

SMARTVEST FEBRUARY Newsletter

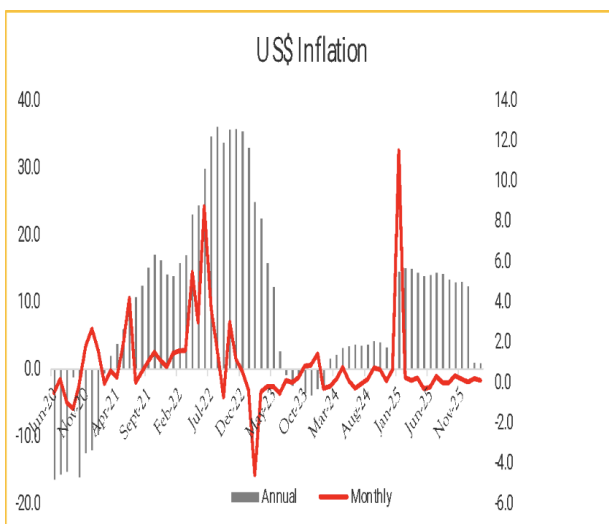
A review of the Monetary Policy Statement

The recently presented Monetary Policy Statement highlighted that authorities maintained a tight monetary framework and this helped achieve the stability observed over the past year. However, the use of ZWG has remained limited with most payments being settled in USD. According to the RBZ, ZWG transactions account for roughly 30 to 40% of the national payment system usage whilst the currency in circulation stands at about 3% of the total deposits.

Key Developments

Inflation

Consistent application of monetary imperatives since April 2024 has resulted in a slowdown in inflation. In January 2026, the country managed to achieve a single digit annual inflation of 4.1%. The decline in inflation is a welcome one, however, concerns continue to linger on whether this decline is real and sustainable going forward. It is too early to applaud the achievement as such doesn't guarantee sustainability. The decline has been mainly hinged on the exchange rate stability which we opine it has mainly been stable due to the fact the economy is still largely dollarized coupled with the fact ZWG is scarce. The real test is when government settles its obligations in time and allows for market forces to determine the fair exchange rate.



ZSE Performance

Name	30-Jan-26	27-Feb-26	Change
All Share	356.04	359.11	0.86%
ZSE Top 10	366.68	367.23	0.15%
ZSE Top 15	379.65	381.71	0.54%
Mid Cap	325.78	350.51	7.59%
Small Cap	100.11	100.11	0.00%

Source: ZSE

Top Movers

Name	30-Jan-26	27-Feb-26	Change
Art	8.80	25.00	184.09%
Unifreight	174.95	314.00	79.48%
ZSEH	80.00	126.15	57.69%
BAT	14587.66	21999.00	50.81%
DZLH	186.00	271.99	46.23%

Source: ZSE

Top Shakers

Name	30-Jan-26	27-Feb-26	Change
ZHL	112.06	50.45	-54.98%
RTG	140.00	115.61	-17.42%
TNCI	12.50	10.40	-16.82%
Star Africa	3.60	3.21	-10.83%
ZBFH	455.00	420.00	-7.69%

Source: ZSE

VFEX Performance

Name	30-Jan-26	27-Feb-26	Change
African Sun	488.85	388.55	-20.52%
Axia	13.50	13.98	3.56%
Bindura	1.25	1.25	0.00%
Caledonia	5030	5300	5.37%
Edgars	2.51	3.05	21.51%
FCB	9.44	9.18	-2.75%
Innscor	124.51	127.44	2.35%
Invictus Energy			
ZDRs	14.50	14.15	-2.41%
Kavango Resources	1.75	4.90	180.00%
Nedbank ZDRs	1260	1300	3.17%
Padenga	72.87	78.13	7.22%
SeedCo Intl	29.99	30.02	0.10%
Simbisa	58.80	77.08	31.09%
WestProp	1000	1000	0.00%
Zimplot	4.08	4.57	12.01%

Source: VFEX

Exchange rate stability

The exchange rate has been stable over the past year. If anything, it appreciated in 2025. Nonetheless has been a function of tight monetary policy implemented by the government. We have witnessed the delay in payments by the government over the past year with authorities highlighting that government will pay its creditors over five years. We applaud the idea of the central bank not financing budget deficits as this has managed to limit growth in money supply. However, with shrinking aid from our global partners, it is probable that the government will need to tap into resources to address the funding gap which may lead to printing to meet urgent needs especially in times of crisis.

