Zimbabwe Retail Sector Report

5 May 2025

EXECUTIVE SUMMARY

Global Retail and Consumer Outlook for 2025

Global retail sales are projected to recover modestly in 2025, growing by 2.2% in real terms—the fastest pace since 2021—driven by slowing inflation and modest gains in disposable income. Inflation is expected to ease to 4.2%, while nominal disposable income is set to rise by 4.7%, offering partial relief to consumers still burdened by high living costs and weak savings.

Despite the improved outlook, regulatory hurdles, economic uncertainty, and low consumer confidence will continue to constrain spending. Real consumer spending is expected to grow by just 2.4%.

Sub-Saharan Africa Overview

Sub-Saharan Africa is set for a moderate growth rebound, with regional GDP projected at 4.1% in 2025 and 4.3% in 2026, supported by easing inflation, falling interest rates, and recovering household consumption. Excluding the region's two largest underperforming economies, growth could surge to 5.3%, presenting strong opportunities in markets like Côte d'Ivoire, Kenya, and Rwanda. Lower inflation and interest rates will support consumer spending, especially in commodity-exporting nations. Smaller, dynamic economies will outperform larger peers, making targeted investment critical.

Commodity exporters' fiscal surpluses may support infrastructure and retail logistics, while non-resource-rich countries face spending constraints. Low per capita income growth (1.7% annually) and fiscal pressure will limit non-essential spending. Climate shocks, inflation persistence, and geopolitical disruptions could further strain demand and supply chains.

Zimbabwe's Consumer Spending and Retail Outlook:

Zimbabwe's consumer spending outlook for 2025 remains depressed due to limited growth in disposable incomes. Essential categories dominate, with food, housing, and transport taking precedence over discretionary spending, reflecting strained household finances. The high informal labor market and depressed wages (34% earning below US$90/month) continue to constrain overall consumer spending.

The retail sector is expected to grow at a steady pace (5.10% in 2025), but its success will depend on navigating economic constraints and adapting to the increasing dominance of the informal economy. Policymakers and businesses will need to adapt to these challenges to stimulate growth and improve living standards. Despite challenges, the retail and wholesale trade sector has emerged as a key economic driver, contributing about 18.8% to GDP, although informal trade is growing rapidly and affecting formal sector performance.

A Synopsis of Listed Retailers in Zimbabwe:

Zimbabwe's formal retail sector has been grappling with significant challenges, exacerbated by the challenging macroeconomic environment, currency volatility, and rising operational costs. Retailers like Axia, Edgars, and OK Zimbabwe have been severely impacted by September's currency devaluation. Suppliers have been migrating to informal channels due to limited foreign currency access, worsening stock shortages in the formal sector. Rising utility, wages, and finance charges have also been burdening retailers.

In addition to these costs, the introduction of taxes such as the 2% Intermediated Money Transfer (IMT) Tax has added financial strain. The informal sector has been siphoning demand from formal retailers, especially with consumers shifting to more affordable options. The repeal of Statutory Instrument (SI) 81A of 2024 is a positive development. However, the success of this policy hinges on policy consistency throughout the year.

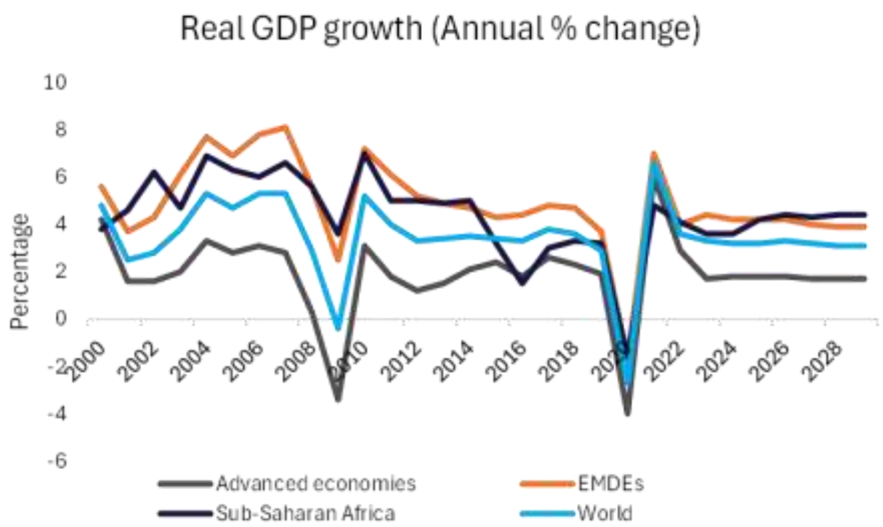
Global Macro-Economic Overview

Global growth to remain stable but sluggish with multiple downside risks

In 2025, geopolitics, potential policy changes from the US and demographic shifts will be the three key drivers shaping the global economic and consumer landscape. Economies, businesses and consumers will face both challenges and opportunities arising from sluggish economic and income growth, increasing trade protectionism and tariff risks, regulatory pressure and consumer cautiousness.

The global economy is projected to grow steadily by 3.2% in 2025 (Figure 1), supported by easing inflation and lower interest rates. Falling costs and improving financing conditions are expected to provide some relief, boosting investment and consumer spending. However, growth will likely remain sluggish, falling short of the pre-pandemic 10-year average of 3.7%. Rising geopolitical risks and economic fragmentation, and lingering uncertainties continue to weigh on business and consumer sentiment. Moderating inflation and monetary easing, alongside stabilized supply chains, create a foundation for cautious optimism. In 2025, businesses must adapt to a slower growth environment and address heightened risks by building operational resilience, focusing on cost efficiency, leveraging innovative solutions to enhance productivity and exploring untapped markets.

