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Enterprise Leadership Service

CZI 2025 FIRST QUARTER BUSINESS ENVIRONMENT INSIGHTS

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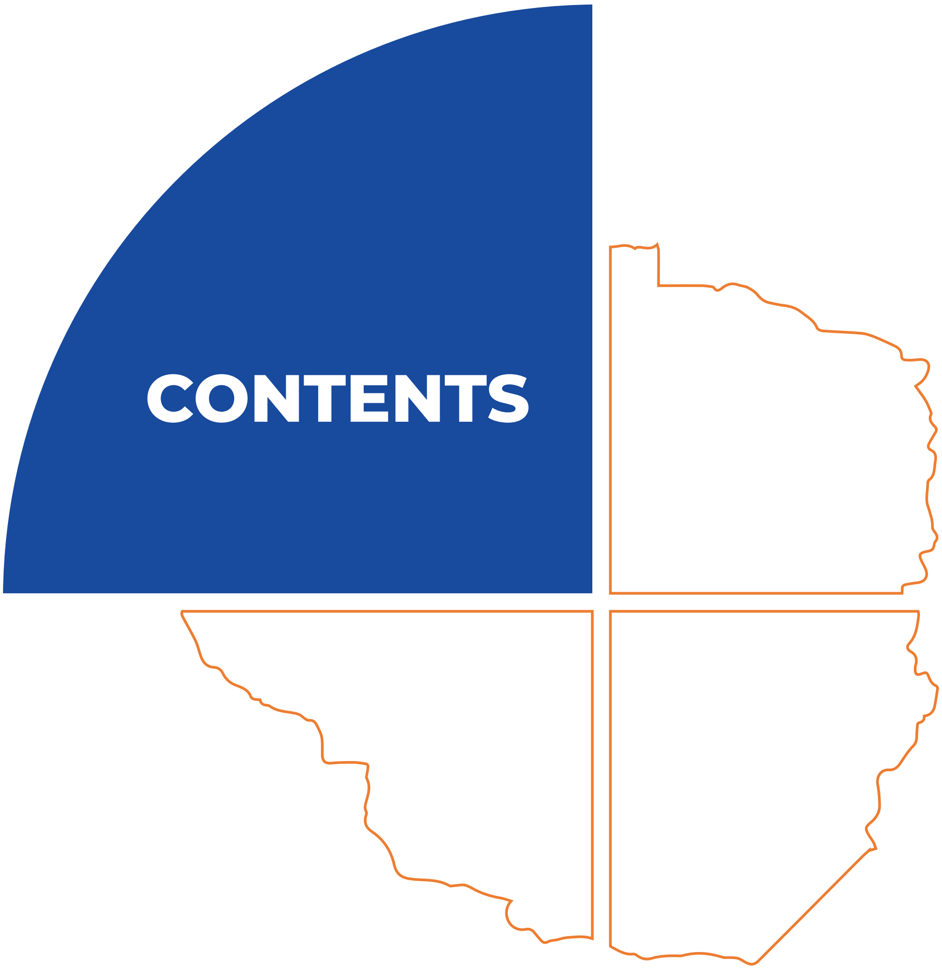

Acknowledgements

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About the CZI Quarterly Business Environment Insights

The report is published quarterly to capture how the policy environment is having an impact on business and economic performance. The CZI Quarterly Business and Economic Insights is intended to give trends and insights on the business environment as informed by local and international landscape. The publication series are aimed at informing the market and policy makers on industrial developments and performance, with the intention being to ensure that the policy environment as well as its impact on business is kept track off. This is within the general CZI advocacy responsibilities.

This provides a continuous policy and market feedback loop and frequent iterations that better and timeously inform policy and business engagement as well as decision-making.

1. Synopsis

This report provides key insights and developments for the first quarter of 2025. The first quarter was characterised by exchange rate and inflation stability. However, the end of the quarter was beginning to show signs of instability as ZiG started depreciating at the parallel market. Achieving and sustaining stability should be the critical focus of both monetary and fiscal policy as a history of prolonged inflation and exchange rate stability has been the missing piece for a prolonged period.

The manufacturing sector was generally very optimistic about 2025 and its prospects. The optimism was generally arising from a period of exchange rate and inflation stability which had been prevailing since the end of 2024. However, challenges such as high cost of doing business and unavailability of enabling infrastructure will still stand in the way of manufacturing sector competitiveness, even if stability is addressed.

Key commodity movements during the first quarter of 2025 had different implications for the Zimbabwe economy. The movement of precious commodities show that:

There are positive prospects from gold and platinum prices, which increased by 38% and 7.8% respectively over the first quarter of 2025. This boosted profitability for the mining sector players while also increasing revenue collection potential for the government.

Being a net importer of both wheat and maize during the first quarter of 2025 due to the 2024 El Nino induced drought, the country was negatively impacted by rising maize and wheat global prices. This increased the import bill, while also having an inflationary impact across the value chains.

Soyabean prices decreased over the quarter, which also had some positive prospects across the edible oil and stockfeed industries.

A review of the international trade position shows that there was an increase in Zimbabwe's trade deficit for the first quarter of 2025 by about 28%. The increase in the trade deficit can be attributed to the importation of food due to drought. However, the implication is that there could be pressure on the foreign currency availability as more and more foreign currency flows towards goods compared to what is generated from the export of the goods.

The power situation worsened in the first quarter of 2025 compared to the same period in 2024. The daily power generation trends for the first quarter of 2024 are above the same trend for 2025. This has serious implications on the productive capacity of the manufacturing sector as they resort to costly alternatives.

The report also makes an analysis based on the revenue statistics for the first two months of the year. It establishes that:

- ↓ There was a decline in VAT contribution to total tax revenue from 33% in 2024 to 30%. This was largely driven by a decline in the contribution of VAT on imported goods from 14% in 2024 to 11% in 2025.

- ↑ There was a marginal increase in the contribution of tax on profits to total tax revenue from 29% to 30%. This increase was mainly driven by the contribution by individuals, which increased from 19% of total tax revenue during the first two months of 2024 to 23% in 2025, at a time when companies' contribution decreased from 7% to 6%. The adjustments to the tax-free thresholds for PAYE in 2025 might not have been proportionate to the inflation movements.

- ↑ The IMTT, which had contributed only 4% over the same period in 2024, doubled its contribution to 8% in January and February of 2025. This can be attributed to relative sustained exchange rate stability since the end of 2024, which brought confidence in the financial system as a means of payment.

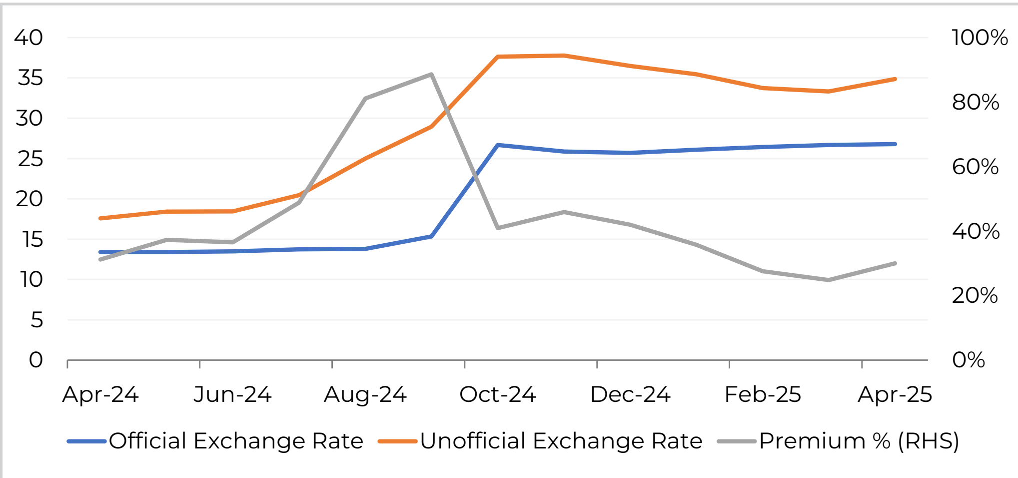
2. Exchange rate and inflation developments

2.1 Stability still persists but now under threat

The ZiG depreciated against the US$ by approximately 100% from a rate of 13.56 in April 2024 when it was introduced to 26.8 in April 2025 on the interbank (Figure 1). On the parallel market, the ZiG moved from a rate of 18.4 to 34.9, registering about the same rate of depreciation as on the official market. The parallel market exchange rate premium slightly inched down from 31% in April 2024 to 30% in April 2025 despite being significantly volatile in between. A raft of measures was implemented to tame the parallel market exchange rate premium which had skyrocketed to 89% in September 2024 as the parallel market exchange rate moved faster while the interbank rate remained relatively constant. The RBZ devalued the local currency in September 2024 from a rate of US$1: ZWG13.9987 to US$1: ZWG24.8831 and increased the bank policy rate from 20% to 35% among other measures.