Strong external position

The MPS highlighted that the country's foreign currency reserves have increased to about \$1.2 billion as of December 2025, representing an import cover of 1.5x. Foreign currency receipts surged by 21.6% to US\$16.2 billion in 2025, driven mainly by export earnings, which constituted about 60% of the forex receipts, with key contributions from gold, tobacco, and PGM exports. Diaspora remittances increased by 14% to US\$2.5 billion while NGO remittances declined by 8.4% from US\$1.18 billion in 2024 to US\$1.08 billion in 2025 mainly due to the cuts in foreign aid mainly by the United States. The country's exports are mainly dependent on commodities which leaves the country exposed to commodity risks. Prices of precious minerals are expected to remain firm due to heightened geopolitical risks. The decline in foreign aid may result in funding gaps in key ministries such as health and welfare which may require government to increase funding, which in the worst-case scenario may be funded through increased money supply.

Financial sector stability

The banking sector has remained sound characterised by strong capital positions, satisfactory asset quality, liquidity and profitability. As of 31 December 2025, the NPL ratio for the banking sector stood at 3.47% compared to its benchmark of 5%.

Key Policy Measures

- Maintained the bank policy rate at 35%

The central has maintained the bank policy rate at 35% as it has continued to maintain a tight monetary policy stance. The high interest rate has resulted in the high cost of capital crowding out small players that may not afford such rates which is detrimental to the growth of the economy.

- Maintained statutory reserve ratios at 15% for savings and fixed deposits and 30% for demand deposits for both local and foreign currency.
- Introduction of a remunerated ZiG denominated term deposit facility in line with the NDS 2. This is a measure aimed at mopping excess liquidity.
- Retention threshold to exporters is maintained at 70% across all sectors of the economy with the exception of small-scale gold producers, whose retention shall be 90% with immediate effect.
- Review of Mobile Money and ZIPIT transactional limits. Transactions were limited to ZWG 13,000 on a daily basis and ZWG 50,000 on a monthly basis.
- Reduction of bank charges. Cash withdrawals were limited to 2% of the withdrawn amounts for both currencies and a maximum of 1.5% POS charges. Balance inquiry charges and fees on cash deposits were also removed.

Our Thoughts

The central bank has also highlighted that they are transitioning to an inflation targeting regime. However, there are conditions that need to be met for the transition to be complete. There is a need for a public measurable and often time bound inflation target. Additionally, the central bank needs to be independent in setting interest rates as well as not be forced to finance government debt. The history of this economy highlights central bank printing to fund budget deficits. The decline in foreign aid poses huge risks to key sectors of the economy like healthcare. The exchange rate should be allowed to be flexible. Currently, the exchange on the interbank market is seemingly controlled with the rate being range bound between 25 and 26.

Maintaining a tight monetary and fiscal policy remains key in maintaining the stability we have witnessed over the past year. Whilst we applaud the macroeconomic stability that we achieved in the past year, we remain sceptical over its sustainability. Conditions have been set for the transition to mono-currency and we are witnessing efforts towards the achievement of these. However, the confidence in the local unit remains low given that the US\$ transactions continue to remain dominant in the economy and all prices being pegged as such. Increasing transactional limits and reduction in bank charges are welcome measures aimed at increasing the use of ZWG as well as increasing disposable incomes.

Key developments in the Agriculture Sector

- The tobacco marketing season is set to commence in March. The country anticipates that the crop production in the 2025/26 season will surpass the previous harvest of 353 million kilogrammes.
- The first round of Crops Livestock and Fisheries Assessment highlighted that maize and traditional grains expanded from the targeted 2,427,000 hectares to 2,488,449 hectares during the 2025/2026 agricultural season.
- The national beef cattle herd grew marginally by 0.3%, from 5,741,397 in 2024 to 5,760,678 in 2025, while the dairy herd increased by 7.5%, from 65,659 in 2024 to 70,584 in 2025.
- The growth contributed to a 6.2% rise in commercial raw milk production, from 114,699,440 litres in 2024 to 121,846,916 litres in 2025.
- The household milk production from dairy cattle was estimated at 33,100,927 litres, resulting in total milk production of approximately 154,947,843 litres.

