




# 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 country falls under lower-middle-income economies as of February 2026. The country also possesses abundant mineral and natural resources that can support the country's development objectives.

The withdrawal of major U.S. banks between 2014 and 2018 driven by heightened regulatory pressures, elevated compliance costs, and Zimbabwe's classification as a high-risk jurisdiction significantly constrained the country's correspondent banking network. Although conditions have since improved following Zimbabwe's removal from the Financial Action Task Force (FATF) grey list in 2022, access to direct U.S. dollar clearing remains limited. As noted by the International Trade Administration (March 2026), only three of Zimbabwe's sixteen commercial banks namely FBC Bank, Ecobank, and Nedbank currently maintain direct settlement arrangements with U.S. banks, with the majority relying on third-party intermediaries, particularly South African banks and regional institutions such as Afreximbank. This reliance continues to result in higher transaction costs, longer settlement times, and operational inefficiencies. Nonetheless, there are emerging signs of cautious re-engagement, with some U.S. banks reportedly exploring correspondent relationships with local institutions, reflecting a gradual shift in risk perception and recognition of Zimbabwe as an underserved market.

## 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.

Zimbabwe is currently working on the Constitution of Zimbabwe Amendment (No. 3) Bill (CAB3), a proposal that would significantly reshape how the country is governed. At its core, the Bill seeks to change how the President is chosen, that is, moving away from a direct vote by citizens to a system where the President is elected by Members of Parliament sitting together. It also proposes extending the term of office for the President, Parliament, and local authorities from five to seven years, meaning elections would be held less frequently. In addition, the Bill would expand the Senate by allowing the President to appoint ten more members, create a new Electoral Delimitation Commission to oversee constituency boundaries, and shift responsibility for managing the voters' roll back to the Registrar-General. It also proposes dissolving two existing bodies namely the Zimbabwe Gender Commission and the National Peace and Reconciliation Commission, which currently play roles in promoting equality and addressing past conflicts. The Bill was officially published on 16 February 2026, opening a 90-day period for public consultation. During this time, citizens, civil society, and other stakeholders are expected to review the proposals and share their views. While the government has framed these changes as necessary reforms to strengthen governance and bring Zimbabwe in line with evolving constitutional practices across Africa, the proposals are likely to generate public debate, particularly around issues of democratic participation, institutional independence, and accountability.

On the re-engagement front, Zimbabwe notably hosted the Ministerial Partnership Dialogue between the Southern African Development Community (SADC) and the European Union (EU), successfully held on 15 March 2025. The two parties engaged on issues of mutual interest, including peace and security, human and sustainable development, climate change, environment, trade, and investment. Furthermore, in February 2026, the EU concluded its annual review of the restrictive measures in relation to Zimbabwe imposed on 15<sup>th</sup> February 2011, resulting in the removal of travel bans and asset freeze, while the arms embargo was maintained until 20 February 2027.

Conversely, Zimbabwe has not shown significant improvement in some governance indicators. In 2025, its Corruption Perceptions Index (CPI) score, as published by Transparency International improved marginally to 22 from 21 in 2024, with its global ranking edging up slightly by one position to 157 out of 182 countries, reflecting a relative improvement in positioning compared to other countries.

## ECONOMIC LANDSCAPE

### Monetary and Financial Conditions

Zimbabwe's monetary and fiscal conditions in 2026 demonstrate a period of relative stabilisation but with underlying fragilities. The tight monetary policy stance adopted by RBZ since 2024 has helped to stabilise the local currency (ZiG) and markedly reduce inflation into single digit territory, underpinned by improved exchange rate management system (Willing Buyer Willing Seller interbank market) and reduced quasi fiscal activities. Interest rates remained restrictive, with Bank Policy Rate maintained at 35%, contributing to stronger currency confidence in the short term, while increased discipline in money supply growth has helped contain inflationary pressures. However, persistent arrears on external debt have continued to restrict access to international credit lines. Overall, while monetary and fiscal conditions have improved markedly compared to previous years, the system remains vulnerable to external shocks, fiscal pressures, meaning sustained stability will depend on continued policy discipline and structural reforms.