Compared to 2024, the year 2025 has generally been characterised by currency stability with limited volatility. Between January 2025 and April 2025, the official exchange rate depreciated by less one percentage point (about 0.7). The parallel market rate on the other hand appreciated by about 0.5 percentage point over the same period. This helped reduce the parallel market premium. However, there is an observable upward trend between March and April 2025 on the parallel market premium, driven by the deprecation of ZiG in the parallel market. This needs to be quickly addressed, as it can erode the confidence that was beginning to build up on ZiG. The main driver of this movement in the parallel market is still not yet clear as the financial statistics as well as the government revenue and expenditure statistics for the period are not yet out. Hopefully, the trend will not be sustained going forward.

Figure 1: A noticeable depreciation of ZiG on the parallel market in April 2025



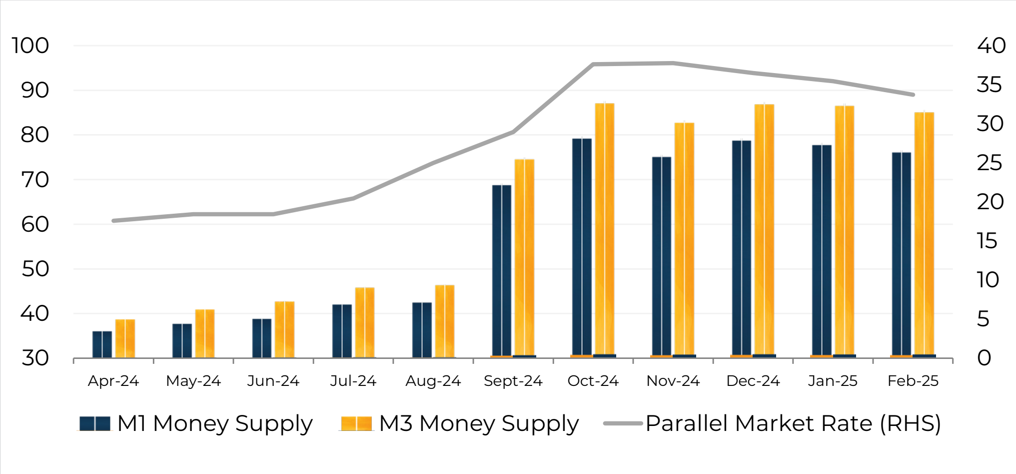
Source: RBZ and CZI estimates of parallel market rate

2.2 Money supply generally under control

As of 28 February 2025, M3 money supply amounted to ZiG85.6 billion. The money stock was comprised of 82.9% foreign currency deposits, 17% local currency deposits, and 0.12% local currency in circulation. This balance is 121% ahead of the ZiG38.8 billion recorded at the end of April 2024.

The parallel market rate in Zimbabwe is largely exchange rate driven, which in turn responds to money supply. Money supply (M3) grew significantly in September 2024 due to currency devaluation. However, since then, money supply has generally been under control. A look at the trend with respect to the parallel market rate shows that its behaviour is also related to the growth in money supply (Figure 2). Thus, controlling the growth of money supply remains vital to the control of the parallel market. It is expected that a tight monetary policy regime will continue to prevail as a way of managing this relationship.

Figure 2: Money Supply Trends (ZiG billion) and the parallel market rate

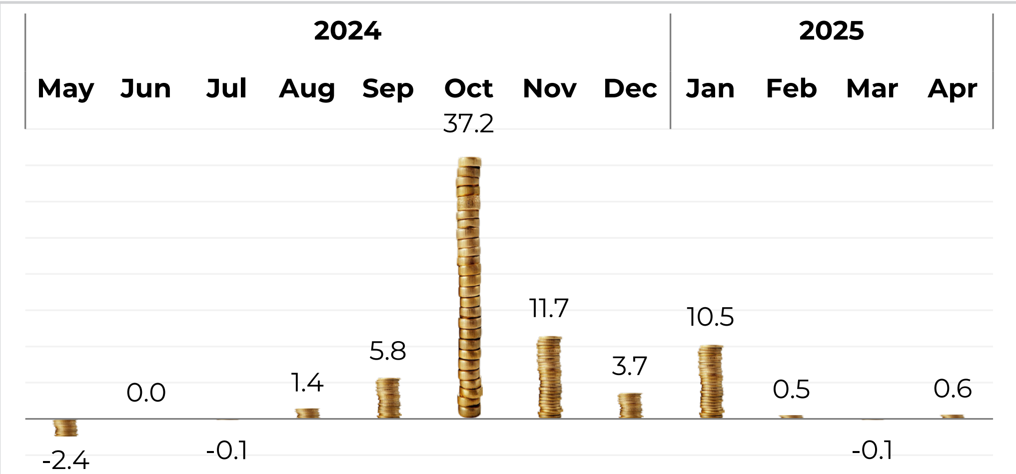


Source: RBZ and CZI estimates of parallel market rate

2.3 ZiG month-on-month inflation stray into positive territory in April

The ZiG month-on-month inflation increased to settle at 0.6% in the month of April 2025 (Figure 3). The April 2025 inflation rate gained 0.7 percentage points from a rate of - 0.1% that was recorded in the month of March 2025. ZiG month-on-month has been fluctuating below 1% from the month of February 2025 to date. However, since month-on month inflation is still below 1%, it is relatively still under control. Low inflation helps in maintaining the purchasing power of the ZiG, which helps bring confidence in the currency.

Figure 3: ZiG month-on-month inflation fluctuating trends since its launch (%)



Source: Authors computation using ZIMSTAT data

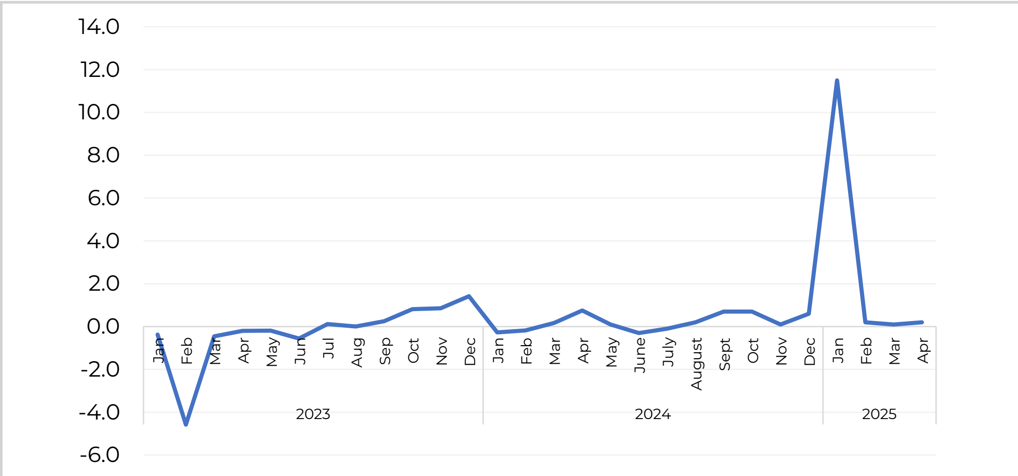
2.4 ZiG year-on-year inflation starts at a high level

The ZiG currency was officially launched on the 8th of April 2024, marking its first anniversary on the 8th of April 2025. It replaced the rapidly depreciating Zimbabwean dollar (ZWL) which was also characterised by high inflation. However, in April 2025, the ZiG had an annual inflation of 85.7%, which is very high. The high ZiG inflation is largely a cumulative reflection of the shocks that were characterising month-on-month inflation in 2024. The devaluation of the exchange rate in September 2024 resulted in a huge increase in the ZiG Consumer Price Index (CPI), which in turn resulted in a high annual inflation when compared to the April 2024 CPI. The high ZiG annual inflation is not good for business, as interest rates will remain high. For a positive real interest rate to be obtained, the interest rate must be set about 85%. This will make it difficult for businesses to borrow. On the same vein, an interest rate that is well below the inflation rate encourages speculative borrowing. Thus, the way monetary policy will respond will be a balancing act.

2.5 US$ month-on-month inflation stable since February 2025

The US$ month-on-month inflation slightly increased to 0.2% in the month of April 2025 (Figure 4). This was a 0.1 percentage points increase from a rate of 0.1% that was recorded in the month of March 2025. Historically, US$ inflation was normally a response to ZiG inflation, as retailers adjusted their prices in line with ZiG prices to avoid being accused by the RBZ's Financial Intelligence Unit (FIU) for using the parallel market rates. However, the situation is likely to change now that statutory instrument (SI) 81A of 2024 that was being enforced by the FIU was repealed recently. This will likely allow the US$ inflation rate to independently trend with limited influence of ZiG inflation.

