Highlights

- **Global GDP growth expectations remain static at 3.2% despite trade concerns.**
- **Tariff concerns may negatively affect Global inflation's projection of 3.5% by 2026.**
- **ZiG value remained stable throughout Q1 2025 owing to a tight monetary policy regime.**
- **The ZSE was in negative nominal returns during Q1 2025 whilst the VFEX added 5% for the quarter.**
- **Key risks to Zimbabwe's growth are a fluid policy environment, high taxes, complex regulations and growing Government debt.**

Global Economic Developments

According to the International Monetary Fund, the Global economy is expected to grow by 3.2% in 2025 (**Fig 2**) having registered a similar growth trend in 2024, this remains below the historical average of 3.7%. The United States showed strong growth, while other major economies faced downward revisions.

Global headline inflation declined to 4.2% with Advanced economies expected to reach their inflation targets sooner than emerging markets. Downside risks remain on the policy front as increased uncertainty continues to impact economic stability, key of which is the recent tariff war that has been sparked by the new political dispensation in the USA.

Regional Expectations

Annual Inflation Outlook (%)

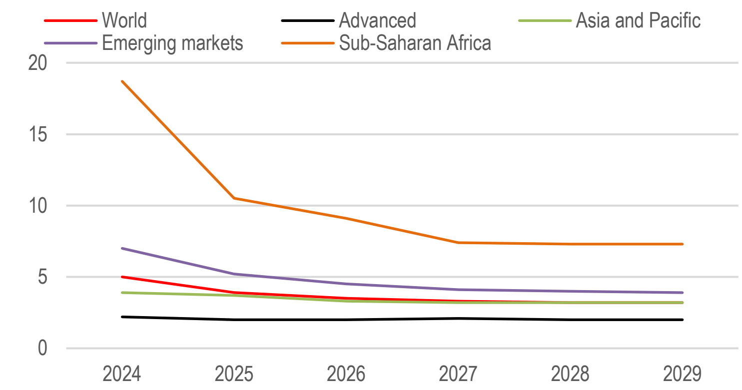


Fig 1, Source: IMF Data Mapper April 2025

We maintain that advanced economies will be threatened by restrictive monetary policies and elevated risks in geo-political circles that will likely see more restricted global trade. Tariff concerns may negatively affect Global inflation's projection of 3.5% by 2026 (**Fig 1**). The sheer size of the US economy and imposition of tariffs in the outlook is expected to dampen trade in the immediate term unless targeted trade terms are reached. Emerging and developing Africa have an opportunity to increase their share of Global Trade in the immediate term (**Fig 2**).

GDP growth rates (%)

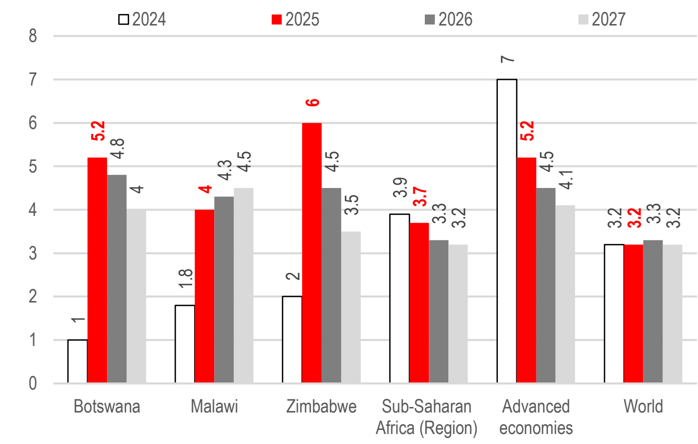


Fig 2. Source: IMF Data Mapper, January 2025

Local Economy

As we await the sector GDP analogy from the Zimbabwe statistical office, FMW believes that the Zimbabwean economy rebounded significantly in Q1 2025 owing to the recovery in agriculture and robust growth in mining. According to the World Bank, Agriculture experienced growth arising from a significant rebound in maize and tobacco production which are estimated to have increased by nearly 13%. Firmer performance in the mining sector, particularly in gold and lithium production is expected to have underpinned GDP growth in Q1 2025. The tourism industry experienced rapid growth, with higher international arrivals and increased hotel occupancy rates. Listed hotel company disclosures generally showed improved occupancy and average daily rates in tandem with the 36% growth in international tourist arrivals to 370,190 in Q1 2025 compared to Q1 2024.

