CZI

Enterprise Leadership Service

AUGUST 2026

INFLATION AND CURRENCY DEVELOPMENTS UPDATE

(MACRO-ECONOMIC)
BRIEFING NOTE TO CZI MEMBERS

9 SEPTEMBER 2026

CZI INDUSTRIAL AND ECONOMIC RESEARCH

We have a team of competent specialists who drive the research and advisory work that we do. We have the advantage of being at the intersection of business and policy giving us unparalled grasp of the business and policy ecosystem in Zimbabwe including the value chains and sectors. CZI Industrial and Economic Research offers a wide range of products and services to help our members not only to navigate but also to shape the business environment in which they operate.

Business Regulatory Environment Accompaniment
We help members make the business and economic case for presentation to policymakers on issues affecting their business.

Commissioned Business Surveys: We have a track record of conducting surveys and with a competent team, we can conduct commissioned surveys on behalf of business utilising our broad-based reach of Zimbabwean companies which gives us a comprehensive view of the market. We conduct research on economic and industry performance and trends providing analysis and insights that inform business decision making.

Corporate Economic Briefings: Our experts/analysts can deliver briefings to boards and senior management teams in support of ongoing business reviews or strategy sessions. We frequently host regional heads of multi-nationals that are operating in the country to present and discuss into the economic outlook for the economy as a whole and also implications for the sectors they operate in.

Economic Analysis: Our economic analysis is the most widely quoted in the Zimbabwe and is quoted by business, government, international institutions, academia and the media. We are a strong knowledge and research-focused organisation and generating insights and cutting-edge analysis that is relevant for business and policy decision making is one of our key areas of competency. Our analysis generates evidence for policy decision making and empowers the business leaders to interact with the policy environment and developments therein.

Private Sector Development and Business Environment Projects Implementation: We have expertise to implement policy projects at macro, sectoral and value chain levels.

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"Price stability allows the economy to reach its maximum sustainable growth."

Alan Greenspan

1

NO POLICY SHOCKS FROM THE 2026 MID-TERM MONETARY POLICY STATEMENT

On the 20th of August, 2026, the Reserve Bank of Zimbabwe (RBZ) Governor, Dr. J. Mushayavanhu announced the 2026 Mid-Term Monetary Policy Statement (MPS). Under the theme "Sustaining Single-Digit Inflation and Monetary Stability to Foster Economic Resilience", the Mid-Term MPS did not introduce new policy measures, hence no shocks to the market. In the past when the economy was more volatile, monetary authorities had to consistently introduce new measures to contain instability. This made it difficult for business to predict the policy environment.

1. The bank policy rate was held at 30%
2. Surrender requirements remain unchanged at 30%.
3. Statutory reserve requirements maintained at 15% (savings and time deposits) and 30% (demand deposits),
4. Tight monetary policy stance remains in place.
5. Minimum deposit interest rates were maintained, with ZiG and USD savings deposits at 5% and 2.5% respectively, while ZiG and USD time deposits were maintained at 7.5% and 4% respectively.
6. The Non-Negotiable Certificates of Deposits (NNCDs) regime was also maintained, as the need for RBZ intervention in the market remains in place due to reluctance of banks to lend to each other.

This generally means that the existing monetary policy environment will continue to be in play for the remainder of the year.

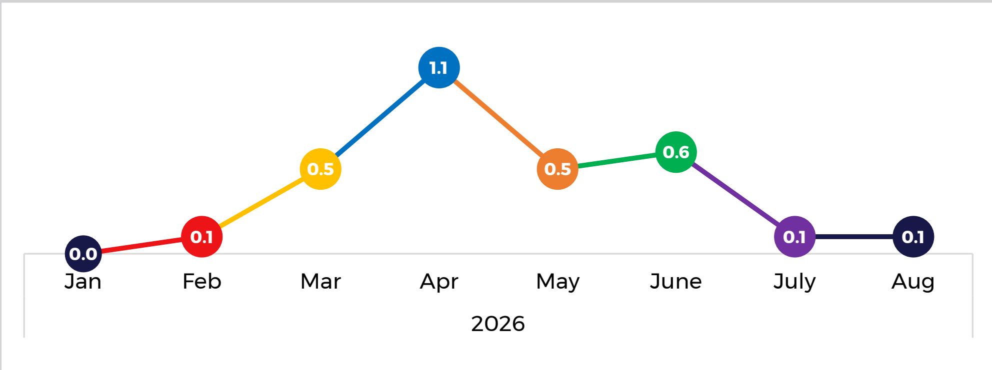
The Mid-Term MPS also indicated that the market-led transition to monocurrency is still on course. A self-evaluation by RBZ puts the road towards the transition to monocurrency to be about 50.1% complete. Anchoring price stability, accumulation of reserves and having ZiG adoption by the market are the three areas where a lot still needs to be done, as these are deemed to be only about 30% complete. These are likely to be achievable only after 2030, underlining that the market led transition is most likely to go beyond the initial 2030 deadline unless they are achieved earlier.

