

THE 2027 NATIONAL BUDGET

"Accelerating Economic Transformation and Building Resilience to Climate and Global Shocks"

(Highlights, Analysis and Implications)

(Presented 19 November 2026)

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1. THE 2027 BUDGET PRIORITY AREAS

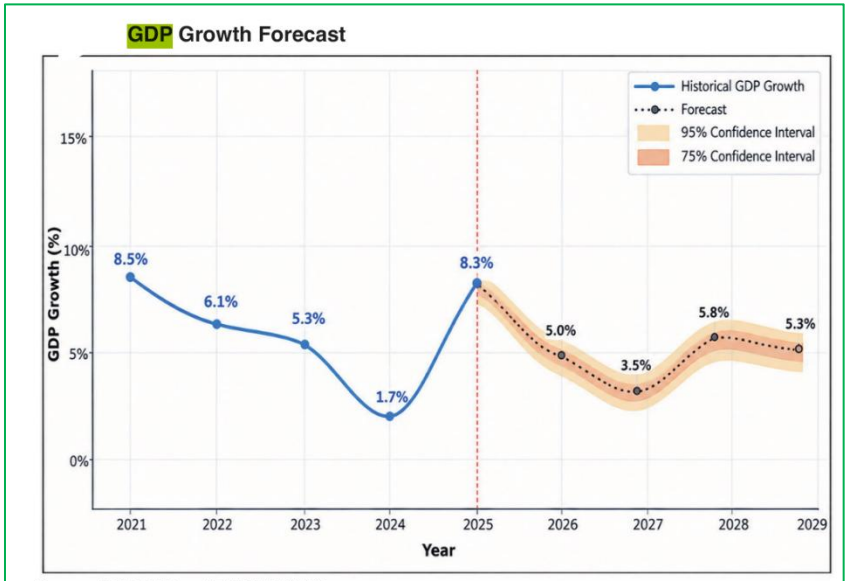
1.1. In summary, the primary thrust of the 2027 National Budget, themed "Accelerating Economic Transformation and Building Resilience to Climate and Global Shocks", is to build on the foundation of entrenched macroeconomic stability (currency, price and exchange-rate stability) to expand broad-based and inclusive economic growth and structural transformation under the National Development Strategy 2 (NDS2, 2026–2030) towards Vision 2030.

1.2. Furthermore, the 2027 Budget prioritises building national resilience against climate-related shocks—particularly the projected Super El Niño-induced drought—alongside geopolitical tensions, elevated fuel prices, softening mineral commodity prices, and declining Official Development Assistance (ODA), while scaling up public capital investment in critical infrastructure, devolution projects, mineral beneficiation, industrialisation, and digital/AI transformation. Real GDP growth is projected to moderate to 3.5% in 2027, largely reflecting the anticipated impact of drought.

2. REVISED GDP GROWTH PROJECTIONS

2.1. In 2026, the economy is projected to grow by 5.0%, with annualised half-year growth of 4.8% recorded in the first nine months of 2026, underpinned by manufacturing (contributing 1.0 percentage point), mining (0.8 percentage points), agriculture (0.6 percentage points), and wholesale and retail trade (0.4 percentage points). This brings the nominal size of the economy to approximately US$66.4 billion (ZiG1,749.5 billion) in 2026, with Zimbabwe also formally removed from the World Bank Group's fragility classifications effective 1 July 2026.

2.2. In 2027, real GDP growth is projected to moderate to 3.5% (within a drought-sensitivity range of 1.2% under a severe Super El Niño to 5.0% under a mild scenario), before



Source: MOF, RBZ and ZIMSTAT 2026

rebounding to 5.8% in 2028 and averaging above 5.0% annually through 2030. Broadly, real GDP growth in 2027 will be shaped by:

- ✓ **The impact of the Super El Niño**-induced drought on agricultural output and hydropower generation, with cascading effects across household consumption (moderating from 6.0% in 2026 to 3.6% in 2027) and gross fixed capital investment (slowing from 2.9% to 1.7%), partially cushioned by a 7.1% expansion in government consumption and the Six-Pillar Drought Mitigation Plan;
- ✓ **Entrenched macroeconomic stability**, supported by prudent fiscal cash budgeting, strict monetary policy coordination (monthly ZiG inflation averaging 0.4% and annual ZiG inflation averaging 4.0% over Jan–Oct 2026, with the interbank rate stable at ZiG25–27/US$), and a proposed legislative cap limiting Central Bank deficit financing to 5% of previous year's revenue (down from 20%);
- ✓ **Sustained public investment in critical infrastructure** (ZiG45.9 billion development envelopes, including ZiG21.9 billion for transport and ZiG7.6 billion for housing) alongside policies targeting local content enforcement (mandatory 15% local procurement), industrial development, and mineral beneficiation; and
- ✓ A **moderately recovering global environment**, with global growth projected to rebound from 3.1% in 2026 to 3.4% in 2027 (driven by AI investment and emerging markets at 4.4%), tempered by risks from the Middle East conflict, tighter external financing, and a projected 7% moderation in global commodity prices.

Analysis and Implications

- *The Budget rightly anchors policy on currency, price, and exchange-rate stability, evidenced by single-digit ZiG inflation (4.0% average) and a parallel market premium compressed below 20%. The proposed amendment to the Reserve Bank Act capping Central Bank deficit financing at 5% of prior-year revenue (from 20%) is a critical institutional safeguard against deficit monetisation.*
- *While the 3.5% baseline growth projection for 2027 acknowledges the Super El Niño risk, Treasury's own sensitivity analysis shows growth could fall to 1.2%–2.5% under a severe drought (assigned a 50% probability in the Budget's risk chart). Because agriculture and hydro-generation remain climate-sensitive, any severe rainfall deficit will compress rural incomes, elevate food import bills, and dampen demand across financial services.*

