AEDS | Market Watch

Economy grows 6.8% in the first quarter

Productive sectors drive growth

GDP growth in 2026 is projected at 5%, riding on the growth momentum achieved in 2025 and robust performance in the first half of 2026.

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From the Editor's Desk

The Zimbabwe Industrialisation Conference and Expo (ZICE 2026), held July 23–24 at the Harare International Conference Centre (HICC), marked a decisive shift toward an evidence-driven industrial strategy for the country. Beyond strong attendance and active engagement, what distinguished ZICE 2026 from previous summits was the depth, precision, and rigour of its deliberations. Central to this success was the official presentation of the *State of the Industry & 2027 Prospects Report*.

The report provided a clear foundation for high-level policy dialogue and actionable decision-making by grounding discussions in hard economic data and empirical evidence rather than broad generalities. Delegates highlighted Zimbabwe's favourable economic indicators, including the continued decline of domestic inflation into single-digit target ranges, sustained exchange rate stability, and strong GDP momentum.

Adding to this momentum, Minister of Finance, Economic Development and Investment Promotion Professor Mthuli Ncube announced Zimbabwe's official admission into the BRICS New Development Bank. Access to the Shanghai-based institution unlocks long-term development capital, commercial credit lines, and sovereign financing for industrial infrastructure, solidifying Zimbabwe's expanding global economic footprint.

A key element of ZICE 2026 was the decisive endorsement from the Presidium, led by His Excellency, President Dr Emmerson Mnangagwa, Vice Presidents Constantino Chiwenga and Kembo Mohadi, underscoring governance commitment alignment behind the national industrialisation agenda. Delivering the keynote address, President Mnangagwa declared import substitution non-negotiable, directing local industries to scale up domestic processing, enforce local content policies, and eliminate the US$2.5 billion annual import bill for goods that can be manufactured domestically. This unified backing from the state leadership provided a clear signal to local businesses and international investors that Zimbabwe's industrial reform agenda is backed by strategic clarity.

Captains of industry turned out in full force, demonstrating that the private sector is taking the lead in driving capital investment, innovation, and policy reform. Corporate sponsors and exhibitors delivered strong strategic and financial backing, while the sold-out exhibition floor featured high-calibre showcases from domestic manufacturers and technology providers. The quality of dialogue was further elevated by a panel of global and local experts. We convened Cabinet ministers and senior leadership from major international development bodies, including the World Bank, African Continental Free Trade Area (AfCFTA) Secretariat, UNIDO, UNECA, and Africa Leather and Leather Products Institute. Their insights highlighted Zimbabwe's growing role within regional supply chains under the AfCFTA.

Equally impactful was the participation of academia. Leading Zimbabwean universities engaged directly with industry leaders to bridge the divide between academic research, commercial innovation, and industrial production. This synergy was enriched by a visiting delegation from the University of Venda in South Africa, emphasising the critical role cross-border academic partnerships play in driving regional industrial growth. Emphasising that Zimbabwe cannot continue exporting raw commodities while spending US$2.5 billion annually on finished goods, the conference resolved to enforce local content policies across all procurement channels.

Building directly on this momentum, our focus now turns to the primary backbone of the Zimbabwean economy. On September 17 and 18, 2026, the Ministry of Agriculture, Mechanisation and Water Resources Development, in partnership with AEDS and the Agricultural Marketing Authority, will convene the National Agricultural Conference & Expo. Mirroring the evidence-based model established at ZICE, discussions will be anchored by a comprehensive analytical report designed to tackle agro-processing, climate resilience, supply chain integration, and sustainable financing.

We extend our sincere gratitude to our sponsors, delegates, exhibitors, and speakers for making ZICE 2026 a landmark event, and we look forward to welcoming you back in September.

Adelaide Moyo - Editor

Publisher:
African Economic Development Strategies
Executive Editor:
Prof Gift Mugano
gift.mugano@aedsafrica.com

Editor:
Adelaide Moyo
adelaide.moyo@aedsafrica.com
Contributors:
Grace Khalawo
gracekhalawo@aedsafrica.com

Design & Layout:
Ready Designs
ericnyawera1@gmail.com

AEDS Market Watch:
16 central Ave
Causeway Building Harare, Zimbabwe
+242 70 55 77 / +263 789 712174
info@aedsafrica.com

Can Zimbabwe's manufacturing surge last?

Africa Economic Development Strategies Executive Director, Professor Gift Mugano

Is a manufacturing boom of this scale actually sustainable, or is it merely a temporary spike? The question is now dominating discussions across Zimbabwe's industrial sector as findings from the State of the Industry and 2027 Prospects Report reveal expansion in production capacity. Having historically recorded modest economic contributions, the manufacturing sector has rapidly emerged as the leading driver of gross domestic product (GDP) at 17,1%, prompting analysts and business leaders to examine the sector's future trajectory.

According to Africa Economic Development Strategies (AEDS) executive director, Professor Gift Mugano, the surge is built on durable, long-term fundamentals. Addressing concerns over long-term viability, Prof Mugano pointed to clear evidence from the study showing that capital is actively flowing into physical infrastructure and productive capacity rather than short-term consumption. He noted that national import trends are shifting away from finished consumer goods and toward long-term industrial capability. “30% of our total imports are equipment and machinery. Out of an estimated US$10 billion total import bill this year, about US$3 billion will go directly into machinery for industry. This shows we are laying a foundation to support industrialisation and move manufacturing towards a 25% share of GDP,” said Prof Mugano.

Where the money is going

A primary driver of this positive outlook is the strategic deployment of commercial credit across the country's industrial zones. Rather than funding operational deficits or short-term debt, corporate financing is actively modernising production floors. “Our study shows that 81.9% of loans extended to industry are going towards building a strong industrial base. Specifically, 35.5% went toward new equipment and machinery, while approximately 10% was directed to warehouse construction to support expanded logistics," Prof. Mugano said.

The report also indicates that roughly 10% of industrial financing is backing new product development and market expansion, with another significant share funding facility retooling. “The fact that we are investing in new machinery, facility retooling, modern warehouses, product development, and new export markets demonstrate that we are establishing the necessary infrastructure to propel long-term growth,” he added. This sustained capital investment has resulted in a younger, more technologically competitive industrial setup.

“It is particularly refreshing that 65% of our industrial machinery is now less than 10 years old. This modernisation ensures our manufacturing sector operates with efficient, competitive equipment that can sustain growth over time,” noted Prof Mugano.

Production and employment outlook

Looking ahead, business sentiment reflects this structural transformation. Elevated capital investments are expected to translate directly into higher industrial output and new job creation over the coming year. “A significant share of surveyed companies, 49%, confirmed they will increase production investment next year. Higher investment directly boosts manufacturing output, which sustains overall economic growth. Furthermore, 39% of firms indicated they will be creating new jobs,” Prof Mugano said.

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Can Zimbabwe's manufacturing surge last?

Key policy drivers

The factory-floor modernisation is supported by overarching government policy frameworks, specifically the Zimbabwe National Industrial Development Policy 2 (ZNIDP 2) and the Local Content Strategy. “These two policies will shape the industrial landscape in a disruptive, positive manner. The local content initiative aims to substitute between US$2,5 billion and US$3 billion in imported inputs.

“This localisation of value chains will expand domestic production and solidify manufacturing as a major GDP pillar,” explained Prof Mugano. Supported by sector-specific strategies, the Industrial Development Fund, and duty-free machinery imports, Zimbabwe is positioning its industrial base not just for a seasonal rebound, but as a central engine for export diversification, import substitution, and sustained economic growth.

Why pension funds hold the key to Zimbabwe's industrial transformation

While modern machinery and policy frameworks are laying the floor for this industrial surge, Prof Mugano stressed that a critical piece of the sustainability puzzle remains locked away in institutional vaults: long-term, low-cost capital. Addressing the financing bottleneck facing domestic factories, Prof Mugano pointed out that the argument over a lack of domestic long-term capital is fundamentally flawed.

In reality, Zimbabwe's pension fund market currently sits on an estimated US$3 billion pool of liquidity—a balance that grows steadily month after month. “We have on record US$3 billion in pension funds in terms of total balances in the market. In economics, pension savings are identical to investments. This money is invested in stock markets, money markets, commercial banks, and real estate. But the argument that there is not enough capital in the market to provide long-term finance—we violently refuse that. This argument is misplaced,” Prof Gift Mugano said.