On the downside however, the spike in inflation for both USD and ZWG in Q1 2025 along with exchange rate related downside shocks in the formal retail sector slowed the prospects for even more aggressive GDP growth. Threats on competitiveness for the Zimbabwean economy are likely to stem from policy uncertainty, persistent inflation and a persistent power and trade deficit. Informalisation similarly threatens Government efforts to collect and distribute resources whilst adequately catering for social goods.

Highlighted in the Budget Statement was the growing debt burden that the fiscal authorities face. In the 2025 National Budget, debt financing (USD 1.1bn) alone will consume more than the Health budget (USD0.8bn). The Government of Zimbabwe plans to "restructure" local debt in 2025 which may significantly erode the public's confidence in the country's treasury ability to honour its own local debt and constrain further debt raising initiatives both locally and abroad. Fiscal discipline and sustainable expenditure habits by the Government of Zimbabwe would go a long way in entrenching the short-lived stability so far.

Inflation Developments

Authorities have made it clear that their intension is to increase the Zimbabwean local currencies' (ZiG) use in the economy. The backing of the ZiG by gold failed to catch on particularly when the currency devalued by 43% on 27 September 2024. A tight monetary policy regime has since followed where excess liquidity is being mopped up by the Reserve Bank of Zimbabwe through Non-Negotiable Certificates of Deposits. Added to that, a high reserve ratio for banks of 35% for demand deposits and 15% for savings and time deposits for both ZiG and USD balances has limited private sector credit money creation. Maintaining a high bank policy rate of 35% has collapsed speculative borrowing as the margin for real returns on such a high cost of borrowing has all but been eliminated.

Whilst the policy actions above have significantly shifted formal financial sector intermediation activities, the Economy remains largely dollarized. This means that these policy actions have largely impacted formal sector activities with the informal sector being left largely untouched. The Reserve Bank of Zimbabwe through efforts with the Ministry of Finance continues to find policy actions that can crowd in informal sector activity into the formal economy so that policy effectiveness increases and so that the Government can collect taxes more effectively. One of these initiatives was the empowering of ZIMRA officials on the levying of excise and customs duties on imported goods. Significant policy compliance initiatives taken on in January 2025 resulted in a surge in prices as excise and customs duties that were previously being evaded were now being levied on goods. This resulted in ZiG and USD month on month inflation spiking to 10.5% and 11.5% respectively for January 2025 alone. Monthly inflation subsided afterwards in February and March but left Q1 2025 inflation at 10.9% (**Fig 3**).