Financial Markets Review

Equities managed to extend gains during the month as investors focused on Econet's EGM. Prices for blue chips remained high as the demand for scrip in short supply has remained strong. Econet is set to delist in the current quarter, a move that is going to reduce the market capitalisation by over US\$ 1 billion. With the delisting of the telecommunications giant, investment opportunities continue to shrink and investors remain on the edge as to which counter may delist next. Already First Mutual Properties has hinted that it might take the same route. Over the past few years, the ZSE has witnessed increased number of delisting's with some counters going to list on the VFEX with some leaving the markets totally.

Over the past month, the All-Share Index gained 0.86% and the Top 10 Index added 0.15%. the Medium Cap Index surged 7.59% and the Small Cap Index remained unchanged. A turnover of 185 million shares worth ZWG1.9 billion were traded during the month. Offshore investors closed the month with a net buyers' position as they bought shares worth ZWG 866.61 million and sold shares worth ZWG 233.58 billion. Market capitalisation stood at US\$3.5 billion when assessed using a rate of 32.

Medium Cap stocks dominated the movers of the month. Art surged 184% to ZWG 0.25 regardless of the company reporting in a quarterly update to 31 December 2025 that turnover declined by 4% to US\$7 million as focus remained on margin improvement and cash generation following the value protection decision to scale down the paper business. BAT added 50.81% to ZWG 219.99 and DZLH gained 46.23% to end the month at ZWG 2.7199. ZHL lost 55% to ZWG 0.5045. TN continued on a bearish trend losing 17% to close at ZWG 0.104. ZBFH backtracked 8% to settle at ZWG4.20.

On the VFEX, the All-share Index gained 6% as demand on the bourse remained firm. The demand was spurred by limited invested opportunities as well as the need to preserve hard currency as authorities highlighted that the bourse will remain US\$ denominated when the country transitions to monocurrency. Mining company Kavango surged 180% to \$0.04 as the miner reported that Diamond drilling at the Karakubis prospect has already intersected copper mineralisation in all seven initial drill holes, supported by spot pxf readings in excess of 1% copper and evidence of significant hydrothermal alteration. Simbisa rose 31% closing at \$0.7708 as the fast-food company reported an increase of 16.1% in its interim revenues to US\$182.8 million. African Sun lost 20.52% closing the month at \$0.3855 as the hotelier is set to delist from the VFEX.

Outlook

The economy is expected to achieve its set growth projection of 5% on the back of macroeconomic stability and performance of key sectors. Annual inflation reached a single digit in January and remains low according to the inflation numbers published by Zimstats. In February, USD inflation stood at 0.90% on a year-on-year basis whilst the ZWG inflation stood at 3.8%. However, the escalating geopolitical tensions in the Middle East are threatening to increase cost pressures through higher energy cost. Since the being of the conflict, oil prices have increased sharply, increasing concerns of energy driven inflation which could see inflation in the economy rising sharply.

The ZWG has been stable since last year giving the authorities confidence that its stability will be sustained and the country can smoothly transition to monocurrency. Other conditions set for the return to mono currency include having sufficient import cover for 6 months. Presently, this cover stands at 1.5x. This figure again could have improved owing to the firm trend on the price of gold.

On the stock market, the delisting of Econet will significantly affect market liquidity. It will also increase buying pressures for blue chip stocks as investable options decline. Going forward, liquidity constraints will keep playing a role in determining demand on the stock market. Financial results published by companies will remain mixed with those dominant in their respective sectors reporting growing volumes whilst those in sectors with low barriers to enter will continue to record declining revenues and margins.

On the VFEX, demand has remained firm owing to limited availability of liquid investment opportunities as well as the need to preserve value for USD assets as the country is set to transition to monocurrency.

Real estate remains an effective portfolio diversifier. We anticipate new products to list on the exchanges presenting investors with more options. Recently, Pfuma REIT listed on the VFEX and we anticipate a gold ETF to come on board in the second quarter.

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