Retooling factories over building malls

Currently, a significant portion of pension assets is concentrated in real estate and commercial shopping developments. While single pension funds are capable of bankrolling individual US$50 million property construction projects, manufacturing leaders argue that national development policy must guide a larger share of these reserves directly into factory floors. Prof Mugano stressed that while property development builds retail space, it does not build the production capacity needed to supply those retail shelves with local goods.

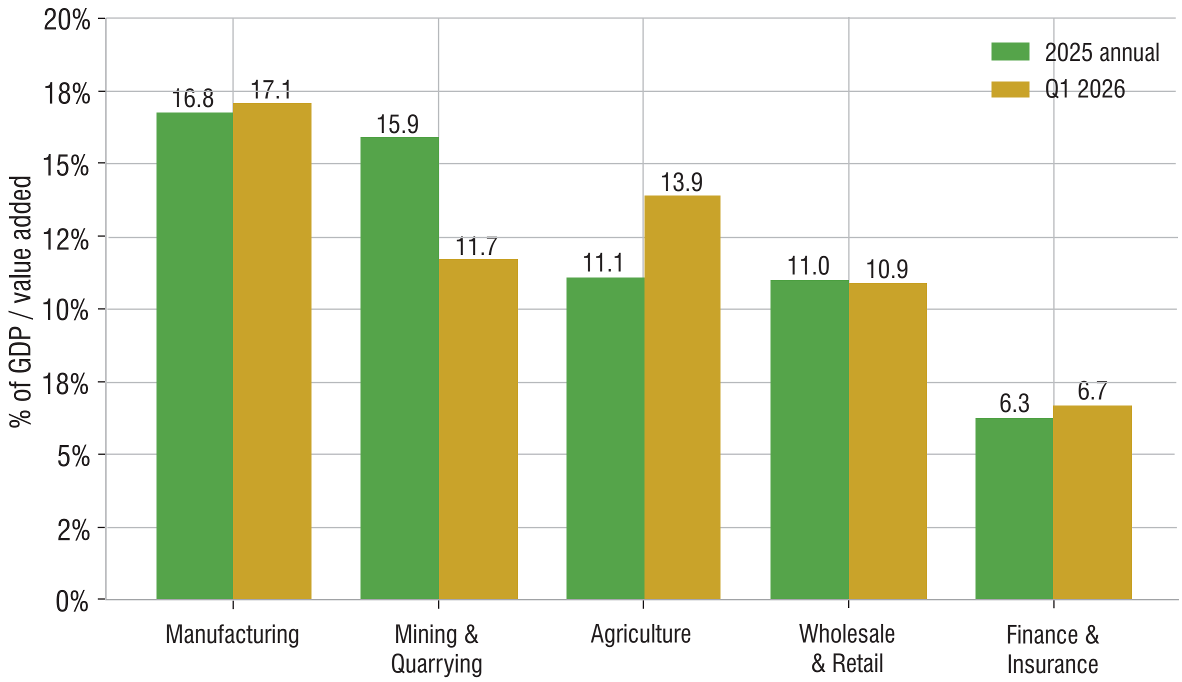
“There is nothing wrong with building properties or shopping malls—that is where retail happens. But we want to also create production so we don't just sell foreign goods in those shopping malls. We need a regulatory framework where pension funds have a balanced portfolio, ensuring a reasonable amount of capital is set aside specifically for industrialisation,” he said.

Dismantling the cost of capital barrier

The push for pension-backed funding is aimed at solving a persistent industrial handicap: Zimbabwe's reliance on raw material exports versus value-added finished goods. Currently, raw and semi-raw materials account for 92% of total national exports, while manufactured commodities make up just 6.7% and services represent 1.3%.

To shift this balance, manufacturers require affordable, long-term financing, something current commercial lending practices fail to deliver. “What came out from our study is that industry is crying for long-term finance which is also cost-effective and cheap. “Currently, banks charge standardised interest rates regardless of the source of capital. If they source money offshore at18%, they charge 18%. When they get money from pension funds, deducted directly from workers' payslips at zero cost, they still charge 18%,” he added.

Manufacturing sector leading in GDP contribution



Sector shares of GDP, 2025 annual vs Q1 2026.

National Agriculture Conference & Expo set for September

The Ministry of Agriculture, Mechanisation and Water Resources Development will convene the National Agriculture Conference and Expo 2026 next month to unlock sector growth while tackling persistent operational hurdles. To run from September 17 to 18, 2026, the high-level gathering serves as a critical strategic platform to review national agricultural sector performance, mobilise structured investments, and align public and private stakeholders around the priorities of the Agriculture, Food Systems and Rural Transformation Strategy Phase II.

Co-hosted by the Ministry of Agriculture, Mechanisation and Water Resources Development and the Agricultural Marketing Authority, with Africa Economic Development Strategies (AEDS) serving as the research partner, the conference will feature the launch of the Agricultural Investment Prospectus. The prospectus will showcase bankable project opportunities across key value chains and infrastructure to attract domestic and international capital. The conference will convene key stakeholders to review agricultural sector performance, mobilise investment and strengthen coordination towards a resilient and inclusive agricultural sector.

The two-day event will convene representatives from government ministries, financial institutions, private agribusinesses, research institutions, and international development organisations. A primary deliverable of the conference will be the formal presentation and validation of the State of the Agricultural Sector Study, which outlines performance metrics and medium-term agricultural projections through 2027. Attendees will also focus on establishing an operational delivery roadmap for the second phase of the Agriculture and Food Systems Transformation Strategy.

The conference will focus on yield productivity, climate adaptation, private sector finance mobilisation, domestic agro-processing, regional trade integration, digital farming technologies, storage and transport infrastructure, and rural economic development. In addition to policy deliberations, the conference will feature an investment platform designed to present a pipeline of bankable agricultural projects to potential financiers and sponsors. The National Agriculture Conference and Expo comes as the agriculture sector is projected to grow by 6.9% in 2026, supported by an increase in crop and livestock production.

According to the 2026 Mid-Term Budget and Economic Review, significant output growth is expected from tobacco, maize, cotton and horticulture, and the livestock sub-sectors. Tobacco output is projected at 400 million kilograms (kgs) this year, representing an increase of about 12.7% over the 2025 record output of 355 million kgs. The 2025/26 agricultural season is projected to register a modest improvement in maize production, with output projected at 2.4 million metric tonnes (mt), a 2% increase from the 2.3 million mt recorded during the 2024/25 season. Traditional grain output is projected at 390 272 mt, comprising sorghum at 290 216 mt, pearl millet at 87 677 mt, and finger millet at 12 379 mt.

Cotton production is projected to increase to 38 500 tonnes this year from about 28 900 tonnes in 2025, on account of the increase in area planted. The livestock sub-sector is projected to maintain a positive growth trajectory in 2026, driven primarily by strong expansion in the dairy subsector and steady improvements in beef production. The beef subsector is projected to record moderate growth in 2026, with beef slaughter output increasing by 2.8% from 108 000 tonnes in 2025 to approximately 111 000 tonnes.

The dairy sub-sector is expected to remain one of the strongest performers in the livestock subsector in 2026, with milk production projected to increase by 7.5% from 155 million litres in 2025 to approximately 166 million litres. Agriculture remains central to food security, rural livelihoods, industrial inputs, exports and inclusive growth. The conference provides a structured platform to align policy, financing, research, market access and implementation priorities around practical outcomes.

Economy posts 6.8% first-quarter growth

Minister of Finance, Economic Development and Investment Promotion, Professor Mthuli Ncube

Zimbabwe recorded an annualised quarterly gross domestic product (GDP) growth rate of 6.8% during the first quarter of 2026, anchored by robust performances across major productive sectors, new data shows.In his mid-term budget review, Finance, Economic Development and Investment Promotion Minister Professor Mthuli Ncube said the expansion was primarily driven by double-digit estimated growth in manufacturing, mining, agriculture, and the wholesale and retail trade sectors.He said GDP growth in 2026 is projected at 5%, riding on the growth momentum achieved in 2025 and robust performance in the first half of 2026."The projected growth reflects the expansion of domestic production capacity, enhanced energy availability and macroeconomic stability," he said.