Zimbabwe ZiG (ZWG) Inflation Trend

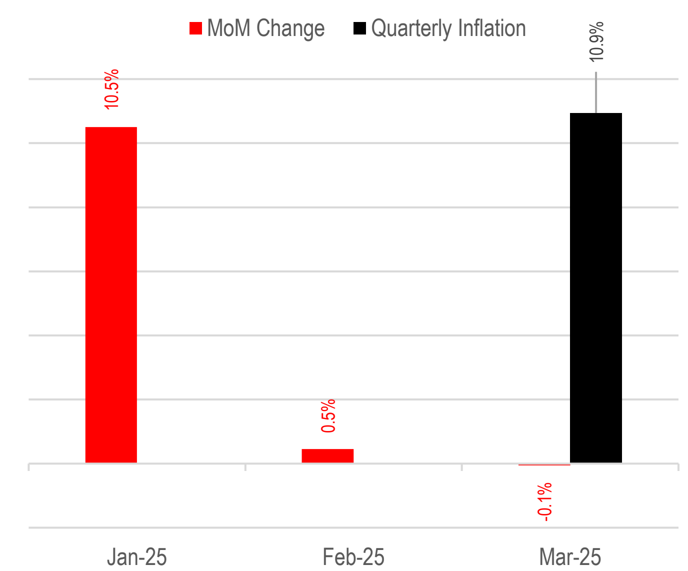


Fig 3: Source: Zim-Stat April 2025

Zimbabwe USD Inflation Trend

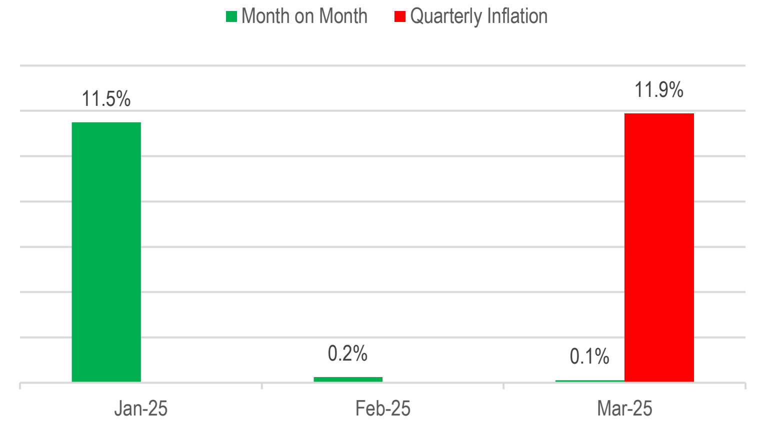


Fig 4. Source: Zim- Stat April 2025

The stability of the ZWG allowed it to almost mirror the USD inflation developments (**Fig 3**) as the same inflationary impacts that affected the ZWG were mirrored in the USD inflation trend as highlighted in **Fig 4** above.

According to the Reserve Bank of Zimbabwe, local broad money supply for the ZWG shrunk by 5.4% in January 2025, but is up 16.2% since its devaluation in September 2024 and up 124.7% since its introduction back in April 2024. Within the formal banking sector, USD deposits on average accounted for 81.9% of deposits in the last 12 months signifying the USD's dominance as a trading currency.

Macro Developments

Zimbabwe's GDP growth expectations for 2025 is a growth rate of 6% underpinned by a resurgent agricultural sector, steady growth in the tourism sector and output and commodity price gains within the mining sector. Power output is expected to grow by 10.6% with Kariba Hydro-power station expected to increase its output given improved inflows from the Kariba Dam and increased generation at Hwange Thermal Power Station. Concerns remain within the formal manufacturing and retail sectors as regulatory red tape, excessive taxes and resultantly compromised competitiveness will make it hard for these sectors to perform.

Regionally Zimbabwe's wide usage of the USD makes it uncompetitive from a currency base perspective. The USD has generally firmed against most SADC countries with the ZAR (South Africa) weakening by 50% in the last 10 years against the UD and 20% in the last 4 years. This makes Zimbabwe's cost base uncompetitive as a dollarized country.

Outlook

Informalisation, policy uncertainty and exchange rate volatility remain key risk areas that can threaten the country's growth prospects in the outlook. However, this can be more than countered for by growth in the Mining, Tourism and Agricultural sectors if factors that improve business competitiveness are achieved consistently at a macro wide level.

Investment Markets

Listed Equity Markets

The Zimbabwe Stock Exchange's (ZSE) performance in the first quarter of 2025 was negative as the ZSE All Share Index lost 6%. The weakening of the market was most pronounced in the month of January (10.1.%) followed by recoveries in the months of February and March 2025 as the market clawed back 4.3% and 0.6% respectively. We maintain that we are more likely to see new products listing on the VFEX rather than the traditional ZSE to VFEX migrations which have given the VFEX some market breadth. Tight liquidity conditions in January dampened the market's price discovery mechanism but improving liquidity in February (ZWG506m) and March (ZWG245m) compared to January (ZWG200m) improved the ZSE's performance. The table below summarises the performance of the market during the last two quarters (**Table 1.**) as well as the sector market capitalisation weightings of the ZSE **(Fig 5.)**.

