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2025 Mid-Term Budget & Economic Review Analysis



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Introduction

- On 31 July 2025, the Minister of Finance, Economic Development and Investment Promotion presented the 2025 Mid-Term Budget and Economic Review themed "Building Resilience for Sustained Economic Transformation".
- This analytical report has been prepared solely for informational and educational purposes in relation to the 2025 Mid-Term Budget and Economic Review presentation.
- While every effort has been made to ensure accuracy of the information and interpretations provided, no representation or warranty, express or implied, is made, as to the completeness, reliability or accuracy of the contents. Any errors or omissions are unintended and the authors/ analysts accept no responsibility for any loss or damage arising from reliance on this analysis.

Scope and Limitations

- The analysis presented in this report is based on the information available up to the date of publication. Any subsequent developments or modifications to the policy may not be reflected in this document.
- The findings and recommendations are contingent upon the accuracy and completeness of the data and information used in the analysis. Any changes or inaccuracies in the underlying data may affect the validity of the conclusions drawn.

Assumptions

- The analysis involves certain assumptions about the interpretation and implementation of the policy. Any deviation from these assumptions may alter the outcomes outlined in this report. The report assumes that the proposals will be implemented as stated and any amendments or revisions may impact the accuracy of the analysis.

External factors

- External factors including, but not limited to economic conditions, geopolitical events, and unforeseen circumstances, may influence the outcomes presented in this report. The report does not account for events beyond the control of the organisation ("FBCH"), which may impact the overall success or effectiveness of the policy.

Future Changes

- The policy landscape is dynamic and changes may occur in response to feedback, public opinion, or evolving circumstances. Future modifications to the policy may necessitate a re-evaluation of the conclusions presented in this report.

Expertise and Consultation

- The insights and commentary provided in this analysis are based on the professional expertise of the authors and their interpretation of the 2025 Mid-Term Budget and Economic Review and related official documents.
- While the analysis draws on recognised economic and financial principles, it is offered strictly for informational and consultative purposes. The authors and affiliated entities do not assume responsibility for the outcomes of any decisions made, solely on the basis of this analysis.

- Readers, policymakers, investors and other stakeholders are strongly encouraged to seek independent professional advice tailored to their specific circumstances, before acting on any of the observations, projections, or recommendations contained herein.
- By engaging with this analysis, the reader acknowledges that any reliance on the information provided is at their own risk and the authors and contributors shall not be held liable for any losses or consequences arising therefrom.

Global Economic Overview

Global GDP & Inflation

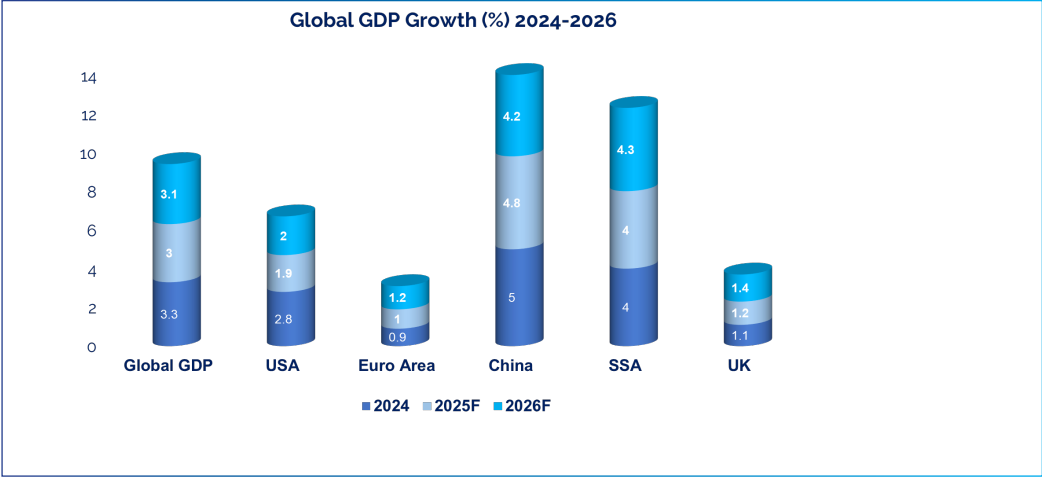
- Global GDP growth is projected to decelerate slightly from 3.3% in 2024 to 3.1% in 2025 and 3.0% in 2026, as tight global financial conditions and geopolitical risks continue to weigh on economic activity.
- Sub-Saharan Africa is expected to outperform other regions, with growth increasing from 4.0% in 2024 to 4.3% in 2025, before easing slightly to 4.2% in 2026, supported by strong commodity exports.
- China remains the global growth leader among major economies, with output expected to moderate from 5.0% in 2024 to 4.8% in 2025 and 4.2% in 2026, amid a gradual transition toward domestic consumption and slower external demand.
- Global headline inflation is projected to ease to 4.2% in 2025 and 3.6% in 2026, with core inflation in China revised up to 0.5% in 2025 and 0.8% in 2026, while US inflation is expected to stay above 2% due to tariff pass-through effects in H2 2025.