Figure 1: Global growth is expected to remain stable yet underwhelming. At 3.2 percent in 2024 and 2025.



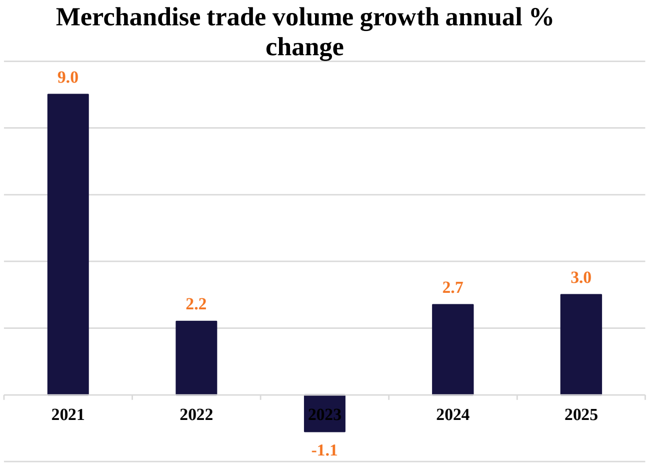
Source: IMF World Economic Outlook (October 2024)

Trade Resilience: Services Surge Offsets Goods Slowdown

Global trade is poised to hit a historic $33 trillion in 2024 (+3.3% YoY), per UNCTAD, defying geopolitical fractures and supply chain rewiring. The rebound is uneven: services trade (+7% YoY) now accounts for half of global trade growth, driven by digital platforms and cross-border tourism. Meanwhile, goods trade (+2% YoY) languishes below 2022 peaks, constrained by inventory gluts and shifting consumption patterns.

The World Trade Organization (WTO) forecasts a lukewarm recovery for merchandise trade, revising 2024 growth to 2.7% (up from 2.6%) and 2025 to 3.0% (down from 3.3%) (Figure 2). Retailers reliant on imported goods face margin pressures from elevated logistics costs, while omnichannel players stand to gain from the services boom.

Figure 2: The WTO revised its forecast for world merchandise trade growth in 2024 to 2.7% – up slightly from the previous estimate of 2.6% – and to 3.0% in 2025 from 3.3% previously



Source: WTO, Global Trade Outlook and Statistics (October 2024)

Inflation Cooling, But Not Uniformly

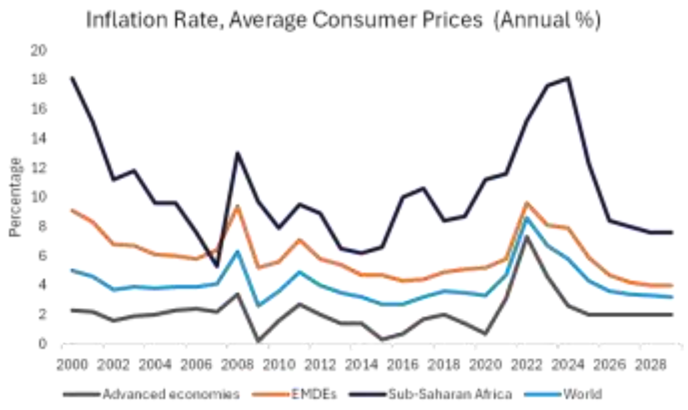
Inflation has been front and center of the global economic news cycle over the past four years, with global headline inflation peaking in the third quarter of 2022 at 9.4%. Unwinding from the position has been no easy feat due to dynamic demand and supply-side shocks further stoking price pressures. However, Inflation eased significantly across major economies in 2024, driven by lower prices for durable goods and a deceleration in inflation for nondurable goods.

Despite lingering risks from tariffs, which could keep goods prices elevated, moderating wage growth is expected to bring relief in select service industries. This trend reflects a global shift toward more stable inflationary pressures, though regional disparities persist.

Global inflation is projected to continue its decline, slowing from 6.7% in 2023 to 5.9% in 2024 and further to 4.3% in 2025.

Energy and food price inflation has tapered down into the pre-pandemic range for most countries, but services inflation remains elevated, partly reflected by wages still catching up. Notably, developing countries are still more vulnerable to persistent inflation than their developed peers, sub-Saharan Africa is expected to see a slight increase in inflation, rising from 17.6% in 2023 to 18.1% in 2024. Contributing factors include ongoing currency depreciations, administrative price hikes, and persistent challenges in agricultural production.

Figure 3: Global inflation is projected to continue its decline, slowing from 6.7% in 2023 to 5.9% in 2024 and further to 4.3% in 2025



Source: IMF World Economic Outlook (October 2024)

Monetary Policy: The Great Pivot Begins

Central banks have shifted from “how high?” to “how low?” in 2024, with J.P. Morgan anticipating a prolonged easing cycle. The Fed and ECB cut rates in late 2023, but recent pauses signal caution. Markets now price a terminal U.S. policy rate of ~3.5% by early 2026, while European rates could dip below 2% by end-2025.

For retailers, lower borrowing costs could spur capital expenditure and consumer credit demand. However, Fed Chair Powell’s hawkish tilt—signalling only two 2025 cuts versus prior expectations of four—hints at lingering inflation risks, particularly if Trump-era tariffs reignite goods-price spirals.

Global Consumer goods and retail Overview

Retail sales will pick up in 2025, but regulatory roadblocks and low consumer confidence will weigh on markets.

Retail sales are expected to recover in 2025, driven by slowing inflation, which is projected to reach its lowest level since 2020. According to The Economist, global retail sales will expand by 2.2% in real terms, the fastest pace since 2021. However, regulatory challenges and weak consumer confidence will continue to weigh on markets, as household savings in most countries remain below pre-pandemic levels.

