#ZimIndustry_Insights

The 2026 global risk landscape does not introduce entirely new threats to Zimbabwe's manufacturing sector; rather, it intensifies existing structural weaknesses particularly import dependence, low-capacity utilisation, and weak financial intermediation thereby increasing the sector's sensitivity to external shocks and limiting its recovery trajectory.

20 April 2026

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A product of CZI Industrial and Economic Research

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EXECUTIVE SUMMARY

Zimbabwe's manufacturing sector is entering a more volatile global environment at a time of persistent domestic fragility. The **Global Risks Report 2026** points to a world shaped by geoeconomic confrontation, economic instability, digital insecurity, social strain, and climate-related shocks. For Zimbabwe, these risks do not fundamentally alter the nature of the sector's constraints; instead, they magnify longstanding weaknesses that have already undermined industrial performance.

Manufacturing's declining contribution to GDP, chronically low-capacity utilisation, weak export competitiveness, and volatile access to credit all point to a sector with limited shock absorption capacity. As global supply chains fragment, energy markets remain vulnerable, financial conditions tighten, and climate variability intensifies, Zimbabwean industry becomes more exposed to imported inflation, disrupted input supply, reduced market access, and constrained investment.

The policy challenge is therefore not only to respond to global uncertainty, but to address the domestic structural conditions that make the sector unusually vulnerable to it. This brief argues that Zimbabwe's industrial recovery will depend on three priorities: **reducing import dependence in critical value chains, raising productive capacity and competitiveness, and improving financial intermediation to support industrial resilience and investment.**

Context: A More Turbulent Global Environment

The **Global Risks Report 2026** describes an "Age of Competition" marked by declining multilateral cooperation and growing use of trade, finance, technology, and investment restrictions as instruments of strategic rivalry. In the short term, **geoeconomic confrontation** is identified as the most severe global risk. Economic downturns, inflation, asset instability, cyber insecurity, misinformation, social polarisation, and climate shocks are also rising in importance.

For Zimbabwe's manufacturing sector, the significance of this global outlook lies less in the emergence of new categories of risk than in the fact that external pressures now interact more forcefully with domestic weaknesses. Global shocks are transmitted into the sector through several channels:

Trade and market access: tariffs, sanctions, non-tariff barriers, and shifting trade rules raise the cost and uncertainty of exporting.

Imported input dependence: disruptions in fuel, fertiliser, chemicals, and machinery markets increase production costs and interrupt operations.

Finance and exchange rate pressures: tighter global liquidity and macroeconomic volatility reduce access to working capital and investment finance.

Climate and agriculture linkages: weather shocks affect agricultural output, which in turn disrupts agro-processing and other manufacturing value chains.

Digital and governance risks: cybersecurity gaps and weak digital trust create operational and reputational vulnerabilities.

WHY ZIMBABWE’S MANUFACTURING SECTOR IS ESPECIALLY EXPOSED

Zimbabwe’s manufacturing sector has been weakened by long-running structural constraints. Recent global risks therefore hit a sector that is already under strain.

1

Declining economic weight

Manufacturing’s contribution to GDP declined from **19% in 2019 to 15% in 2025**, indicating a reduced role in economic transformation and a weakening production base. This decline reflects limited productivity growth, weak capital formation, and constrained industrial expansion.

2

Persistently low-capacity utilisation

Although capacity utilisation has improved from historical lows, it has remained only moderately above 50% in recent years. This suggests continued idle capacity, underused capital, and limited ability to scale output quickly when demand improves. A sector operating below potential has little buffer against shocks to inputs, logistics, or demand.

3

Weak export competitiveness

Manufactured exports fell sharply from around a quarter of merchandise exports in 2009–2010 to low single digits after 2012, with only a weak recovery in recent years. This reflects deindustrialisation, high production costs, foreign currency shortages, infrastructure constraints, and limited participation in competitive regional and global value chains.

4

Weak and volatile financial support

Credit to manufacturing has been inconsistent and insufficient. The decline in loans to manufacturing over the past decade, followed by only a partial recovery, signals weak financial intermediation and limited support for investment, retooling, and working capital. In a more unstable global environment, that financial weakness becomes even more damaging.

IMPLICATIONS OF THE 2026 GLOBAL RISKS LANDSCAPE

The 2026 global risk environment intensifies four critical vulnerabilities in Zimbabwe's manufacturing sector.

a

Import dependence becomes a greater strategic risk

Zimbabwean manufacturing remains heavily dependent on imported fuel, machinery, fertiliser, chemicals, and intermediate goods. In a fragmented global economy, these dependencies expose firms to supply disruptions, price spikes, and foreign exchange stress.

Fuel is especially important because it affects production, transport, and distribution simultaneously. Higher fuel prices raise operating costs across the industrial economy and quickly feed into inflation. Fertiliser and petrochemical constraints also affect agro-processing and related industries. As global trade becomes more politicised and volatile, reliance on imported strategic inputs becomes a major source of industrial vulnerability.

b

Low-capacity utilisation reduces resilience

A sector that is already operating below capacity is less able to absorb shocks, adapt to shortages, or respond competitively to new market opportunities. Persistent idle capacity means fixed costs are spread over low output volumes, raising unit costs and weakening competitiveness. It also signals outdated equipment, weak demand, or disrupted input supply—all of which are likely to worsen under a more unstable global environment.

c

Weak financial intermediation constrains adaptation

When firms have limited access to reliable and affordable finance, they struggle to retool, build inventories, hedge risks, adopt new technologies, or expand production. In an era of higher global uncertainty, the ability to invest in resilience becomes a competitive advantage. Zimbabwean manufacturing firms, however, remain constrained by shallow and volatile credit flows, high financing costs, and macroeconomic instability.

d

Climate and social risks amplify industrial fragility

Zimbabwe's manufacturing sector is closely linked to agriculture, with a significant share of raw materials sourced from climate-sensitive value chains. Droughts, floods, and other extreme weather events can therefore reduce input availability, raise costs, and disrupt output. At the same time, inequality, joblessness, and political polarisation can weaken domestic demand and create labour and governance pressures that further undermine industrial stability.