Commodities Highlights

- In the commodities market, precious metals have delivered strong year-to-date gains, with silver up 31.6%, platinum 53.4% and gold 26.5%, reflecting increased safe-haven demand amid global economic uncertainty.
- Industrial metals have shown modest recovery, rising 3.55% year-to-date, as emerging market demand and infrastructure activity partially offset slower industrial output in advanced economies.
- Agricultural commodities have been under pressure, with corn and soybeans recording year-to-date changes of -8.36% and +0.25% respectively, due to improved global supply conditions and easing input costs.

Outlook

- Forward risks include global geopolitical volatility, uncertainties from oil-driven import costs and the lagged impact of U.S. tariff policy shifts.
- Market analysts point out that structural constraints, such as energy supply, public sector wages and currency confidence, remain key watch points for maintaining macroeconomic stability in the second half of 2025.



Name	5 Days	1 Month	YTD	1 Year	3 Years
Agricultural Commodities	-0.73%	-1.22%	-2.18%	10.07%	28.83%
Corn	-2.11%	-2.93%	-8.36%	-4.81%	-31.20%
Gold	-1.30%	1.67%	26.48%	39.00%	86.62%
Industrial Metals	-1.21%	0.57%	3.55%	5.74%	-0.76%
Natural Gas	0.36%	-15.90%	-17.25%	2.35%	-87.85%
Oil	4.56%	9.55%	1.05%	-3.41%	-19.17%
Platinum	-0.69%	4.42%	53.40%	45.94%	53.46%
Silver	-2.34%	6.25%	31.64%	36.24%	85.35%
Soybeans	-1.45%	-0.91%	0.25%	-4.51%	-21.36%