The Treasury chief said the economy grew by 8.3% in 2025, significantly higher than the initial projection of 6.6%."The domestic economy experienced robust economic growth in 2025 due to a favourable macroeconomic environment characterised by price, currency and exchange rate stability, as well as improved energy availability which supported strong performance across all productive sectors," he said. He added that the economy also benefited from strong export performance, increasing investment activity and continued growth in domestic demand, which reinforced business confidence and provided a firm foundation for accelerated economic growth.

The Minister noted that the stronger-than-anticipated outturn was underpinned by above-average rainfall and favourable international mineral commodity prices. He highlighted that improved electricity generation at both public and private power stations supported robust performance across key sectors of the economy."The real GDP growth rate places Zimbabwe among the few top African countries that recorded high growth rates in 2025. The country is behind Ethiopia, which recorded a growth of 9.2%, while the majority recorded a growth rate of less than 4%," he said.

Key highlights from Zimbabwe's 2026 Mid-Year Economic and Financial Performance presented by Minister of Finance, Economic Development and Investment Promotion, Professor Mthuli Ncube

- Real GDP growth for 2026 is projected at 5.0%, following an 8.3% growth rate recorded in 2025.
- Annual headline inflation decelerated to 4.1% in January 2026, marking the first single-digit local currency inflation achieved in over three decades.
- Total foreign currency receipts increased by 47.8% to US$10.7 billion during the first half of 2026 from US$7.3 billion in the corresponding period of 2025.
- Export proceeds accounted for US$7.53 billion (14.4% of total receipts) in the first half of 2026.
- The current account recorded an estimated surplus of US$616.3 million in the first half of 2026, compared to a deficit of US$22.5 million in the same period of 2025, and is projected to reach US$2.6 billion by year-end.
- Foreign reserves accumulated to US$1.6 billion by the end of June 2026, equivalent to approximately 1.6 months of import cover.
- The interbank exchange rate averaged ZiG25.8 per US$ during the first six months of 2026, with the parallel market premium narrowing to below 20%.
- Merchandise exports increased by 41.6% to US$4.5 billion between January and May 2026. Merchandise imports increased by 28.6% to US$4.9 billion, from US$3.8 billion in the same period in 2025.
- The agriculture sector is projected to grow by 6.9% in 2026, supported by a projected tobacco harvest of 400 million kg and a maize output of 2.4 million metric tonnes.
- Mining growth for 2026 is revised to 5.6%, with annual gold output projected at 55.6 tonnes (cumulative output reached 21,39 tonnes in the first half of 2026).
- Export earnings from lithium products grew by 229.8% to US$782.2 million in the first half of 2026 following the restriction on unbeneficiated exports and the commencement of lithium sulphate exports.
- Manufacturing output is projected to grow by 5.2% in 2026, with capacity utilisation rising to 61.2% for large-scale enterprises.
- Total banking sector loans stood at ZiG85 billion at the end of June 2026 (90% denominated in foreign currency), while total deposits reached ZiG148.1 billion (80% in foreign currency). Non-performing loans remained at 3.64% as of March 2026.
- Zimbabwe scored 62 out of 100 in the 2025 Open Budget Index, ranking third in Sub-Saharan Africa behind South Africa and Benin.

President Mnangagwa calls for industrial growth

President Emmerson Mnangagwa

President Emmerson Mnangagwa has called for an urgent national push to scale up local beneficiation, value addition, and the export of processed products to position the country as a competitive regional industrial hub. Speaking at the official opening of the inaugural Zimbabwe Industrialisation Conference and Expo (ZICE) in Harare, President Mnangagwa emphasised that transforming raw commodities into high-value finished goods is the most pressing imperative for the nation's economic strategy.

"The empowerment, wealth creation and higher quality of social and economic services are the sum total of minerals processed locally, agricultural products transformed into finished exports, manufactured machinery, pharmaceutical products, textiles or engineering components made here in the country," Mnangagwa said. The President emphasised the need to build a strong industrial base to transform natural resources into high-value products."The need to scale up beneficiation, value addition, manufacturing and export of processed materials is now urgent," he said.

"I am confident that through stronger synergies within the manufacturing and other sectors of the economy, more can be done to accelerate the realisation of set targets."He stressed that sustainable prosperity depends on building strong domestic capabilities to convert natural resource endowments into high-value goods, pointing directly to critical primary sectors requiring immediate industrial processing focus."The need to beneficiate iron and steel, lithium, cement, pharmaceuticals, tobacco, leather, cotton, fertilisers, dairy, oilseed processing as well as sugar, grains, logistics and packaging, are areas deserving attention from us all," President Mnangagwa said. Challenging the private sector and mining operators, the President warned against business models that extract wealth without building long-term local capacity.

He reiterated that the ultimate goal of beneficiation is to stimulate downstream industries, expand employment, and increase foreign currency earnings."Stakeholders in mining and mineral value chain industries are challenged to quickly adapt and ensure that our strategic minerals are value-added and beneficiated for win-win benefits," he said."As I have said in the past, my government does not accept 'horse and rider' economic cooperation or investments, including from local manufacturing players. National resources must be processed and beneficiated for the realisation of maximum economic returns that benefit all our people."

The President added that expanding local processing capabilities must extend beyond domestic consumption, calling on Zimbabwean manufacturers to aggressively target export markets within SADC, COMESA, and the African Continental Free Trade Area. To support this urgent push, he said the government committed to enhancing industrial financing mechanisms, improving the investment climate, and securing resilient infrastructure, energy, and logistics systems. He added that the government is rolling out a series of institutional, regulatory, and infrastructure interventions to boost domestic manufacturing, lower production costs, and transform the nation into a regional industrial hub.

President Mnangagwa said a central component of the strategy involves improving access to capital and protecting productive investments."On its part, my government will continue facilitating the success of our Industrialisation Agenda. Institutional reforms are being undertaken and cultivating a new national mindset anchored on stewardship, productivity, innovation, discipline and sustainability," he said. The President emphasised that the government is actively strengthening industry-financing mechanisms while mobilising both domestic and foreign capital to bolster local production. To address long-standing operational bottlenecks, the government is prioritising the upgrade of foundational national infrastructure, including transport systems, water supply, and digital connectivity.

The inaugural two-day Zimbabwe Industrialisation Conference and Expo 2026 was held under the theme Accelerating Regional Industrialisation through Regional Value Chains, Innovation and Trade. The conference brought together delegates from government, industry, academia and the private sector to explore strategies for strengthening Zimbabwe's manufacturing sector and accelerating industrial growth. The event also featured the launch of the State of Industry Report and 2027 Prospects Study, providing fresh insights into the country's industrial performance and future outlook.

Manufacturing capacity utilisation surges to 61.2%

Industry and Commerce Minister Mangaliso Ndhlovu

Industry and Commerce Minister Mangaliso Ndhlovu says Zimbabwe's manufacturing sector is continuing its recovery momentum, with capacity utilisation reaching 61.2% this year, up from 36.4% in 2019.Speaking at the inaugural Zimbabwe Industrialisation Conference and Expo (ZICE) 2026, Ndhlovu said the capacity utilisation is driven by increased production, better capacity use, and renewed investor confidence.

He added that the manufacturing sector's contribution to the country's gross domestic product has risen to 17.1%, compared to approximately 15% in 2019.The Minister said the positive trajectory is further supported by growth in manufactured exports, which reached US$584 million in 2025, up from US$360 million in 2019.

Ndhlovu attributed the growth to a deliberate policy shift toward domestic value addition and away from the export of unrefined raw materials.“This growth is particularly significant because it reflects our deliberate shift from exporting raw materials towards producing higher-value manufactured goods that generate greater foreign currency earnings, create quality employment and stimulate industrial expansion,” Ndhlovu said.

“These achievements are not isolated statistics. They represent factories that have resumed production, businesses that have expanded operations, new investments that have come into our economy, workers who have found employment and investors who have shown great confidence in Zimbabwe's economic future.”He said the renewed confidence in Zimbabwe's industrial sector is also reflected in the increasing volume of investments flowing into strategic manufacturing industries.