2

ZIG MONTH-ON-MONTH INFLATION REMAIN SUBDUED AT 0.1% IN AUGUST

Month-on-month ZiG inflation remained subdued at 0.1% in August 2026, unchanged from July 2026 (Figure 1). The sustained moderation in monthly inflation suggests that domestic price pressures remain contained, supported by relative exchange-rate stability and improved macroeconomic conditions. For the business community, the persistence of low inflation is positive as it improves price predictability, facilitates more reliable budgeting and cost planning, as well as reducing the need for frequent price adjustments. It also provides a more stable environment for investment and production decisions, particularly for businesses that rely on local-currency transactions. However, maintaining this stability will require continued fiscal and monetary policy discipline, prudent liquidity management and exchange-rate stability.

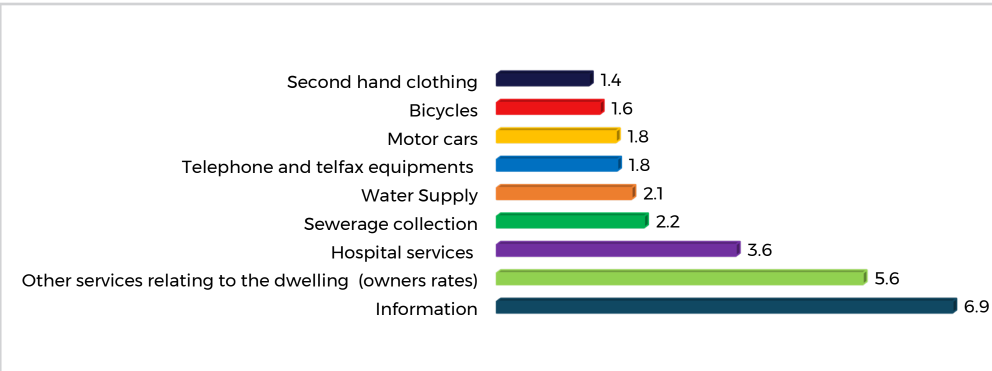
Figure 1: ZiG month-on-month inflation (%) remains unchanged since July 2026



Source: *Authors computation using ZIMSTAT data*

While the general price levels are under control, the economy continues to be characterized by some price pressures in some selected products. An analysis of the Consumer Price Index (CPI) basket shows that information (with 6.9% inflation), other services relating to the dwelling (5.6%), hospital services (3.6%) and sewerage collection (2.2%) recorded some of the largest price increases in August 2026 compared to July 2026 (Figure 2). However, these did not generate significant broad-based price pressures, as overall month-on-month ZiG inflation remained subdued at 0.1%. This suggests that the price increases were largely concentrated on specific goods and services with relatively limited influence on the overall CPI, while prices across much of the consumer basket remained stable. Businesses should, however, remain attentive to persistent increases in specific cost categories that may feed into operating costs and wage negotiations over time.

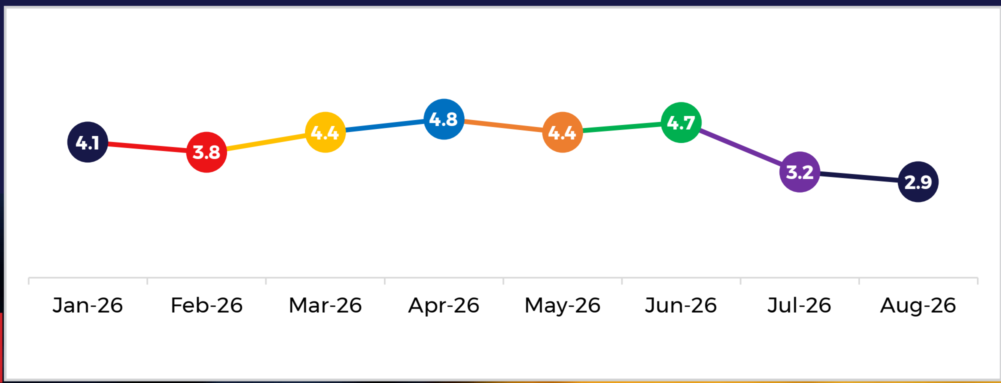
Figure 2: Some products with high month-on-month inflation rates in August 2026 (%)