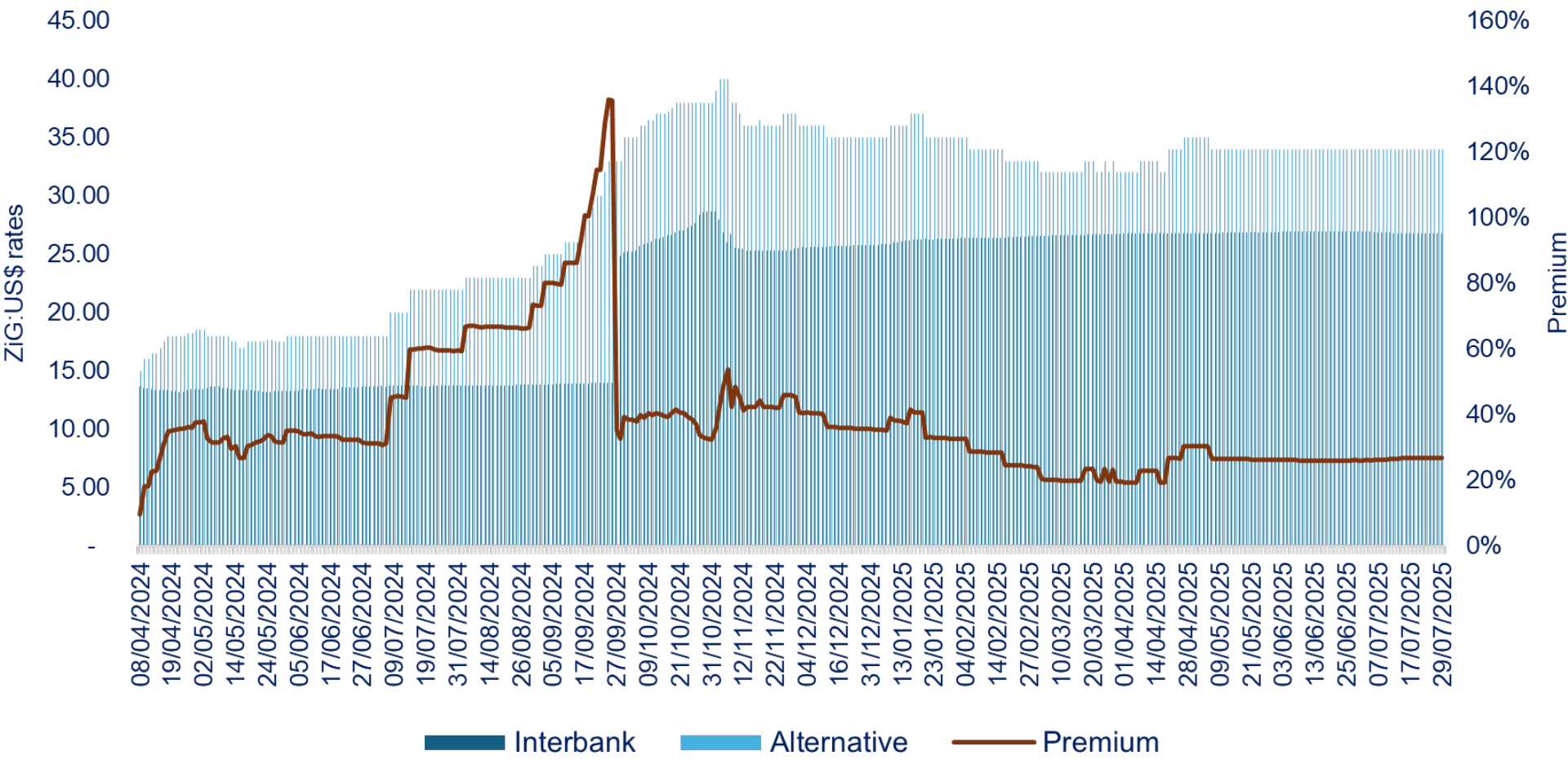
IMF WEO (July 2025), Seeking Alpha (U.S. Key Stock Market Data | Seeking Alpha



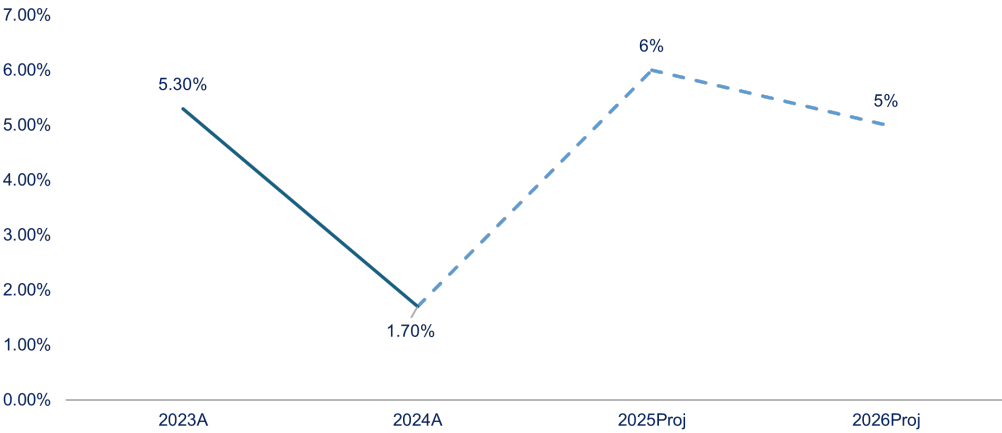
Domestic Economic Overview

- Zimbabwe's economy grew by 1.7% in 2024, slightly below the 2% estimate.
- Despite the prevailing challenging global economy, domestic economic developments in the first half of 2025 reinforce the projected 6% economic growth outlined in the 2025 National Budget.
- This positive outlook is primarily anchored by a remarkable expansion in the agriculture sector, anticipated to grow by at least 21% in 2025. Growth is also expected to emanate from other sectors such as information and communication (7.9%); and wholesale and retail trade (5.5%).
- Inflation trends showed structural improvement, with month-on-month inflation averaging just 0.5% between February and June, following the ZiG currency rollout. Year-on-year inflation however, remained elevated due to base effects.
- Exchange rate dynamics improved, with the official rate depreciating modestly by 4.15% and the parallel market premium narrowing to 20% by mid-2025, down from 136% in 2024, signaling growing confidence in monetary reforms.