- *Mining and export performance remain vulnerable to global commodity price corrections: The World Bank projects gold to ease by 8% (from US$4,600/oz in 2026 to US$4,250/oz in 2027) and platinum by 10% (from US$1,950/oz to US$1,750/oz). Accelerating domestic beneficiation, such as lithium sulphate and refined PGMs, is essential to insulate foreign currency inflows from raw commodity price swings.*
- *Cabinet's completion of Ease of Doing Business reforms across 14 sectors (and subsequent mop-up reviews) provides a major domestic lever to lower compliance costs and formalise MSMEs, though implementation bottlenecks in gazetting Statutory Instruments at the Attorney General's Office must be cleared swiftly.*
- *Overall, the 2027 Budget presents opportunities in infrastructure syndication digital payments expansion (aided by lower IMTT rates), and value-chain financing, balanced against credit quality risks in drought-exposed agriculture and potential margin compression from softer commodity prices.*

3. ECONOMIC SECTORS

Sector	Budget Allocation (ZiG)	2027 Growth Projection	Drivers	Initiaves/ Projects	Commentary
Manufacturing	ZiG614 million	5.2%	1. Strong US$3.6bn investment pipeline (72% in metals & electricals) 2. Macroeconomic & ZiG stability 3. Mandatory 15% local procurement rule 4. Import substitution & value chains.	1. Zimbabwe National Industrial Development Policy 2 (2026–2030) & Local Content Strategy 2. Industrial Development Fund (via NVCC) – ZiG148m additional seed capital 3. Provincial Special Economic Zones (SEZs) incentive package 4. Fertiliser Manufacturing Duty Rebate & Sanitary Wear Rebate expansion	Manufacturing remains the primary growth engine, transitioning toward integrated value-chain development supported by concessional revolving finance, mandatory local content thresholds, and targeted duty rebates on critical industrial inputs.

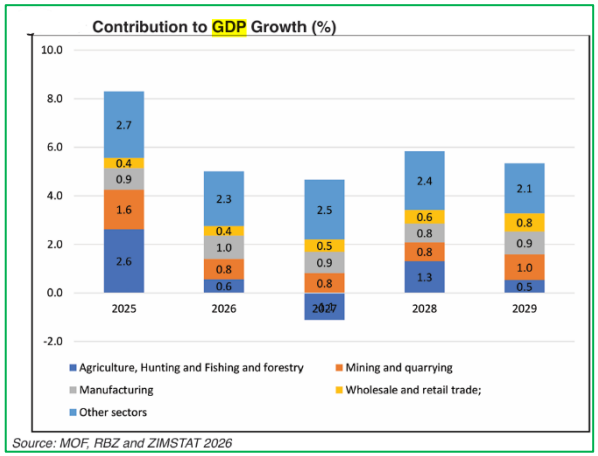
Highlights, Analysis and Implications

Sector	Budget Allocation (ZiG)	2027 Growth Projection	Drivers	Initiaves/ Projects	Commentary
Mining	ZiG986 million	5.1%	1. Sustained output in gold, lithium, PGMs & coal 2. Domestic beneficiation & captive power 3. Regulatory & tenure modernisation	1. Full operationalisation of the Mining Cadastre Information Management System 2. Mineral exploration & resource quantification 3. Tiered PGM export taxes (0%–10%), lithium sulphate conversion valuation, and gold royalty threshold adjustment (>US$5,000/oz)	Mining growth is anchored in volume expansion and stricter fiscal/regulatory oversight. Linking tax incentives to beneficiation milestones and tightening transfer pricing curbs revenue leakages while insulating operations against softening global metal prices.
Tourism & Hospitality	ZiG569.9 million	Recovery expected from 4.6% in 2026	1. Domestic MICE tourism boom (+27% trips to 6.4m in H1 2026) 2. Restored air connectivity & Open Skies policy 3. Global sporting & conferencing events	1. Tourism Satellite Account & sector digitalisation 2. Aviation connectivity & strategic aerodrome/airstrip rehabilitation 3. Tourism cluster expansion & domestic tourism promotion.	Sector positioned for strong recovery through enhanced connectivity. Growth outlook rests on strong domestic MICE momentum and a 2027 rebound in international arrivals, supported by digital statistical tracking and improved regional air and road access. This will require effective initiative implemenation and monitoring
Agriculture	ZiG27.6 billion	Moderated by Super El Niño from 5.0% in 2026	1. Six-Pillar Drought Mitigation Plan 2. Irrigation expansion & mechanisation 3. Climate-smart inputs & livestock protection	1. Strategic Grain Reserve build-up to 600,000 MT (ZiG3.95bn Food Deficit Mitigation) 2. Pfumvudza/Intwasa (ZiG8.4bn out of ZiG22bn seasonal financing)	Agriculture is shifting towards climate resilience and irrigation-driven production. There are notably heavy allocations toward grain reserves, irrigation rehabilitation, livestock drought mitigation.

Sector	Budget Allocation (ZiG)	2027 Growth Projection	Drivers	Initiaves/ Projects	Commentary
				3. Irrigation Development (ZiG970.9m) & Farm Mechanisation (ZiG546.5m) 4. Livestock Disease Control (ZiG737.1m) & Extension Services (ZiG2.4bn) 5. Farm Title Deed Programme & the Land information Management System LIMS (now 80% complete)	Bankable A1/A2 title deeds aim to cushion rural livelihoods and accelerate climate-proofing.
Energy	ZiG1.65 billion	Reducing 500 MW energy deficit; 3,412 MW installed capacity	1. Hwange Units 7 & 8 reliability + Unit 5 repowering (+160 MW) 2. Net metering (120 MW) & IPP expansion 3. Cost-reflective tariffs & regional Southern Africa Power Pool (SAPP) integration	1. Batoka Gorge Hydro-Electric Project (US$25m / ZiG697.8m equity contribution) 2. Hwange 1–6 phased repowering & Zim-Zambia / Hwange-Mukuni transmission lines 3. Rural Electrification (ZiG55.2m fiscal + REA) targeting 558,335 new households (raising access from 54% to 65%) 4. Duty rebates on renewable & non-renewable power generation/storage equipment.	Zimbabwe is diversifying away from hydro-dependence by repowering thermal units, advancing Batoka Gorge financial closure, incentivising private solar/storage investments, and scaling rural electrification.
Transport	ZiG21.9 billion	5.5%	1. Trunk highway upgrades & urban interchanges 2. Railway & inland waterways revitalisation	1. Road Development Programme (ZiG9.0bn): Harare-Chirundu, Beitbridge-Bulawayo-Vic Falls, Kwekwe-Nkayi-Lupane, Christmas Pass Bypass (36%	Transport modernisation combines fiscal allocations with ZINARA statutory funds and domestic bank syndications to lower logistics costs along regional corridors, while

Sector	Budget Allocation (ZiG)	2027 Growth Projection	Drivers	Initiaves/ Projects	Commentary
			3. Private sector & bank syndication (US$400m road facility)	complete), Mabvuku/Msasa Interchanges & ERRP 2. NRZ recapitalisation via PPPs & US$6m Mutapa Fund wagon refurbishment 3. Inland waterways safety & control towers (ZiG225.8m) 4. Axle overload fee hike to US$10/kg	higher axle overload penalties and rail reforms aim to protect road assets.