Index	Index Value 31 Dec 2024	Q4 2024	Q1 2025	QTD Return	YTD Return
ZSE All Share	218	218	205	-6%	-6%
ZSE Top 10	215	215	200	-7%	-7%
Medium Cap	228	228	251	+10%	+10%
Small Cap	100	100	100	+0%	+0%
ZSE Top 15	213	213	205	-4%	-4%
Value Traded (ZWG bn)	1.02	1.02	0.95	-7%	

**New Base Given the Introduction of the ZiG.*
Table 1. Source: FMW (First Mutual Wealth) Research Database

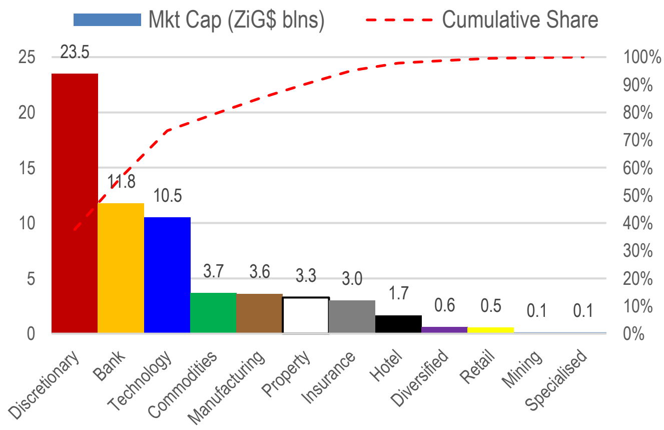


Fig 5. FMW Research Database

On a return attribution basis, the ZSE Top 10 Index contributed the most towards the ZSE All Share indices' negative return as it lost 7% during Q1 2025. It was followed by the ZSE Top 15 Index with a negative return of -4%. The Medium Cap index was the only index to register a positive return as it was up 10% whilst the Small Cap Index was unchanged. Resultantly, the ZSE All Share Index closed 6% down for the quarter. Currency stability has improved the business environment from an inflation and price stability point of view, however the business environment continued to prove tough for several firms as sales volume growth slowed whilst margins thinned according to the FY 2024 December published results released so far. The quality of earnings has similarly declined as exchange rate gains and losses; property investment revaluation gains and or losses as well as inflation adjusted local currency accounts have made reading into actual performance ambiguous. This has negative downside impacts on price discovery and allows for more accounting shenanigans to happen unnoticed. **Table 2.** below highlights the top and bottom five ZSE listed companies and their respective Value traded, Market Capitalisation Weight and Price changes during Q1 2025.

ZSE Top 5 and Bottom 5 Performers

Share	Q1 2025 Value Traded (ZWG)	Share Price (ZWG)	Market Weight Change	Market Cap (ZWGbn)	QTD	YTD
Top Five Performers						
ZIMPAPERS	13,636	0.20 ▲	+0.10%	0.1 ▲	+100.00% ▲	+100.00%
ZIMRE	14,944,980	0.27 ▲	+0.41%	0.5 ▲	+99.24% ▲	+99.24%
STARAFRICA	3,121,682	0.04 ▲	+0.12%	0.2 ▲	+75.00% ▲	+75.00%
CFI	139,787	5.52 ▲	+0.27%	0.6 ▲	+32.13% ▲	+32.13%
MASIMBA	1,275,688	3.70 ▲	+0.33%	0.9 ▲	+23.33% ▲	+23.33%
Bottom Five Performers						
WILLDALE	29,934	0.0380 ▼	-2.04%	0.1 ▼	-45.32% ▼	-45.32%
ECOCASH	1,482,026	0.17 ▼	-0.93%	0.7 ▼	-42.92% ▼	-42.92%
FBCH	10,379,152	7.51 ▼	-6.79%	5.0 ▼	-30.78% ▼	-30.78%
PROPLASTICS	6,343,016	1.10 ▼	-0.55%	0.3 ▼	-25.75% ▼	-25.75%
UNIFREIGHT	487,370	1.8525 ▼	-1.47%	0.1972 ▼	-25.38% ▼	-25.38%

Table 2. Source: ZSE, FMW Research Data Base April 2025.