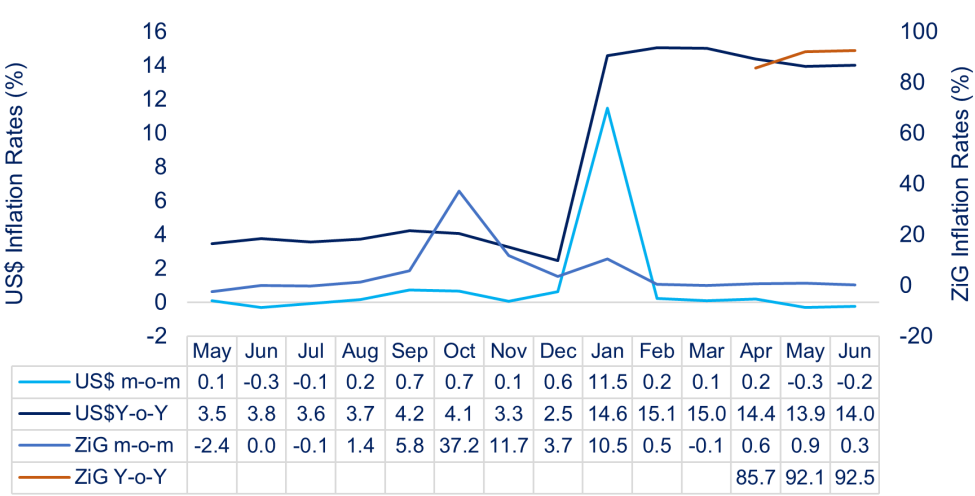
Interbank Rate & Alternative Rates Relationships April 2024-July 2025