Source: *Authors computation using ZIMSTAT data*

Year-on-year ZiG inflation declined further from 3.2% in July 2026 to 2.9% in August 2026 (Figure 3), marking a continued moderation in annual price pressures. The decline reinforces Zimbabwe's commitment towards maintaining single-digit ZiG inflation throughout 2026. This also strengthens the macroeconomic environment for building confidence in the local currency. Sustained low and stable inflation is critical for improving the ZiG's credibility as a medium of exchange and store of value. However, maintaining low inflation alone will not be sufficient to deepen demand for the ZiG. Other complementary measures whose overall impact is to create demand for ZiG would also be needed.

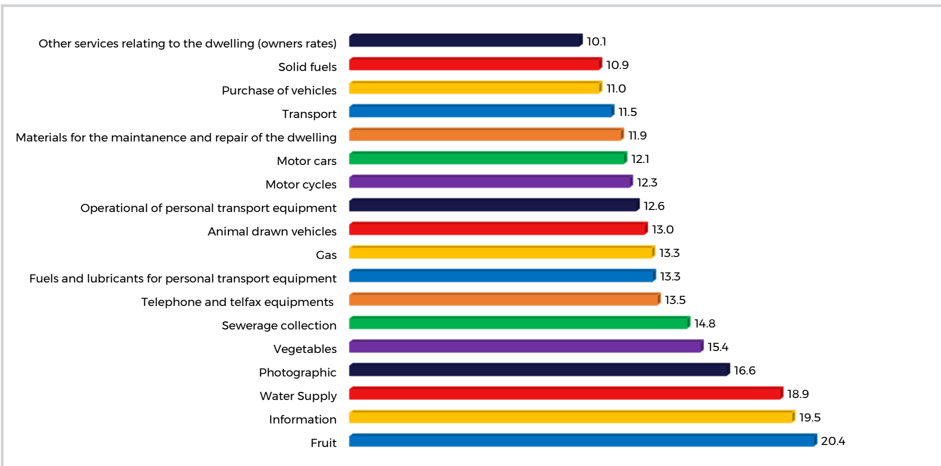
Figure 3: ZiG year-on-year inflation trend continues to decline (%)



Source: ZIMSTAT

While overall year-on-year ZiG inflation continued its downward trajectory, there are some products still characterised by inflationary pressures. The highest increases occurred in fruits (with inflation of 20.4%), information services (19.5%), water supply (18.9%), and photographic services (16.6%) (Figure 4). The continued surge in essential consumer items, such as fruit and water supply, underscores ongoing expenditure pressures on consumers despite moderating headline figures.

Figure 4: Major drivers of ZiG annual inflation (%)



Source: *Authors computation using ZIMSTAT data*

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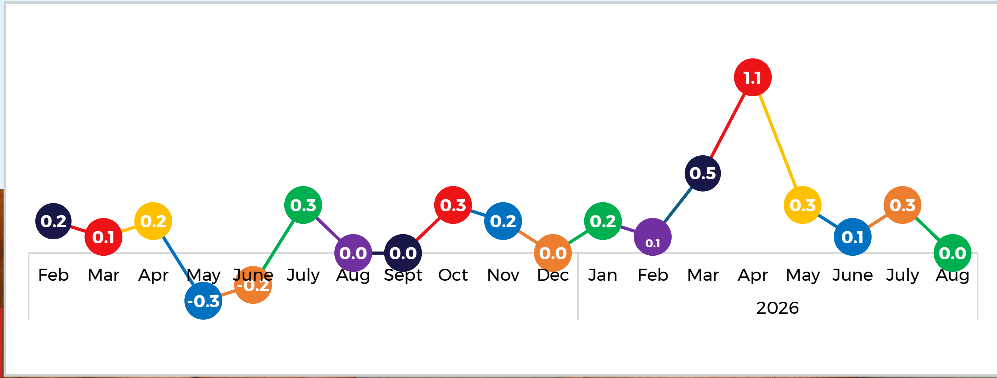
USD MONTH-ON-MONTH INFLATION TREND FLUCTUATING SINCE MAY 2026

Month-on-month USD inflation dropped 0.3 percentage points to record 0.0% in August 2026 (Figure 5). In addition, given that the economy is predominantly dollarised, this deceleration toward zero inflation indicates a pause in hard-currency cost-push dynamics, providing immediate relief for household purchasing power and corporate cash-flow planning.