Victoria Falls Stock Exchange All Share Index (USD Exchange)

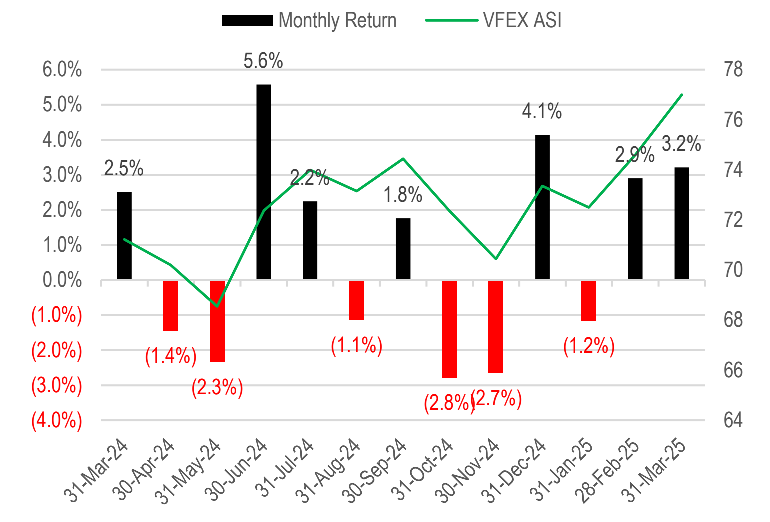


Fig 6 Source: VFEX April 2025

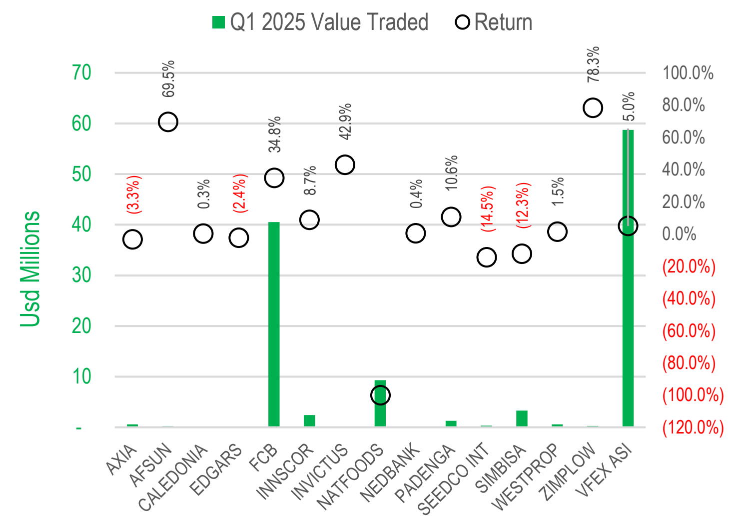


Fig 7 Source: VFEX April 2025

The Victoria Falls Stock Exchange (VFEX) closed the quarter with 13 listed equity securities as NATFOODS delisted during the quarter with the USD 3-year KARO Fixed Income Bond being the only fixed income security listed on the VFEX to date. The VFEX All Share index returned 5% during Q1 2025 in USD terms after recording a loss in January (1.2%). This loss was cumulatively erased as the market returned 2.9% and 3.2% in February and March correspondingly. (**Fig. 6**). The value of trades for the VFEX grew significantly in Q1 2025 due to significant trades on 26 February 2025 where USD40.2m worth of FCB shares were traded buoying the quarter value of trades to USD58.5m from USD27.8m in Q4 2024. This represented a growth of 117% for the quarter. We anticipate a sustained recovery of VFEX share prices and the value of trades in the outlook underpinned by improving liquidity from new listings and the relatively strong USD dividend yields (average 3.7%) being offered by the bourse. The VFEX ASI returned 5% in real terms during the quarter.

Property Market

In Q1 2025, Zimbabwe's property sector showed notable activity, particularly in the new developments segment. According to property book, which lists 7,800 properties with a value of USD2.2bn, Harare continues to account for the bulk of new property projects, accounting for 60% of new property projects.

Key trends included a high demand for three to four bedroomed homes and a growing interest in gated communities and secure developments. In the outlook, the sector is expected to continue growing, with a focus on sustainable building practices and smaller, efficient living spaces. The residential real estate market is projected to grow at an annual rate of 3.98% annually for the next five years.

Whilst this market shows commendable growth, the downside of this sector has been the resultant tying up of capital in brick and mortar which limits liquidity. One solution for investors has been to invest in Real Estate Investment Trusts and Real Estate Investment Companies which offer a liquidity solution for their investments in property as these release valuation gains to investors whilst reducing the administrative burden of managing properties and collecting rental income.