Figure 4: US$ month-on-month inflation trend wandering below 1%

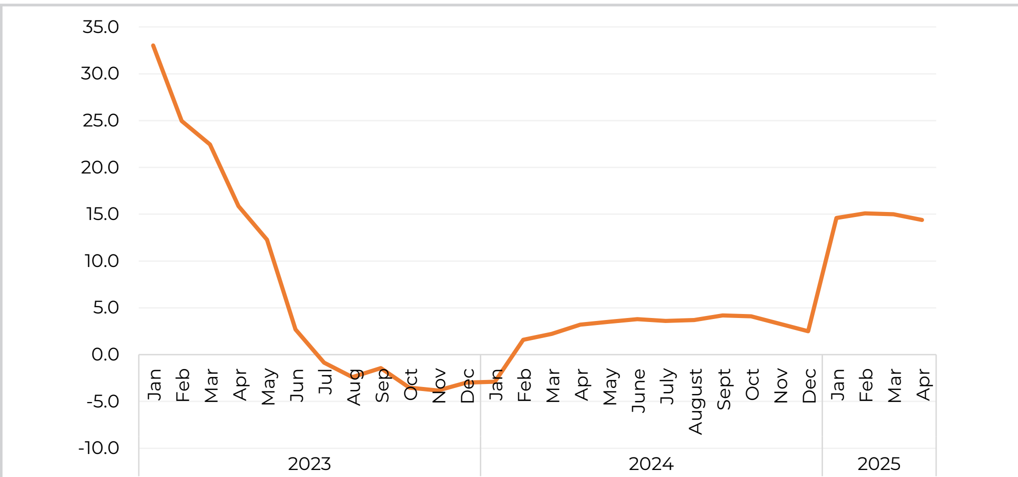


Source: ZIMSTAT

2.6 The US$ year-on-year inflation is still above the 10% mark

The US$ year-on-year inflation for the month of April declined to 14.4%, which was a 0.6 percentage points drop from a rate of 15% in March 2025 (Figure 5). Double-digit inflation in a highly dollarised economy is a significant concern, as price stability is generally anticipated in US$ terms. Thus, it is hoped that this high year-on-year inflation will also fall as the influence of ZiG inflation on the month-on-month inflation is taken away by the repeal of SI 81A of 2024.

Figure 5:US$ Annual inflation dropped 0.6 percentage points in the month of April



Source: ZIMSTAT

3. Manufacturing sector anticipated performance

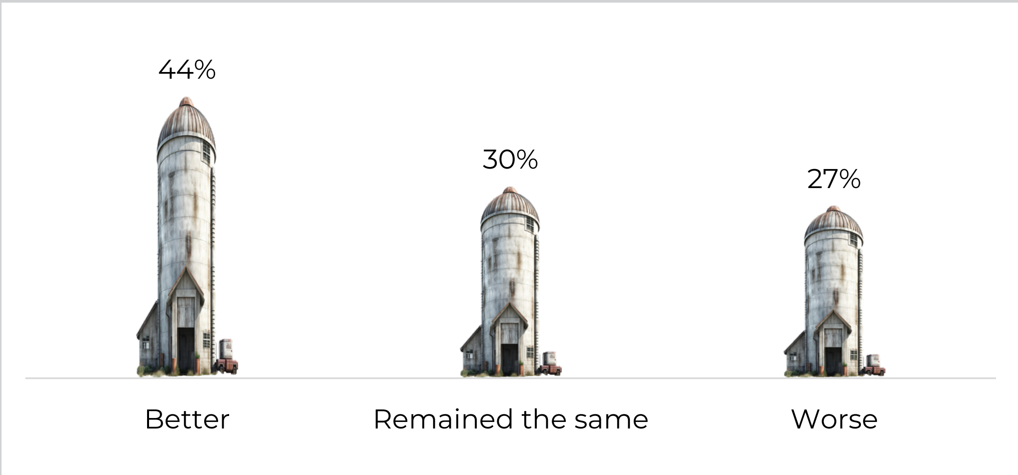
3.1 The manufacturing sector is expected to see modest growth in 2025

The manufacturing sector continues to face growth challenges due to competitiveness issues, primarily driven by exchange rate volatility and high business costs. These factors put Zimbabwean manufacturers at a disadvantage against regional and global competitors supplying the local market. In 2025, policy efforts are expected to prioritize reducing the cost of doing business. If exchange rate and inflation stability persist, it could pave the way for further recovery. Additionally, increased agricultural production is anticipated to support the sector's projected 3.1%[1] growth in 2025.

3.2 A mix of optimism and caution from manufacturing sector sentiments on 2025

There is a strong sense of optimism among manufacturing firms, which is a strong indicator that, despite challenges, there's confidence in the sector's ability to navigate 2025. With 44% expecting 2025 to be better than 2024, it suggests that businesses see opportunities emerging, whether from agricultural growth, policy improvements, or better cost efficiencies (Figure 6). Even though some remain cautious, the fact that only less than a third foresee a decline shows that firms are largely optimistic.

Figure 6: About 44% of the firms expect sub-sector performance to be better in 2025



Source: CZI Manufacturing sector survey, 2024

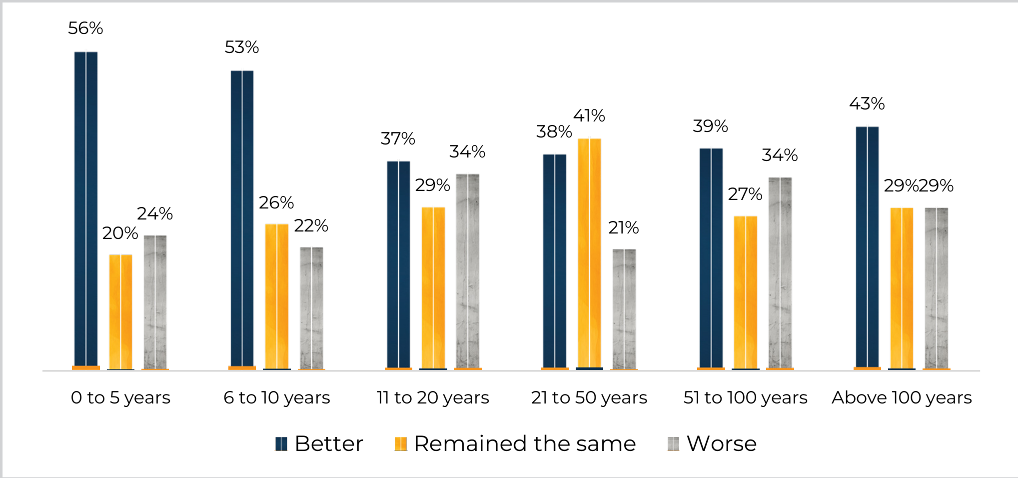
However, optimism alone does not guarantee success, but it does signal a willingness to invest, innovate, and adapt. If structural hurdles such as competitiveness challenges and costs of doing business are addressed effectively, this positive sentiment could translate into tangible growth.

There is more optimism among new entrant firms (56%) compared to those that have been in operation for a long period of time (Figure 7). Newer firms often have a fresh outlook, possibly benefiting from more agile business models or innovative strategies that position them well in an evolving market. They might also be less burdened by legacy costs or long-standing challenges that older firms have had to navigate over time.

Meanwhile, firms that have been operating for 6 to 10 years also display strong confidence, suggesting that they have found stability while remaining adaptable to industry shifts. Their outlook indicates that they see clear growth potential while maintaining the flexibility needed to respond to market dynamics. The contrast between newer and older firms highlights how experience, structure, and adaptability shape business expectations.