Similarly, Euromonitor International forecasts global consumer price growth to slow to 4.2% in 2025, while disposable income is expected to rise slightly faster at 4.7% in nominal terms, providing some relief from rising living costs. Despite this, economic uncertainty, income inequality, and high prices will keep consumer spending growth modest at 4.3% in nominal terms (2.4% in real terms).

Figure 4: In 2025, global consumer price growth is forecast to slow to 4.2%

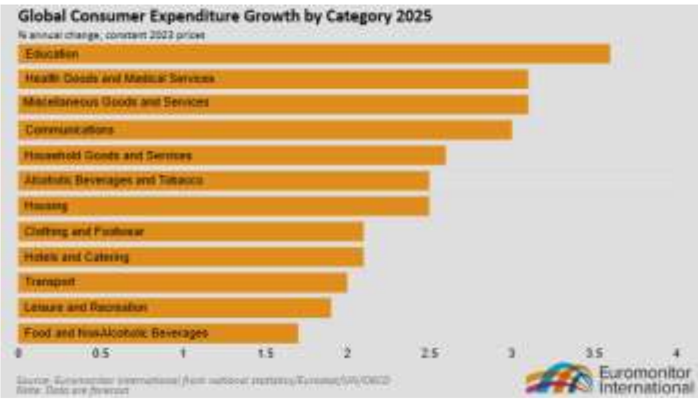
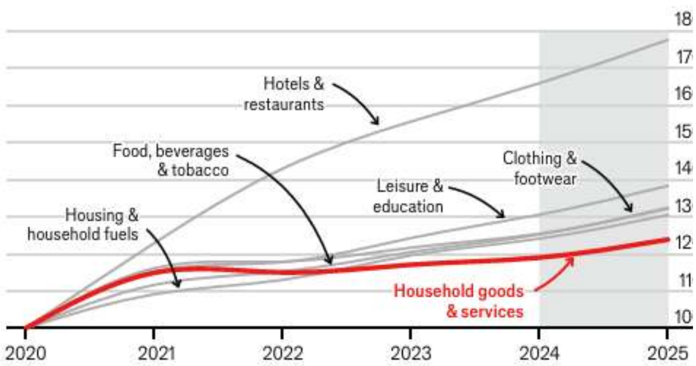


Figure 5: Consumer spending on household goods & furniture will be sluggish

Global consumer spending in US$, 2020=100



Source: EIU

Figure 6: Positive real global wage growth

Source: Statista.com

To succeed in this evolving landscape, consumer goods companies must refine their strategies through sharper consumer segmentation, deeper behavioral insights, and precise product positioning. A 3As approach—agility to respond to shifting behavior, adaptation to align with diverse consumer values, and alignment to ensure business goals resonate with market priorities—will be crucial in unlocking value beyond price competition.

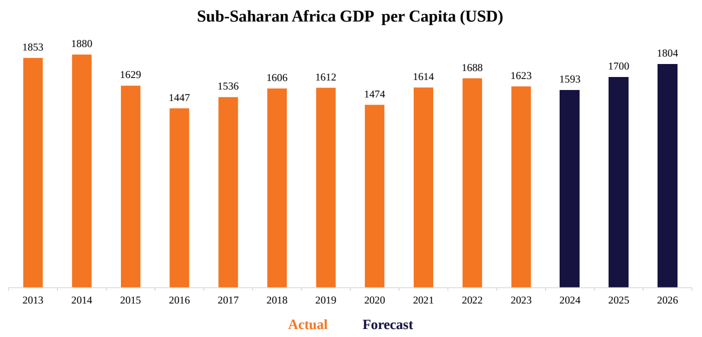
Sub-Saharan Africa Overview

Sub-Saharan Africa (SSA) is poised for a moderate growth acceleration, with regional GDP projected to rise to 4.1% in 2025 and 4.3% in 2026, driven by easing inflation, lower interest rates, and a gradual recovery in household consumption. However, growth will remain uneven, with the region's two largest economies underperforming relative to smaller peers. Excluding these economies, growth is forecast to surge to 5.3% in 2025–26, highlighting opportunities in faster-growing markets such as Côte d'Ivoire, Kenya, and Rwanda.

Key Drivers for Consumer & Retail Demand

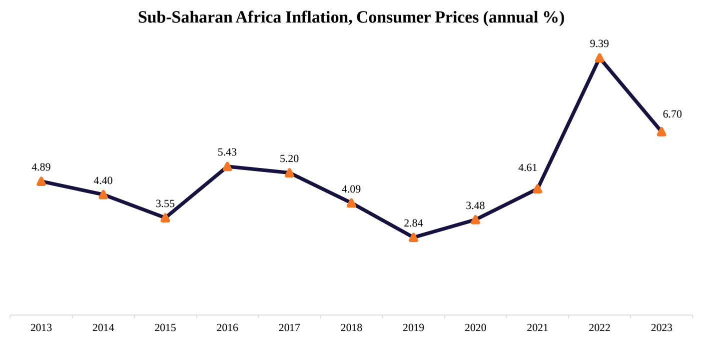
- **Household Consumption Recovery:** Declining inflation and anticipated interest rate cuts across SSA are expected to bolster disposable incomes, particularly in industrial-commodity-exporting economies (ex-Sudan). Improved consumer sentiment should drive demand for both essentials and discretionary goods, with the services sector acting as a key employment and income catalyst.
- **Regional Divergence:** Markets outside the largest economies will outperform, supported by stronger private-sector activity. Retailers and consumer goods firms should prioritize markets with rising per capita incomes, while exercising caution in Angola, CAR, Equatorial Guinea, and Sudan, where per capita incomes are projected to contract.
- **Commodity-Driven Fiscal Trends:** Commodity exporters are expected to post fiscal surpluses, potentially stabilizing public spending and infrastructure investment—critical enablers for retail logistics and market expansion. Non-resource-rich countries, while reducing fiscal deficits, may face tighter public spending, limiting state-driven economic catalysts.