3.1. Sectoral Contributions



Source: MOF, RBZ and ZIMSTAT 2026

- **Analysis:** The graph shows that Zimbabwe's growth is still driven by agriculture and "other sectors" rather than by production. Agriculture contributed 2.6 points of the 8.2% growth in 2025, then falls to -0.9 points in 2027, the only negative contribution in the five-year period. Mining stays flat at 0.8 to 1.0 points, manufacturing stays stuck at around 0.9 points, while wholesale and retail rises slowly from 0.4 to 0.8 points. Growth only recovers to 5.9% in 2028 because agriculture swings back to +1.3 points.
- **Implications:** The economy remains highly vulnerable to drought, with almost one full percentage point of 2027 growth lost to agriculture alone. Manufacturing and mining are not yet strong enough to replace agriculture as growth drivers, which puts pressure on the 15% local procurement rule and the beneficiation policy to deliver. For households and businesses, 2027 should be treated as a survival year, with recovery only expected in 2028 if rains return, while government must protect food reserves and climate contingency funds to prevent a deeper contraction.

4. EXTERNAL SECTOR

4.1 . Foreign Currency Receipts:

- During the period January to September 2026, total foreign currency receipts rose by 33.7% to US$15.9 billion, compared to US$11.9 billion received during the same period in 2025. The surge was driven by:
  - ✓ export proceeds (US$11.0 billion, up 56.6%)
  - ✓ diaspora remittances (US$2.5 billion, up 39.9%),
  - ✓ private sector loan proceeds (US$1.4 billion)
  - ✓ foreign direct investment (US$409.9 million, up 122.8%).

Type of Receipt		Jan-Sept 2025 (US$M)	Share (%)	Jan-Sept 2026 (US$M)	Share (%)	Change (%)
Export Proceeds		7,038.6	59.2%	11,023.2	69.4%	56.6%
International Remittances	Diaspora Remittances	1,754.0	14.8%	2,453.2	15.4%	39.9%
	NGOs	820.0	6.9%	453.8	2.9%	-44.7%
Loan Proceeds (Private)		1,961.0	16.5%	1,394.2	8.8%	-28.9%
Income Receipts		131.0	1.1%	157.3	1.0%	20.1%
Foreign Investment		184.0	1.5%	409.9	2.6%	122.8%
Total		11,888.6	100.0%	15,891.6	100.0%	33.7%

4.2 . Merchandise imports:

- Grew by **34.6%** to **US$9.7 billion** in the first nine months of 2026, driven by fuel, machinery, raw materials, vehicles, and chemicals. Full-year imports are projected at **US$14.0 billion** in 2026 and **US$15.3 billion** in 2027, reflecting higher drought-induced food imports alongside electricity, fuel, and capital machinery requirements.

4.3 . Current Account Balance:

- Preliminary data indicates a current account surplus of US$2.4 billion for January–September 2026 (up from US$1.0 billion in 2025), projected to exceed US$3.5 billion for full-year 2026 before moderating slightly to US$3.4 billion in 2027. Usable foreign currency and gold reserves expanded from US$697 million in June 2025 to US$2.0 billion (2 months of import cover) as of September 2026 and are projected to reach US$2.2 billion by end-2026 and US$2.9 billion by end-2027.

4.4 Foreign Currency Reserves:

- Foreign currency and gold reserves expanded from US$697 million in June 2025 to US$2.0 billion (2 months of import cover) as of September 2026 and are projected to reach US$2.2 billion by end-2026 and US$2.9 billion by end-2027.

Analysis and Implications

- *The external sector exhibits strong momentum, characterised by record FX inflows, a robust current account surplus, and rising foreign reserves that anchor ZiG exchange rate stability. However, the projected narrowing of the current account surplus in 2027 due to drought-related food/power imports and softening mineral prices highlights persistent external vulnerabilities due to dependency on primary commodities.*

5. FINANCIAL SECTOR

5.1. The banking and financial sector (banks, building societies, microfinance institutions, capital markets, and insurance & pensions) remains safe, sound, profitable, and adequately capitalised.

5.2. Monetary & Broad Money Developments:

- Reserve money stood at ZiG39.2 billion in September 2026 (with the local currency component at ZiG7.5 billion, comfortably within the IMF SMP target of ZiG7.8 billion). Broad money (M3) grew by 52.0% to ZiG164.3 billion, with the ZiG component expanding by 55.2% to ZiG31.3 billion, signalling improved local currency retention and confidence.

5.3. Financial Sector Deepening & NFIS III:

- Government is operationalising the *Financial Sector Development Strategy (2026–2030)* and launching the *National Financial Inclusion Strategy III (NFIS III)* (informed by FinScope Consumer and MSME Surveys) to lower transaction costs, expand interoperable digital payment systems, strengthen credit/collateral registries (24.4 million searchable records), and mobilise long-term domestic savings.

5.4. Capital Markets, Insurance & Pensions:

- The ZSE All Share Index gained 69.9% to 472.2 points (market cap ZiG108.5 billion) and the VFEX All Share Index rose 52.1% to 269.4 points (market cap reaching a record US$8.3 billion) by September 2026. Pension industry assets grew 31.9% to US$3.5 billion and life/short-term insurance assets rose to US$835.2 million and US$545.2 million, respectively, though pension funds (8.0% vs 20% minimum) and life assurers (8.0% vs 15% minimum) remain below prescribed asset thresholds.

5.5. Virtual Assets & AML/CFT Integrity:

- Amendments to the *Money Laundering and Proceeds of Crime Act* and *Securities and Exchange Act* formally recognise virtual assets as financial instruments, with licensing regulations for Virtual Asset Service Providers (VASPs) being finalised ahead of the January–February 2027 ESAAMLG mutual evaluation onsite assessment.