[1] Ibid

Figure 7: Sentiments on 2025 manufacturing environment by age of firms

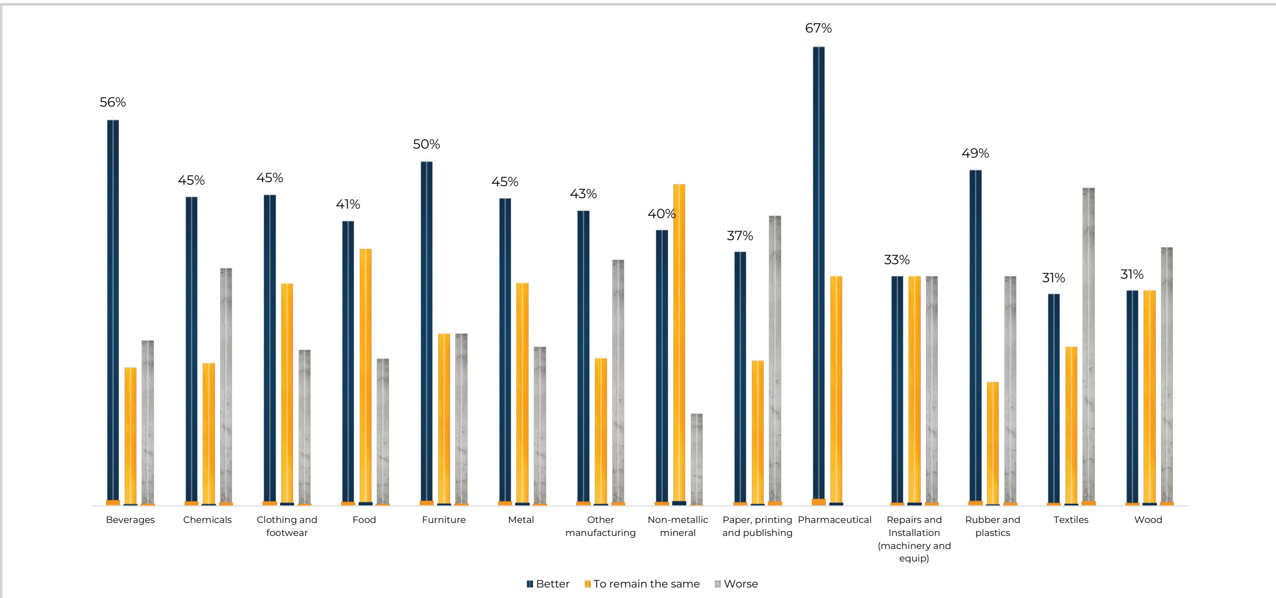


Source: CZI Manufacturing sector survey ,2024

Optimism levels vary across different sectors, with the pharmaceutical subsector showing the highest confidence. Approximately, 67% of pharmaceutical firms expect better performance in 2025 compared to 2024 (Figure 8). Their optimism is likely driven by new investments and technological upgrades, which position them for growth. Similarly, the beverages and furniture subsectors also have positive outlooks, possibly due to stable demand and opportunities for market expansion.

On the other hand, the wood and textile subsectors are less optimistic, facing ongoing challenges such as cost pressures, competition, and supply chain issues. This contrast underscores the need for sector-specific strategies, as solutions that drive success in pharmaceuticals may not be effective for textiles. Addressing these unique challenges will be crucial for ensuring balanced growth across industries.

Figure 8: Perceptions about 2025 prospects by subsector



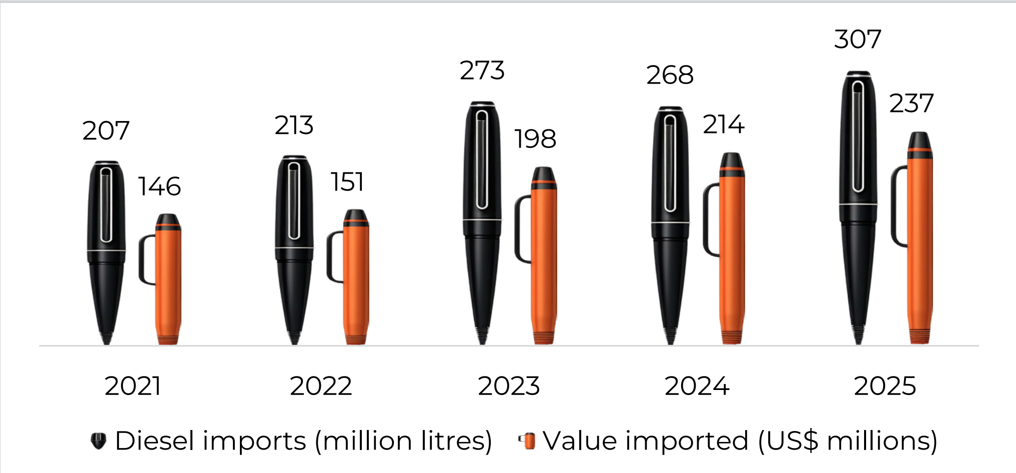
Source: CZI Manufacturing sector survey ,2024

4. Fuel consumption and pricing

The data for the first quarter of 2025 highlights significant decline in global crude oil markets. In 2020, prices collapsed, dropping from US$58.16 in January to just US$24.93 in March, as the COVID-19 pandemic shut down economies and travel. In contrast, subsequent years (2021–2022) show a rapid rebound, with March 2022 peaking at US$112.40, driven by post-pandemic recovery and geopolitical shocks like the Russia-Ukraine conflict. In the first quarter 2025, global crude oil prices were driven by a combination of the Organisation of the Petroleum Exporting Countries (OPEC) supply discipline, softening demand in major economies such as China, and geopolitical tensions in the Middle East. Brent crude hovered around the US$75–US$85 per barrel range, reflecting cautious market sentiment despite tight inventories. Overall, oil markets remained volatile but broadly balanced as investors weighed supply cuts against weaker-than-expected global economic data.

In the first quarter of 2025, diesel imports reached 307 million litres, a 14.5% increase from 268 million litres in the same period in 2024 (Figure 9). This growth was driven by rising industrial and logistics activity and significantly increased generator usage during extended power outages caused by Hwange Units 7 and 8 undergoing routine maintenance. These outages created acute grid shortfalls, forcing businesses and households to revert to off-grid diesel power solutions. The total import cost for the first quarter stood at US$236.64 million, giving an average implied landed price of US$0.77 per litre. This is a highly competitive rate by regional standards, potentially due to favourable import terms or softening global diesel prices during the quarter. However, this implied price is hardly felt at consumption level, as the pump price is inflated by a complex structure of taxes and levies, including excise duties, carbon taxes, strategic reserves contributions, and debt redemption levies. These statutory charges significantly increase the cost of doing business, especially for fuel-intensive sectors such as logistics, agriculture, and manufacturing, where fuel constitutes a major share of operating expense is affected by several factors including taxes, which make Zimbabwe one of the most expensive countries in the region with respect to diesel pump price.

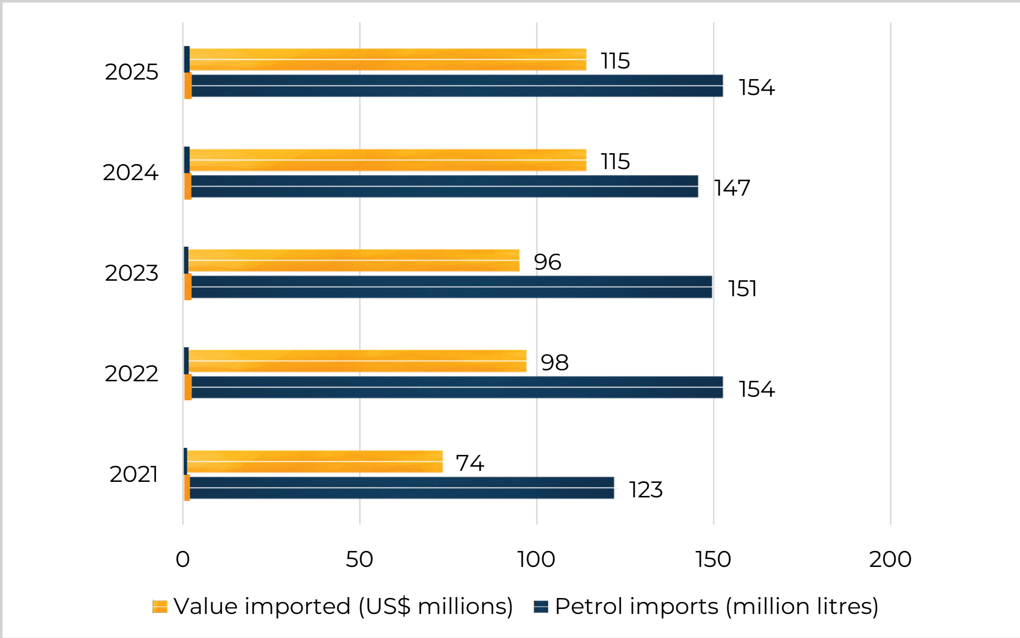
Figure 9: Diesel imports into Zimbabwe for the first quarter, 2021-2025



Source: ZIMSTAT

In the first quarter of 2025, petrol imports stood at 153.6 million litres, showing a steady upward trend from 146.7 million litres over the same period in 2024 (Figure 10). This progression reflects consistent and gradually recovering demand, largely from the urban commuting public, transport SMEs, and retail distribution chains. The slight rise also aligns with broader signs of economic normalization and transport sector resilience. The total cost of petrol imports over the first quarter of 2025 was US$115 million. This was a slight decrease compared to US$115.2 million in the same period in 2024. The average landed cost per litre over the first quarter of 2025 was US$ 0.75, placing it on par with diesel, and notably lower than previous cost assumptions.