POLICY DIRECTION: OPPORTUNITY AND CONSTRAINT

Zimbabwe's current policy direction—including industrialisation and value addition, import substitution, local content promotion, export support, special economic zones, and infrastructure rehabilitation—is broadly aligned with the need to rebuild productive capacity and strengthen domestic value chains.

This agenda has clear potential. It can support reindustrialisation, deepen domestic processing, reduce excessive import dependence, and position Zimbabwe more effectively in regional production systems, including under the African Continental Free Trade Area.

However, policy intent alone will not be sufficient. The success of these reforms will depend on whether Zimbabwe can address the structural constraints that continue to undermine competitiveness: policy inconsistency, high utility and logistics costs, foreign currency shortages, infrastructure bottlenecks, and weak access to long-term finance. In other words, the global environment makes industrial policy more necessary—but also more difficult to implement successfully.

Policy Priorities

To improve resilience and support recovery, policy should focus on a limited set of high-impact priorities.

1

Reduce import dependence in critical industrial value chains

Government should identify the most strategically vulnerable inputs—especially fuel, fertiliser, chemicals, packaging materials, and key intermediates—and develop targeted strategies to reduce exposure. This includes:

- building and managing strategic reserves for critical commodities;
- expanding local and regional sourcing arrangements where feasible;
- strengthening backward linkages in agro-processing and basic manufacturing; and
- using industrial incentives to support local production of selected intermediate goods.

2

Raise capacity utilisation through targeted industrial support

Improving capacity utilisation should be treated as an industrial resilience objective, not only a production metric. This requires:

- restoring reliable energy and transport infrastructure;
- prioritising access to foreign currency for productive imports;
- supporting retooling and maintenance of existing industrial plant; and
- addressing regulatory and cost distortions that keep viable firms operating below scale.

3

Strengthen financial intermediation for manufacturing

Industrial recovery requires more stable, affordable, and appropriately structured finance. Policy should therefore:

- expand medium- to long-term financing windows for retooling and productive investment;
- encourage development finance and blended finance instruments for industry;
- improve credit allocation toward productive sectors; and
- support financial instruments that help firms manage exchange rate, input cost, and liquidity risks.

4

Support export competitiveness under geoeconomic fragmentation

With external markets becoming more uncertain, Zimbabwe must actively improve the competitiveness of manufactured exports. Priority actions include:

- streamlining export procedures and trade facilitation systems;
- improving standards, certification, and compliance capacity;
- promoting value-added exports into regional markets; and
- positioning firms to benefit from regionalisation trends under AfCFTA and SADC.

5

Build climate and digital resilience into industrial policy

Industrial policy should explicitly reflect the risks posed by climate shocks and digital insecurity. This includes:

- integrating climate adaptation into agro-industrial planning;
- supporting irrigation, contract farming, and resilient input systems;
- encouraging firm-level adoption of cybersecurity standards and digital risk management; and
- promoting technology adoption that raises productivity without deepening governance vulnerabilities.

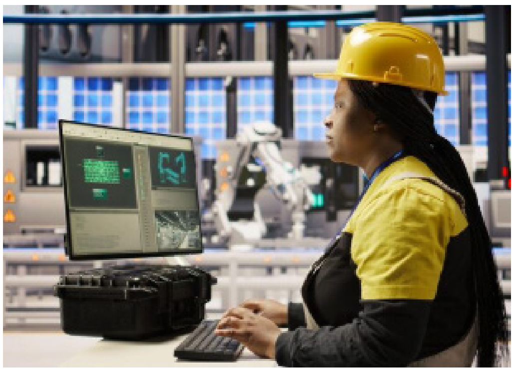
6

Preserve macroeconomic predictability

Macroeconomic instability remains one of the biggest constraints on industrial recovery. A credible and predictable policy environment is essential for investment, pricing, and production planning. Inflation control, exchange rate stability, and consistent policy implementation are therefore foundational to every other industrial reform effort.








ROLE OF INDUSTRY

Industry also has a central role to play in building resilience. Firms should:

- diversify supply sources and strengthen local procurement networks;
- invest in efficiency, maintenance, and digital safeguards;
- adopt technologies that improve productivity and traceability;
- build stronger partnerships with farmers and input suppliers; and
- invest in workforce development to support competitiveness and inclusion

CONCLUSION

Zimbabwe's manufacturing sector does not face an entirely new risk environment in 2026. Rather, it faces a harsher version of familiar vulnerabilities. Global fragmentation, tighter financial conditions, energy market volatility, digital disruption, and climate stress all intensify the domestic structural weaknesses that have constrained industrial performance for years.

The central policy lesson is clear: resilience will not come from reacting to global shocks one by one. It will come from addressing the structural weaknesses that allow those shocks to do the most damage. Reducing import dependence, raising capacity utilisation, and strengthening financial intermediation are therefore not just sectoral reforms; they are the core conditions for industrial recovery in a more unstable world.

If Zimbabwe can align industrial policy with macroeconomic stability, infrastructure support, regional market integration, and resilience-building measures, manufacturing can begin to recover as a more competitive and sustainable base for growth. If not, the 2026 global risk landscape is likely to deepen the sector's existing structural decline.

CZI INDUSTRIAL AND ECONOMIC RESEARCH

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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.

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