Analysis and Implications

- *Zimbabwe's financial sector is well-capitalised and benefiting from earnings shifting away from revaluation gains toward sustainable fee, commission, and interest income. Longer loan tenures and syndicated infrastructure lending demonstrate relatively growing market confidence.*

6. 2026 REVENUE AND EXPENDITURE PERFOMANCE

6.1. The 2026 National Budget was premised on approved revenue collections of ZiG287.6 billion (16.9% of GDP) against expenditures of ZiG290.9 billion (17.1% of GDP), targeting a small deficit of ZiG3.2 billion (0.2% of GDP).

6.2. **Cumulative revenue collections** for January–September 2026 outperformed targets by 13.1%, reaching ZiG224.7 billion (US$8.6 billion) against a target of ZiG198.7 billion (US$6.5 billion). Tax revenue accounted for ZiG213.5 billion (95.0%), driven by strong outturns in Value Added Tax (ZiG62.4 billion, +27.2% above target), Corporate Income Tax (ZiG29.1 billion, +30.5%), Mineral Royalties (ZiG10.7 billion, +27.2%), and Non-Tax Revenue (ZiG11.2 billion, +151.0%), which offset shortfalls in Personal Income Tax (-5.4%) and Excise Duties (-23.6%).

6.3. **Cumulative expenditures** for January–September 2026 were contained at **ZiG188.7 billion** (64.9% budget utilisation), resulting in a nine-month surplus of **ZiG36.0 billion**. Compensation of employees stood at **ZiG85.0 billion** (45.0% of total spending and 37.8% of revenue), non-wage recurrent expenditure was **ZiG53.8 billion**, interest payments were **ZiG5.1 billion**, and capital expenditure (including intergovernmental fiscal transfers) accelerated to **ZiG44.8 billion** (109.0% of the period target).

6.4. Full-year revenue collections are projected to reach **ZiG305.0 billion** (US$11.6 billion), with the revenue windfall directed toward clearing service provider arrears, servicing debt, and building fiscal contingency buffers against the 2026/27 Super El Niño drought.

Analysis and Implications

- *Strong 2026 revenue overperformance, underpinned by VAT digitalisation/fiscalisation (TaRMS) and corporate tax compliance, enabled Treasury to accelerate capital outlays while maintaining a nine-month fiscal surplus and building drought buffers.*
- *However, sectoral tax contribution data shows heavy reliance on formal manufacturing (10.4% of VAT) and mining (16.8% of Corporate Income Tax and 25.3% of customs duty) while real estate, agriculture, transport, and informal retail remain under-taxed, justifying the aggressive formalisation and compliance measures introduced for 2027.*

THE 2027 MACROECONOMIC FISCAL FRAMEWORK

7. FISCAL FRAMEWORK

2027 Budget Framework

Item	2027
Revenue	ZiG349.5bn
Expenditure	ZiG358.3bn
Capital Expenditure	ZiG73.6bn
Fiscal Deficit	ZiG8.8bn (0.5% GDP)

7.1. In line with projected real GDP growth of 3.5% in 2027, total revenue collections are estimated at ZiG349.5 billion (US$12.5 billion), equivalent to 18.1% of GDP (up from 16.4% in 2026, advancing toward the NDS2 target of 22% of GDP by 2030). This comprises ZiG335.6 billion (US$12.0 billion) in tax revenue and ZiG13.9 billion (US$498 million) in non-tax revenue.

Indicator (ZiG Million)	2025	2026	2027	2028	2029	2030
Nominal GDP at market prices	1,550,523.3	1,749,524.2	1,928,524.3	2,171,953.4	2,421,990.1	2,694,554.2
Real GDP Growth (%)	8.3	5.0	3.5	5.8	5.3	5.0
Government Accounts						
Revenues	223,037.2	287,640.0	349,542.0	429,116.3	513,151.5	610,137.2
% of GDP	14.4	16.4	18.1	19.8	21.2	22.6
Expenditures	217,155.2	290,871.3	358,302.9	435,105.8	522,104.1	617,707.8
% of GDP	14.0	16.6	18.6	20.0	21.6	22.9
Expenses (Recurrent)	166,553.6	249,794.6	284,726.7	331,077.6	378,859.0	428,059.5
% of GDP	10.7	14.3	14.8	15.2	15.6	15.9
Use of goods and services	44,362.1	47,445.8	70,051.3	89,504.0	107,400.1	120,889.3
% Total Expenditure	20.4	16.3	19.6	20.6	20.6	19.6
Compensation of Employees	102,788.7	152,255.6	167,328.8	185,797.5	206,913.6	232,992.2
% Total Expenditure	47.3	52.3	46.7	42.7	39.6	37.7
% of Revenue	46.1	52.9	47.9	43.3	40.3	38.2
Social Benefits & Subsidies	14,763.7	41,620.1	38,423.8	48,364.9	58,035.3	68,662.3
% of GDP	1.0	2.4	2.0	2.2	2.4	2.5
Interest Payments	4,639.1	8,473.0	8,922.8	7,411.2	6,509.9	5,515.7
% of GDP	0.3	0.5	0.5	0.3	0.3	0.2
Capital Expenditure	50,601.6	41,076.7	73,576.2	104,028.2	143,245.1	189,648.3
% of GDP	3.3	2.3	3.8	4.8	5.9	7.0
Overall Balance	5,882.0	-3,231.3	-8,760.9	-5,989.6	-8,952.6	-7,570.7
% of GDP	0.4	-0.2	-0.5	-0.3	-0.4	-0.3

7.2. Total expenditure and net lending are set at ZiG358.3 billion (US$12.8 billion), equivalent to 18.6% of GDP. This reflects a deliberate structural shift toward capital expenditure, which nearly doubles from ZiG41.1 billion (2.3% of GDP) in 2026 to ZiG73.6 billion (US$2.6 billion, or 3.8% of GDP) in 2027, alongside recurrent expenditure of ZiG284.7 billion (US$10.2 billion, or 14.8% of GDP).