Figure 10: Diesel imports into Zimbabwe for the first quarter, 2021-2025



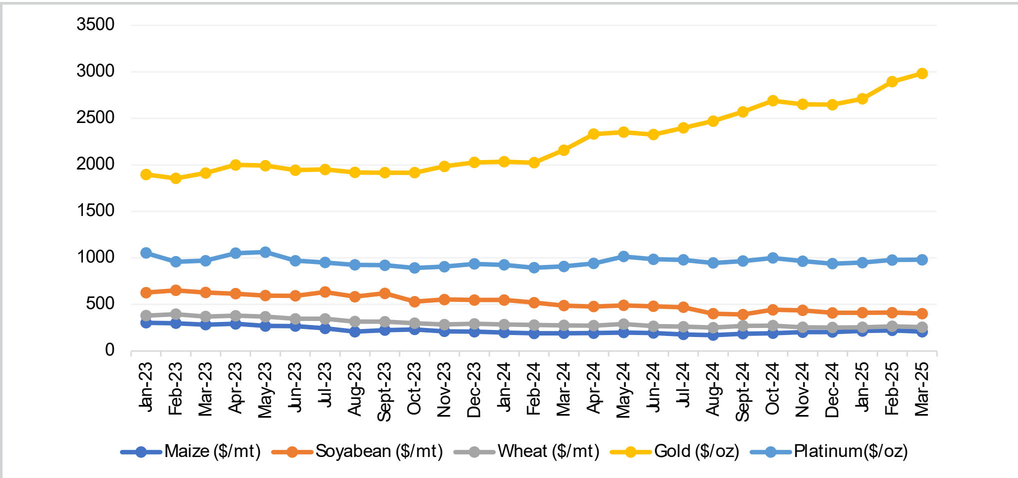
Source: ZIMSTAT

5. Key commodity price movements

Zimbabwe is a small economy, and it has limited leverage over international commodity prices. However, the Zimbabwe economy is heavily affected by commodity price fluctuations. As both a net exporter and net importer of certain commodities, the country remains vulnerable to variations in the prices of key commodities for example, maize, soyabeans, wheat, gold, and platinum.

A look at the price movements from March 2024 to March 2025 (Figure 11) shows that the international prices for maize, gold and platinum, increased. However, international prices for soyabeans, and wheat decreased over the same period. These trends have some implications for the Zimbabwean economy, and this is now discussed in detail as follows:

Figure 11: International prices for maize, gold and platinum increasing in 2025



Source: CZI computation from World Bank pink sheet

5.1 Positive outlook for precious metal price movements

The movement of precious metals has a direct bearing on revenues for Zimbabwe, given that the country is a net exporter of precious metals. The international price of gold increased by 38% from US$2158.01 per ounce in March 2024 to US$2983.25 in March 2025. This upward trend spells positive prospects for Zimbabwean gold mining companies, potentially boosting their profitability, and encouraging increased production. In addition, this situation positively impacts the balance of payment position of the country as well as providing the much-needed foreign currency liquidity to support the economy.

A similar pattern is observed in platinum prices, which also increased by 7.8% from US$ 908.75 per ounce in March 2024 to US$980.05 per ounce in March 2025. These favourable price dynamics enhance the economic contribution of the mining sector, supporting Zimbabwe's broader socio-economic development efforts

5.2 Mixed performance in agricultural commodity prices movements

Zimbabwe is a net importer of maize; hence, an increase in the international price of maize increases the import bill of the country. The price of maize increased by 8.8% from US$190.57 per metric tonne in March 2024 to US$207.41 in March 2025. Since Zimbabwe was still on the path to recovery from the severe El Niño-induced drought of 2023–2024, the increasing maize prices are expected to have impacted the country negatively through an increased maize import bill.

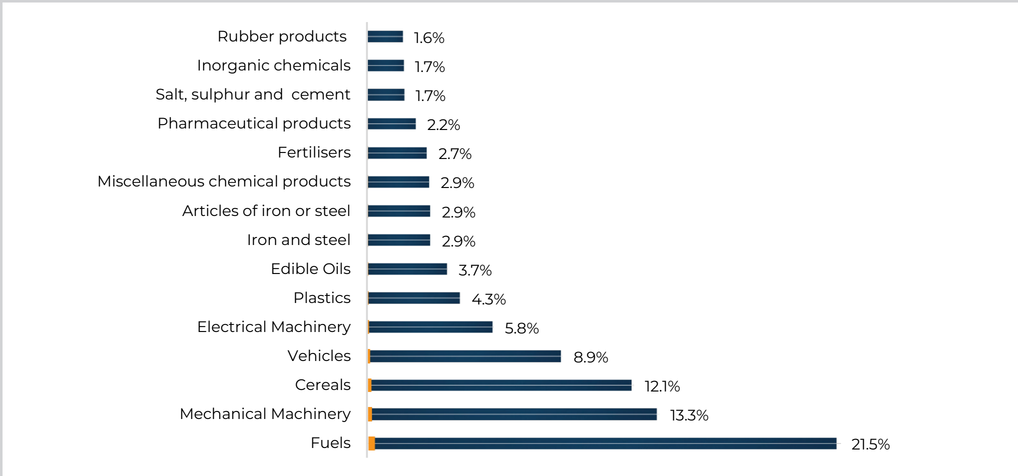
International wheat prices have a direct bearing on wheat value chain pricing in Zimbabwe. There was a decrease in the price of wheat by 7.1% from US$274.83 per tonne in March 2024 to US$255.37, in March 2025. This is expected to have helped stabilise prices of bread and confectionaries as cheaper wheat imports offset the local low production of wheat.

Zimbabwe's current demand for soyabean which is used for food, feed and other industrial needs, far outstrips supply and the gap between local production and the national demand is met by imports. Comparing the international price of soyabean in March 2024 and March 2025, shows a price decrease of 17.7% to US$401.11 per metric tonne. This decrease could also help reduce price increase pressures for value added products by industry.

6. Trade developments

Zimbabwe's trade deficit for the first quarter of 2025 widened from US$423 million of the same period in 2024 to US$ 543 million. Total exports during the period amounted to US$1.7 billion, while total imports amounted to 2.3 billion for the first quarter. Fuel is the main imported commodity, accounting for 21.5% of total imports. Other major imports are cereals, motor vehicles and nuclear reactors & boilers (Figure 12).

Figure 12: Key imports and their contribution to total imports (%)



Source: Compilation from ZIMSTATS Trade Data

Tobacco and minerals dominated Zimbabwe's exports during the first quarter of 2025 (Table 1). The export dominance of commodities remains an issue of concern, making the country's exports susceptible to changes in international commodity prices.

Table 1: Zimbabwe's top product contribution to total exports (%)

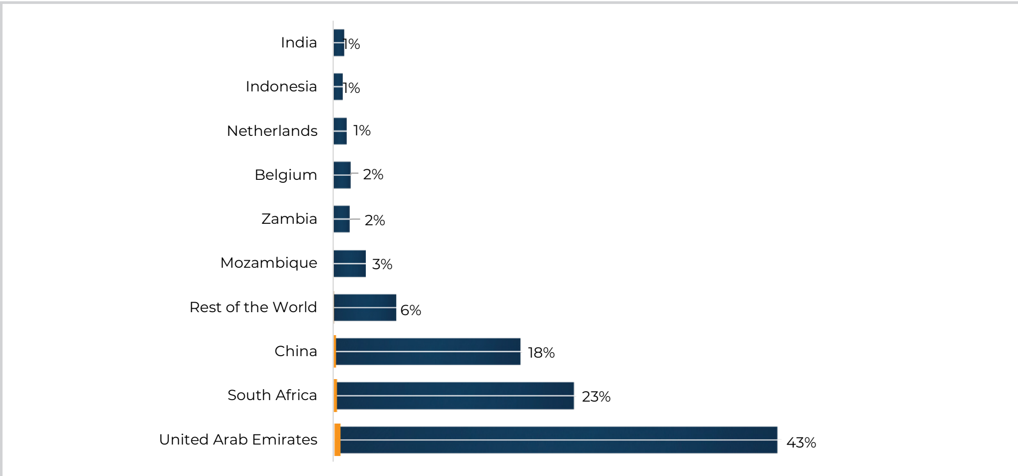
DESCRIPTION	2025
Unmanufactured tobacco; tobacco refuse	24.06%
Gold, unwrought or in semi-manufactured forms, or in powder form	22.38%
Nickel mattes, oxide sinters and other products of nickel metallurgy	12.48%
Nickel ores and concentrates	10.19%
Diamonds, not mounted or set	5.56%
Mineral substances not elsewhere specified or included	4.45%
Ferroalloys	4.39%
Other ores and concentrates	2.24%
Coke and semi-coke of coal, of lignite or of peat; retort carbon	1.84%
Chromium ores and concentrates	1.81%