Money Market

The latest Monetary Policy Committee Statement of 28 March 2025 did not alter the prior Monetary Policy Committee statement of 06 February 2025 as the bank policy rate of 35% and Reserve Ratio requirement for ZWG and USD balances was maintained at 30% for demand deposits and 15% for savings and time deposits. This is in line with the Reserve Bank of Zimbabwe's tight monetary policy stance as the RBZ seeks to stabilise the value of the ZWG, keep inflation low and maintain macro-economic stability. Efforts by the Liquidity Management Committee have similarly contributed to a tight liquidity environment for the local currency as contractor payments and other Government related liquidity injections have been severely contained with resultant exchange rate stability and a marked slow-down in inflation and exchange rate volatility during the quarter. The Money market interest rates in Q1 2025 have thus followed a flat response given the above measures with limited interest rate movements seen during the quarter for both the ZiG and USD. The interest rate quotes for Q1 2025 are summarised in **Table 3** below.

Maximum Money Market Quotes

ZWL/ZWG Interest rates: -	Q1 2024 (ZWL)	Q2 2024 (ZWG)	Q3 2024 (ZWG)	Q4 2024 (ZWG)	Q1 2025 (ZWG)
Tier 1 Banks (90 days)	50%	3.5% - 6%	5%	5%	5%
Tier 2 Banks (90 days)	80%	5% - 9%	5% - 13%	5% - 20%	5% - 20%
Treasury Bills (1 Year)	82%	9% - 10%	20% - 30%	20% - 30%	20% - 30%
USD Interest Rates	**Q1 2024**	**Q2 2024**	**Q3 2024**	**Q4 2024**	**Q1 2025**
Tier 1 (90 Days)	3.0%	3.5% - 6%	3% - 5.2%	2.5% - 3.5%	2.5% - 5.2%
Tier 2 (90 Days)	10.0%	4% - 10%	5.5% - 11%	3.5% - 12%	5% - 12.5%
USD Treasury Notes	3%	6% – 7%	10% -14%	10% - 14%	11% - 14%

Table 3. Source: FMW Research Database.
**Tiers for banks based on credit worthiness rankings where Tier 1 banks are the most credit worthy*

FMW maintains that anchoring inflation expectations through inflation linked debt instruments from the Treasury would go a long way in signalling strong low inflation management intent on the part of the Government. The continued discounting of Government of Zimbabwe Treasury instruments in the secondary market is a proxy that shows the lack of confidence in the Government of Zimbabwe's ability to settle such instruments in the future. The issuance and consistent settlement of inflation linked debt instruments by the Government of Zimbabwe would eliminate the rent seeking behaviour from economic agents whilst removing the ability of the Government of Zimbabwe to continue monetising its debt. The result would be more prudent lending which could benefit not only money market participants but the wider economy through a more vibrant debt market with more liquid capital for productive sector lending.

Commodities

Commodity price movements were largely in the green during Q1 2025 for both hard and soft commodities. Coffee exhibited the most aggressive gain during the quarter as political instability and uncertainty in the Global supply chain underpinned price growth. Cotton prices traded weaker owing to advances in synthetic fibres substituting demand for the crop. For hard commodities, Gold continued to firm as geopolitical tensions triggered by tariff threats and new trade pacts increased uncertainty and the need for various currency hedges. Coal was down 14.8% as oversupply arising from China and India depressed prices. Additionally, the transition to cleaner energy has weakened demand for coal. **Table 4.** below summarises the movement of both hard and soft commodities in Q1 2025.

Agricultural Commodities	31-Dec-24	31-Mar-25	Q1 2025 Change	YTD Change
Maize (t)	166.63	178.34	7.0%	7.0%
Wheat (t)	221.61	236.36	6.7%	6.7%
Sugar (lb)	0.20	0.19	(6.3)%	(6.3)%
Coffee (lb)	3.20	3.80	18.8%	18.8%
Cotton (lb)	0.68	0.67	(2.3)%	(2.3)%

Mining Commodities	31-Dec-24	31-Mar-25	Q1 2025 Change	YTD Change
Gold (ounce)	2,641.00	3,150.30	19.3%	19.3%
Nickel (t)	16,996.00	16,150.00	(5.0)%	(5.0)%
Copper (t)	8,867.00	9,794.00	10.5%	10.5%
Silver (ounce)	29.24	34.61	18.4%	18.4%
Platinum (ounce)	972	1,027.50	5.7%	5.7%
Crude (drum)	68.18	69.36	1.7%	1.7%
Coal (t)	114.60	97.60	(14.8)%	(14.8)%

