NEMBO ATTORNEYS

2026 National Budget Analysis

+263 86 771 72 289 info@nembo.co.zw
37 Quorn Avenue, Mt Pleasant, Harare www.nembo.co.zw

Author Bio

Ray Nembo PARTNER

LLB (Hons) MSU, LLM (Cand) MSU

ECONOMIC OUTLOOK

The Minister of Finance, Economic Development & Investment Promotion, Prof Mthuli Ncube, delivered the highly anticipated 2026 National Budget, on the 27th November 2025, under the theme ***"Enhancing drivers of economic growth & transformation towards Vision 2030."***

This analysis distils strategic findings, macroeconomic developments, & emerging policy directions, shaping Zim's current & future business environment.

The budget reflects a positive economic trajectory, in line with transition to ***National Development Strategy 2 (NDS2)***, in Zim's endeavour, to achieving upper middle-income economy, by 2030, through continued restrictive fiscal mgt, cash budgeting, alignment of key sectors & policy reforms. Budget comes amidst volatile global markets, climate change, ongoing geopolitical tensions, trade tariffs, & reduced support from development partners.

Reform trajectory focuses on consolidating stability, supported by improved economic growth, in key priority areas, underpinned by ***NDS2*** core principles namely housing dvt, agri food security, climate resilience, environmental protection, science & tech, innovation, digitalization, human & capital dvt, job creation, youth dvt, creative industry & culture, social dvt, gender & social protection, regional inclusive decentralized dvt, image building, international relations & trade, good governance, institution building, peace & security.

Economy predicted to grow ***5% in 2026***, down from ***6,6% in 2025 (nominal GDP of US$52,4 billion in 2025)***, with 2026 forecast, almost double projected global economic growth, of ***3,1%*** for same period. Economic growth by sector contribution, mining ***(0,9%),*** finance & insurance ***(0,7%)***, manufacturing & agri each contributing ***(0,6%)*** with remaining ***2,3%*** contributed by other sectors. ***IMF*** country assessment, November 2025, projected strong economic growth momentum, to carry forward into 2026.

2026 projected economic growth, by sector, ***wholesale & retail (7,4%), electricity generation (6,5%), mining (6,3%), agri (5,4%), manufacturing (3,7%), & tourism (3,1%).*** Manufacturing, country's largest sector, capacity utilization, currently stands at 57%, projected to expand to ***60%*** in ***2026***. ***NatPharm*** to procure 49 product lines, exclusively from local manufacturers, as promotion of local industries intensifies. Mutapa Investment Fund to resuscitate & return to profitability ***53%*** of fledging State-Owned Entities, following ***US$100*** million, cash injection.

Anticipated growth spurred by assumptions of normal to above normal rainfall, improved electricity generation, currency exchange rate, inflation & price stability, moderation in global commodity prices, rationalisation, & review of ease of doing business reforms. Budget increase necessitated by channelling funds to key priority areas like public services, education, health, social protection, human capital, which take up about ***50% of 2026*** budget allocation, amidst efforts to enhance revenue mobilisation, whilst safeguarding fiscal sustainability. To finance budget, domestic revenues expected to reach ***US$9,4 billion (16,9% of GDP)*** in ***2026,*** made up of US$9,2 billion in tax revenue & ***US$200 million*** in non-tax revenue, against expenditure of ***US$9,5 billion***, leaving a deficit of ***US$105 million (0,2% of GDP)***. Current budget utilization stood at ***75%*** at Q3 2025, whereas fiscal surplus was ***ZIG $3,7 billion.***

Need for gvt intervention, & real time monitoring of line Ministries, to curb wasteful expenditure, & misallocation of resources, with Auditor General capacitation earmarked to receive ***ZIG $764,4 million in 2026***. Balancing act required, between improving conditions of service, operational efficiency, rationalising staff vs bloated expenditure, as gvt wage bill anticipated to consume ***53%*** of revenue in 2026. Vital need to strengthen human capital development in Zim, as National Skills Audit Report revealed country's critical skills base stands at ***38,3%***, with a skills deficit of ***61,7%***, following continuous years of brain drain.