Zimbabwe GDP Estimates & Projections



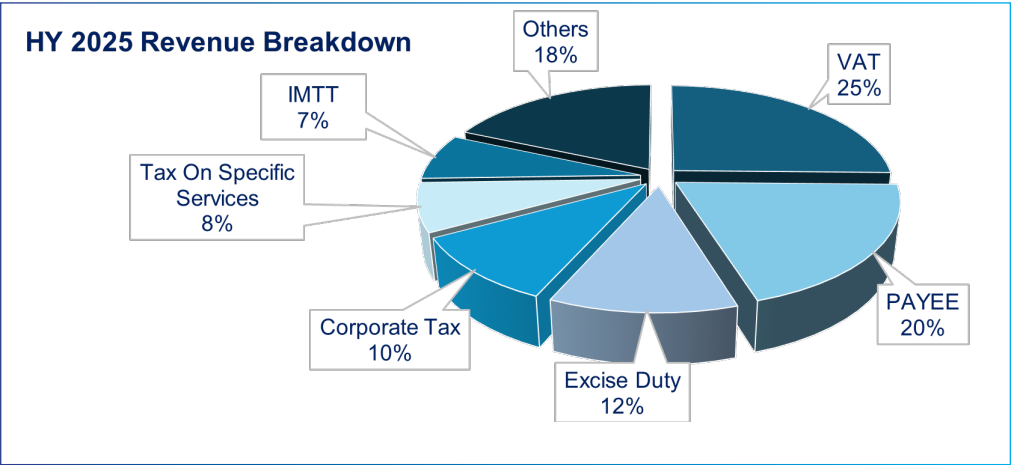
Inflation Statistics May 2024-June 2025



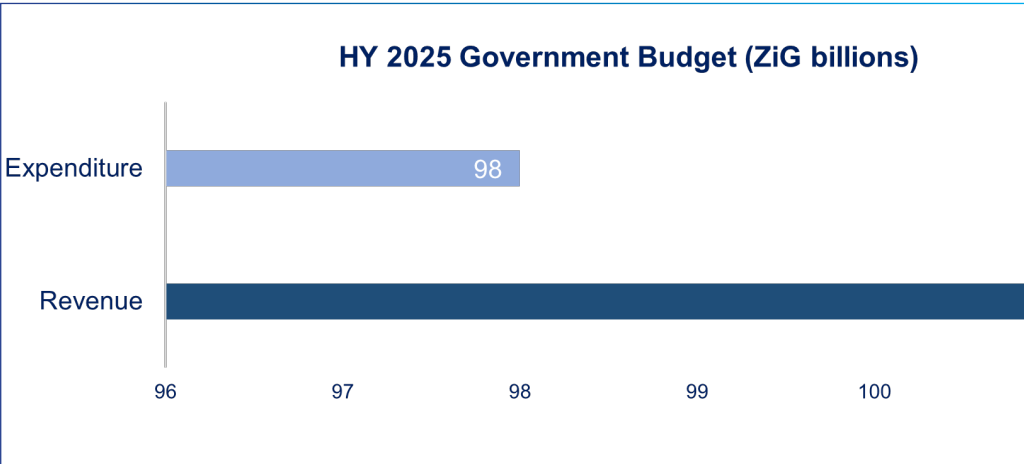


Public Finance Developments

- Zimbabwe's public finances in the first half of 2025, reflect a disciplined and stabilising fiscal environment, with strong revenue performance, contained expenditure and an improving debt profile. A budget surplus of ZiG3.3 billion was recorded. Total revenues reached ZiG101.2 billion in HY1 2025, driven by improved collections.



- Government spending remained within the approved budget, at ZiG98 billion, with compensation of employees absorbing 49.1% of total expenditure and 6.8% of GDP – highlighting a structurally high wage bill.
- Infrastructure spending (ZiG15.7 billion) focused on transport (51%), water & sanitation (25%) and agriculture (11%), together accounting for 87% of infrastructure spending.

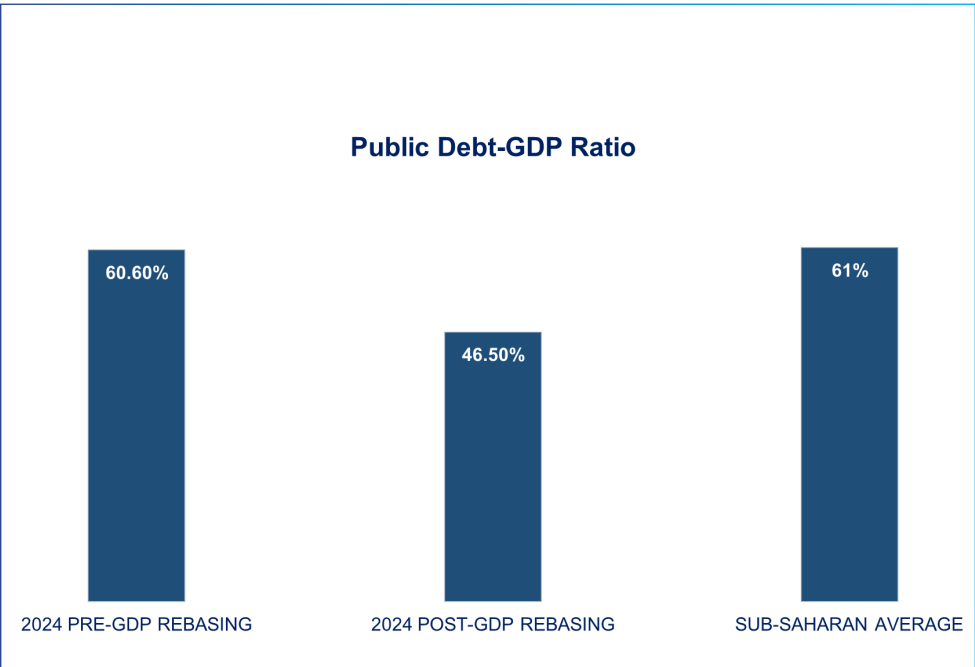


Public Debt Management

- Zimbabwe's public debt, following rebasing of nominal GDP to US\$45.7 billion (2024), now stands at 46.5% of GDP, down from over 60% previously.
- Debt sustainability however, remains constrained by external arrears, which continue to block access to concessional financing.

Debt Service Commitments:

- In the first half of 2025, government debt service totaled US\$176.28m for external obligations comprising US\$93.72m of the active portfolio, US\$79.75m for legacy debts and US\$2.81m in token payments to International Financial Institutions and the Paris Club.
- Additionally, the government honoured its commitments on Treasury Bills and bonds, with domestic debt service amounting to ZiG1.64b in local currency and US\$286.60m in foreign currency.



