

Please address all correspondence
 to the Chief Executive Officer

ECONOMIC REVIEW

February 2026

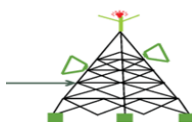
Global economy faces
 fresh geopolitical
 threats



Tight monetary policy
 maintained



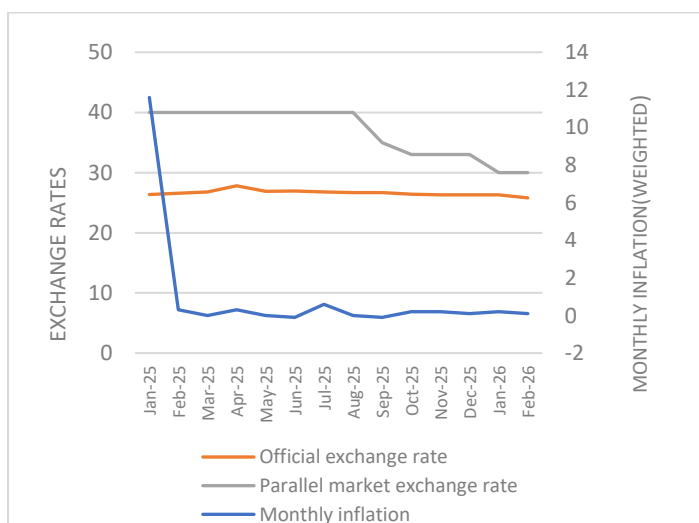
Power supply remains
 fragile



<i>Economic Growth Proj:</i>	8.5%
<i>Inflation February</i>	
<i>M-o-m (ZiG)</i>	0.1 %
<i>M-o-m (Weighted)</i>	0.1 %
<i>M-o-m (USD)</i>	0.1 %
<i>Y-o-y (USD)</i>	0.9 %
<i>Exchange rate (ZiG/USD)</i>	
<i>Interbank</i>	25.8%
<i>Parallel</i>	30%

Macroeconomic stability maintained as RBZ consolidates tight monetary policy stance

During the month under review, the domestic economy demonstrated remarkable resilience, maintaining price and exchange rate stability despite mounting external shocks. Monthly inflation remained flat and stable, softening marginally to 0.1% in February from 0.2% in January, underpinned by a sustained tight monetary policy stance. This stability was further mirrored in the currency markets, where the official exchange remained largely stable at 26 per USD, while the parallel market rate settled at 30. This equilibrium has been anchored by controlled money supply specifically the capping of speculative borrowing and strong improvement in the external sector, where foreign currency inflows surged to US\$16.2 billion in 2025 from US\$13.3 billion in 2024. Corresponding to that, foreign currency reserve increased fourfold to US\$1.2 billion in 2025 from US\$276 million the previous year.



Source: RBZ

Meanwhile, the RBZ consolidated its tight monetary policy stance in February, maintaining a tight liquidity management

thrust and introducing new ZiG notes. The following are key measures announced in the 2026 Monetary Policy Statement:

- Bank policy rate maintained at 35%.
- Statutory Reserve Requirements were maintained at 15% for savings and fixed deposits and 30% for demand and call deposits for both local and foreign currency.
- Minimum interest rates for savings deposits were maintained at (5% for ZiG) and (2.5% for US\$) and time deposits (7.5% for ZiG) and (4% for US\$).
- Foreign currency retentions were retained at 70% for large scale producers.
- Small scale gold producers now to retain 90% of their export proceeds with 10% to be surrendered to the Government.
- Cash Withdrawal Limits were increased to ZiG10,000 and ZIG 100,000 per week for individuals and cooperates, respectively.
- Upward Revision of Transaction Limits for mobile money and ZIPIT to support the wider use of ZiG.
- Introduction of the ZiG Denominated Term Deposit Facility (ZIGDTDF).
- Official launch and introduction of the upgraded BiG 5 ZiG banknotes with denominations of 10, 20, 50, 100 and 200.

The latest monetary policy stance, guided by prudential liquidity and a restrictive interest rate policy that have prevailed over the past 12 months, has resulted in significant price and exchange rate stability. This has seen inflation rates fall significantly to 4% in January 2026. The punitive interest rate regime has curtailed speculative borrowing and unproductive credit allocation, resulting in exchange rate stability that has also seen black market premiums fall significantly to less than 20%. As these measures continue to anchor sustainable stability, a cautious approach in relaxing the controls and adopting a targeted money supply growth to stimulate economic activity without undermining market discipline may be needed going forward.