Figure 7: GDP rebound anticipated post-2024 indicates recovery and growth opportunities



Source: World Bank

Figure 8: CPI is expected to decrease from 2025 onward,



Source: World Bank

Challenges to Sector Momentum

- **Low Per Capita Income Growth:** SSA's per capita income growth (1.7% annually through 2026) lags behind global emerging markets, constraining purchasing power. Roughly 30% of SSA economies will remain below pre-pandemic income levels by 2026, delaying poverty reduction and capping demand for non-essential goods.
- **Debt & Fiscal Constraints:** High borrowing costs and limited fiscal space will curb government support for social programs, indirectly pressuring low-income households and dampening broader consumption trends.

Critical Risks to Monitor

1. Global & Regional Shocks: A slowdown in China, escalating geopolitical tensions, or supply chain disruptions (e.g., Middle East/Sudan conflicts) could spike food and transportation costs, exacerbating food insecurity and redirecting consumer spending toward staples.

2. Climate Vulnerabilities: Increased droughts or floods threaten agricultural output and rural incomes, disproportionately impacting poverty-stricken regions and eroding demand for branded goods.

3. Inflation Persistence: Sticky inflation could delay interest rate cuts, prolonging credit constraints for consumers and small businesses.

Strategic Recommendations for Stakeholders

- Target High-Growth Clusters: Focus investment on urban centers within diversifying economies (e.g., Nigeria's tech-driven services, East Africa's manufacturing hubs), where middle-class expansion is likely.

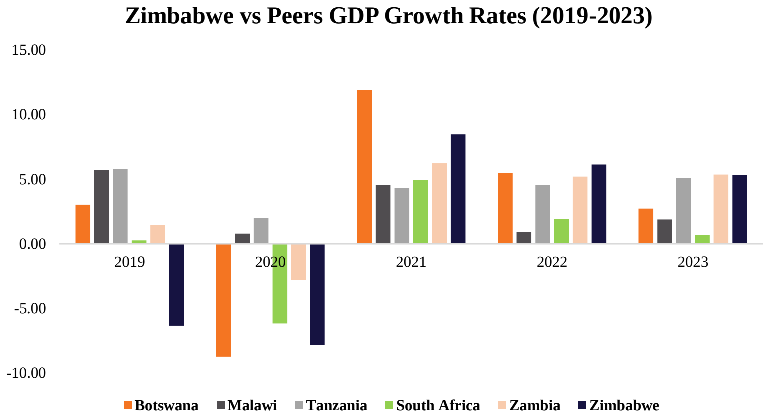
- Cost Optimization & Localization: Build resilient supply chains through local sourcing partnerships to mitigate import volatility, particularly in food and essentials.

- Segment Pricing Strategies: Introduce tiered product offerings to cater to budget-conscious consumers while capturing premium demand in stable markets.

- ESG Integration: Align with climate adaptation initiatives and food security programs to hedge against regulatory shifts and reputational risks.

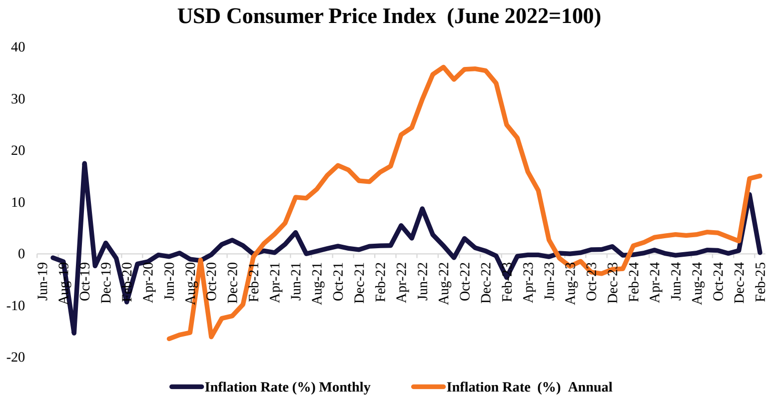
While SSA's consumer and retail sector faces structural headwinds, strategic market selection and adaptive pricing models will unlock opportunities in resilient economies. Stakeholders must balance optimism around improving macroeconomic conditions with vigilance toward regional disparities and external shocks. The path to growth will favor agile players capable of navigating SSA's complex, fragmented landscape.

Figure 9: The economy experienced robust growth rates of 6.1% in 2022 and 5.3% in 2023



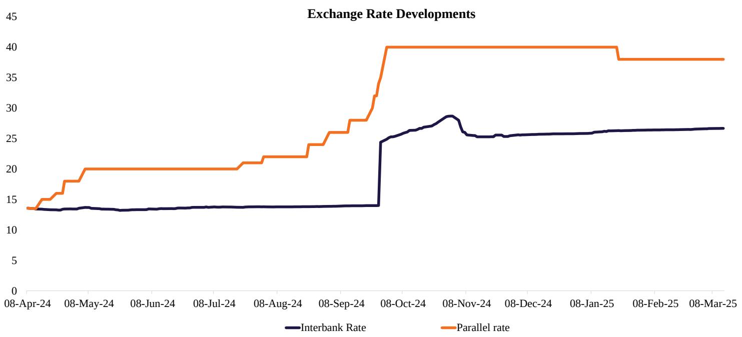
Source: World Bank

Figure 10: Zimbabwe's monthly inflation rate took a marked downturn in February, dropping 10 percentage points to 0,5%



Source: RBZ

Figure 11: Over the past five months, the ZiG has been stable, however parallel market rates remain high



Source: RBZ

The Informal Sector and Economic Growth

Trends Zimbabwe's informal sector remains a significant driver of the economy, accounting for an estimated 64.7% of economic activity, according to World Economics.