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Notable New Developments & Budget Outlook

The Structure of The Economy & The Rebasing of Nominal GDP

- Between 2024 and Q1 2025, ZIMSTAT conducted an Economic Census, which assessed economic activity and provided vital insights into the structure and scale of the economy.
- The census revealed 204,798 active establishments, with 76.1% operating informally of which 98.4% were small and micro enterprises, highlighting the dominant role of Zimbabwe's cash-driven informal economy.
- Based on the census, ZIMSTAT revised the 2023 GDP upwards from ZWL133.7 trillion (US\$35.2 billion) to ZWL168.8 trillion (US\$44.5 billion), reflecting a broader and more inclusive estimate of national economic activity.
- Nominal GDP for 2024 was subsequently revised to ZiG822.9 billion (US\$45.7 billion), while GDP for 2025 is projected at ZiG1.5 trillion (US\$48.5 billion), aligning with the re-based structure of the economy.

Economic Informalization

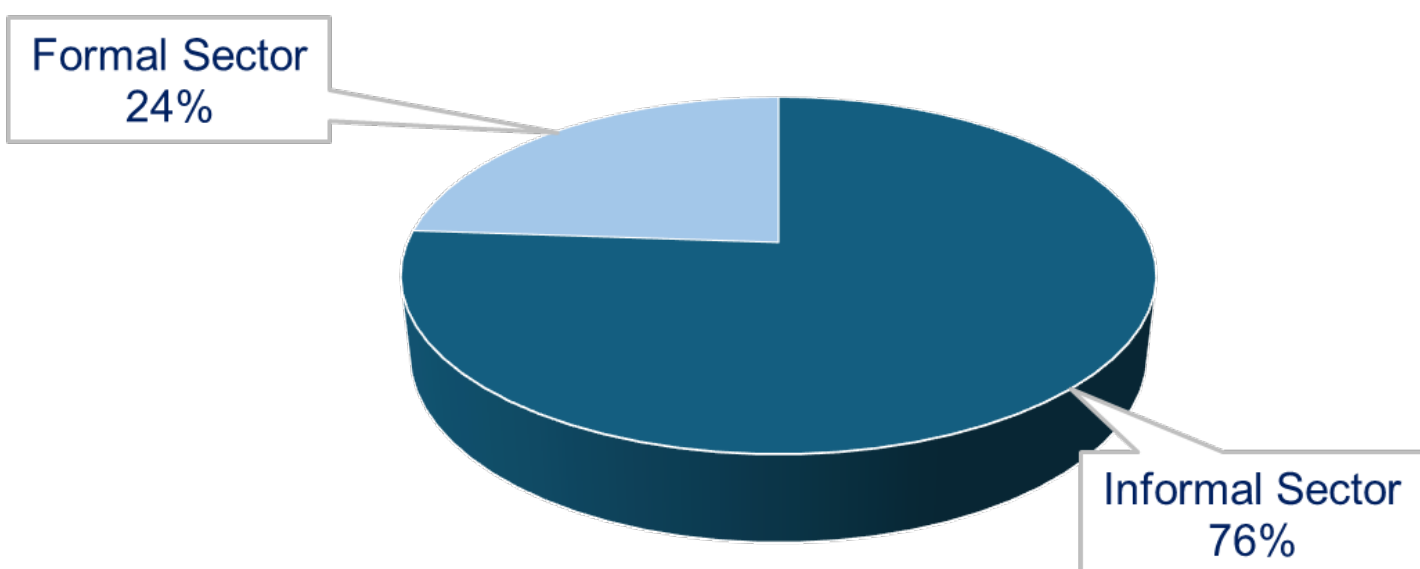
- Based on the 2025 Mid-Year Budget and Economic Review, the informal sector is playing a significant role in the economy, acting as both a cushion against formal sector weaknesses and a challenge to effective economic management.
- The informal economy absorbs a large portion of the labor force displaced by limited formal employment opportunities, particularly in the wake of tight liquidity conditions and contractionary policies that constrain business expansion.