7.3. Compensation of employees is budgeted at ZiG167.3 billion (47.9% of revenue, adhering to the new Medium-Term Wage Bill Strategy rule capping the wage bill at ≤50% of revenue). The envelope also embeds a ZiG10.9 billion (US$400 million) contingency reserve (0.6% of GDP) against severe El Niño shocks.

7.4. The projected fiscal balance is a modest, manageable deficit of ZiG8.8 billion (0.5% of GDP). Combined with principal debt repayments of ZiG22.3 billion (ZiG16.9 billion domestic and ZiG5.4 billion external) and interest payments of ZiG8.9 billion, Treasury will raise ZiG21.5 billion from the domestic market via Treasury Bill auctions (ZiG10.3 billion) and domestic loans (ZiG11.2 billion, including a ZiG6.7 billion CBZ facility), supplemented by carried-over 2026 fiscal buffers.

Analysis and Implications

- *The 2027 fiscal framework implies an average exchange rate of approximately ZiG27.9–28.0/US$, reflecting sustained confidence in exchange rate stability.*
- *Capping the public sector wage bill below 50% of revenue (47.9%) and raising capital expenditure to 3.8% of GDP mark a structural improvement in expenditure quality, creating room for infrastructure and social protection without monetising the deficit.*
- *For the financial sector, Treasury's commitment to issuing TBs strictly through competitive auctions and launching a National Treasury Bills Registry and Transaction Coding Framework in Q1 2027 will improve secondary market liquidity, price discovery, and yield curve formation.*
- *Expenditure is increasingly shifting toward infrastructure and productive sectors.*
- *The deficit remains within manageable levels by regional standards.*
- *Capital expenditure growth presents opportunities for financial institutions in project financing and transaction banking.*

8. REVENUE ENHANCING MEASURES

8.1. The 2027 National Budget Revenue Measures operationalise the Medium-Term Revenue Strategy (MTRS) under NDS2, targeting a revenue-to-GDP ratio of 22% by 2030, by broadening the tax base, enforcing mineral beneficiation, capturing the digital economy, and curbing informality, largely effective 1 January 2027:

8.2. Minimum VAT Compliance Surcharge (US$500,000):

- Introduction of a punitive nominal surcharge of US$500,000 per tax period (irrespective of turnover) on VAT-registered operators failing to fiscalise, file returns, or keep records, as well as operators meeting the compulsory VAT threshold (especially in FMCG, bricks/building materials, and motor spares) who remain unregistered. Compulsory VAT registration will also trigger automatic registration for Corporate/Personal Income Tax, backed by a public whistle-blower reward mechanism.

8.3. VAT on Virtual Assets:

- Expansion of the statutory definition of financial services to expressly encompass services relating to Virtual Assets, clarifying their VAT treatment alongside VASP licensing.

8.4. Mineral Royalties – Gold & Diamonds:

- Adjustment of the 10% mineral royalty on gold to apply only on the incremental value above a higher price threshold of US$5,000 per ounce. For diamonds, replacing the flat 10% royalty with a tiered structure—5% for prices below US$100 per carat and 10% on incremental value above US$100 per carat—to cushion natural diamond producers against lab-grown diamond competition.

8.5. PGM Beneficiation Export Tax Schedule:

- Redefining un-beneficiated platinum as any output short of refined individual PGMs, with a progressive export tax based on international refined mineral prices: 10% on PGM ore, 5% on PGM concentrate, 2.5% on matte (smelter/converter), 1% on PGM-rich concentrate + base metals, and 0% on refined individual PGMs.

8.6. Lithium Concentrate Valuation & Export Tax:

- Export tax on lithium concentrate (10%, vs 0% on lithium sulphate) will be assessed on the gross fair market value of recoverable lithium sulphate using standard conversion ratios (6:1 for 5% grade; 5:1 for 6% grade), with transportation costs disallowed as a deduction for export tax purposes. All gross revenue taxes will follow MMCZ Multi-Product Pricing.

8.7. Coal Royalties & CSR Levy Timing:

- Mineral royalties and the 2% Corporate Social Responsibility (CSR) Levy on coal are made due and payable strictly at the point of export (or upon conclusion of local sale) to eliminate intra-group transfer pricing and deferral.

8.8. Digital Economy Taxation & e-TRACE System:

- Exempting imported digital services from VAT where the 15% Digital Services Withholding Tax (DSWT) has already been withheld by financial institutions (eliminating double taxation), while confirming DSWT does not apply to physical goods bought online. ZIMRA will procure an Electronic-Transaction Recording, Analysing, Controlling and Exchange System (e-TRACE) to track electronic transactions, alongside broadened Income Tax source rules attributing non-resident digital platform revenues to Zimbabwe based on user location.

Analysis and Implications

- *The US$500,000 per-period Minimum VAT Compliance Surcharge represents one of the most aggressive anti-informality penalties ever introduced in Zimbabwe. While aimed at forcing large informal traders in FMCG, hardware, and auto spares into the formal tax net, its severe nominal size creates substantial compliance risk for formal businesses experiencing technical fiscalisation or filing glitches.*
- *In the mining sector, the 2027 measures strike a sophisticated balance: raising the gold royalty threshold to US$5,000/oz and halving diamond royalties below US$100/carat provides relief where global market dynamics warrant it, while the PGM beneficiation ladder and lithium-sulphate-equivalent valuation aggressively penalise raw concentrate exports.*
- *Removing the VAT/DSWT overlap on imported digital services resolves a major friction point for banks and payment intermediaries acting as withholding agents, though ZIMRA's rollout of e-TRACE and automated data-sharing frameworks will increase compliance reporting obligations for financial institutions.*
- *Increased digitalisation will improve transaction traceability.*
- *Growing regulation of virtual assets may create future opportunities for regulated digital asset products*

