to prudent monetary policy and **walking the talk** has supported greater confidence in local currency. The predictability in the monetary policy assisted in improving central bank trust and credibility which has enhanced public confidence in the Reserve Bank.
- Going forward, the Reserve Bank will continue to live the promise in implementing prudent monetary policy to durably anchor inflation expectations needed to entrench trust, confidence and credibility in the Bank.

GM

2. As AEDS, our economic estimates based on economic modelling shows that the economic stability will continue into the 2026 and beyond characterised by a single digit annual inflation by April 2026, both official and parallel exchanges rates remaining unchanged and policy rate remaining unchanged for the larger part of 2026. Do you share the same observations as the Central Bank? Explain.

JM

- Yes, the Reserve Bank largely agrees with this view. Annual inflation is expected to continue decelerating into 2026, reaching single-digit levels even earlier than your projected April 2026.
- Given the current inflation dynamics, including a better performance in 2025 and the envisaged growth of money supply in 2026, inflation is projected to be in single digit levels during the first quarter of 2026.

**GM**

3. In our analysis, fiscal pressures remain a primary risk on economic stability. As the advisor to the Government of Zimbabwe and Treasury, is this a shared view and what must be done to mitigate this risk?

JM

- Accommodating fiscal activities tends to impose inflationary pressures and exchange rate volatility in any economy. It is in this regard, that central Banks should always be cognisant and effectively monitor developments in fiscal positions to avoid negative spillovers on money supply and inflation.
- The Reserve Bank is committed to ensuring complementarity between the fiscal and monetary policy. This complementarity is already bearing fruit as government has not been accommodated by the Central Bank during 2025. This trend is expected to continue in 2026, as stated and emphasized in the National Development Strategy (NDS) 2. Moreover, Government has signalled its intention under NDS2 to reduce the amount at which Government can be accommodated by the Central Bank from the current legislated 20% of last year's previous Government revenue to less than 5% in line with the desired regional macroeconomic convergence targets under the SADC.

GM

4. There are allegations that the Reserve Bank of Zimbabwe is not paying export retention on time. What is the Central Bank's position on the payment of export retention?

JM

- The current export surrender requirement framework which is pegged at 30% allows for 12.5% to be used by the Reserve Bank to intervene on the interbank foreign exchange market, 5% is to support the build-up of foreign reserves needed to back the ZWG and the remaining 12.5% is allotted to government to service external debt obligations.
- The Reserve Bank has been promptly honouring the ZWG equivalent of the 17.5% of export receipts surrendered to the Bank.
- However, delays have been reported by some exporters regarding the surrendered portion to Government. Government is however, working with the companies to establish a framework to resolve the issue.

GM

5. Over the years, the Government of Zimbabwe hurriedly introduced local currency without priori requirements. As AEDS, we noted with appreciation that this time around the Central Bank has outlined the minimum requirements for the introduction of mono-currency. For the sake of market watchers and the general public, what are these minimum conditions? To date, what progress have you made in achieving these set out conditions?

JM

- # Government has embarked on a roadmap to a mono-currency, which is anticipated to culminate in the exclusive use of ZWG for settling domestic transactions.
- The roadmap outlines the conditions precedent for the successful transition to mono-currency. These minimum requirements include the following.
 - o Durable macroeconomic stability, characterized by low and stable inflation at single-digit levels.

**JM**

- o Adequate foreign currency reserves of at least 3 - 6 months of imports cover in the medium to long-term.
- o Efficient FX management system that promotes ease of access to FX by importers.
- o Stable exchange rate dynamics with minimum over-/undervaluation of ZWG.
- o Increased demand for local currency (ZWG) – recalibration of the percentage of Government taxes and broadening payment of public sector goods and services in local currency.
- o Financial sector stability.
- o Efficient and secure National Payments System to promote ease of payment in ZWG locally.
- o Fiscal and monetary policy cohesion with non-monetisation of the budget.
- Authorities are on a positive trajectory in meeting the conditions precedent and currently key achievements include:
 - i. Sustained decline in ZWG annual inflation rate from 95.8% in July 2025 to 15% in December 2025, on track to meet single digit inflation in 2026.
 - ii. Low and stable month on month ZWG inflation averaging 0.4% between February and December 2025.
 - iii. Stable exchange rate dynamics oscillating around ZWG 26-27 per US\$ and narrowing of the exchange rate premium from over 100% to levels around 20% 2025.
 - iv. Increase in foreign reserve accumulation to about US\$1.2 billion representing 1.5 months of import cover, on track to meet 3 – 6 months cover by 2030.
 - v. The foreign currency reserves is about 6 times cover for ZWG reserve money and almost twice the entire stock of ZWG deposits.
 - vi. A smooth functioning and efficient interbank market that has enhanced price discovery.
 - vii. The banking sector remains safe and sound with adequate capitalisation and low levels of non-performing loans well below the international benchmark.
 - viii. National Payments Systems have remained robust and resilient with an uptime of over 95% to support a smooth and efficient flow of transactions
 - ix. There has been no accommodation of the fiscal deficit by the Central Bank.