The Minister pointed to a growing pipeline of upcoming investments across major industrial segments, including cement manufacturing, fertiliser production, steel production, mining equipment, automotive assembly, and industrial machinery.

“These investments are not only expanding productive capacity but are also strengthening domestic value chains, promoting technology transfer and creating thousands of employment opportunities for Zimbabweans,” he said. To sustain this growth, the Minister highlighted the government's policy framework, including the National Development Strategy 2 (2026–2030), the Zimbabwe National Industrial Development Policy 2 (2026–2030), the Local Content Strategy (2026–2035), and the newly approved National Quality Policy.

To maintain momentum, the Minister requested further legislative action to streamline the regulatory environment. “A special request coming from your industry, Your Excellency, is that you direct government to expedite the consummation into relevant statutes, the regulatory reforms that have already been pronounced by government, but more importantly, Your Excellency, that you direct the MDAs (ministries, departments, and agencies) to halt any introduction of levies and fees during this critical period,” he said.

He noted that technological adoption, particularly under the National Artificial Intelligence Policy, is beginning to reshape local production systems through automation, robotics, and digital manufacturing.“The increasing adoption of artificial intelligence, automation, robotics, digital manufacturing and advanced production systems is beginning to reshape the country's industrial landscape,” Ndhlovu said. “These technologies are enabling firms to improve efficiency, enhance product quality, reduce production costs and compete more effectively in regional and global markets.

The National Artificial Intelligence Policy launched by government provides a timely framework for ensuring that technological innovation becomes an integral component of Zimbabwe's industrial development strategy.”He said sustainable industrialisation also depends on a skilled workforce capable of driving innovation and adapting to changing production systems. Ndhlovu called for stronger collaboration between government, industry, universities, technical colleges and research institutions to ensure that education and skills development remain responsive to the evolving needs of modern industry.

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BRICS New Development Bank boost for Zimbabwe

The formal admission of Zimbabwe into the BRICS New Development Bank (NDB) represents a monumental structural shift in Southern Africa's geopolitical and economic landscape. Minister of Finance, Economic Development, and Investment Promotion Professor Mthuli Ncube announced the admission at the Zimbabwe Industrialisation Conference and Expo 2026, marking a critical structural turn in Southern Africa's geopolitical and economic trajectory. The admission of Zimbabwe into the Shanghai-based NDB reflects a departure from an international financial framework that has constrained the nation's productive capacity for decades.

“The approval is a significant milestone in the country's engagement and re-engagement, as well as international cooperation. This is a breakthrough for the country's economic recovery strategy, as this will assist in mobilising long-term financing for infrastructure and other developmental projects at reasonable cost,” Prof Ncube said. He added that this is against the background of over two decades without access to direct concessionary loans or lines of credit from 190 traditional international financial institutions, particularly for infrastructure developmental projects. To fully activate the membership, the Treasury Chief said Government will deposit an instrument of accession to the agreement and commence the payment of subscriptions.

Zimbabwe establishes a practical mechanism to address the persistent capital deficit that has long limited domestic industry and infrastructure development by securing access to the primary financial institution of the Global South. For over twenty years, the Zimbabwean economy remained bound by a persistent multilateral bottleneck. Having accumulated external arrears following economic shocks and structural defaults around the turn of the century, the country found itself consistently excluded by traditional Western multilateral institutions, including the International Monetary Fund and the World Bank. These lenders maintained a strict policy requirement, with the southern African nation required to complete debt clearance and specific structural reforms were demanded before fresh concessional lending would be extended.

This created a self-reinforcing cycle wherein the state was expected to service international obligations while lacking the long-term capital required to build modern power grids, retool industrial facilities, and expand export capacity to generate those necessary revenues. This institutional stalemate was further complicated by political friction. While multilateral institutions framed credit freezes around technical risk metrics and policy compliance, Harare viewed these measures as deliberate tools to restrict fiscal policy options. The existing global financial structure effectively tied capital access to specific policy stances, leaving developing nations with few choices between policy independence and essential development funding.

Even when Zimbabwe made verified efforts toward debt service and fiscal adjustment, access to long-term multilateral credit remained restricted, forcing both state enterprises and private firms to rely on high-cost, short-term commercial debt that deepened underlying financial pressures. Entry into the New Development Bank changes this fundamental operating model. Established by the founding BRICS members as an alternative to traditional financial institutions, the NDB functions on explicit principles of sovereign equality, non-interference, and South-South cooperation. The institution evaluates credit proposals through project viability, financial return, and baseline economic impact rather than political alignment.

For Zimbabwe, this shifts the relationship from continuous policy negotiation to project-based funding, allowing capital to be directed toward primary structural priorities. The practical impact of this accession on the domestic economy centres on liquidity and interest rate pressures. High domestic borrowing costs and severe shortages of long-term foreign currency have long hindered local businesses. Manufacturing, mining, and agricultural enterprises have operated with aging equipment, constrained by high interest rates and short loan tenures that prevent major capital

Minister of Finance, Economic Development, and Investment Promotion Professor Mthuli Ncube

investments. Access to non-fragmented development capital through the NDB offers a viable path for systematic industrial retooling. Upgrading industrial machinery, modernising rail networks, and expanding bulk water capacity remain necessary conditions for moving the domestic economy from raw commodity exports toward higher-value processing.

Furthermore, the alignment between NDB financing programs and Zimbabwe's power requirements addresses a core operational vulnerability. Severe droughts have repeatedly compromised hydroelectric output at Kariba, exposing weakness in the national grid and forcing load-shedding that reduces industrial output. The NDB maintains specific mandates for funding green infrastructure and modern energy distribution. Dedicated funding streams for solar installations, upgraded transmission networks, and climate-resilient agricultural systems directly address these supply constraints, helping stabilise industrial output against environmental variations while supporting the execution of the National Development Strategy framework.

At the macroeconomic level, targeted capital injections support the national balance of payments and reserve stability. Persistent foreign currency shortages and trade imbalances have historically driven local currency volatility and domestic price increases. NDB-financed infrastructure functions as a structural stabiliser rather than an added liability by enabling domestic producers to scale operations, supply local markets, and increase export capacity. Furthermore, the bank's policy of executing transactions in member-state currencies provides Zimbabwe with an option to reduce exposure to external currency fluctuations and global dollar liquidity constraints.

Equally important is the approach NDB membership offers for managing legacy debt. Traditional recovery frameworks frequently relied on expenditure cuts and structural reductions that directly impacted public infrastructure and basic services. The economy can generate the revenues required to address legacy liabilities from expanded domestic output rather than fiscal contraction by prioritising productive capacity and sector growth through project-specific finance. Beyond national balance sheets, Zimbabwe's integration into the NDB illustrates broader shifts in global capital allocation. It demonstrates the continued growth of alternative financial networks established by emerging economies to address regional development requirements.

Harare diversifies its credit access and reduces reliance on singular capital markets by establishing direct ties with the Shanghai-based institution. While accession to the New Development Bank does not automatically resolve underlying economic challenges, it directly addresses the primary financial barrier that has limited Zimbabwean industrial growth for years. The final outcome will depend on implementation—specifically, ensuring that funds obtained through the bank are directed toward economically viable, well-managed projects.


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Impact of gold rally on Zimbabwe's economy

Gold prices have surged, driven by broad changes in central bank behaviour and ongoing global tensions, causing a major shift in how countries manage their cash reserves and international trade. Understanding where the yellow metal stands today and where it might head next requires examining the structural forces driving its rise, the macroeconomic scenarios that could alter its trajectory, and the urgent strategic choices facing producer nations, most notably Zimbabwe. Gold prices have experienced an extraordinary rally, surging past the US$4,000 mark in late 2025 and briefly topping US$5,100 per ounce in early 2026. The rally was powered by record central bank purchases, persistent inflation, and heavy safe-haven demand triggered by escalating trade and geopolitical friction.