RBZ expected to maintain cautious stance, with tightened monetary policy, holding interest rates firm, to halt inflation, amidst prevailing environments. Interbank exchange rate averaged ***ZIG $26,69: US$1 as at Q3 2025***, with the parallel market rate trading at a ***20%*** premium. ZIG annual inflation projected to reduce to single digits in 2026, towards alignment with global inflation figures of ***3,7% for 2026.***

Foreign currency receipts gained marginally to ***US$12 billion*** at end of ***Q3 2025***, up from ***US$10 billion*** in previous corresponding period. Export receipts & diaspora remittances account for ***59,2% & 14,8%*** of total forex receipts. Diaspora remittances projected to surpass ***US$2,8 billion*** in 2026. Current account surplus projected to increase to US$1,4 billion in 2026, from ***US$1,3 billion in 2025,*** buoyed by export growth & diaspora remittances.

At end of Q3 2025, Total Public Guaranteed Debt was ***US$23,4 billion (44,7% of GDP),*** compared to ***US$21,5 billion in 2024)***. Reserve money at Q3 2025, ***ZIG$26,2 billion***, with ZIG reserve money adequately covered, five times by foreign currency reserves. Foreign currency reserves cover, ***US$800 million*** (one month's import bill).

2025 year-end revenue collections projected at ***US$7,93 billion,*** against expenditure of ***US$8,1 billion***, leaving budget deficit of ***US$140 million.*** Tax revenue, accounted for bulk of collections, making up ***96%*** of the said funds, & non-tax revenue at ***4%.***

Projected annual fiscal revenue collections forecasted at ***US$8.7 billion*** in 2026, against a projected fiscal expenditure of ***US$9,4 billion,*** resulting in fiscal deficit of ***US$722 million (1,4% of GDP)***. Key tax revenue contributors are VAT, Income Tax, Excise Duty, Customs Duty, Corporate Income Tax & IMT Tax.
To year end 2025, export projections to grow to ***US$9,6 billion,*** an increase of ***23,3%*** from previous corresponding period, buoyed by record tobacco sales, historic highs, in gold prices, ferrochrome & manufactured products. In 2026, exports projected to increase by ***5,8% to US$10,2 billion.***

To year end 2025, imports anticipated to peak at ***5%*** increase at ***US$9,6 billion*** driven by fuel, food, & electricity imports. In 2026 imports are set to increase by ***4,2% to US$10 billion***, on account of imports of energy, raw materials & machinery.
Projected exports growth in 2026 anticipated at ***5,8%,*** marginally ahead of imports at ***4,7%***, sustaining a trade surplus.

Foreign Direct Investment (FDI) grew to ***US$799 million in 2025***, projected to grow to ***US847 million in 2026. By end of Q3 2025***, ZIDA issued 203 Investment Licenses worth ***US$3,3 billion***, a ***20%*** rise from 2024. ZSE turning point, as it self-listed, it's shares on ZSE, in line with international best practices, transitioning from broker-owned bourse, to publicly traded entity. VFEX, all share index recorded ***44,9%*** increase to ***150,8*** points as at end of Q3 2025, in sharp contrast to ZSE all share index, which declined by ***3,2% to 210,6 points.***

Banking, Insurance & Pensions Sectors saw marginal & steady growth. Sectors expected to remain profitable in 2026.

POLICY MEASURES

De dollarization roadmap to mono currency outlined, with undertaking to honour all prior obligations, post currency change date. Proposed policy remains precarious balancing act between, need for long term stability, fostering economic growth, making local business more competitive versus previous hyperinflationary fears, loss of market confidence & policy inconsistency, resulting in wiping out of savings on numerous occasions.