### GDP Growth

Zimbabwe has experienced progressively improving economic growth, with GDP increasing by 3% year-on-year from USD 44.5bn in 2023 to USD 45.7bn in 2024. Furthermore, according to Dr. Mushayavanhu, the Governor of RBZ, the economy expanded by approximately 6.6% in 2026. This growth was underpinned by strong performances in the mining, agriculture, and manufacturing sectors, alongside notable growth in key sectors such as electricity generation and construction.

Despite a mid-season dry spell experienced in February 2026 in some areas, GDP is projected to grow by 5% in 2026, supported by strong contributions from agriculture, robust commodity prices (including gold and platinum group of minerals). Growth is also expected to benefit from exchange rate and price stability.

### Inflation

While Zimbabwe continues to face underlying inflationary pressures, the maintenance of a dual currency system comprising the USD and ZiG, together with tight monetary policy measures implemented since 2024, has helped to dampen inflation. This is reflected in a significant decline from a peak of 95.8% in July 2025 to a low single-digit rate of 4.1% in January 2026, the first such recording in approximately 30 years, followed by a further easing to 3.85% in February 2026. Between February and December 2025, month-on-month inflation averaged 0.4%, and further decreased to 0% in January 2026. Consequently, based on the 2026 Monetary Policy Statement, confidence in the ZiG currency as

a store of value, unit of account and medium of exchange improved as demonstrated by rising deposits stickiness and proportion of ZiG usage within the National Payment System. However, in March 2026, annual inflation edged up slightly to 4.38%, which, in our view, was largely driven by higher fuel prices amid geopolitical tensions in the Middle East. This is supported by weighted Consumer Price Index (CPI) data provided by Zimbabwe National Statistical Agency, where the transport category recorded the highest month-on-month increase of 4% and annual inflation rate of 2.5%, following fuel price adjustments by the Zimbabwe Energy Regulatory Authority (ZERA), which raised diesel and petrol prices to USD 2.05 and USD 2.17, respectively, from USD 1.77 and USD 1.71 in March 2026 (February 2026: USD 1.52 and USD 1.56). The monetary authorities expect the inflation rate to remain within the single digit levels supported by the maintenance of Bank Policy Rate at 35% and current statutory reserve requirements for savings and time deposits at 15%, and at 30% for demand and call deposits in both local and foreign currency.

### **Exchange Rate Developments**

The interbank exchange rate and the parallel exchange rate have remained stable since October 2024, oscillating between ZiG 25 and ZiG 27 per USD, with notable movements towards convergence between the official and parallel market rates. The parallel market premium narrowed significantly from approximately 100% in September 2024 to around 20% in 2025. During the last quarter of 2025, ZiG appreciated against the USD by 2.49% to ZiG 25.98 per USD 1 supported by record-high commodity prices, sustained tight monetary policy, and a significant build-up in national reserves.

### **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. , Consequently, according to RBZ December 2025 Economic Quarterly Review, nominal lending rates ranged between 25% to 58%, with weighted average lending rates of 43.50% and 40.40% for individuals and corporates respectively.

### **Foreign Exchange Market**

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 continued to intervene in the WBWS foreign exchange market through targeted foreign currency injections, when necessary to ensure sufficient liquidity and support orderly market conditions. Cumulatively, the RBZ injected approximately USD 1.5bn into the market between April 2024 and February 2026.

On the external reserve buffers front, the foreign currency reserves increased significantly from USD 276m (0.18 months of import cover) as of April 2024 to USD 1.2bn (1.5 months of import cover) as of December 2025, indicating a strengthening of the country's capacity to meet import requirements, withstand external economic shocks, and support of ZiG. The reserve build-up was largely driven by gold holdings which increased markedly from 1.5 tonnes to 4.03 tonnes over the same period.