The economy experienced robust growth rates of 6.1% in 2022 and 5.3% in 2023, fueled by agriculture, mining, and remittances-induced services. However, economic momentum is projected to slow sharply in 2024, with growth expected to decline to 2%. This deceleration is primarily attributed to El Niño-induced droughts, declining global mining prices, and persistent macroeconomic instability. Compounding these challenges are chronic power shortages, which have further reduced industrial output. Looking ahead, economic growth is forecast to rebound to 6% in 2025, slightly below the initial projection of 6.5%. Key contributors to GDP growth in 2025 are expected to be agriculture (1.3%), wholesale and retail trade (1.1%), and mining and information sectors (0.7% each).

Agriculture: A Double-Edged Sword

The Ministry of Finance and Economic Development's 2025 growth projections are underpinned by expectations of normal to above-average rainfall, which is anticipated to boost agricultural production. However, these optimistic assumptions are already facing significant challenges. According to the Ministry of Lands, Agriculture, Fisheries, Water, and Rural Development, 30 districts across Zimbabwe are grappling with an outbreak of the African armyworm, which threatens key crops such as maize, wheat, and soybeans. This poses a substantial risk to the agricultural sector, a critical pillar of the economy, and could undermine the projected recovery.

Currency Instability and Monetary Policy Challenges

The introduction of the ZiG (Zimbabwe Gold) in April 2024 a gold-backed currency aimed at restoring public trust, has faced a rocky start. The ZiG depreciated by 36% in its first month on the parallel market, and October 2024 saw a 37.2% month-on-month spike in ZiG terms following a 43% devaluation in September. These fluctuations highlight the currency's fragility. However, February 2025 brought a rare moment of stability, with cooling rates of 0.5% for ZiG and 0.2% for the USD, suggesting tighter monetary controls. Despite these efforts, public trust in the ZiG remains low, with over 90% of transactions still conducted in US dollars due to their perceived stability.

Tight Monetary Policy: Balancing Inflation Control and Economic Growth

The Reserve Bank of Zimbabwe (RBZ) has committed to maintaining a tight monetary policy stance to anchor price stability, stabilize the currency, and boost economic growth. While high interest rates have been effective in curbing inflation, they also carry notable economic risks. Elevated borrowing costs are dampening investment and consumer spending, particularly in sectors like agriculture and manufacturing that rely on affordable credit for expansion. This could slow the pace of recovery in an economy still grappling with years of instability. The RBZ's challenge lies in balancing inflation control with the need for broader economic recovery, particularly as small and medium-sized enterprises (SMEs), critical to growth, face difficulties accessing credit.

Targeted Finance Facility: A Catalyst for Recovery?

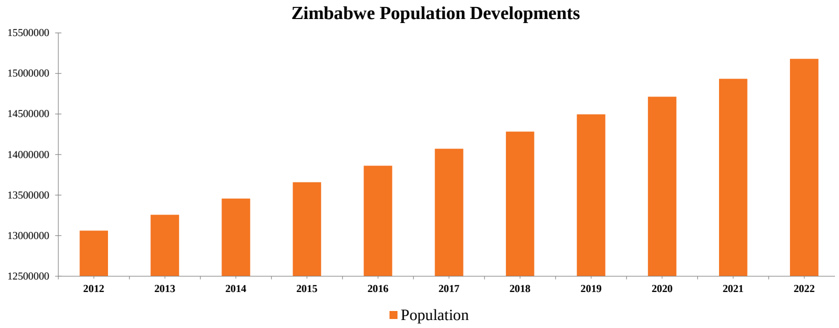
A key initiative introduced by the RBZ is the Targeted Finance Facility (TFF), a special-purpose vehicle designed to channel funding into productive sectors such as agriculture, manufacturing, and construction. The TFF aims to stimulate economic growth by increasing lending to these critical industries. Notably, the facility is financed through the Reserve Bank's pool of banks' statutory reserves, rather than through the creation of new money, ensuring it does not contribute to inflationary pressures. While the TFF holds promise, its success hinges on the ability of banks to extend credit effectively and the overall stability of the financial system.

Outlook: Fragile Recovery Amid Persistent Risks

Zimbabwe's Treasury has projected a 6% economic growth rate for 2025, driven by a recovery in agriculture and growth in the iron and steel industries. However, the broader economic environment remains fragile. The country's recovery is highly contingent on the stabilization of the ZiG, containment of inflation, and successful implementation of policies that encourage investment and capital inflows. While the RBZ's efforts to maintain tight monetary controls and initiatives like the TFF offer hope, the path to sustained economic recovery remains fraught with challenges. Public trust in the local currency, the impact of high interest rates on economic activity, and external shocks such as droughts and commodity price fluctuations will continue to shape Zimbabwe's economic trajectory in the coming years.

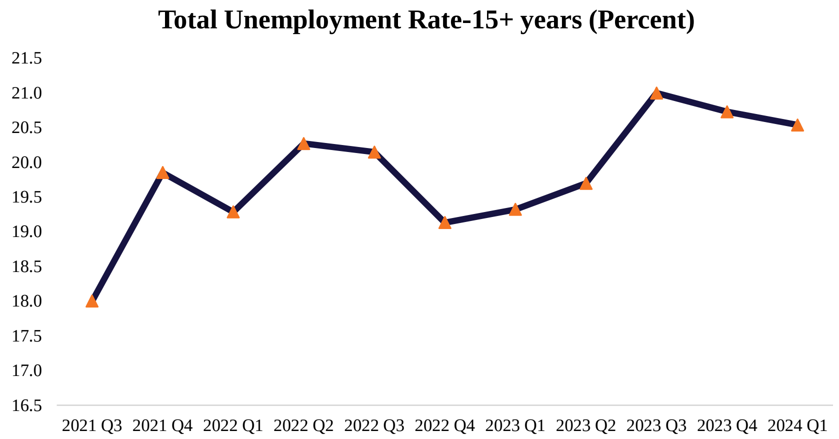
Zimbabwe's Consumer Sector in 2025: Bleak Spending Outlook