While spot prices have since cooled to the US$4,000 to US$4,300 range, major institutions like J.P. Morgan and Goldman Sachs continue to forecast long-term targets of US$5,000 to US$6,000 per ounce if fiscal pressure and global uncertainty persist. The sustained upward momentum in gold prices rests on three core catalysts. First, global monetary authorities have fundamentally re-evaluated how they protect their balance sheets. Following high-profile foreign asset freezes and aggressive US trade sanctions, non-aligned central banks, led by China, India, and emerging Asian nations, have systematically reduced their US dollar holdings.

By shifting into physical gold, these institutions gain a sovereign asset immune to jurisdiction risk and foreign sanctions. Second, exploding US national debt and heavy government spending have heightened long-term fears of currency debasement. Because gold is priced globally in US dollars, prolonged dollar weakness creates a natural tailwind, driving demand for gold as a stable store of value against persistent inflation and lower real interest rate environments. Third, broad-based tariffs, aggressive trade stances, and escalating regional conflicts have heightened market uncertainty. Whenever trade war anxieties or diplomatic tensions spike, global capital routinely migrates toward safe-haven assets.

Analysts across major financial institutions have projected gold targets reaching elevated heights, underscoring how deeply entrenched these bullish drivers have become. Yet the metal's long-term outlook depends heavily on whether global trade and diplomatic policies remain fragmented or begin to cool. Looking ahead, the market faces two distinct potential paths. In a bullish scenario, trade policies remain aggressive, international relations stay strained, and fiscal deficits in major economies continue to widen. Central banks would maintain their multi-year shift away from dollar-denominated debt, treating gold as a core reserve pillar. Under these conditions, safe-haven demand stays high, supporting elevated price levels.

Conversely, a bearish reversal could take hold if a shift in US political leadership or global policy regimes opens the door to diplomatic reconciliation. In that case, international trade friction could soften considerably. A reduction in tariff rhetoric, stabilisation of US trade relationships, and renewed fiscal discipline would bolster confidence in foreign exchange markets. As concerns over currency weaponisation ease, central bank buying could slow, prompting a significant price correction towards historical equilibrium levels around US$1,800 per ounce.

What it means for Zimbabwe

For Zimbabwe, the performance of global gold is far more than an abstract commodity story—it is the single largest determinant of macro-financial stability, foreign currency inflows, and domestic currency support. Gold currently accounts for roughly 50 percent of Zimbabwe's total export basket, generating approximately US$4,5 billion of the country's US$9 billion annual export earnings. This extraordinary concentration means the country's external trade balance is effectively tied to global gold prices.

Should global geopolitical risks soften and gold correct back towards traditional support levels near US$1,800, Zimbabwe risks losing up to US$3 billion in annual export proceeds, shrinking total export revenues to US$6 billion and severely widening the national trade deficit. This market dynamic directly impacts domestic currency stability. The stability of the ZiG relies heavily on reserves held by the Reserve Bank of Zimbabwe. Because the ZiG is anchored by gold and foreign currency holdings, high gold prices allow the central bank to rapidly build balance sheet value.

However, over-relying on physical gold assets without a balanced portfolio of liquid hard currencies leaves the national anchor vulnerable to sudden market drawdowns. To navigate both market scenarios, Zimbabwe cannot afford to treat the current commodity boom as a permanent feature. To safeguard the national economy, Zimbabwe must implement a clear three-part strategic playbook. The first step in this playbook requires maximising immediate extraction to “sweat the assets.” Rather than sitting on unmined reserves or hoarding physical output in anticipation of further price increases, Zimbabwe needs to maximise production while prices remain high. Capturing peak prices maximises foreign currency cash flow today, creating the liquid wealth needed to transform the broader economy before a market correction materialises.

Building on that cash flow, the second step focuses on broad economic diversification. Revenue generated from the current gold boom should be redirected immediately into non-gold sectors, critical infrastructure, power generation, and agro-processing. Using mining revenues to build broader productive capacity ensures that when the commodity cycle eventually turns, the national economy has secondary growth engines to rely on.

Finally, the third step requires adopting balanced reserve management. While central banks globally continue to accumulate gold, the Reserve Bank of Zimbabwe must manage its reserves through a robust risk framework. A sound policy requires a balanced portfolio split between physical gold and liquid foreign currencies, such as US dollars. This ensures the central bank captures upside value while remaining insulated if gold prices experience a sharp downcycle in the years ahead.

ZIMBABWE INDUSTRIALISATION CONFERENCE AND EXPO 2026 RESOLUTIONS

Following the successful hosting of the inaugural Zimbabwe Industrialisation Conference and Expo 2026, organised by the Ministry of Industry and Commerce in collaboration with Africa Economic Development Strategies and ZimTrade. The following resolutions have been declared:

1. Establish a regulatory framework aimed at fostering redirection of pension funds towards industrial financing at low interest rates.
2. Establish a dedicated Industrial Development Bank to provide long-term, affordable financing for industrial development through the mobilisation of domestic and international long-term capital, including pension funds, prescribed asset investments, development finance institutions, and other patient capital sources, to drive sustainable industrialisation.
3. Accelerate import substitution by prioritising the local production and procurement of goods that can be locally manufactured, thereby strengthening domestic value chains, enhancing industrial capacity, creating employment, and reducing the import bill.
4. Develop a comprehensive package of export incentives in consultation with industry, to enhance the competitiveness of Zimbabwean manufactured products, promote export diversification and increase the country's participation in regional and global value chains.
5. Prioritise strategic investments in enabling infrastructure, particularly in energy, transport, rail, roads, water and ICT, through innovative financing mechanisms such as blended finance, Built-Operate and Transfer and Public-Private Partnerships, to improve industrial productivity and competitiveness.
6. Strengthen collaboration between academia, research institutions and industry to accelerate research, innovation, technology transfer and the commercialisation of locally developed technologies, thereby fostering a knowledge-driven industrial economy.
7. Establish a robust de-risking framework for infrastructure co-financing projects to mobilise private sector investment, enhance bankability, and accelerate the development of strategic industrial and economic infrastructure.
8. Accelerate the development and implementation of a comprehensive package of regulatory reforms, legislative framework, and investment incentives to promote rural industrialisation as a key pillar of inclusive economic transformation and the devolution agenda.
9. Strengthen industrial ecosystems by fostering strategic linkages between MSMEs, large enterprises, financiers, logistics providers, anchor institutions, and come up with supplier development programmes to enhance local value chains, competitiveness, and inclusive industrial growth.
10. Leverage Spatial Development Initiatives and strategic regional corridors to stimulate industrial growth, trade and export promotion.
11. Establish a competitive package of fiscal and non-fiscal incentives to catalyse private sector investment and expand local and regional value chains.
12. Accelerate the transition to sustainable and green industrialisation by promoting resource-efficient production, renewable energy adoption, circular economy practices, and low-carbon technologies to enhance industrial competitiveness, environmental sustainability, and climate resilience.
13. Mainstream youth, women, and vulnerable communities into the Fourth Industrial Revolution by leveraging artificial intelligence to expand digital skills, innovation, entrepreneurship, and access to emerging economic opportunities.
14. Establish a one-stop electronic export processing window.
15. Develop industry response skills aligned with current and future industrial needs.
16. Develop an industrial ecosystem and implement industrial policy instruments by including the private sector, academia, government, development partners, and regional economic communities.

ZIMBABWE INDUSTRIALISATION CONFERENCE AND EXPO 2026 IN PICTURES

ZIMBABWE INDUSTRIALISATION CONFERENCE AND EXPO 2026 IN PICTURES

Chamber of Mines Chief Executive Officer Dr Isaac Kwesu

Chamber of Mines calls for mineral beneficiation to drive industrialisation

The Chamber of Mines of Zimbabwe says mineral beneficiation is crucial to expanding the mining sector's role in national development, value addition, and job creation. Speaking at the Zimbabwe Industrialisation Conference & Expo, Chamber of Mines Chief Executive Officer Dr Isaac Kwesu said Zimbabwe's industrialisation strategy should move beyond producing refined minerals to manufacturing finished products.

"Zimbabwe's rich mineral endowment can be strategically leveraged to advance the country's socio-economic development agenda. Mineral beneficiation serves as a catalyst for maximising the sector's contribution to economic growth, industrialisation, value addition, employment creation, and national development," he said.