Source: Compilation from ZIMSTATS Trade Data

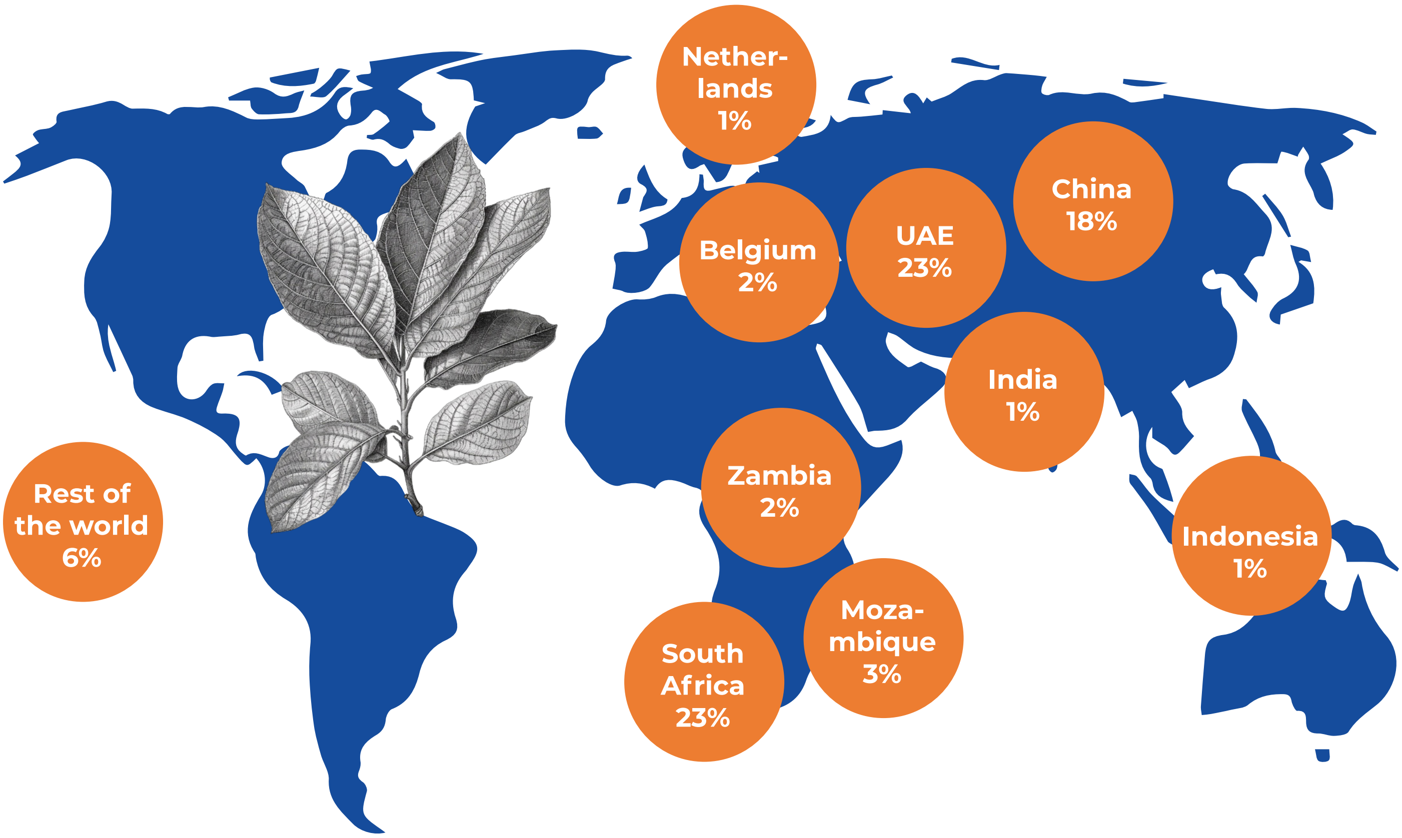
Manufactured exports remain low relative to commodities. Other notable exports of manufactured goods were cigarettes, men's clothing, prepared foods, refrigerators, fibreboard, juices, fertilizers and ceramic tiles.

The major export destination of Zimbabwe's products has remained the same over the years. The United Arab Emirates remains the country's major export destination for the first quarter of 2025 (Figure 13). Imports come chiefly from South Africa, China, Mozambique, Zambia and the United Arab Emirates. This picture shows the low utilisation of the country's trade agreements under Southern African Development Community (SADC), Common market for Eastern and Southern Africa (COMESA), European Union (EU), Eastern and Southern Africa (ESA) Economic Partnership Agreement (EPA) and United Kingdom (UK)- ESA-EPA. Export and country diversification remains key.

Figure 13: Main export destinations (percentage of total exports)



Source: Compilation from ZIMSTATS Trade Data



7. Competition regulation: Mergers approved during the first quarter of 2025

One strategy that business can adopt to strengthen their position in the market is to merge or to acquire other businesses already operational. Mergers are completed subject to assessment and approval by the Competition and Tariff Commission (CTC) in Zimbabwe. During the first quarter of 2025, it approved eight (8) mergers and acquisitions, which shows that there is a conscious decision by the Zimbabwe businesses to strengthen themselves through mergers. The mergers handled by CTC span across different sectors, including the manufacturing, retail, transport and logistics, energy and ICT sectors. Out of these eight, six were approved by CTC without conditions (Table 2).

Table 2: Mergers approved in the first quarter without conditions

TRANSACTION	TYPE OF MERGERS	SECTOR
Proposed Acquisition of the Entire Assets of Nanavac Investments (Pvt) Ltd t/a Choppies Zimbabwe by Pintail Trading (Pvt) Ltd t/a Sai Mart	Horizontal	Retail
Indirect Acquisition of 100% shareholding in Montclair (Pvt) Ltd by Rainbow Tourism Group (Pvt) Ltd.	Horizontal[2]	Accommodation and food services
Acquisition of 100% shareholding in Nimbon Trading (Pvt) Ltd by Unifreight Ltd	Horizontal with vertical elements	Transport and Logistics
Acquisition of 100% shareholding in Vista 24 Proprietary Limited by Lactalis South Africa Proprietary Limited	Conglomerate[3]	Distribution
Acquisition of 60% shareholding in Kensys Investments (Pvt) Ltd by Deux Rivieres Holding SA	Vertical[4]	Energy
Acquisition of Additional Shareholding in Mustek Limited by Novus Holdings Limited	Conglomerate[3]	ICT

Source: Compilation from ZIMSTATS Trade Data

Three of the approved mergers were horizontal mergers, where the merging parties were in the same line of business (competitors). Merging of competitors is good for the country, as it helps ensure that the resultant entity can become competitive and be able to survive competition from other countries. Since these mergers were approved without any condition, there was no associated harm to other players in the same industry, who might be forced to compete on the domestic economy with a bigger firm. Similarly, vertical mergers also strengthen the firm as acquiring a supplier or a customer reduces negotiation costs, while also ensuring that there is assured access to raw materials or markets.

However, the CTC approved the acquisition of the business and assets of Tongaat Hullet Limited by Vision Investments 155 (Pty) (Ltd) with conditions. The conditions were intended to safeguard competition after the acquisition. In the last two years, the retail sector in Zimbabwe had been suffering from several challenges including access to foreign currency as most of its sales were in ZiG. This resulted in Choppies failing to compete in the retail chain and decided to exist the market. This resulted in its acquisition by Pintail Trading (Pvt) Ltd t/a Sai Mart. It is expected that Sai Mart will be able to expand its footprint in the retail chains.

The Common Market for Eastern and Southern Africa (COMESA) Competition Commission also approved one regional merger with a bearing on the Zimbabwe market during the first quarter of 2025. The merger involves Groupe Canal+ S.A and MultiChoice Group Limited. MultiChoice Group owns Multichoice Zimbabwe, which owns DStv. It remains to be seen if the acquisition will strengthen the quality of their programming, which would help Zimbabwe.