GM

6. **In view of the fact that RBZ deals with the demand side of the economy from a policy perspective, we are of the humble view that MDAs and industry which deals with the supply side must also come up with their respective road maps powered by data metrics or indicators. What is your take on this?**

JM

- The Reserve Bank agrees with this view. Monetary Policy cannot work in isolation; thus, total buy in by the private sector is required from the supply side. In this regard, the Reserve Bank expects MDAs and industry to largely align with the Monetary Policy to ensure that set targets are met.
- Overall, sustained stability of the exchange rate is supported by a strong external sector as reflected by favourable current account position. In this regard, a sustained drive by the industry to support exports while limiting imports through a robust import substitution framework will go a long way in sustaining exchange rate stability.

**GM**

7. As AEDS, we are of the humble view that legislating the date for the transition to mono-currency will result in credit squeeze and capital flight. In view of this, we argue for the removal of the currency change over date in favour of a sleepwalk into local currency on the back of increased volume of transactions in local currency powered by foreign currency reserves, fiscal consolidation and stable macroeconomic environment. What is your take on this

JM

- The date of 31 December 2030 was enforced in Statutory Instrument 218 of 2023, a measure introduced by Government which was viewed as appropriate at that time.
- Nevertheless, the Reserve Bank's focus is on fully meeting the Conditions Precedent to the introduction of the mono-currency. In this regard, whether a date is gazetted or not is subservient to meeting the minimum requirements of a smooth transition.
- The Reserve Bank is pre-occupied with ensuring that the conditions for the mono-currency are successfully met. As such, the transition to mono-currency will be gradual, market-led and anchored on macroeconomic stability.

THE END



7. NEAR TERM AND MEDIUM-TERM OUTLOOK, RISKS AND POLICY OPTIONS

Real sector developments: the Zimbabwean economy is anticipated to build on a robust recovery from recent drought and posted an impressive growth rate of 6.6% driven by a resurgent agricultural, industry and services sectors. Again, on the back of favourable rain season, a surge in gold prices and falling oil prices, coupled with currency stability and expanded irrigated cropping, the Zimbabwean economy is estimated to grow at 5.0%.

Inflation outlook: annual ZWG inflation is anticipated to decline to single-digit levels by April 2026 and while month – on – month inflation is projected to end the year at 0.2%. This projection is based on upon several reinforcing factors or assumptions which *inter alia* include firmly anchored inflation expectations, tight monetary policy, sustained stability in the local currency's exchange rate, and strengthened coordination between monetary and fiscal authorities to prevent deficit monetisation.

Fiscal developments: in recent years, especially from 2023 – 2025, the country's fiscal position is under severe pressure, characterized by a critical financing squeeze due to persistent structural imbalances. Some of the key drivers of fiscal pressures, *inter alia*, include high public compensation bill, capital outlays infrastructure development and, most significantly, the servicing of substantial debt inherited from the Reserve Bank of Zimbabwe (RBZ). Consequently, while the headline fiscal balance remained broadly stable, the underlying financing shortfall manifested in the accumulation of an estimated US\$600 million in domestic expenditure arrears in 2024. Estimates for 2025 indicate a modest budget deficit of

approximately -0.3% of GDP, but this stability masks a reality of continued payment difficulties and reliance on arrears to balance accounts, a trend expected to extend into 2026.

Exchange rate developments: The currency continued to face scepticism from a public scarred by previous monetary failures, leading to limited voluntary adoption. Our estimates show that the baseline forecast anticipates moderate volatility, and inflation continues a gradual, though uneven, decline. To be specific, using econometric modelling, we anticipate the exchange rates, that is, parallel market and interbank to remain unchanged for the entire 2026. Likewise, we anticipate exchange rate premium to narrow down to 20%.

Financial markets developments: the banking sector's capital adequacy ratio has remained well above the domestic regulatory minimum of 12%, averaging 36.95% between 2024 and September 2025, and is expected to remain high in 2026.

Money markets developments: based on our analysis, we are of the view that baseline scenario anticipates cautious stabilization, with the ZWG gradually gaining a firmer foothold in formal interbank and securities markets, albeit the US dollar is expected to retain its dominant role for savings and major transactions. Although inflationary pressures are expected to continue to subside while the exchange rate stability holds, we anticipate the policy rate to remain unchanged for the large part of 2026 as the authorities work towards durable stability. However, from the last quarter of 2026, we expect monetary



authorities to start calibrating the monetary policy and ease interest rates gradually in line with market developments and economic agents' expectations.