He noted that the national strategy must pivot from relying on static comparative advantages to deliberately cultivating competitive advantages. "Mining and manufacturing beneficiation are integrated critical components of the growth, development and transformation of Zimbabwe's economy," he said.

He called for a decisive shift in national policy to transition the country's industrial sector, warning that possessing vast mineral reserves is no longer sufficient to secure economic growth. "Mining beneficiation should not be viewed as the end goal. It should serve as the bridge to manufacturing beneficiation," Dr Kwesu said.

"The availability of mineral resources does not necessarily provide a competitive advantage. There is need to address the competitive advantage issues to sustain beneficiation. The country therefore needs to develop an integrated policy framework to incorporate the mineral beneficiation and mineral value chains into the broader manufacturing and industrialisation framework," he added.

Despite highlighting systemic barriers, Dr Kwesu pointed to key operational strides already made on the local beneficiation agenda. He said the platinum sector now processes 100% of its concentrates in-country, while Zimplats is refurbishing its base metal refinery. In the lithium sub-sector, he said producers are advancing under a government roadmap to process lithium sulphate locally by 2027, with Prospect Lithium already exporting sulphate. He added that the Dinson Iron and Steel plant in Manhize is already producing over 600,000 tonnes of steel products annually toward a 1.2 million-tonne design capacity.

Dr Kwesu highlighted global market dynamics to demonstrate that primary mineral extraction does not automatically yield downstream industrial processing. Pointing to international gap analyses across diamonds, gold, platinum group metals (PGMs), and steel, he noted that major beneficiation centres such as India, China, Japan, Europe, and Dubai capture the highest economic value despite producing minimal or no raw minerals themselves. To bridge this gap, Dr Kwesu argued that local policies must look beyond primary refining. He said while Zimbabwe has made operational strides, manufacturing higher-value finished goods like jewellery, battery packs, and industrial machinery requires addressing fundamental cost and operational barriers.

Dr Kwesu highlighted that major operational bottlenecks are currently undermining local industrialisation, including power supply constraints. "The power supply situation in the country has remained predominantly fragile. Mining companies are experiencing unscheduled outages resulting in production stoppages and output losses," he said.

Mining

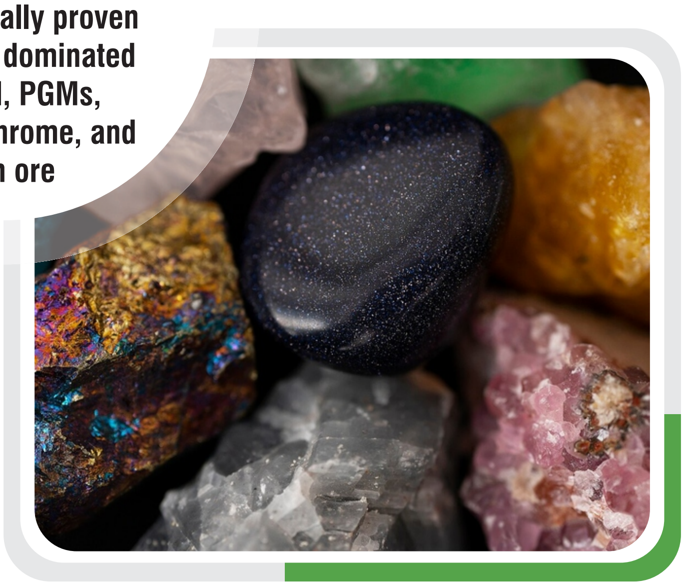
Chamber of Mines calls for mineral beneficiation to drive industrialisation

"The industry is currently consuming around 1,000 MW of power. However, with ongoing expansion activities and new beneficiation facilities, the energy demand is set to surge to more than 1,500 MW in the next 12 months." He said additional challenges include inadequate rail and water infrastructure, high production costs, capital constraints, and a suboptimal fiscal framework burdened by export penalties. In 2026 alone, Dr Kwesu said the mining sector faces a US$2 billion funding requirement for beneficiation initiatives, with 70% needed in the PGMs and lithium sectors.
He said fiscal measures, including export penalties, continue to constrain investment in mineral beneficiation.

"There is a need to establish special economic zones for beneficiation facilities, supported by competitive fiscal incentives and enabling infrastructure," he said. Zimbabwe is currently drafting an integrated Beneficiation Strategy intended to align mineral processing directly with broad industrialisation goals. Kwesu said establishing a competitive operating environment remains a necessary precursor to attracting the capital needed to convert raw natural resources into lasting national prosperity.

Zimbabwe's mining sector is built on a rich geological endowment of over 60 commercially proven minerals, dominated by gold, PGMs, lithium, chrome, and iron ore. The industry serves as the backbone of the national economy, contributing approximately 12% to GDP and generating more than 75% of Zimbabwe's total export earnings. While historically focused on raw extraction, the sector is increasingly pivoting toward domestic beneficiation and value addition to drive full-scale industrialisation and job creation.

Zimbabwe's mining sector is built on a rich geological endowment of over 60 commercially proven minerals, dominated by gold, PGMs, lithium, chrome, and iron ore



Zimbabwe's bank loans hit ZiG85 billion

Minister of Finance, Economic Development, and Investment Promotion Professor Mthuli Ncube

Zimbabwe's financial institutions expanded aggregate loans and advances to approximately ZiG85 billion by the end of June 2026, reflecting sustained demand for credit across key economic sectors Zimbabwe's financial institutions expanded aggregate loans and advances to approximately ZiG85 billion by the end of June 2026, reflecting accelerated credit expansion and heightened financial intermediation across the economy. According to the 2026 Mid-Term Budget and Economic Review, foreign-currency-denominated loans continued to dominate, accounting for about 90% of total banking sector lending.

"The banking sector continues to support the productive sectors of the economy, with 74.8% of total loans channelled towards the productive sector as of end June 2026," the Mid-Term Budget and Economic Review presented by the Minister of Finance, Economic Development and Investment Promotion Professor Mthuli Ncube said. Banking institutions directed the majority of their loan portfolios toward key economic drivers, including agriculture, mining, manufacturing, and distribution, which together anchor the nation's projected 5.0% gross domestic product growth rate for the full year.

Financial institutions maintained prudent underwriting standards throughout the review period, ensuring that credit growth was accompanied by manageable asset quality metrics, controlled non-performing loan (NPL) ratios, and adequate capitalisation across the banking architecture. The quality of the banking sector's loan portfolio remained satisfactory as at March 31, 2026, with the average non-performing loans to total loans ratio at 3.6%. Treasury said the NPL ratio remained within the internationally acceptable threshold of 5%.

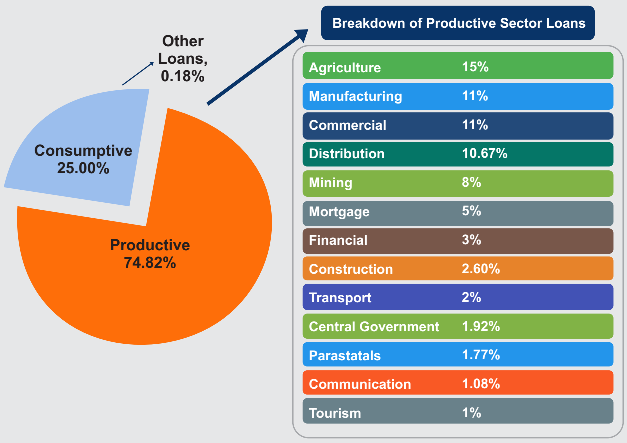
The banking sector remained adequately capitalised to absorb potential losses and maintain solvency during periods of stress. As of March 31, 2026, average capital adequacy and tier 1 ratios stood at 29.1% and 23.2%, comfortably exceeding their respective regulatory minimums of 12% and 8%. Treasury added that the banking sector's liquidity position remained satisfactory, enabling the sector to provide financing to the productive sectors of the economy.

Total banking sector deposits amounted to ZiG148.1 billion as at June 2026, dominated by foreign currency deposits, which accounted for 80% of total deposits. The sector recorded a profit of ZiG1.5 billion for the three months ended March 31, 2026, compared to ZiG2.6 billion recorded in 2025. "The decline in aggregate net income for the banking sector is mainly attributed to reduced revaluation gains on foreign exchange and investment properties previously arising from foreign exchange fluctuations. On aggregate, the quality of earnings, however, improved as a result of stability in the exchange rate over the past year," the review said.