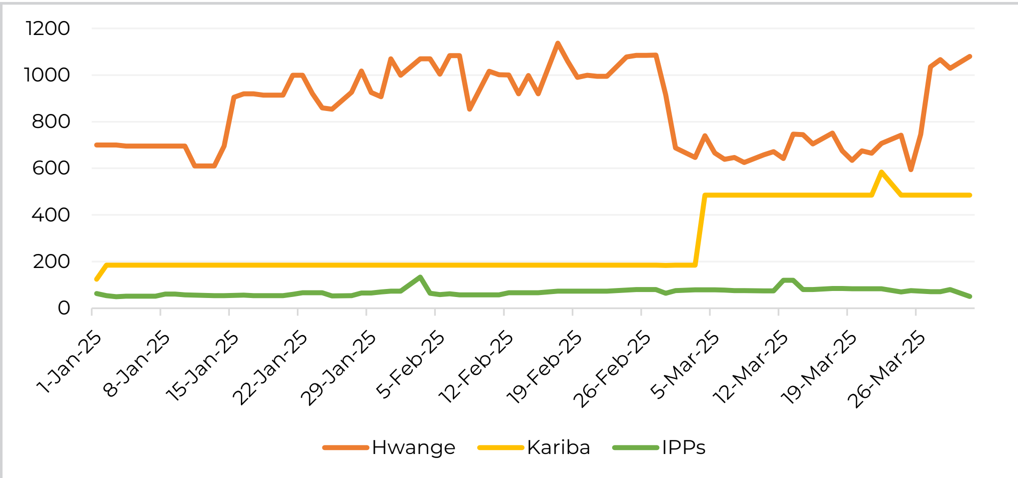
[2] A horizontal merger occurs when two enterprises at the same level of the value chain come together to form a single entity.
[3] A conglomerate merger is when the merging parties' operations are unrelated.
[4] A vertical merger takes place between two firms in different levels in the value chain, that have an actual or potential buyer-seller relationship.

8. Zimbabwe's power crisis persisted into the first quarter, 2025

Zimbabwe's power supply still falls short of meeting the national demand and further sustainable measures are needed to improve the situation. Over the first quarter of 2025, the average daily electricity generation for Hwange Power Station was about 856 MW, which is only about 56% of its optimal level, while Kariba Power Station had an average daily generation of about 279 MW, which is about 27% of its potential. The average daily electricity generation by Independent Power Producers (IPPs) over the period was approximately 70MW, which is only enough to satisfy about 4% of national demand.

IPPs are expected to play a major role in electricity generation in Zimbabwe. However, the trends show that power generated from IPPS have remained the same (Figure 14). An upward trend would have signalled an increasing interest in participation in the power generation business. There was a significant increase in power generated from the Kariba and Hwange stations in the middle and towards the end of the quarter respectively.

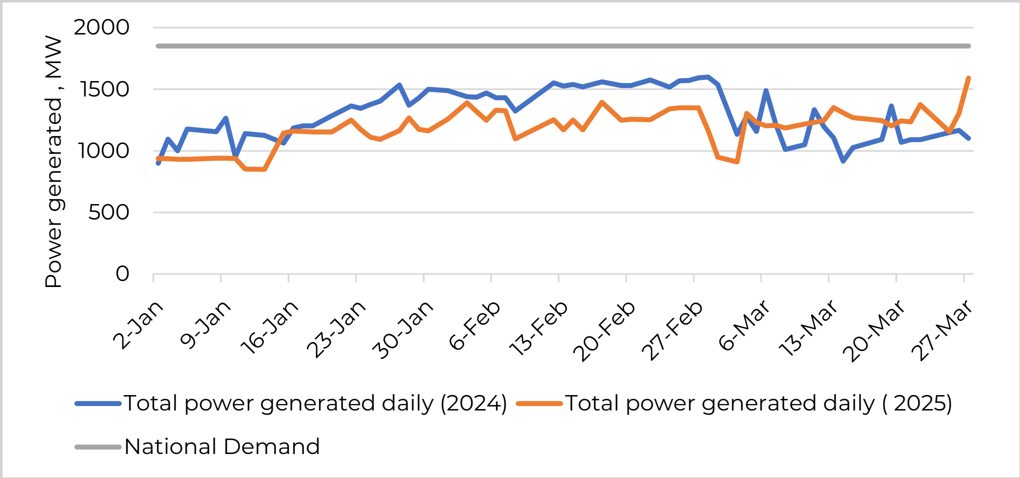
Figure 14: Increase in power generated towards end of the quarter



Source: Author's computation using ZPC data

However, this did not have any significant impact to the economy in terms of power supply as this is still too low relative to national demand (Figure 15). Comparing the daily power generation trends for the first quarter of 2024 to the same period in 2025 have shown that the first quarter of 2024 was better compared to same period 2025 in terms of electricity availability. However, there was a change from mid-March of 2025, as production began to exceed what was produced during the same period in 2024. This could be a result of improved rainfall patterns and the result of the maintenance that was done at Hwange units 6, 7 & 8 in the month of March. The peak inflow into Kariba from upstream sources, including the Democratic Republic of the Congo (DRC), is usually observed around February to April, and this is likely to improve the power generated at Kariba power station in the second quarter of 2025. Business should continue looking for sustainable energy sources as a solution to the power situation.

Figure 15: Power supplied in the 1st quarter of 2024 compared to 2025.



Source: Author's computation using ZPC data

Given the continued power supply challenges that the country is facing, some of the institutions in the energy sector are coming up with solutions and plans to ensure reliable sources of energy. For example:

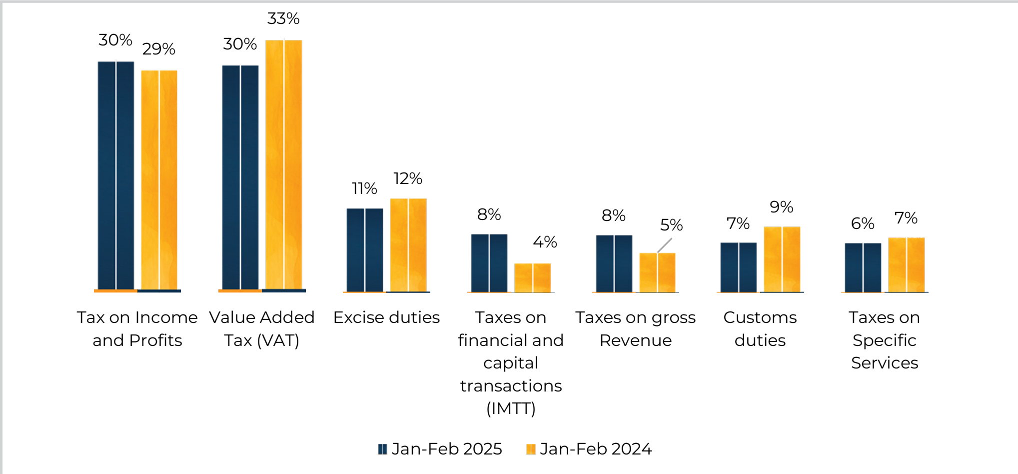
The Ministry of Energy and Power Development is working on an Integrated Energy Master Plan, targeting a 25-year outlook for energy generation sources, including solar, wind, and coal.

ZERA is offering capacity building trainings for energy efficiency and Solar PV installations to support industries in reducing their carbon footprints and utility bills.

9. Fiscal performance during January and February 2025

The contribution of various tax heads to total tax revenue shows that during the first two months of 2025, there was a decline in VAT contribution from 33% in 2024 to 30%, while tax on profits contribution increased from 29% to 30% (Figure 16). This could imply that the measures announced in the 2025 National Budget had the effect of enhancing the ability of government to collect taxes on income and profits. Also showing a rapid increase in contribution are taxes on financial and capital transactions, which were mainly composed of the IMTT. The IMTT, which had contributed only 4% over the same period in 2024, doubled its contribution to 8%. This can be attributed to relative sustained exchange rate stability since the end of 2024, which brought confidence in the financial system as a means of payment.

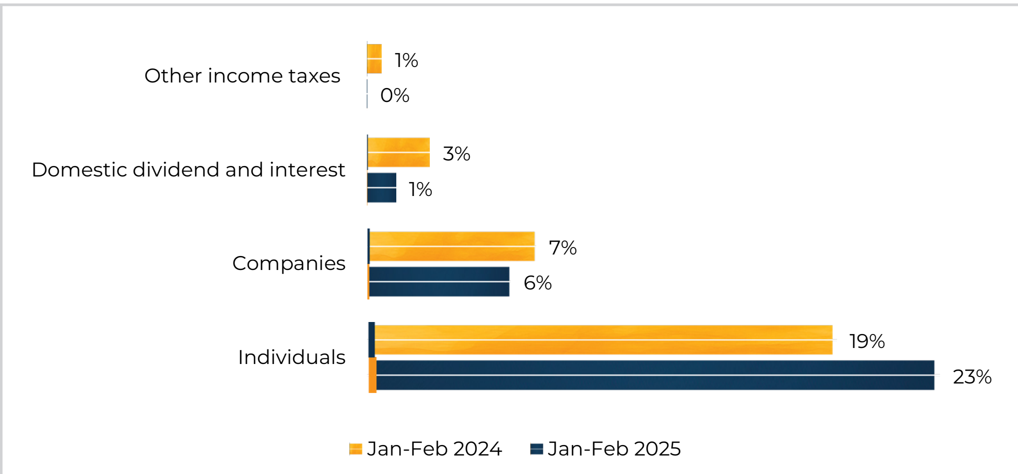
Figure 16: Tax heads contribution to total revenue (first two months 2024 & 2025)



Source: Authors' construction from government fiscal outturn revenue data

A further analysis of the taxes on income and profits shows that while there was a significant increase in its contribution, this was mainly driven by the contribution by individuals rather than companies. Individuals' contribution to total tax revenue increased from 19% during the first two months of 2024 to 23%, at a time when companies' contribution took a slight knock from 7% to 6% (Figure 17). This means that the adjustments to the tax-free thresholds for PAYE might not have been proportionate to the inflation movements to ensure that individuals in 2025 retain the same purchasing power they had in 2024.