Figure 12: Population growth (annual %) in Zimbabwe was reported at 1.6771 % in 2023



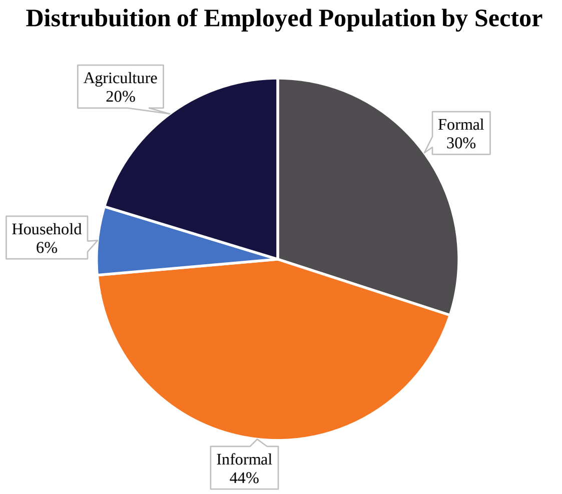
Source: Zimstats

Figure 13: Officially, the unemployment rate was 21.8% in the third quarter of 2024



Source: Zimstats

Figure 14: ONLY 46,3% of Zimbabwe's working age population are employed



Source: World Bank

Economic Headwinds Dampen Consumer Spending Prospects

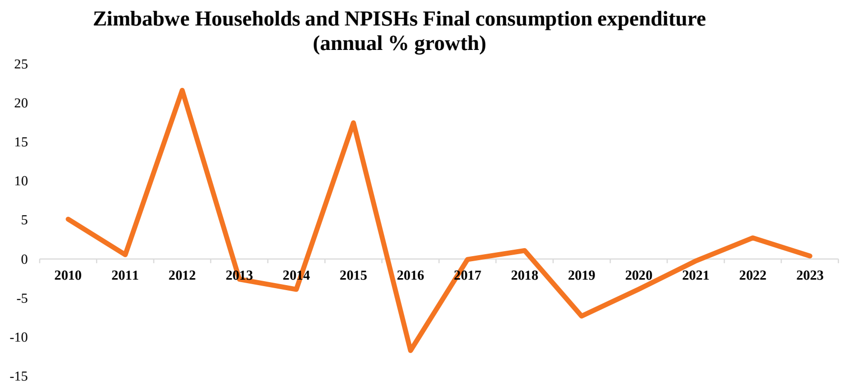
The consumer spending outlook for Zimbabwe in 2025 remains grim, according to a BMI report. Persistent high inflation and ongoing currency depreciation are expected to significantly erode purchasing power.

This follows a stagnant consumer spending trend in 2024, driven by severe drought and broader economic challenges. With a population of approximately 16 million and an unemployment rate of 20.5% (or 39% under the expanded definition), the economic environment continues to constrain household budgets. Statista forecasts total consumer spending in Zimbabwe to reach US$36.19 billion in 2025, reflecting weak growth in disposable incomes.

Per Capita Spending: A Snapshot of Household Priorities

Consumer spending per capita in Zimbabwe highlights the strain on household finances. In 2025, spending on food and non-alcoholic beverages is projected to average US$ 1.29k, underscoring the essential nature of this category. Other key areas include housing (US$87.36), healthcare (US$39.53), clothing and footwear (US$105.12), and household goods (US$128.83). Discretionary spending remains minimal , with hospitality and restaurants just US$5.89 per capita. Communication and transport , critical for daily life, are forecast at US$55.39 and US$120.44 per capita, respectively. These numbers reflect the prioritization of basic needs over non-essential expenditures.

Figure 15: Low growth in the market value of goods and services purchased by households



Source: World Bank

Employment Landscape: Informality Dominates

Zimbabwe's labor market is characterized by high informality and low wages. Only 30% of employed persons work in formal jobs, while 41.3% are engaged in informal non-agricultural activities. Agriculture employs 22.9% of the workforce, and 5.7% work in households. The wholesale and retail trade sector, including motor vehicle and motorcycle repair, accounts for 23.9% of employment. Wage levels remain depressed, with 34% of workers earning below US$ 90 per month and the 75th percentile falling within the US$272-US$362 income band.

Civil servant salaries, often a benchmark for wage growth, have seen limited increases , with private sector wages following these trends.

Sectoral Performance: Mining Offers a Glimmer of Hope

The outlook for consumer spending is closely tied to the performance of primary sectors. While the broader economy faces challenges, the mining sector, particularly gold operations, offers some optimism. Gold mining employs 58% of the sector's workforce and is poised for a stronger year due to elevated global prices. This could bolster liquidity among lower-income groups, providing a modest buffer against economic pressures. Additionally, remittances, which contribute approximately US$2 billion annually, remain a critical source of income for many households, supporting spending resilience at the bottom of the pyramid.

Outlook: A Challenging Road Ahead

Zimbabwe's consumer sector faces significant headwinds in 2025, with weak spending growth driven by high inflation, currency depreciation, and stagnant wages. While the mining sector and remittances offer some relief, the overall economic environment remains challenging. Households are likely to continue prioritizing essential expenditures, with little room for discretionary spending. Policymakers and businesses will need to navigate these constraints carefully to stimulate growth and improve living standards in the years ahead.

