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ZIMBABWE COUNTRY RISK ANALYSIS

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MACRO ENVIRONMENTAL ANALYSIS

COUNTRY RISK REVIEW

Zimbabwe, officially the Republic of Zimbabwe, is a landlocked country in Southern Africa, located between the Zambezi and Limpopo Rivers, bordered by South Africa to the south, Botswana to the southwest, Zambia to the north, and Mozambique to the east. The capital and largest city is Harare, and the second largest is Bulawayo. The economy has excellent human capital, comparable to that of upper-middle-income economies. Moreover, Zimbabwe possesses abundant mineral and natural resources that can support the country's development objectives.

In March 2022, the Financial Action Task Force (FATF) removed Zimbabwe from the 'grey list' of countries. Several international banks had cut off correspondent relationships with Zimbabwean banks as part of their de-risking strategy. Except for Crown Bank and FBC Bank, Zimbabwean banks no longer have direct correspondent banking relationships with the United States. Stanbic, Ecobank, and Nedbank have indirect correspondent banking relationships through their foreign ownership structures.

POLITICAL ENVIRONMENT

Zimbabwe is a constitutional democracy, and the government is comprised of the legislature, the judiciary and the executive. The current president, Emmerson Mnangagwa, became president in 2017. Since assuming power, Zimbabwe has aimed for a *Prosperous and Empowered Upper Middle-Income Society by 2030* based on the National Development Strategy 1 (NDS1, 2020-2025) framework. Notable progress under NDS1 includes sustained economic growth over the past five years, improved food security, expansion in financial intermediation, growth in exports, enhanced foreign currency generation, infrastructure development and advances in climate-proofing agricultural production.

On 27 November 2025, Zimbabwe launched National Development Strategy 2 (NDS2, 2026–2030), designed to build on the achievements of NDS1 and guide the country's development through ten strategic national priorities, including but not limited to Macro-Economic Stability & Financial Sector Deepening, Inclusive Economic Growth & Structural Transformation, Infrastructure Development & Housing, among others.

Conversely, Zimbabwe has not improved much in terms of other indicators. For instance, in 2024, it was assigned a corruption index score of 21 and was ranked 158 out of 180 countries by Transparency International. On the positive front, through its foreign policy, the Government of Zimbabwe has undertaken various initiatives to strengthen relations with the African Union (AU), the Southern African

Development Community (SADC), and the Commonwealth, as part of its broader efforts to rebuild and normalise international partnerships. Furthermore, the relations between Zimbabwe and the United States of America have improved remarkably, as evidenced by the repeal of Executive Order 13288 (March 6, 2003), Executive Order 13391 (November 22, 2005) and Executive Order 13469 (July 25, 2008). The effect was that all the individuals, entities, and property that had been blocked under the sanctions program were unblocked, except eleven individuals who were simultaneously re-designated under the Global Magnitsky law.

ECONOMIC LANDSCAPE

Monetary and Financial Conditions

Historically, Zimbabwe has faced an adverse monetary environment. However, recent monetary policy measures implemented by the RBZ since the introduction of the ZiG have delivered exchange rate and inflation stability, reflecting the effectiveness of the Reserve Bank's tight monetary policy stance since April 2024. The RBZ sought to address inflation and exchange rate stability risks through the upward review of the Bank Policy Rate and statutory reserves in September 2024. This has resulted in the dissipation of inflationary pressures since October 2024. Monthly ZiG inflation, therefore, declined from a peak of 37.2% in October 2024 to an average of 0.1% between February and October 2025. The decline mainly reflected stability in the exchange rate, as evidenced by the significant narrowing of parallel market premiums. The RBZ has shown a commitment to ensuring sustained price stability to date.

GDP Growth

Zimbabwe has experienced positive economic growth, with GDP increasing by 3% year-on-year from USD 44.5bn in 2023 to USD 45.7bn in 2024. During the first half of 2025, the economy expanded by 8.1%. The domestic economy is now projected to grow by 6.6% in 2025, an upward revision of 0.6% from the initial forecast of 6%. This revision is driven by strong performances in the mining, agriculture, and manufacturing sectors, alongside notable growth in key sectors such as electricity generation and construction.

In 2026, GDP is projected to grow by 5%, supported by expected normal to above-normal rainfall and expanded irrigated cropping, which are anticipated to boost agricultural sector performance. Growth is also expected to benefit from exchange rate and price stability, as well as steady international mineral commodity prices. Additionally, the ongoing implementation of ease-of-doing-business reforms, including the review of various licences, fees, and charges, is expected to lower domestic production costs and enhance the competitiveness of local products.

Inflation

Zimbabwe continues to face inflationary pressures that shape the operating landscape. In response, the Government has maintained the dual-currency system, allowing the United States Dollar (USD) to circulate alongside the local currency, the Zimbabwe Gold (ZiG). As a result, inflation is now measured separately for both the ZiG and the USD, reflecting the economy's multi-currency structure.