8.9. Tax Compliance and Other Compliance Measures

- **Simplified Capital Gains Tax (CGT) & Virtual Asset CGT:** Removal of CGT and Capital Gains Withholding Tax on the disposal of marketable securities listed on the Zimbabwe Stock Exchange (ZSE) to boost capital market liquidity; introduction of CGT on the disposal/transfer of virtual assets; exemption of Principal Private Residence transfers into family trusts from CGT; exemption of locally incorporated companies from Special CGT; alignment of CGT filing deadlines to 15 days; and elimination of double taxation between Special CGT and standard CGT.
- **Trust Restructuring & Progressive Stamp Duty:** Classifying changes in trust trustees or beneficiaries that transfer beneficial/economic ownership of immovable property as taxable disposals for CGT (excluding REITs). Stamp duty on immovable property transfers is restructured progressively in the currency of trade: 1% (<US$5,000), 2% (US$5,000.01–20,000), 3% (US$20,000.01–100,000), 5% (US$100,000.01–300,000), and 7.5% (>US$300,000).
- **Simplified Rental Income Tax Regime:** Clarifying that CIT-registered property owners pay tax via self-assessment (deducting expenses), whereas non-compliant owners face a 15% Presumptive Rental Income Tax on gross rent, with tenants or estate agents legally designated as withholding agents (remitting within 10 days) via TaRMS detection. Elderly landlords aged 55+ enjoy an annual exemption on the first US$3,000 of rental income.
- **Specific Cigarette Excise & Digital Track-and-Trace Stamps:** Replacing the hybrid cigarette excise (US$5/1,000 + 25% ad valorem) with a flat regional-aligned specific duty of US$15 per 1,000 cigarettes effective 1 January 2027, alongside onboarding private technology providers for digital track-and-trace excise stamps on alcohol, tobacco, and high-risk goods, and flexible phased rollout of petroleum fiscalisation.
- **Single Consolidated VAT Return & Deemed Smuggled Products:** Amending legislation to mandate a single consolidated VAT return in TaRMS with currency-of-trade declarations, and compelling manufacturers/retailers of designated Deemed Smuggled Products to submit quarterly import, local sourcing, and sales volume reconciliations.
- **Customs Valuation & Motor Vehicle Clearance Controls:** Introducing an Automated Motor Vehicle Valuation Framework (effective 1 January 2027) assigning uniform customs values by class, model, engine capacity, and year for used vehicles over 2 years old (excluding luxury vehicles >3,800cc or 450hp), while restricting private vehicle self-clearance strictly to the actual owner or ZIMRA-registered clearing agents.

Analysis and Implications

- *Scrapping Capital Gains Tax and Capital Gains Withholding Tax on ZSE-listed securities is a major boost for domestic capital markets, lowering transaction friction and improving equity market attractiveness alongside the VFEX.*
- *Closing the family-trust loophole on commercial property transfers and introducing progressive stamp duty up to 7.5% for high-value real estate (>US$300,000) will raise transaction costs in the upper-tier property market, while automated used-car valuations and strict port-of-entry clearing rules will curb customs undervaluation and rent-seeking.*

9. TAX RELIEF & SUPPORT TO INDUSTRY MEASURES

9.1. No new taxes: Individuals and businesses face no new taxes in 2027; Treasury will instead improve compliance and broaden the tax base.

9.2. Personal Income Tax (PAYE) Threshold Review: Increasing the monthly tax-free threshold by 50% from US$100 to US$150 (or ZiG equivalent) and widening tax bands up to US$3,000 (above which the 40% marginal rate applies), delivering an estimated US$81 million tax relief stimulus to households.

9.3. Employer-Assisted Loans Prescribed Rate Cut: Reducing the prescribed fringe-benefit interest rate on employer-assisted loans from SOFR + 5% to SOFR + 3.5% for USD loans, and setting a 15% prescribed rate for ZiG-denominated loans.

9.4. Further IMTT Rate Reductions: Lowering the Intermediated Money Transfer Tax (IMTT) on ZiG transactions from 1.5% to 1.25% and on foreign currency transactions from 2.0% to 1.75% (an estimated US$100 million revenue forgone), while retaining CIT deductibility subject to taxpayers reconciling declared quarterly gross revenues with formal bank deposits.

9.5. Going Concern Business Sales & Consumer Relief: Zero-rating (0% VAT) the sale of businesses as a going concern to eliminate upfront VAT financing bottlenecks; removing VAT on freshwater fish; regularising the repeal of the 5% Dairy Revitalisation Levy; and removing customs duty on assistive devices for persons with disabilities (wheelchairs, hearing aids, corrective lenses, white canes).

9.6. ICT Gadgets & Banking Equipment Duty Removal: Slashing customs duty on cellular phones from 25% to 0% to curb informal smuggling and expand formal VAT-registered retail, and removing customs duty on Automated Teller Machines (ATMs) effective 1 January 2027.

9.7. Provincial Special Economic Zones (SEZs) Package: Introducing a time-bound, performance-linked incentive package for genuinely new investments in Provincial SEZs (preferential CIT rates, accelerated capital allowances, duty-free capital equipment, and expedited VAT refunds) with strict anti-splitting safeguards.

9.8. Fertiliser, Energy, Motor Assembly, Sanitary Wear & Telecoms Support: Duty rebates on raw materials and capital equipment for local fertiliser manufacturing (effective 1 Nov 2026, targeting 380,000 MT demand); duty rebates on renewable and non-renewable power generation and energy storage equipment; 0% customs duty on SKD assembly kits for motorcycles, goods vehicles up to 20t, electric vehicles, and trailers (effective 1 Dec 2026); expanded duty rebates for eco-friendly sanitary wear materials; and extension of the VAT Deferment Facility plus duty removal on capital equipment for the telecommunications sector.

Analysis and Implications

- *The 2027 tax relief package injects meaningful demand-side and financial-intermediation stimulus: US$81 million in PAYE relief boosts household disposable income, while cutting IMTT on both ZiG (1.5% to 1.25%) and USD (2.0% to 1.75%) reduces electronic transaction friction and preserves a 50-bps preference for the local currency.*
- *Crucially for the banking sector, the new requirement that businesses claiming IMTT deductibility must reconcile declared quarterly revenues with formal bank deposits creates a strong regulatory incentive for corporates and SMEs to channel sales receipts through formal bank accounts—directly supporting deposit mobilisation, alongside duty-free ATM imports.*
- *Supply-side industrial incentives—spanning fertiliser manufacturing rebates, power storage equipment, Provincial SEZs, telecoms VAT deferment and zero-rated going-concern M&A transactions—lower capital expenditure hurdles and create advisory, trade-finance, and project-lending opportunities across key growth sectors.*

10. CLIMATE AND ENVIRONMENTALLY FRIENDLY MEASURES

10.1. Electric Vehicles & Charging Infrastructure Duty Reduction: Reducing customs duty on electric vehicles (EVs) and attendant charging infrastructure from 25% to 10%, complementing the 0% duty on electric buses and electric goods-carrying motorcycles/vehicles under SKD assembly.