Intermediate Monetary Transfer Tax (IMTT) on ***ZIG*** denominated transfers reduced to ***1,5% from 2%***, with ***IMTT Tax*** now a tax-deductible expense in both USD & ZIG. IMTT Tax reduction is a trade off with 0,5% VAT increase to ***15,5% from 15%.***

+263 86 771 72 289 info@nembo.co.zw
37 Quorn Avenue, Mt Pleasant, Harare www.nembo.co.zw
NEMBO ATTORNEYS

Introduction of ***2-3% forex withdrawal levy*** at banks, coupled with mandatory ***ZIMRA*** registration for properties, where commercial activities carried out, with ***10%*** of rental income levied as Tax. All corporate bank accounts & merchant wallets, now required to have a ***TIN Number***, with all transactions automatically transmitted to ***ZIMRA***.

Ownership & trade of gold bars by national gold refineries, authorised dealers & pvt individuals to be legalized. Introduction of sliding scale of royalty payments, by gold producers, from ***3% to 10%***, depending on quantities. Introduction of 10% export tax, on un beneficiated lithium ore & concentrate, antimony, black granite & 5% on chrome respectively, payable in forex & a ***2% CSR tax*** on coal.

Sin Tax sees increase in ***Book Makers Tax to 20% of gross revenue*** with punters set to pay tax on winnings. Introduction of withholding tax in lieu of VAT on streaming services, digital services, e-hailing, & digital content.

Gvt to avail funds to complete Harare-Beitbridge & Harare-Victoria Falls roads in 2026, coupled with erection of new tollgates & renovations of existing ones. J. M Nkomo airport & smaller airports to be refurbished & spruced up, in 2026 Abolished multiple licencing regimes, to improve ease of doing business, enhance competitiveness, relieve fiscal pressures associated with over taxation, & burdensome regulatory requirements. To date reforms in five sectors, namely tourism, transport, wholesale & retail, energy, livestock dairy & feedstock, manufacturing, with seven sectors still outstanding.

Suspension of customs duty on components used in gas manufacturing, & tax reliefs, deductions, incentives on companies, transiting to twenty-four economy operations, & those establishing businesses & knowledge outsourcing (call centres).
Customs Duty on conventional public services buses suspended to ***10%,*** whereas that on electric public services buses, suspended in full. Measure to protect local cotton industry, sees introduction of customs duty of ***40%***, plus ***US$2,50 per kg***, on select polyester and cotton products.

US$30 million set aside to compensate former white commercial farmers in 2026. Zim to host as base of Intra African Trade Fair Company, aligning it to take centre stage in African trade.

BUDGET ALLOCATIONS AT A GLANCE

Pry & Sec. Ed, collectively with Higher & Tertiary Ed. allocated ZIG ***$57,7 billion (18,5% of budget)*** broken down as ZIG ***$47,4 billion and ZIG $10,3 billion*** respectively. Allocations align with gvt's heritage-based education, & education 5.0 policies, aimed at shifting learning models, from knowledge-driven, to practical skills, innovation & industrialization driven models. 300 ICT Labs to be est, round the country in 2026, as gvt seeks to ensure every school has ICT LAB & access to internet, considering AI outlook.

Health sector distant second, allocation of ***ZIG $30,4 billion (10% of budget)***, which may be inadequate, to address challenges in sector, plagued by funding & staff shortages, coupled with withdrawal of funding partners. Allocation progressing towards international benchmarks, more so ***15%*** figure for health, designated by AU leaders, at Abuja Declaration.

Third in line is Ministry of Finance, with an allocation of ***ZIG $28,2 billion (9%)*** of total budget allocation.
Agriculture allocated ***ZIG$ 26,8 billion (8,6%)*** of total budget, below ***10%*** figure adopted in 2014, by AU leaders, at Malabo Declaration. Renewed optimism following 2025 harvest, with record wheat yields, & record tobacco sales, & anticipated successful 2025/2026 season.

Ministry of Defence, which oversees maintenance of country's security, sovereignty & supporting civil authorities in emergencies closes off top five allocations with allocation of ***ZIG $19,8 billion (6,3%)***. Collectively security cluster allocated ***ZIG $46,8 billion***, in line with mandate for peace & security.

The 2026 National Budget charts country on a strategic roadmap towards achieving an upper middle-income economy, by 2030, whose outcome requires careful harmonisation of numerous stakeholder interests.