Figure 17: Taxes on income & profits contribution to total revenue distribution

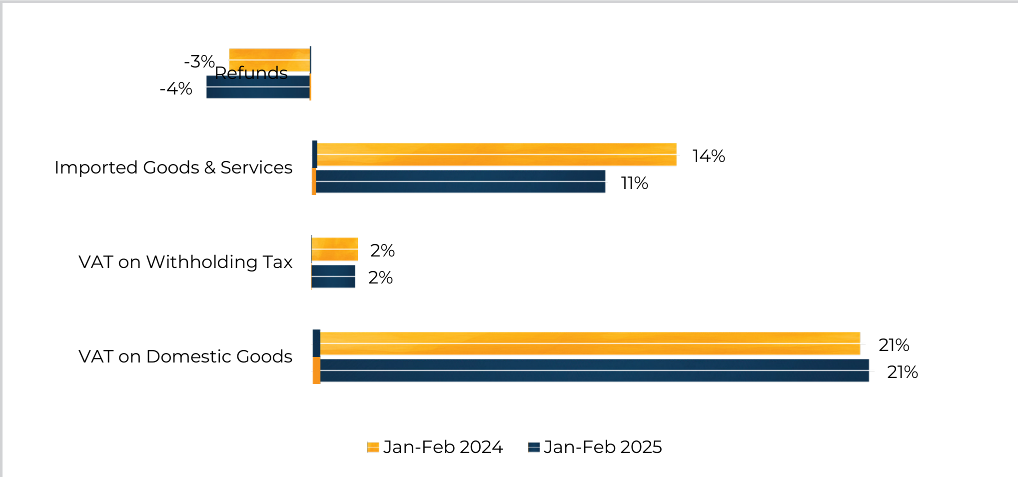


Source: Authors' construction from government fiscal outturn revenue data

An analysis of VAT performance shows that decline in its contribution from 33% to 30% was largely driven by a noticeable decline in the contribution of VAT on imported goods, which had contributed 14% to total tax revenue in 2024 but saw its contribution declining to 11% in 2025 (Figure 18).

Also contributing to the decline are VAT refunds, which resulted in total tax revenues decreasing by 4% in 2025 from a decrease of 3% in 2024. VAT on domestic goods as well as VAT on withholding tax maintained a constant contribution to total tax revenue in 2024 and 2025.

Figure 18: VAT contribution to total revenue distribution

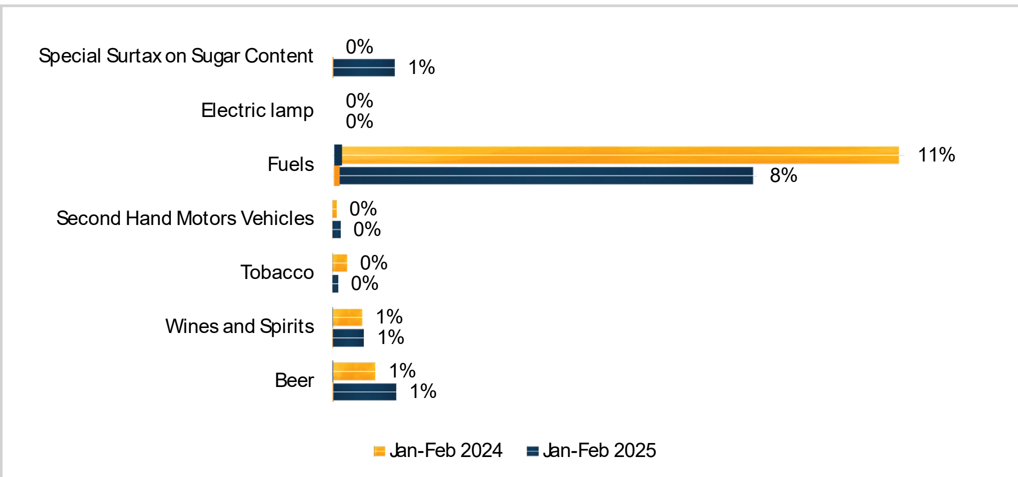


Source: Authors' construction from government fiscal outturn revenue data

Excise duties are also a significant source of tax revenue, contributing about 11% to total tax revenue in 2025. A look at the distribution shows that it was largely excise duties on fuel that drive this trend. However, there was a significant decrease for the contribution from 11% in 2024 to 8% in 2025 (Figure 19). Given that there was no reduction in excise duty under the 2025 National Budget, this could underline a decline in economic activity during the first two months of 2025 compared to the same period in 2024. Incessant rainfall activity could explain this low level of activity, for example in the mining sector.

However, as already discussed fuel imports during the first quarter in 2024 showed a marked improvement compared to 2024. This might imply that there was a marked recovery in March 2025 as tax collection contribution ratio had been lower during the first two months. Excise duties on beer, wines and spirits as well as tobacco maintained their contribution to total tax revenues in 2025 compared to 2024. However, the special tax on sugar content was not yet effective over this period in 2024, hence it is only evident in 2025. The contribution from this tax was 1% of total tax revenue in 2025.

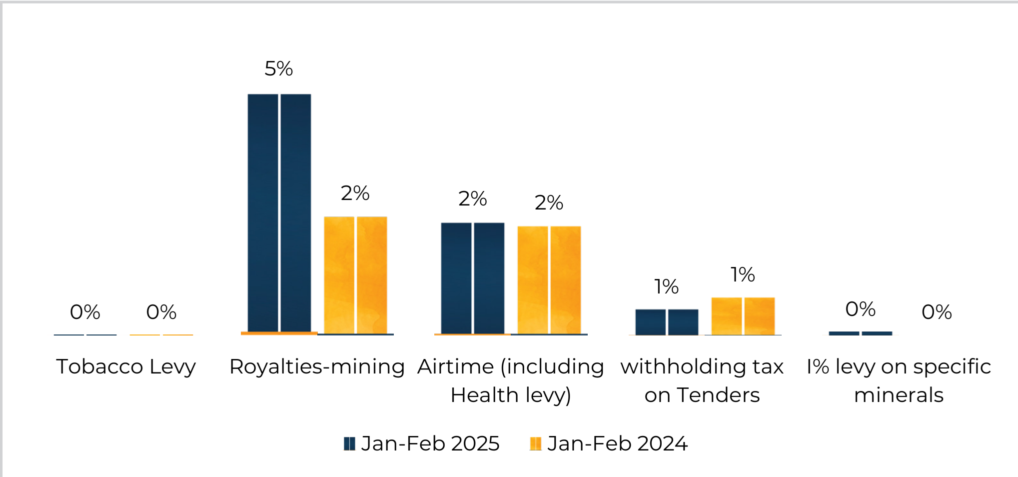
Figure 19: Excise duty contribution to total revenue distribution



Source: Authors' construction from government fiscal outturn revenue data

Taxes on gross revenues are also a cause of concern for business if they become excessive since they are payable regardless of profitability. These contributed about 8% to total tax revenue in 2025. A further analysis shows that this was mainly driven by mining royalties, which contributed about 5% to total tax revenue in 2025 (Figure 20). Tax on airtime, which also includes a portion earmarked for health contributed about 2% to total tax revenue.

Figure 20: Taxes on gross revenues contribution to total revenue distribution



Source: Authors' construction from government fiscal outturn revenue data

10. Conclusion

The stability of ZiG since the end of 2024 has generally created a momentum of optimism in the business environment. It is thus important for such stability to be sustained. Sustained stability would in turn bring with it the necessary confidence in the local currency, which is needed to sustain the policy pronounced de-dollarisation towards monocurrency in 2030. It is thus important for monetary and fiscal policy to remain focused largely on stability. The depreciation of ZiG on the parallel market towards the end of April 2025 needs immediate policy attention, as it can dent the confidence in ZiG that was beginning to emerge.

The ability for business to make profits in this operating environment remains constrained, as demonstrated by lower contribution to total tax revenue of corporate tax in the first two months of 2025 compared to 2024. Thus, the ease of doing business remains a critical policy issue that continues to pain business.

Power shortages continue to hamper business operations. However, this also represents a business opportunity as there is unlimited demand for power. Investment in power generation has to be regarded as a business opportunity for the private sector, rather than relying largely on the public sector for the service.