The Zimbabwe Consumer Retail and Wholesale Sector: A Pillar of Economic Activity

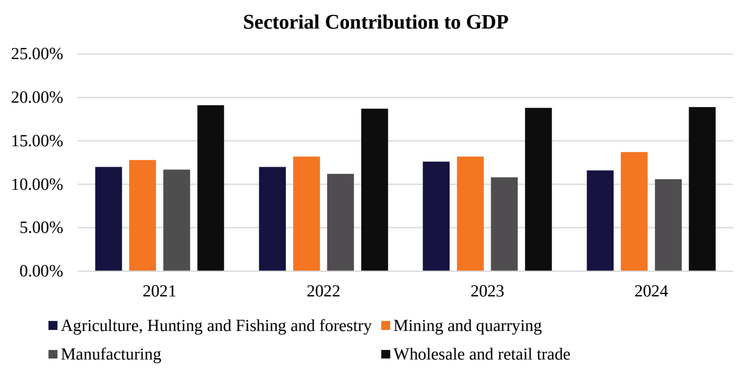
The Growing Dominance of Retail Trade

The consumer retail and wholesale sector has emerged as a cornerstone of the country's economy, playing a pivotal role in driving economic activity and employment. According to a survey conducted by the Zimbabwe National Statistics Agency (ZIMSTAT) between August 2013 and June 2014, approximately 59.2% of business operators were engaged in retail trade. Over the years, this figure is estimated to have risen significantly, with current estimates suggesting that nearly 70% of business operators are now involved in the retail sector. This growth underscores the sector's increasing importance in Zimbabwe's economic landscape, particularly as other sectors, such as manufacturing, continue to face challenges related to declining capacity utilization.

Economic Contribution and Challenges

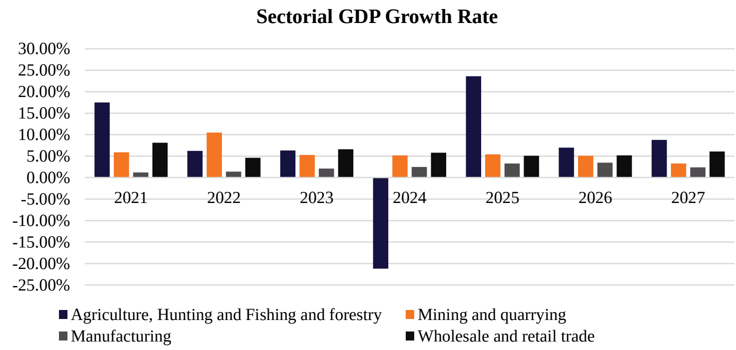
Between 2021 and 2024, the wholesale and retail trade contributed an average of US$6.20 billion annually, accounting for approximately 18.8% of Zimbabwe's GDP. This substantial contribution highlights the sector's

Figure 16: The wholesale and retail trade sector continues to contribute more than 15% to GDP



Source: World Bank

Figure 17: The sector is expected to grow by 5.10%, 5.20% and 6.10% in 2025,2026 and 2027 respectively



Source: World Bank

critical role in sustaining economic activity, especially in an environment where formal businesses are increasingly losing market share to the informal economy. Zimbabwe's informal sector is estimated to constitute 64.1% of the country's total GDP, posing significant challenges to formal retailers and wholesalers. Despite this, the retail sector is projected to grow at a steady pace, with expected growth rates of 5.10%, 5.20%, and 6.10% in 2025, 2026, and 2027, respectively. However, the veracity of these projections remains subject to debate, given the pervasive informalization of the economy and its impact on formal retail operations.

Zimbabwe Consumer Retail and Wholesale Sector – A Structural Analysis of Competitive Dynamics

The profitability landscape of Zimbabwe's retail sector is fundamentally shaped by its underlying structural characteristics, operating within a monopolistically competitive framework that blends elements of fragmentation and concentration. This market structure, situated between pure monopoly and perfect competition, is defined by a proliferation of differentiated offerings, low entry barriers, and price elastic demand curves. The sector bifurcates into two distinct segments: a concentrated formal retail space dominated by established chains (e.g., Supermarkets-OK Zimbabwe, TM Pick n Pay, Spar and Clothing retailers Edgars) and a highly fragmented informal arena comprising SMEs, tuckshops, and flea markets. This duality creates a dynamic where competitive forces exert divergent pressures on formal and informal players, ultimately influencing pricing strategies, brand positioning, and market share trajectories.

Market Structure Dynamics

Monopolistic competition in Zimbabwe’s retail sector manifests through low barriers to entry, enabling rapid proliferation of informal entrants while allowing formal players to leverage scale and branding. Historically concentrated, the formal segment has seen its dominance erode as hyperinflation, currency volatility, and shifting consumer preferences catalyzed the rise of agile SMEs. Notably, the recent corporate rescue of Truworths underscores the existential challenges faced by legacy retailers in adapting to this structural shift. Informal participants, though lacking scale, exploit operational flexibility to undercut prices and rapidly respond to localized demand fluctuations—a critical advantage in an economy marked by disposable income volatility.

Product Differentiation as a Competitive Moats

Formal retailers employ sophisticated product differentiation strategies to insulate against price-based competition. OK Zimbabwe’s "Grand Challenge" promotions, TM Pick n Pay’s "Big Brands Bargain Bonanza," and Edgars’ "Fashion Extravaganza" exemplify targeted marketing investments designed to cultivate brand equity and perceived quality differentiation. These initiatives aim to counteract the inherent substitutability of retail goods by embedding emotional or aspirational value into commoditized product categories. However, the effectiveness of such strategies is tempered by informal competitors' ability to replicate product assortments at lower price points, highlighting the delicate balance between brand premium and price sensitivity.