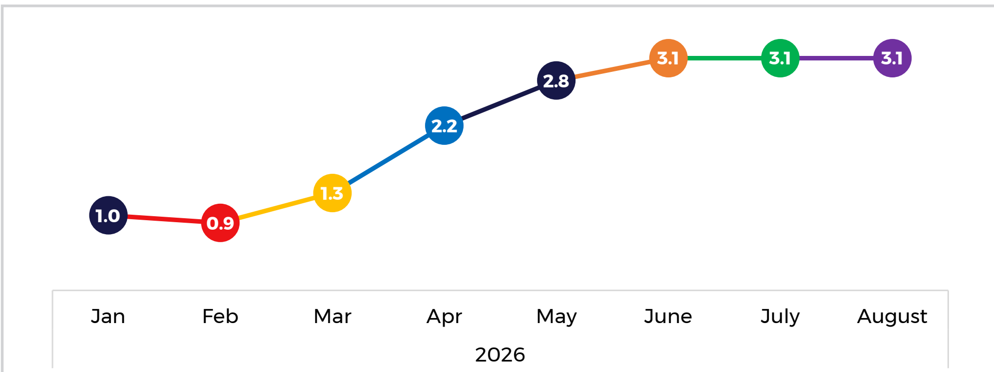
Figure 5: An increase in USD month-on-month inflation trend in August (%)



Source: ZIMSTAT

Annual USD inflation held firm at 3.1% through August 2026, marking three consecutive months of unchanged year-on-year price growth since June (Figure 6). Because a significant portion of economic transactions and savings are denominated in USD, persistent low annual inflation prevents rapid erosion of real incomes and preserves the purchasing power of the currency.

Figure 6:USD Annual inflation marking three consecutive months unchanged (%)



Source: *ZIMSTAT*

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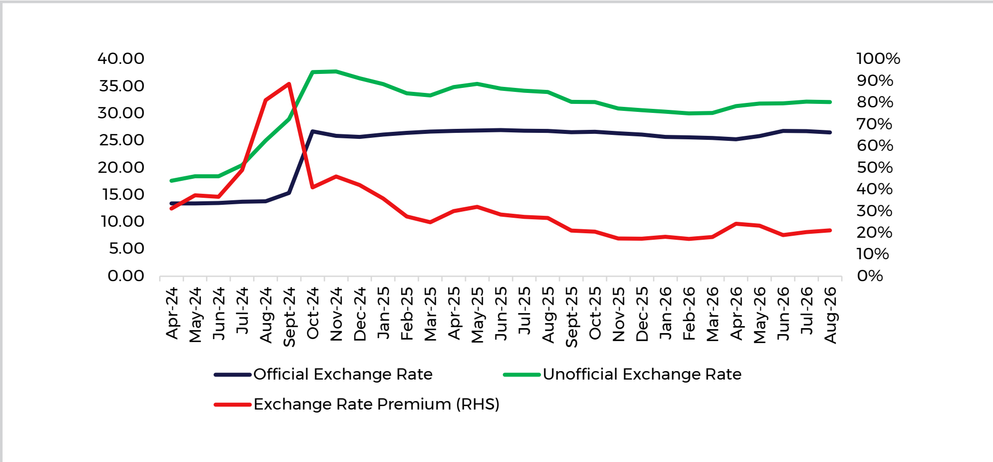
THE EXCHANGE RATE PREMIUM STILL STABLE

The ZiG exchange-rate premium is still relatively stable, with some noticeable pressure during the month of August, which can be explained by small transaction exchanges in preparation of the schools opening. The parallel market premium remains within the 20% band, a position that does not create excessive market distortions. (Figure 7). The relatively stable parallel-market rate, alongside improved foreign-currency availability and prudent liquidity management, suggests that speculative demand and exchange-rate pressures remained broadly contained.

Figure 7: The parallel market premium trend since April 2024



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INFLATION OUTLOOK

Having maintained month-on-month ZiG inflation at 0.1% in August 2026, unchanged from July, alongside a decline in year-on-year ZiG inflation from 3.2% to 2.9%, Zimbabwe continues to experience a relatively stable and low-inflation environment. The continued moderation in annual inflation provides a positive foundation for strengthening confidence in the ZiG and improving price predictability for businesses and households. Looking ahead, ZiG annual inflation is expected to remain within single-digit levels, provided that monetary and fiscal discipline, exchange-rate stability and prudent liquidity management are maintained.

This is a publication of the CZI Industrial and Economic Research for its members.

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