Zim economic outlook for 2026 under threat

The domestic economic growth projection of 8.5% for 2026 may be under threat as the economy is currently navigating significant exogenous headwinds heralded by the US-Iran war and endogenous factors emanating from an imminent subdued agriculture return due to poor rains. The geopolitical tensions have triggered significant "war premiums" in global supply chains, most notably through a surge in energy costs with diesel jumping 16.4% to \$1.77 per litre and petrol rising 9.6% to \$1.71. The fuel spike is expected to trigger cost-push inflation, as increased transport and manufacturing overheads inevitably filter down to basic commodity prices.

Meanwhile, the country experienced a prolonged dry spell in February 2026, leading to significant crop write off across the country, impacting negatively on yields and the contribution of agriculture to economic growth for 2026. The country has also witnessed a challenging start to the 2026 tobacco marketing season, where farmers have faced unexpectedly low opening bids, some as low as \$0.55/kg, a significant decline from the \$4.56/kg last year on the back of a global oversupply and reduced demand from traditional buyers.

Power supply remains fragile

During the period under review, the national power supply remained fragile due to constrained generation capacity. National peak demand remained high at over 2,000 MW, while available grid capacity typically fluctuated between 1,200 MW and 1,600 MW. This supply-demand gap was further pressured by the persistent risk of constrained power imports, which are typically relied upon to bridge the deficit.

The outlook for the electricity supply in 2026 is one of cautious recovery, as improving hydrological conditions and the recapitalization of thermal infrastructure are expected to significantly narrow the national energy deficit. Water levels at Lake Kariba have shown a notable recovery, rising to 12.61% usable storage by late February 2026, compared to approximately 7% during the same period in 2025. Significant developments are expected at Hwange Power Station following the commencement of a \$455 million rehabilitation project. While the newer Units 7 and 8 continue to provide a critical baseline for the grid, the phased upgrades of the older units, which began in Q1 2026, are expected to stabilize long-term output.

Geopolitical tensions threaten the global economy....

During the period under review, the global economy faced fresh geopolitical threats as direct conflict broke out between Iran and the United States. Following the escalation in the Middle East, global GDP growth projections for 2026 were revised downwards to around 2.9%, from an initial forecast of 3.3%. This downward review reflects the impact of war premiums being priced into the energy and transport sectors, coupled with a significant cooling of investor confidence. Meanwhile, global headline inflation is now expected to deviate from its downward trend, to reach around 4.6% in 2026 from an initial projection of 3.6%. This reversal is

primarily driven by a 13% surge in energy costs and a significant increase in maritime insurance and freight premiums following the middle east outbreak. In the outlook, persistent geopolitical tensions are expected to erode investment appetite and weigh heavily on broad economic sectors, leading to subdued global activity. Notwithstanding, commodity markets for precious metals are projected to strengthen, buoyed by intensified safe-haven demand.

.....as commodity markets performance remain mixed

During the month under review, commodity market performance was mixed, primarily driven by escalating geopolitical tensions. Gold continued its safe-haven rally, surging 6% to reach \$5,020 per troy ounce, while crude oil and lithium saw significant gains of 13% and 9% respectively. Platinum and Palladium retreated from their recent peaks falling by 12% and 7% respectively on subdued demand as investors reassessed their positions amid heightened global uncertainty and growing scepticism. In the outlook, we expect commodity markets to remain volatile for the rest of 2026.

Global prices for selected commodities			
	Jan-26	Feb-26	% change
Nickel(\$/mt)	17,769	▼ 17,173	-3%
Gold (\$/troy oz)	4,753	▲ 5,020	6%
Platinum (\$/troy oz)	2,434	▼ 2,137	-12%
Palladium (\$/troy oz)	1,850	▼ 1,720	-7%
Rhodium (\$/troy oz)	10,120	▲ 11,050	9%
Crude oil(\$/bbl)	63	▲ 71	13%
Lithium(\$/mt)	22,100	▲ 24,000	9%
Coal(\$/mt)	109	▲ 118	8%

Source: Kitco, World Bank, Trading Economics

Summing Up

Zimbabwe's economy demonstrated notable resilience despite emerging global risks, particularly the escalating tensions between the United States and Iran. Commodity markets presented mixed performance, with gold prices strengthening, while platinum and palladium retreated amid subdued global demand. Macroeconomic stability was largely sustained, supported by stable inflation and a narrowing parallel market exchange rate premium, which helped anchor price expectations and improve overall market confidence.

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