During the period under review, fees and commissions and interest income on loans and advances were the key drivers of banking sector income, accounting for 47.5% and 40.9% of total income, respectively. In response to public calls for lower transaction costs across the economy, the Reserve Bank introduced new measures to reduce bank charges, effective March 31, 2026. Cash withdrawals and ZIPIT charges are now capped at 2%, while Point-of-Sale, Bank-to-Wallet, Wallet-to-Bank, and Send Money fees are capped at 1.5% (subject to a maximum ceiling of US$20 or its ZiG equivalent).

Additionally, balance inquiries and cash deposits are now free, bank card fees are limited to cost recovery, accounts with balances below US$100 are exempt from charges, and POS transactions under US$5 incur no fees. Historically, financial institutions derived a significant portion of their income from transaction fees, digital service commissions, and non-interest streams.

Sectoral distribution of loans as at the end of June 2026



Source: RBZ

Major highlights from the 2025 Annual Public Debt Bulletin:

- Total Public and Publicly Guaranteed (PPG) debt stock stood at ZiG 566.8 billion (US$21.8 billion), representing 37.4% of GDP as of end-December 2025.
- The total debt stock increased by 2.1% in local currency terms (1.4% in US$ terms) from ZiG 555.3 billion (US$21.5 billion) at end-December 2024.
- External debt accounted for 53.9% of total PPG debt at ZiG 305.5 billion (US$11.8 billion).
- Domestic debt accounted for 46.1% of total PPG debt at ZiG 261.4 billion (US$10.1 billion).
- Accumulated external debt arrears and penalty charges totaled US$8.1 billion, representing 69.3% of the total external debt stock.
- Total bilateral external debt stood at US$6.5 billion, comprising US$4.2 billion owed to Paris Club creditors and US$2.3 billion to Non-Paris Club creditors.
- Multilateral external debt totaled US$4.8 billion, including US$1.6 billion owed to the World Bank, US$759 million to the African Development Bank, US$758 million to Trade and Development Bank, and US$1.2 billion to Afreximbank.
- Total external debt service payments in 2025 reached US$307.5 million, comprising US$281.9 million for active loan portfolios, US$21.0 million for legacy debts and US$4.6 million in token payments.
- Domestic debt composition included ZiG 132.1 billion in Government securities, ZiG 77.6 billion for Compensation of Former Farm Owners, ZiG 35.4 billion in domestic expenditure arrears, ZiG 8.6 billion in domestic loans, and ZiG 7.8 billion in mining house arrears.
- Government signed US$246 million in new domestic loans in 2025 with Ecobank, CBZ Bank, and Stanbic Bank at interest rates between 7.5% and 12% per annum.
- Total domestic debt service payments in 2025 amounted to ZiG 16.2 billion (ZiG 13.4 billion principal and ZiG 2.8 billion interest), alongside US$57.3 million paid for blocked funds.
- A government guarantee of US$210.0 million was issued to ZETDC in September 2025 to fund power imports, utility equipment, and legacy debt repayments.
- Total guarantee exposure at end-December 2025 stood at US$102.3 million and ZiG2.6 million, consisting of US$100.8 million in performing guarantees and US$1.5 million plus ZiG 2.6 million in non-performing guarantees.
- Budget financing mobilised through borrowing in 2025 totaled ZiG 17.63 billion against a planned borrowing target of ZiG 25.22 billion.
- The overall public borrowing performance for 2025 reached 1.5% of GDP against the statutory annual ceiling of 5.75% of GDP.
- On the World Bank Debt Reporting Heatmap, Zimbabwe improved its debt transparency performance by reducing its red ratings from four in 2020 to one in 2025.

Table 2: Total PPG Debt Stock - end December 2025 (US$ million)

	DOD	PRA	IRA	Penalties	Arrears + Penalties	Total
Total Public Debt (A+B)	11,555	5,878	1,867	2,517	10,263	21,818
A. External Debt (1+2+3)	3,613	3,773	1,854	2,517	8,143	11,757
1. Bilateral Creditors	1,596	1,991	600	2,266	4.857	6,453
Paris Club	47	1,469	502	2,153	4,124	4,171
Non-Paris Club	1,549	523	97	113	733	2,282
2. Multilateral Creditors	2,017	1,299	1,254	250	2,803	4,820
World Bank	66	818	729	-	1,546	1,612
African Development Bank	19	294	446	-	740	759
European Investment B	6	158	26	250	435	441
Trade and Development Bank	698	12	48		60	758
Afreximbank	1,179	-	-	-	-	758
Others	49	17	5	-	21	71
3. Legacy Debts	-	483	-	-	483	483
B. Domestic Debt (4+5+6+7+8)	7,942	2,106	13	-	2,119	10,061
4. Government Securities	4,624	446	13	-	459	5,083
Treasury Bills	188	-	-	-	-	188
Treasury Bonds	2,925	408	10	0	419	3,344
Of which Mutapa Investment Fund	1,512	37	3	-	40	1,552
5. Domestic loans	330	-	-	-	-	330
6. Domestic Expenditure Arrears	-	1,361	-	-	1,361	1,361
7. Mining Houses Arrears	-	299	-	-	299	299
8. Compensation of Former Farm Owners	2,988	-	-	-	-	2,988

Source: *Zimbabwe Public Debt Management Office and the Reserve Bank of Zimbabwe*
DOD: Disbursed and Outstanding Debt PRA: Principal Arrears IRA: Interest Arrears
Other Multilateral Creditors: -BADEA, IFAD, NDF and OFID
Nominal GDP at market prices 2025 US$58 289 (million)

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Potential impacts of the Middle East conflict on Southern African economies

The conflict in the Middle East is delivering a direct external shock to Southern African economies, threatening to derail the region's modest recovery, latest data shows. According to the African Development Bank (AfDB) report on the outlook for Southern Africa, the geopolitical disruption impacts the regional outlook through higher energy prices, maritime trade disruptions, and elevated global borrowing costs.
Because Southern Africa relies heavily on imported petroleum products, these shocks enter domestic markets through predictable transmission channels.

Rising import bills lead to increased transport and production costs, which in turn drive persistent broad-based inflation. An extended increase in global oil prices threatens to push regional inflation up by 1–3 percentage points, while expanding overall import costs by 10–25% depending on a country's energy dependency.

At the same time, global trade routes face significant friction. Higher shipping fees and elevated maritime insurance premiums add another layer of expense, increasing the landed cost of imported goods while reducing the price competitiveness of regional exports. Simultaneously, tighter global monetary conditions elevate sovereign borrowing costs and debt refinancing risks. This creates a severe threat for nations already operating with limited policy reserves and heavy debt obligations.

The economic consequences of these shocks will not fall evenly across Southern Africa. The region splits into distinct groups based on natural resource endowments, trade balances, and available fiscal space. Resource-exporting nations occupy a complex position. According to AfDB, net oil exporters like Angola, alongside major mineral producers like South Africa, Zambia, and Zimbabwe, stand to gain from higher export values for crude, copper, and gold.

These windfall revenues strengthen trade balances and public accounts in the short term, though these gains will be partially eroded by imported consumer inflation and restrictive international credit conditions. Conversely, net fuel importers with thin fiscal reserves face severe pressure. Countries like Malawi and Mozambique face heightened inflation, expanding trade deficits, and growing debt risks as energy import bills rise.

Namibia is better positioned to absorb these external shocks due to higher reserves and stable public finances, though elevated fuel costs will still weigh on broader economic performance. South Africa benefits from deeper financial markets and domestic capacity, but remains exposed to capital outflows, higher local borrowing rates, and headline inflation.

Regional economic performance and outlook

Southern Africa's economic recovery remains gradual and uneven, with regional growth projected to increase from 2.1% in 2026 to 2.7% in 2027, supported by stronger household consumption, improved services activity, and a modest cyclical rebound. However, underlying structural constraints, including limited economic diversification, weak agricultural productivity, infrastructure deficits, and low domestic resource mobilisation, continue to constrain long-term growth potential and resilience.