### **Balance Of Payments Developments**

The improvement in foreign currency receipts has positively impacted the country's balance of payments position. Zimbabwe's external position strengthened markedly in 2025, with the current account surplus widening to an estimated USD 2.1bn from USD 501.2m in 2024, representing a more than fourfold increase (over 300% growth). This improvement was driven by strong export growth and resilient remittance inflows, alongside a shift from persistent trade deficits in prior years to sustained trade surpluses during the greater part of the second half of 2025. The development is a key strength, reflecting enhanced foreign currency generation capacity, improved external liquidity, and positive implications for exchange rate stability and reserve accumulation.

### **External Debt**

Zimbabwe remains under considerable debt pressure from both the external and domestic debt. As of December 2025, the nominal stock of total Public and Publicly Guaranteed (PPG) debt stood at USD 21.5bn. This comprised external debt of USD 11.7bn and domestic debt of USD 9.8bn

External debt has surged significantly in recent years, largely due to external arrears and legacy debt, with arrears alone accounting for approximately 69% 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. The World Bank's lending program in Zimbabwe remains inactive due to arrears, and the role is to only providing technical assistance and analytical work through Trust Funds.

The country's external debt position improved over the period under review, with total debt declining from USD 13.6bn (USD 5.9bn disbursed outstanding debt; USD 7.7bn arrears) in September 2025, as reported in the 2026 National Budget to USD 11.7bn (USD 3.6bn disbursed outstanding debt; USD 8.1bn arrears) in December 2025 as reported in the December 2025 Quarterly Public Debt Bulletin, reflecting a reduction of USD 1.9bn. While this decline points to some progress in reducing the overall external debt, the concurrent accumulation of arrears and penalties highlights persistent liquidity constraints and ongoing challenges in meeting external obligations.

## **Fiscal Performance and Outlook**

Zimbabwe has historically operated with budget deficits, a trend that persisted in 2025. Cumulative revenue collections for the year were 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). Looking ahead, the fiscal position is expected to remain relatively contained, with 2026 projecting a narrower budget deficit of ZiG 3.2bn (approximately USD 105.9m), equivalent to 0.2% of GDP. Despite the relatively low budget deficit outturn, the Macro-Fiscal Framework still 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. On the positive front, in February 2026, Zimbabwe and the International Monetary Fund reached a Staff Level Agreement on a set of economic policies and reforms to be monitored under a 10-month Staff-Monitored Program (SMP). The programme is aimed at consolidating recent stabilization gains and strengthening overall macroeconomic management, with a focus on prudent budget execution, improved cash and expenditure controls, sustained monetary discipline, and governance reforms to enhance transparency and manage fiscal risks.

## **Outlook and Risks**

The economic outlook for Zimbabwe appears mixed. Real GDP growth is expected to moderate to 5% in 2026, up from the 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%) underpinned by 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. Notably, the Government's reform efforts as demonstrated by the gazetting of Statutory Instrument 41 of 2026, which abolished or reduced various regulatory fees are expected to enhance the ease of doing business and support private sector activity.

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. The reported inflation rates of 4.1% in January 2026, 3.85% in February 2026 and 4.38% in March 2026, demonstrate that these policies have yielded significant disinflation gains, within single-digit territory. However, while the disinflation trend is encouraging, it remains fragile and highly sensitive to policy consistency and external shocks, particularly geopolitical tensions and volatility in global oil prices. This vulnerability was

recently reflected in a marginal uptick in inflation to around 4.38% in March 2026, underscoring the susceptibility of price stability to imported inflation pressures. As such, any fiscal slippages, renewed exchange rate pressures, or adverse external developments could quickly reverse the current gains, given Zimbabwe’s structural macroeconomic vulnerabilities and its historical exposure to inflationary cycles and currency instability.