- This sector is contributing indirectly to GDP through informal trading, artisanal mining, small-scale manufacturing, and transport services, which have been key in sustaining household incomes and urban survivalist activities.
- Developmentally, the informal sector is providing employment and income generation opportunities, supporting domestic demand and reducing poverty vulnerability in a constrained formal economy.
- The largely informal sector results in most activities being unrecorded.. This limits the government's tax base and fiscal capacity, thus undermining accurate economic planning.
- Additionally, its low productivity and lack of regulation contribute to market distortions, foreign currency leakages and reduced long-term investment, as informal businesses often lack access to formal credit and infrastructure.
- Overall, while the informal sector is a vital shock absorber in the current environment of tight liquidity and contractionary policies, it poses structural challenges to sustainable economic growth, formalisation of revenue and long-term industrialisation.

2026 Budget Outlook

- Government's 2026 revenue outlook targets enhanced domestic mobilisation through tax base expansion, SME formalization and digital tax reforms.
- Key focus areas include reducing compliance costs, tightening revenue loopholes and responding to business concerns on the cost of doing business.

Structure of the Economy



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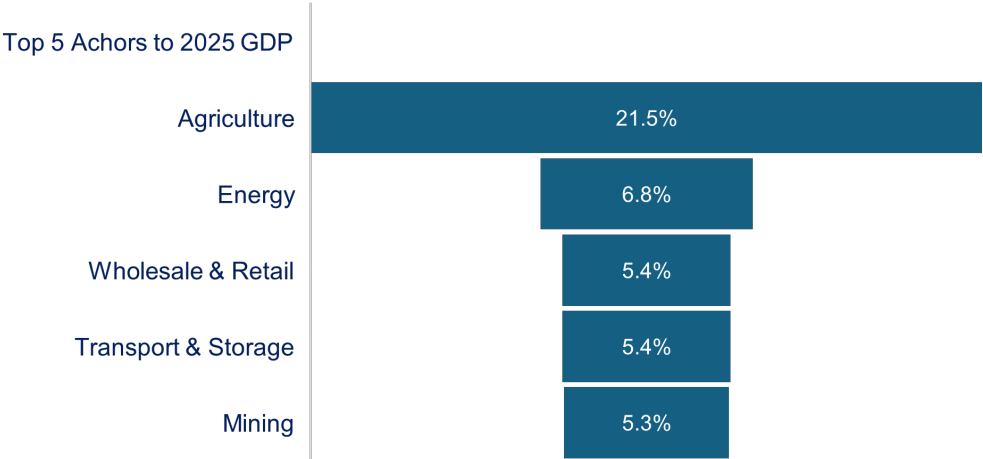
FBC Zimbabwe