External sector: Zimbabwe's current account balance was in surplus at US\$1.3 billion (1.1% of GDP) in 2024 and expected to widen to US\$1.4 billion (2.5% of GDP) in 2025. This positive shift is driven by robust export growth, particularly in gold due to high global prices, and remarkably strong diaspora remittances which are estimated to have surpassed US\$2.7 billion in 2025. Concurrently, the trade deficit is narrowing, and is forecasted to decline from US\$1.7 billion in 2024 to US\$1.5 billion in 2025, as local agricultural recovery curbs food imports and softer fuel prices contain the import bill. The medium-term outlook is further buttressed by anticipated growth in agricultural, gold production, and steel exports.

Public debt: in 2025, total Public and Publicly Guaranteed (PPG) debt amounted to US\$23.4 billion (44.7% of GDP), that is, up from US\$21.5 billion as at December 2024. The debt stock comprises external

debt amounting to US\$13.6 billion, and domestic debt of US\$9.8 billion. Of serious concern is the rate at which the Government of Zimbabwe is acquiring domestic debt by MDAs on the back of abuse of public finance management systems (PFMS) – literally weakening the role of the Ministry of Finance, Economic Development and Investment Promotion on managing the national purse. Resultantly, between 2022 and 2024, a staggering domestic debt of US\$1.7 billion was acquired by MDAs without necessary approvals and due process was hardly followed. The overall domestic debt burden has escalated, compounded by continued reliance on high-cost, short-term financing amid limited alternative sources. The government's deteriorating debt servicing capacity is further evidenced by recent policy measures which, *inter alia*, include a partial reprofiling of domestic debt obligations – involving a temporary suspension of servicing treasury bonds related to blocked funds, the RBZ, Fidelity Gold Refinery, and RBZ printing and minting – coupled with an accumulation of arrears to suppliers. Together, these actions signal a tightening of financing constraints and a weakening fiscal position.

Despite the positive baseline forecast, the 2026 economic outlook faces headwinds emanating from fiscal policy slippage. Any deviation from budget discipline, particularly through monetisation of the budget deficit, will reignite inflation and undermine the ZWG. For the sake of emphasis, our humble view is that the prevailing macroeconomic stability is still fragile and could be unsettled by fiscal pressures, potentially reigniting currency volatility and inflationary pressures.

In our humble view, in order to secure the disinflation trajectory and mitigate these risks, a reinforcing and consistent policy mix, we contend that authorities should consider the following measures:

- (a) First, fiscal discipline must be non-negotiable and legally entrenched, with a zero-tolerance stance on quasi-fiscal operations, abuse of Public Finance Management Systems, and a commitment to transparent, cash-based budgeting;



- (b) Second, monetary policy should remain data-driven and restrictive until single-digit inflation is decisively achieved. For the sake of emphasis, current interest rates must remain for the rest of 2026 with a view to foster durable stability. Likewise, the focus of RBZ must be on liquidity management through market-based instruments rather than use of administrative measures;
- (c) Thirdly, exogenous supply-side shocks present a constant threat. Flooding would dramatically increase food prices, while a sharp rise in international oil prices would directly elevate domestic production and transport costs. The recent capture of the President of Venezuela has a potential effect of increasing geopolitical tensions and induce an increase in crude oil prices globally;
- (d) Finally, deepening structural reforms to improve competitiveness and supply responses across the economy will help address inflationary pressures at their root with a view to ensuring that stability is underpinned by real sector growth rather than suppression of demand alone.

In the same vein, in the banking sector, systemic liquidity management is impaired due to delays in weekly releases of required reserves and delays in payment of both principal and interest for Treasury securities hindering banks' ability to meet tax obligations, access foreign currency, or utilize emergency facilities. This liquidity fragmentation threatens financial intermediation. This liquidity fragmentation threatens financial intermediation.

In addressing the forementioned challenges, it is our modest view that authorities should consider the following policy options:

- (a) In order to ensure that credit is channelled to the real economy, authorities could introduce a graduated regulatory incentive, such as lowering reserve requirements for banks that increase their lending to productive sectors like agriculture, manufacturing, and SMEs;
- (b) In line with (a), authorities may consider a complete overhaul of the liquidity management framework by fostering coordination between Treasury and RBZ with a view to ensure timely settlement of principal and interest payments on securities. If implemented, these measures would help stabilize bank profitability on a more sustainable foundation of intermediation margins rather than speculative gains.

THE ZIMBABWE'S ECONOMIC PULSE

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