Following the monetary policy measures implemented on 27 September 2024, the USD month-on-month inflation rate averaged 0.1% while annual USD inflation averaged 14.2% from February to October 2025. Similarly, monthly ZiG inflation remained relatively stable, averaging 0.4%, whereas annual ZiG inflation moderated significantly over the same period, declining from 85.7% in April 2025 to 95.8% in July 2025, 32.7% in October 2025, and further to 19.0% in November 2025. The reduction in inflation was supported by tight monetary policy, relative stability in the currency and exchange rate, and improved domestic food supply, which together helped to dampen inflationary pressures.

Currency Change from ZWL to ZiG

On April 5, 2024, the Reserve Bank of Zimbabwe (RBZ) introduced the Zimbabwe Gold (ZiG) currency to replace the Zimbabwean Dollar (ZWL), which had been reintroduced in 2019 after periods of operating in a multicurrency system. This significant policy shift was prompted by the ZWL's rapid depreciation, losing over 90% of its value against the US dollar in a matter of months, primarily due to unchecked money supply growth and the absence of sufficient reserve backing. The RBZ aimed to restore public confidence and monetary stability by anchoring the ZiG to a structured basket of reserves, including gold, precious minerals, and foreign currency. The conversion rate was officially set at ZWL 2,498.7242 per ZiG 1, with all existing ZWL-denominated balances automatically converted, and a 21-day transition period established to support price repricing, system adjustments, and public sensitisation.

The ZiG now circulates alongside the US dollar in a dual-currency system. The US dollar is set to run until 2030 (Statutory Instrument 218 of 2023). At its inception, the RBZ pegged the interbank exchange rate at approximately ZiG 13.56 per US dollar, underscoring its intent to maintain currency value through tangible asset backing rather than monetary expansion. To promote transparency and stability, the RBZ began publishing daily exchange rates. As of 1 December 2025, the official exchange rate was ZiG 26.171 per US dollar, underscoring the relative stability that has characterised the exchange rate environment in recent months. The introduction of the ZiG represents a strategic attempt to stabilise Zimbabwe's financial landscape by building a more credible and resilient monetary framework. Based on the 2025 Mid-Term Review, ZiG usage increased, reflected by the rise in the proportion of electronic ZiG in the National Payments System from 26% in April 2024 to over 40% in June 2025.

Exchange Rate Developments

The interbank exchange rate and the parallel exchange rate have remained stable since October 2024. Meanwhile, the parallel market exchange rate premium declined from over 36% in January 2025 to approximately 20% by the end of September 2025. The stability in the exchange rate has gone a long way in supporting the disinflation trend witnessed during the latter part of 2024 and the early part of 2025. Furthermore, the liberalisation of the foreign exchange market through Statutory Instrument 34 of 2025 by RBZ, which repealed the instruments forbidding pricing of goods and services above the RBZ official rate in local currency, did not result in untoward pricing by retail businesses.

Interest Rates

Interest rates remain elevated. This is because the RBZ reviewed the Bank Policy Rate from 20% to 35% effective 27 September 2024, to curtail exchange rate and inflation pressures. Concomitantly, minimum and maximum corporate lending rates increased from 24.2% to 40% and 32.4% to 45.6%, respectively.

Foreign Exchange Market

The introduction of the Willing Buyer Willing Seller (WBWS) foreign exchange market has fostered a market-driven and transparent exchange rate management system while improving the accessibility of foreign currency in the market. The Reserve Bank has been intervening in the WBWS foreign exchange market by injecting foreign currency, when necessary, to ensure sufficient liquidity to meet market demand.

In the 10 months to October 2025, total foreign currency inflows amounted to more than US$13 billion, an over 21% increase compared to the same period in 2024. Reflective of the sustained foreign currency inflows, foreign currency reserves backing the ZiG reached current levels of about US$1 billion, equivalent to more than 1.2 months of import cover.

Balance Of Payments Developments

The improvement in foreign currency receipts has positively impacted the country's balance of payments position. Preliminary estimates indicate that the country's current account balance recorded a surplus of USD 961.3m during the first nine months of 2025, compared to USD 31m recorded for the corresponding period in 2024, driven by increases in export receipts, diaspora remittances and loans to the private sector.

During the first nine months of 2025, merchandise exports rose by 33.5% to USD 7bn compared to the same period in 2024, primarily driven by higher exports of gold, tobacco, ferrochrome, and manufactured products such as cigarettes and steel. Over the same period, merchandise imports grew by 8% to USD 7bn, largely due to increased imports of food, fuel, raw materials, vehicles, and beverages.

Similarly, remittances increased by 12.1% to USD 2.1bn, up from USD 1.9bn during the corresponding period in 2024. Strong diaspora flows reflect a sustained global economic recovery across major regions worldwide.