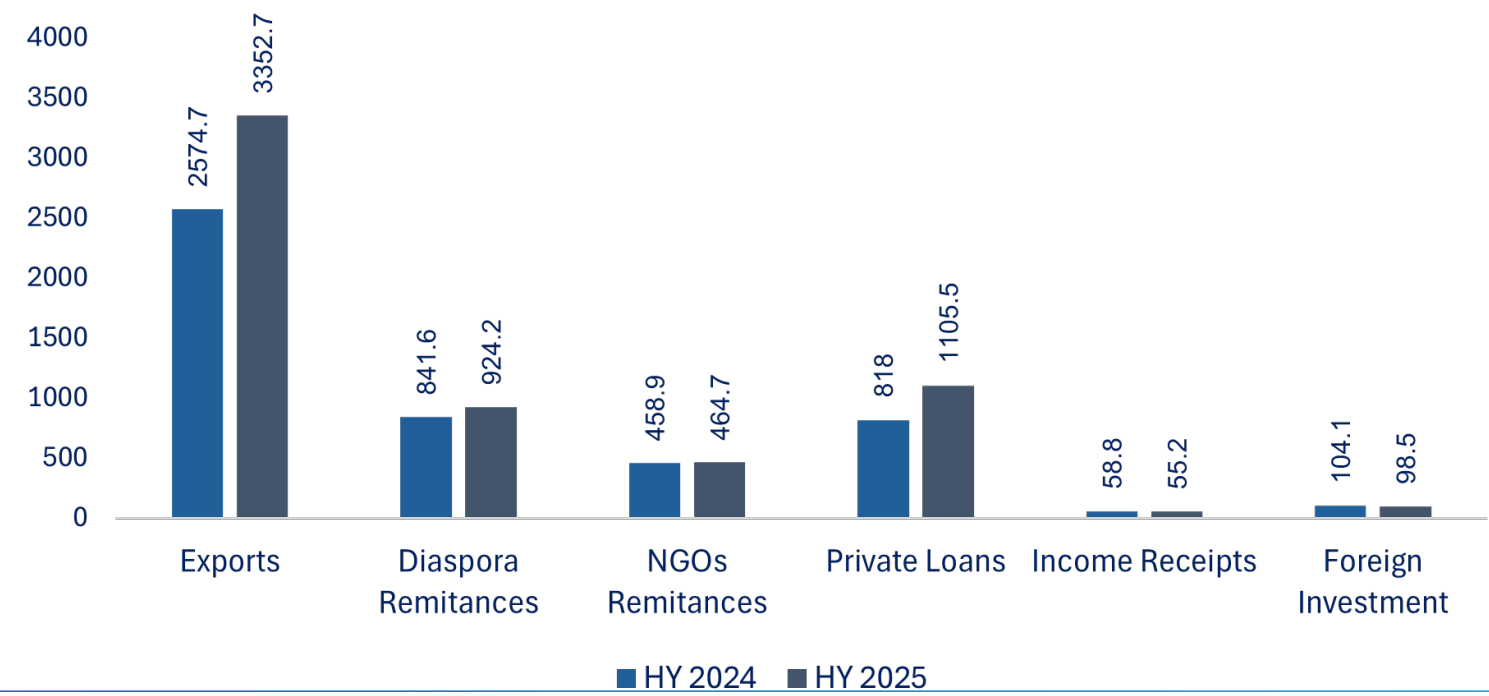
Economic Outlook

- Based on the 2025 Mid-Year Budget and Economic Review, Zimbabwe's economic outlook reflects a cautiously optimistic recovery trajectory, albeit under tight fiscal and monetary conditions.
- The government projects real GDP growth of 6.0% in 2025, largely driven by a strong rebound in agriculture (+21.5%), continued expansion in mining (+5.3%) and a modest growth in manufacturing and services.
- The implementation of contractionary fiscal and monetary measures, aimed at curbing inflation and stabilising the local currency, has however created tight liquidity conditions in both the banking and real sectors. These liquidity challenges may constrain private sector activity, particularly in trade, construction and small enterprises, slowing down the pace of domestic demand recovery.
- Despite this, the external sector provides some resilience, with foreign currency receipts up 24% in early 2025, supported by higher export earnings and private loan inflows, while diaspora remittances remain steady.
- The fiscal position shows signs of prudence, recording a mid-year surplus of ZiG 3.3 billion, but high public debt (US\$21.5B) and limited fiscal space continue to pose medium-term risks.
- Overall, the economy is expected to grow on the back of export-led recovery, agriculture rebound and infrastructure spending, though growth momentum will remain vulnerable to liquidity constraints, external shocks and slow domestic demand.
- With tight liquidity limiting speculative demand for foreign currency and dampening excess money supply growth, monthly inflation is expected to remain subdued in the near term, though the economy remains sensitive to agricultural output, fuel prices and administered costs.
- The exchange rate is likely to remain relatively stable but illiquid, as limited domestic liquidity reduces pressure on the parallel market, while foreign currency receipts driven by exports, diaspora remittances and private loan inflows provide support to the official market.
- The outlook however, is not without risks. Persistent supply constraints, high import dependency and any fiscal slippage could trigger renewed currency pressures and pass-through inflation.
- Overall, if the current contractionary stance is maintained, the country could experience short-term exchange rate stability and moderated inflation, albeit at the cost of constrained domestic demand and slower private sector activity.

Top 5 Sectors Anchoring 2025 GDP Growth



Foreign Currency Receipts 2025 vs 2024 (US\$m)



USD SecureSave Account

Achieve Financial Peace of Mind with **SecureSave**.
The Safest Way to Save and Grow Your Money!

- Secure Savings
- No Monthly Charges
- Earn Interest
- USD Currency



The background is a solid blue gradient, transitioning from a darker blue on the left to a lighter blue on the right. Several thin, white, curved lines are scattered across the background, resembling arcs of circles or stylized orbits. These lines are most prominent on the left side and curve towards the right.

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