Table 4. Source: Bloomberg & LME (London Metal Exchange) April 2025

Investment Market Outlook

Equities: **Medium to Long Term Strong Buy**

- Exchange rate uncertainty, increased dollarisation, a regulatory environment skewed in favour of the informal sector and an uncompetitive tax regime will place formal business at a disadvantage. Thus, we expect margins to thin and corporate strategy to be more focused towards informal sector market share growth in the outlook.
- Increased domestic debt and sustained Government expenditure commitments will strain expectations on the stability of the local environment, however we expect a recovery of the market in 2025 given its value loss in Q4 2024. Triggers on recovery can arise from local currency liquidity improvement and USD dividend payments. Corporate disclosures in the local currency will make comparatives difficult and may increase price volatility.
- New primary listings on the VFEX are expected.
- Increased dollarisation of the economy is expected to result in an increase in USD investment funds looking for USD investment vehicles like the VFEX.

Alternative Investments: **Long Term Buy**

- This is a hedge against volatile policy shocks in the short term. However, the asset remains illiquid and long term in nature. Caution therefore is necessary when investing in this asset class as illiquid conditions in the long term make it unsuitable for risk averse and short-term investors.
- We expect the depth of assets in the alternative investment asset class to continue to grow which should attract long term capital and improve the liquidity and benefits of this asset class in the outlook.

Money Market: **ZWG S/T Sell USD S/T Buy**

- In the immediate term, the risk of exchange rate losses has decreased but has not dissipated. The high impact of exchange rate losses on money market investments makes this asset risky until inflation and exchange rate volatility concerns are cleared in the medium to long term. Additionally, abrupt policy rate adjustments increase the risk of NPLs.
- In the absence of more pro-ZWG demand policies, we suspect that demand for ZWG borrowing for working capital commitments will continue to decline in the outlook and demand for USD loans to remain high.
- The balance between austerity to achieve stability versus the Government's expansionary expenditure drive is yet to be established and maintains the risk of this asset class in local currency as high.

Property: **Buy**

- We expect an increased prominence of hard currency rentals.
- Property developments are likely to be skewed in favour of storage, warehouse, retail, port or transport hubs, Tourism and Residential developments.
- REIT and REIC type investments expected to increase.

Regional Market Brief

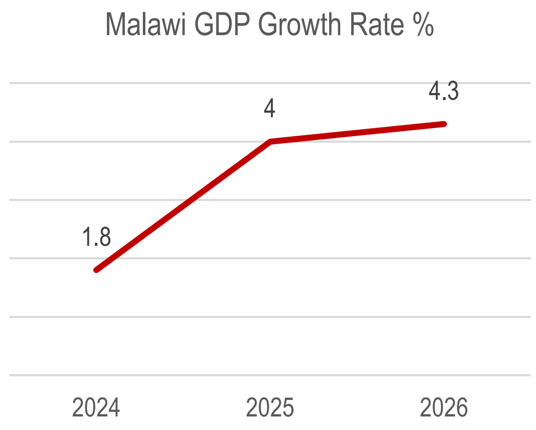


Fig 8. Source: IMF Data Mapper April 2025

Malawi Highlights

- The GDP growth outturn for Malawi in 2024 was 1.8%. The impact of a drought, high inflation and exchange rate instability, foreign currency shortages and high debt had a dampening impact on economic performance.
- Growth in the outlook is premised on certain economic reforms being implemented. These include fiscal consolidation measures to narrow the fiscal deficit to 7.6% in 2025.
- Uncertainty may be heightened and significantly change these forecasts post the election cycle in 2025.
- Growth nodes expected to emanate from the Mining, Tourism and retail sectors.