10.2. Renewable Energy & Storage Equipment Rebates: Granting customs duty rebates on specified equipment for approved renewable energy projects and battery/energy storage facilities to accelerate clean power generation and grid stability.

10.3. Sovereign Drought Insurance & Lake Chivero Ecosystem Restoration: Subscribing to the African Risk Capacity (ARC) sovereign drought insurance policy (US$3.4 million co-financed premium for up to US$12.8 million payout, complemented by US$5 million WFP/Start Network replica cover) and launching the EUR 20 million (US$22.4 million) Lake Chivero Water Quality and Algae Control Project featuring ultrasonic algae control, AI water monitoring, and catchment reforestation.

Analysis and Implications

- *By cutting import duties on electric vehicles and charging infrastructure to 10% and zero-rating SKD kits for electric commercial vehicles, Government is systematically lowering the capital cost of green mobility and reinforcing sustainable finance and green asset-financing strategy.*
- *Integrating sovereign parametric drought insurance (ARC) with AI-enabled water ecosystem restoration demonstrates increasing sophistication in climate risk financing, creating scope for domestic insurers and banks to co-develop commercial weather-index and agricultural insurance products.*

11. LEGISLATIVE AMENDMENTS MEASURES

11.1. Reserve Bank Act Amendment (Deficit Financing Cap): Amending Section 11(1)(a) of the Reserve Bank Act [Chapter 22:15] to permanently lower the statutory limit on Central Bank financing of the fiscal deficit from 20% to 5% of previous year's fiscal revenue, aligned with the SADC Model Central Bank Bill.

11.2. Mining Tax & Mines and Minerals Act Amendments: Exempting Special Mining Lease (SML) holders with >=15% State shareholding from Additional Profit Tax; allowing mineral transport cost deductions for SML operators; disallowing export taxes and CSR levies as Income Tax deductions; setting progressive export taxes on dimensional stones (5% uncut/unpolished, 2.5% cut/unpolished <=5cm, 0% cut/polished <=5cm); excluding finished/semi-finished steel from the definition of 'mineral'; strengthening cancellation of speculative/non-compliant mining titles; and introducing flexible production-sharing frameworks for critical minerals.

11.3. ZIMRA Enforcement, Immovable Property Caveats & Tax Agent Accountability: Empowering the ZIMRA Commissioner General to place caveats on taxpayers' immovable property to prevent disposal prior to tax debt settlement; extending statutory liens across all tax heads; imposing a US$30/day late-filing penalty across Income Tax, CGT, and VAT; cancelling licences of tax agents

aiding tax evasion; and penalising licensing/regulatory bodies that issue licences or insurance cover to emerging-sector operators (e.g., transport) without valid Tax Clearance Certificates.

11.4. Other Statutory & Governance Amendments: Synchronising all elderly tax exemptions at age 59 across all Taxes Acts; extending Special Initial Allowance to all fiscalisation devices; mandating returns for e-commerce operators and contract withholding taxes; capping tax-exempt export market development fees at 5% of FOB exports; reviewing the ZIMRA Board term from 3 to 4 years; and raising vehicle axle-overload fees to US$10/kg to protect road infrastructure.

Analysis and Implications

- *The amendment to the Reserve Bank Act capping Central Bank deficit financing at 5% is the single most consequential institutional reform in the 2027 Budget, legally locking in fiscal-monetary discipline and reducing long-term inflation and currency risk.*
- *Simultaneously, granting ZIMRA powers to register caveats on immovable property, enforce US$30/day default penalties, and penalise regulators/insurers that onboard emerging-sector clients without Tax Clearance Certificates significantly tightens the compliance net—requiring financial institutions and insurers to embed tax-clearance verification rigorously into onboarding workflows.*

12. PUBLIC DEBT

12.1. Zimbabwe's total stock of Public and Publicly Guaranteed (PPG) debt as at end-September 2026 was estimated at ZiG594.1 billion (US$22.2 billion, representing 33.4% of projected 2026 GDP), compared to ZiG566.8 billion as at end-December 2025, broken down as follows:

12.2. External Debt: ZiG331.2 billion (US$12.4 billion, or 55.7% of total debt stock), comprising bilateral creditors at US$7.0 billion (Paris Club US$4.69 billion; Non-Paris Club US$2.31 billion), multilateral creditors at US$4.88 billion (World Bank US$1.72 billion, Afreximbank US$1.01 billion, AfDB US$852 million, TDB US$782 million, EIB US$438 million), and legacy debts of US$483 million. Arrears and penalties account for US$9.03 billion (73.0%) of external debt.

12.3. Domestic Debt: ZiG262.9 billion (US$9.8 billion, or 44.3% of total debt stock), comprising Government securities of ZiG138.9 billion (US$5.18 billion—including Treasury bonds of ZiG91.8 billion, of which ZiG38.8 billion is held by Mutapa Investment Fund, and Treasury bills of ZiG8.3 billion), Compensation of Former Farm Owners (Global Compensation Deed) of ZiG75.5 billion

(US$2.82 billion), Domestic Expenditure Arrears to service providers of ZiG36.5 billion (US$1.36 billion), Domestic Loans of ZiG6.7 billion (US$250 million), and Mining Houses Arrears of ZiG5.3 billion (US$200 million).

12.4. Debt Service & Arrears Clearance Roadmap (AC&DR): Between January and September 2026, Government paid US$242.1 million in external debt service (projected at US$299.5 million for full-year 2026, including token payments to IFIs and Paris Club) and ZiG23.7 billion in domestic debt service. Following strong performance under the 10-month IMF Staff Monitored Program (final review scheduled for 2–11 December 2026) and the launch of the Debt Consultative Group co-chaired by the UK and France in September 2026, Government targets clearing US$3.0 billion in IFI arrears by end-March 2027 via bridge/concessional financing, advancing toward an IMF Upper Credit Trance (UCT) program and G20 Common Framework debt restructuring. Treasury also allocated US$35 million in 2027 for BIPPA farm compensation (after paying US$60 million of US$130.5 million to date) and US$2.5 million for the 1% upfront cash component under the Global Compensation Deed (US$724 million settled across Batches 1–3).