This disconnect is reflected in subdued GDP per capita growth and persistent cross-country disparities, highlighting the limited transmission of economic growth into improved living standards. Stronger short-term rebounds in Zimbabwe and Zambia, driven by agricultural stabilisation and mining output, contrast sharply with downturns elsewhere.

Angola faced growth slowdowns from oil sector fluctuations, Botswana suffered contractions in the global diamond market, and Lesotho saw sharp decelerations linked to trade tensions and reduced development assistance. Despite these short-term cyclical rebounds, deeper structural challenges limit long-term expansion.

Weak agricultural productivity, severe infrastructure deficits, low domestic revenue collection, and limited economic diversification keep per-capita growth low. Because regional expansion remains heavily tied to primary commodities and agriculture, it generates minimal formal employment while leaving local economies exposed to external market swings.

Strengthening domestic revenue mobilisation

The core development finance hurdle in Southern Africa is not a total absence of capital, but an inability to mobilise, structure, and deploy domestic savings efficiently. High capital costs, underdeveloped financial markets, and heavy reliance on foreign currency debt leave regional economies vulnerable to international liquidity shifts.

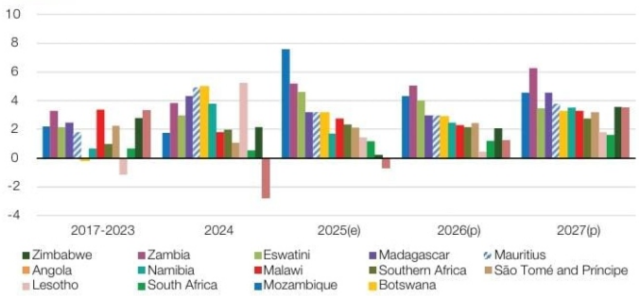
Addressable weaknesses in the financial architecture translate into elevated borrowing costs, limited access to long-term funding, and insufficient credit allocation to productive sectors. To protect domestic stability and insulate against external shocks, regional policymakers must focus on fundamental structural reforms. Modernising tax administration and customs systems will capture crucial domestic revenue, reducing the reliance on external debt.

Simultaneously, deepening local-currency credit markets and establishing mechanisms to channel institutional assets, such as pension funds and insurance reserves, can direct capital into productive domestic investments without incurring exchange rate risks. Expanding investment in domestic renewable energy is equally essential to reduce exposure to volatile imported fossil fuels.

Furthermore, utilising development finance institutions to de-risk private investment in critical infrastructure will help bridge the persistent financing gap. Accelerating regional trade integration will also lower cross-border transaction costs and strengthen internal demand buffers.

Unlocking long-term economic stability ultimately requires building internal financial sovereignty, allowing Southern Africa to build the structural resilience necessary to weather future global crises.

Figure 1.1: Real GDP Growth by Country, 2021-2027



Source: Statistics Department, African Development Bank. Note: e-estimated, p-projected

Southern Africa payments hub eyes more currencies to boost trade

Image: Waldo Swiegers/Bloomberg

A multibillion-dollar cross-border payments platform serving southern Africa plans to expand beyond the South African rand and Angolan kwanza, widening the range of currencies it supports to lower transaction costs and boost trade. The Southern African Development Community real-time gross settlement system, which processed about $3.77 billion of trade and interbank transactions across its 15 member countries in 2025, formally added the kwanza as a settlement currency on Monday.

It also plans to include additional regional currencies, including Botswana's pula and Mozambique's metical, Arif Ismail, head of the National Payment System Department at the South African Reserve Bank, told reporters in Pretoria.

The vast majority of Africa's intra-regional trade is done through conversions to the dollar, adding costs and delays. Initiatives like the SADC-RTGS system, which has exclusively settled transactions using the rand since it was established in 2013, aims to reduce those frictions by enabling direct settlement in local currencies.

The addition of the kwanza advances the region's multi-currency vision, Governor Lesetja Kganyago told the event. “For Angola, this is a significant achievement,” he said. “For the region, it is an important signal on confidence in our shared infrastructure.”

The move is likely to boost demand for the kwanza beyond Angola's borders and make the currency more liquid. While the kwanza's inclusion is unlikely to have an immediate impact on Angola's international reserves, transaction volumes between the country and other SADC member states are expected to increase, the southwest African nation's central bank Governor Manuel Tiago Dias said.

“What we expect, however, is greater speed in executing transactions and lower costs, since we will no longer need to route transactions through third countries or banks that do not participate in this platform,” he said.

The central bank also expects a repeated, steady increase in commercial transactions between Angola and other SADC member states. Angola is already working with neighboring countries such as Namibia and the Democratic Republic of Congo, and anticipates that this participation and acceptance of the kwanza will be a very strong signal for deeper integration and cross-border trade, he added.

At a Glance

Zimbabwe lithium sector at a glance - investment, output and outlook

INVESTMENT
US$2.0B
Completed projects - 6 plus delivered

PIPELINE
US$1.45B
Current projects under way

PROJECTED CONCENTRATE EXPORT VALUE
US$978M
Rationale for export extension

LITHIUM SULPATE EXPORTS 2030
US$3.21B
Forecast lithium sulphate exports by 2030

BENEFICIATION - LITHIUM SULPHATE
344,000t
Lithium sulphate output by 2030

ROYALTY
7%
Lithium rate - above PGMs (5%)

Major Lithium Producers and Key Projects

Prospect Lithium Zimbabwe
Bikita Minerals
Kamativi Mining Company
Sabi Star Lithium Mine
Gwanda Lithium
Sandawana Mine (Bravura)

Capital Investment Breakdown

Completed Projects (US$2 billion total investment)
Prospect Lithium Zimbabwe: US$1.1 billion
Bikita Minerals: US$320 million (includes spodumene/petalite concentrators & sulphate plant)
Kamativi Mining: US$250 million
Sabi Star: US$170 million
Bikita Minerals (additional): US$63 million
Gwanda Lithium: US$50 million

Current and Planned Projects (US$1.45 billion committed capital)

Bikita Minerals: US$400 million
Sandawana Mine: US$350 million. Includes sulphate plant feasibility study)
Kamativi Mining: US$235 million. 3Mtpa Ssodumene concentrator & ancillary infrastructure)
Bravura: US$150 million. Tantalite recovery plant)
Gwanda Lithium: US$20 million
Modern Laboratory Infrastructure (US$5.86 million total)
Bravura: US$1.10 million (completed)
Bikita Minerals: US$1.10 million (completed)
Kamativi Mining: US$1.00 million (completed)
Prospect Lithium: US$1.00 million (completed)
Gwanda Lithium: US$0.85 million (completed)
Sabi Star: US$0.81 million (completed)
Sandawana Mine: US$0.20 million (ongoing)

Production and export trajectory (2022–2030)

Spodumene Ore — Raw ore production and direct exports are expected to decline sharply following local processing mandates.
Spodumene Concentrate — Production and exports are projected to grow by 33% by 2030.
Lithium Sulphate — This will be a massive growth driver, with exports projected to surge by 800.9% by 2030 as local beneficiation plants come online.
By-Products — Significant export growth is anticipated for Cesium (+1,126.2%) and Tantalite (+77.4%).

Fiscal and regulatory headwinds

Zimbabwe's lithium royalty sits at 7.0%—higher than key global peers including Australia (5.0%), Brazil (4.5%), and Argentina (7.5%).
Cumulative export-related charges reach 26.0% when factoring in royalties, export taxes, and administrative levies.
Total charges far exceed competing mining jurisdictions such as Ghana (11.0%) and the DRC (12.0%).

Strategic enablers for sector sustainability

Fiscal rationalisation — Reducing high export taxation (currently 16%) to maintain operational cash flows and going-concern status.
Beneficiation push — Accelerating value-addition projects, such as local lithium sulphate processing facilities.
Infrastructure and power — Guaranteeing reliable, cost-effective power supply to support heavy industrial processing across greenfield and brownfield sites.
Inter-agency coordination — Streamlining administrative workflows across key authorities—including the Ministry of Mines, MMCZ, ZIMRA, Ministry of Industry & Commerce, and Ministry of Finance.
Transparency and compliance — Maintaining full disclosure of multi-mineral contents within exported ores alongside rigorous regulatory compliance.

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