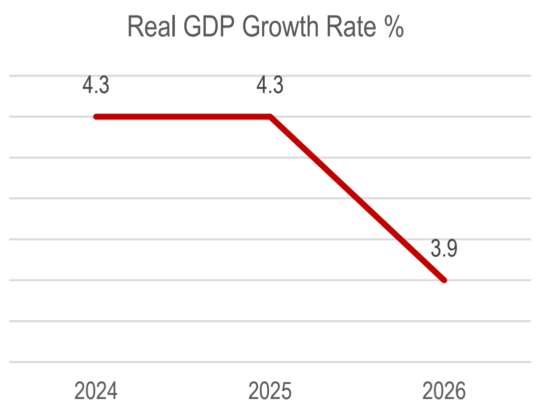


Fig 9. Source: IMF Data Mapper April 2025

Mozambique Highlights

- Despite political uncertainty in the latter half of 2024, 2025 is expected to register growth supported by extractive sectors in the liquified natural gas sector.
- Downside risks can arise from adverse climate events and the fragile security situation.
- In the medium-term growth nodes are expected to arise from a growth in private consumption and foreign direct investment

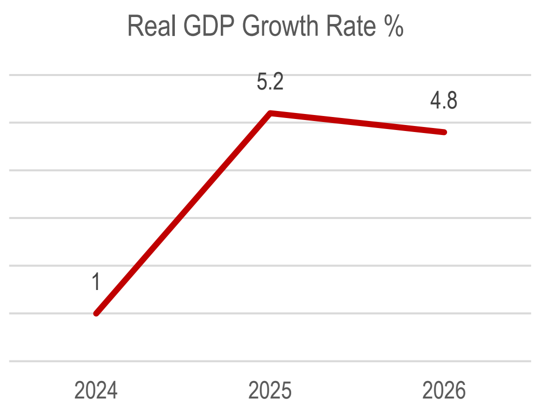
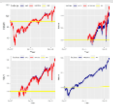


Fig 10. Source: IMF Data Mapper April 2025

Botswana Highlights

- Growth in 2025 is expected to arise from a recovery in the Diamond market as well as expansion in the agriculture, tourism and the manufacturing sectors.
- Continued diversification efforts in the economy are expected to underpin growth in the out-look.
- A narrowed fiscal deficit of 1.8% of GDP in 2025 will be supported by improved public finance management, business environment reforms and successful implementation of the two-year Transitional National Development Plan.



Regional Stock Market Performance Summary

	31-Dec-24	31-Mar-25	Q1 2025 Change	YTD Change
Botswana (DCI)	10,049	10,079	0.3%	0.3%
South Africa (JSE ALL Share)	84,095	88,637	5.4%	5.4%
Malawi (MASI)	172,040	291,645	69.5%	69.5%
Mauritius (SEM ASI)	2,149	2,194.09	2.1%	2.1%

Table5. Source: Botswana. Malawi, Mauritius & Johannesburg Stock Exchange Websites, April 2025

Improved investor confidence, a stable exchange rate and better liquidity in Q1 2025 saw the Malawi stock exchange return 69.5% and top all the regional bourses in the first three months of the year. The JSE (South Africa) followed with a return of 5.4% despite geopolitical concerns between South Africa and China. Botswana traded flat at 0.3% whilst Mauritius (SEM ASI) gained 2.1%. Better growth prospects for Emerging markets are expected to underpin positive returns for regional bourses with downside risks likely to emanate from policy fluidity, excessive debt and currency volatility across the board.

Outlook

The economy is expected to remain largely dollarized with significant cost pressures from an overregulated business environment, high taxes and poor cost competitiveness expected to work against local manufacturing industries. Businesses that can penetrate the informal sector and businesses operating in external sectors such as mining, tourism, construction and other commodity export sectors are likely to perform admirably. FMW believes that the major risks to growth in 2025 is a fluid policy environment, exchange rate shocks and over-expenditure by the Government which can lead to unsustainable debt, limited fiscal space and subsequent crowding out of private sector investment.

We strongly advocate for policies that increase domestic demand and make exports more competitive. This can be achieved through lower income taxes to boost domestic demand, less punitive taxes on industry to increase employment and underpin domestic demand further as well as making industry competitive again.

In light of the above it would be in the best interest of investors to maintain most of their asset portfolios in real assets; diversify offshore were possible so as to reduce in-country risk and avoid concentration risk in a single asset class as liquidity demands can result in the selling of long term assets to meet short term needs.

Speculative opportunities can arise from adverse policy shocks however this is an undesirable strategy for long term funds as the risk of loss increases exponentially.

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