External Debt

Zimbabwe remains under considerable debt pressure from both the external and domestic debt. As of September 2025, the nominal stock of total Public and Publicly Guaranteed (PPG) debt stood at USD 23.4bn, up from USD 21.5bn in December 2024. This comprised external debt of USD 13.6bn (up from USD 12.6bn) and domestic debt of USD 9.8bn (up from USD 8.9 bn), with the total PPG debt representing 44.7% of the country's GDP.

External debt has surged significantly in recent years, largely due to external arrears and legacy debt, with arrears alone accounting for approximately 57% of the total external debt. External debt is mostly owed to international financial institutions, including the World Bank, the IMF, the Paris Club, Non Paris Club, and Afreximbank. It is noteworthy that the World Bank's lending program in Zimbabwe is inactive due to arrears, and the role is now limited to only providing technical assistance and analytical work through Trust Funds. Currently, the government is executing an arrears clearance and debt resolution strategy, which is crucial for resolving debt issues and securing financial support.

Between January and September 2025, the Government of Zimbabwe made external debt service payments totalling USD 220.3m, with an additional USD 86.6m expected before the end of the year. Over the same period, domestic debt service payments amounted to ZiG 11.2bn, with a further ZiG 4.8bn anticipated by year-end 2025.

Fiscal Performance and Outlook

Zimbabwe has historically operated with budget deficits, and in 2025, this trend is expected to continue. In 2025, cumulative revenue collections are projected at ZiG 215.7bn (USD 7.93bn), against total expenditures of ZiG 219.46bn (USD 8.10bn), resulting in a projected deficit of ZiG 3.8bn (USD 140.1m). Similarly, in 2026, a budget deficit of ZiG 3.2bn (approximately USD 105.9m), equivalent to 0.2% of GDP, is anticipated. The Macro-Fiscal Framework faces risks, which, if not mitigated, could put pressure on public finances, posing serious ramifications for overall macroeconomic stability. Such risks include macroeconomic shocks, natural disasters, contingent liabilities, geopolitical tensions, declining commodity prices, and expenditure outlays outside the approved budgetary provisions, among others.

Zimbabwe's modest GDP outturn in 2024 resulted in the poverty rate measured at the international poverty line of US$3.00 (PPP) per person per day remaining elevated at 47.6% (World Bank). The 2024 drought disproportionately affected rural and agricultural households, compounding existing vulnerabilities. Strong economic growth projected for 2025, driven primarily by a recovery in the agriculture sector, is expected to support a moderate reduction in poverty. Nonetheless, poverty levels are anticipated to remain high over the medium term, reflecting Zimbabwe's historically low growth elasticity of poverty reduction.

Following the favourable 2024/25 agricultural season, food security conditions are also expected to improve in 2025. Despite comparatively strong human capital, the economy continues to exhibit weak job creation dynamics, with formal employment generation remaining subdued and informality persistently high.

Outlook and Risks

The economic outlook for Zimbabwe appears mixed. Real GDP growth is expected to moderate to 5% in 2026, up from the projected 6.6% in 2025. The 2026 growth will be underpinned by strong performance across key sectors, namely agriculture (5.4%), mining and quarrying (6.3%), manufacturing (3.7%), electricity generation (6.5%), and wholesale and retail trade (7.4%). These sectoral gains are expected to be reinforced by normal to above-normal rainfall patterns, continued exchange rate and price stability, favourable international mineral commodity prices, and ongoing improvements in the business environment driven by ease-of-doing-business reforms.

If prudent fiscal policy and tight monetary policy are maintained, it will anchor currency, exchange rate and inflation, which is a key driver of price dynamics in a multi-currency environment. As such, the inflation trajectory is expected to continue on a downward trend in 2026, with ZiG's annual inflation rate projected to decline to single-digit levels, with a projected average of 12.1% for the year.

Zimbabwe's foreign direct investment (FDI) inflows have shown a strong upward trend, registering a CAGR of 27% between 2018 and 2025, rising from USD 150.5m to an estimated USD 799.1m. This sustained growth signals a gradual strengthening of investor confidence and increased interest in Zimbabwe as an investment destination. In addition, the Zimbabwe Investment and Development

Agency (ZIDA) approved 203 investment licences valued at USD 3.26bn in Q3 2025, signalling improved investor confidence and more efficient facilitation processes. The approvals represent a 178% increase from the same period in 2024 and a 6.8% rise from the previous quarter. Foreign capital dominated the commitments, comprising USD 2.82bn in cash inflows and USD 354m in capital equipment imports. Growth was driven mainly by the mining, energy and financial services sectors, highlighting sustained investor interest in Zimbabwe’s high-value industries.

However, to fully convert these commitments into actual investment flows and long-term economic gains, authorities must strengthen policy consistency and investor protection. Improvements in macroeconomic fundamentals, including inflation control, exchange-rate stability and progress on external debt resolution or credible re-engagement with international lenders, remain critical for sustaining investor confidence.