Analysis and Implications

- *At 33.4% of GDP (US$22.2 billion), Zimbabwe's headline debt-to-GDP ratio is moderate by regional standards, yet 50.2% of the total debt stock (US$11.1 billion) consists of accumulated arrears and penalties—constraining access to affordable long-term international capital.*
- *Domestically, expenditure arrears to service providers edged up to ZiG36.5 billion (US$1.36 billion) by September 2026 (from ZiG34.1 billion a year earlier), alongside ZiG75.5 billion (US$2.82 billion) in Global Compensation Deed bonds. Treasury's strict enforcement of the Public Finance Management Act—banning unbudgeted MDA projects, requiring Treasury approval for contracts >US$2 million with 5-year Maintenance Service Level Agreements, and prohibiting upfront deposits on contractor-arranged loan financing—is vital to halt fresh arrears accumulation.*
- *Successful completion of the final IMF SMP reviews in December 2026 and the targeted March 2027 clearance of US$3.0 billion in IFI arrears represent a major potential catalyst for re-engagement, which would unlock concessional external lines of credit and lower sovereign country-risk premiums for domestic banks.*

13. OPPORTUNITIES AND RISKS MATRIX EMANATING FROM THE NATIONAL BUDGET

13.1. RISKS FROM THE 2027 BUDGET

- **Super El Niño-Induced Drought Shock:** Below-normal rainfall forecast for January–March 2027 threatens agricultural output, rural incomes, and Kariba hydropower generation, with Treasury's risk model warning that a severe drought could pull 2027 real GDP growth down from 3.5% to as low as 1.2%–2.5% while increasing grain import and social protection outlays.
- **Geopolitical Tensions & Elevated Fuel Prices:** Prolonged conflict in the Middle East and disruptions in the Strait of Hormuz/Black Sea have already driven domestic diesel and petrol prices up by ~35% and ~39% respectively in 2026, raising business production costs, squeezing excise revenues, and creating stagflation risks.
- **International Mineral Commodity Price Correction:** Projected 2027 price declines in gold (-8% to US$4,250/oz), platinum (-10% to US$1,750/oz), and base metals (-3%) following their 2026 peaks could soften export receipts, foreign reserve accumulation, and mining tax revenues.
- **Tighter External Financing & Declining ODA:** Global Official Development Assistance continues to contract (down 23.1% in 2025 and 5.8% in 2026), while tighter global financial conditions and unresolved arrears restrict access to external concessional funding—increasing reliance on domestic capital markets (ZiG21.5 billion 2027 borrowing plan).
- **Domestic Arrears & Contingent Liability Pressures:** Accumulated domestic service-provider arrears (ZiG36.5 billion), maturing Treasury obligations, SOE contingent liabilities, and potential commercial bridge-financing costs for IFI arrears clearance require rigorous cash-budgeting discipline and strict enforcement of procurement controls to prevent liquidity spill overs that could destabilise inflation and the ZiG exchange rate.
- *These risks underscore the importance of Treasury's ZiG10.9 billion (US$400 million) contingency buffer, the Six-Pillar Drought Mitigation Plan, and disciplined fiscal-monetary coordination to safeguard macroeconomic stability throughout 2027.*

OPPORTUNITIES FROM THE 2027 BUDGET

- **Macroeconomic stability:** Entrenched currency, price and exchange-rate stability, reinforced by the proposed cap on Central Bank deficit financing (5% of prior-year revenue), supports investor confidence and ZiG-based growth.
- **Infrastructure and capital investment:** Capital expenditure nearly doubles to ZiG73.6 billion (3.8% of GDP), with ZiG45.9 billion in development envelopes for transport, housing, energy and devolution projects.
- **Industrialisation and mineral beneficiation:** The 15% local procurement rule, Industrial Development Fund, Provincial SEZ incentives and tiered PGM and lithium export taxes encourage value addition and import substitution.
- **Strong external position:** Foreign currency receipts of US$15.9 billion, a current account surplus and rising reserves (projected US$2.9 billion by end-2027) support exchange rate stability.
- **Tourism recovery:** Domestic MICE growth, restored air connectivity and the Open Skies policy support a 2027 rebound in arrivals.
- **Energy diversification:** Hwange repowering, Batoka Gorge, net metering and IPP expansion, and duty rebates on renewable and storage equipment reduce the 500 MW energy deficit.
- **Tax relief and consumer demand:** Higher PAYE threshold (US$81 million relief), lower IMTT rates, and zero duty on cellular phones and ATMs boost disposable income and digital transactions.
- **Capital market development:** Removal of capital gains tax on ZSE-listed securities, a Treasury Bills Registry and competitive auctions deepen liquidity and price discovery.
- **Financial inclusion and digitalisation:** NFIS III, interoperable payments, credit registries and e-TRACE broaden the formal financial system and improve transaction traceability.
- **Climate and green financing:** Lower duties on electric vehicles and charging infrastructure, sovereign drought insurance (ARC) and the Lake Chivero project open room for green and weather-index products.
- **Debt re-engagement:** Completing the IMF Staff Monitored Program and clearing US$3.0 billion of IFI arrears by March 2027 could unlock concessional financing and lower country-risk premiums.
- **Agriculture resilience:** Irrigation expansion, the Strategic Grain Reserve build-up to 600,000 MT, Pfumvudza/Intwasa and bankable title deeds support rural livelihoods and agricultural financing.

14. CONCLUSION

The 2027 National Budget, themed "Accelerating Economic Transformation and Building Resilience to Climate and Global Shocks", builds on entrenched currency and price stability. Real GDP growth is projected to moderate from 5.0% in 2026 to 3.5% in 2027 because of the Super El Niño drought risk. Fiscal and monetary policy remain aligned to sustain single-digit inflation. The Budget introduces no new taxes and relies instead on compliance and a broader tax base to raise revenue.

Spending is shifting toward capital investment, which rises from 2.3% of GDP in 2026 to 3.8% in 2027, while the wage bill is contained. Priorities include drought preparedness and food security, industrialisation and mineral beneficiation, energy, transport, housing, digital transformation, devolution and social protection. Zimbabwe's removal from the World Bank Group's fragility classification further strengthens its standing.

-THE END-