Pricing Power and Elasticity Considerations

While formal retailers theoretically act as price makers, their pricing discretion remains constrained by the informal sector's hyper-elastic demand dynamics. Our analysis identifies a two-tiered pricing ecosystem: formal players utilize periodic discounts and loyalty programs to drive volume without triggering sector-wide price wars (a hallmark of oligopolistic markets), while informal operators employ real-time price adjustments tied to currency fluctuations and input cost changes. This dichotomy explains the informal sector’s expanding market share—estimated at 60–65% of fast-moving consumer goods sales—as price-sensitive consumers prioritize affordability over brand allegiance.

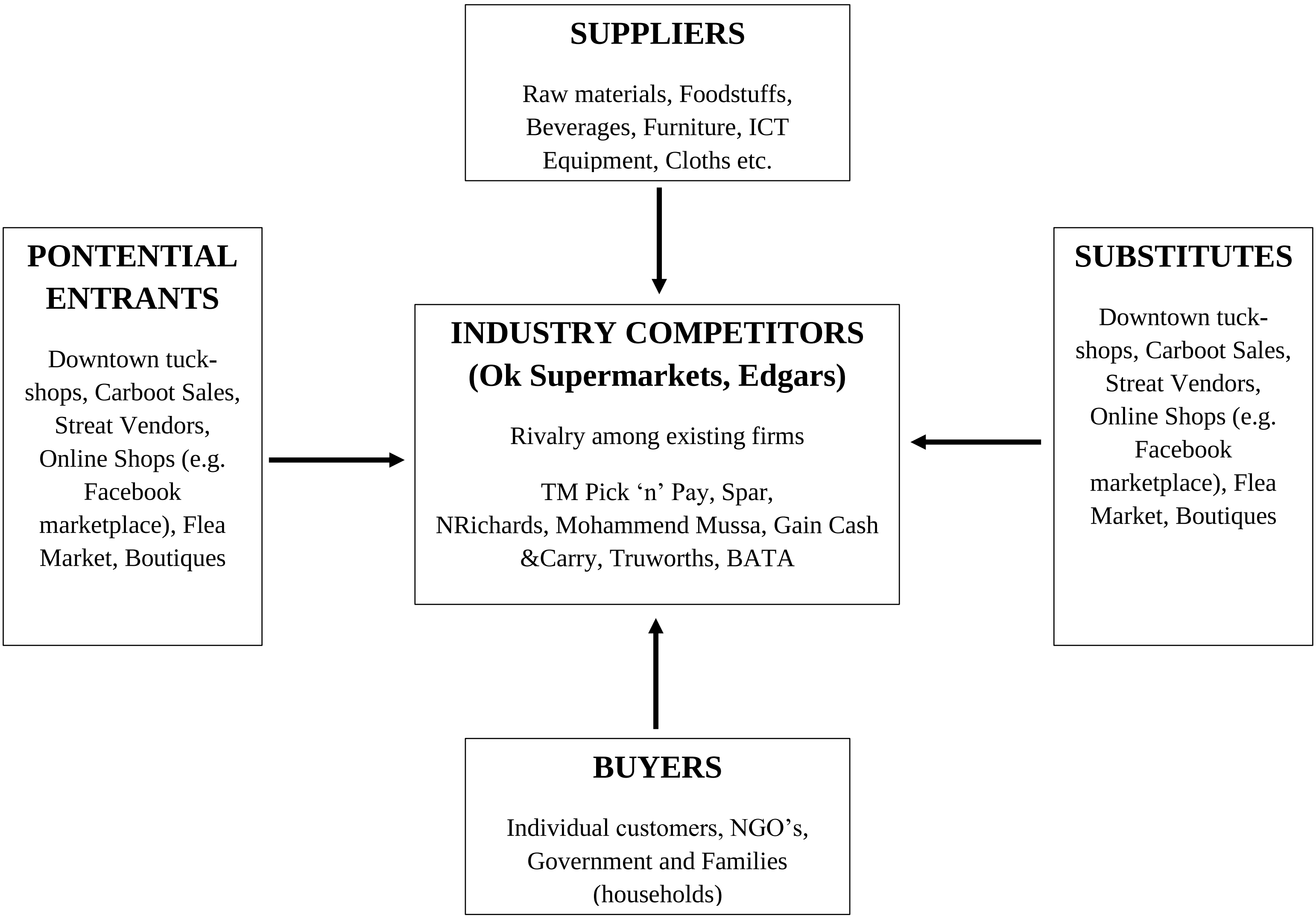
Structural Implications for Profitability

The sector's monopolistic structure inherently caps sustainable economic profits through three mechanisms:

1. Erosion of Pricing Power: Low switching costs and product homogeneity enable consumers to arbitrage price differentials, compressing margins.
2. Marketing Cost Inflation: Formal retailers face escalating SG&A expenses to maintain brand distinctiveness, while informal players benefit from near-zero marketing overhead.
3. Cyclical Churn: Low barriers facilitate constant entry/exit of informal competitors, preventing market stabilization.

Analyzing the Sector Through Porter's Five Forces

To better understand the forces driving this sector, we turn to Porter's Five Forces Model, which provides a structured framework for analyzing the competitive environment. This model examines the bargaining power of suppliers and buyers, the threat of new entrants and substitutes, and the intensity of industry rivalry. In the context of Zimbabwe, these forces are influenced by factors such as foreign currency shortages, exchange rate volatility, and the growing informalization of the economy.



Bargaining Power of Suppliers: A Constrained Relationship

The bargaining power of suppliers in Zimbabwe's retail sector is generally low, particularly for large retail chains such as TM Pick 'n' Pay and Edgars. These retailers benefit from their significant purchasing volumes and broad customer reach, which positions them as powerful buyers. Suppliers often go to great lengths to meet their demands, ensuring a steady supply of goods. However, the relationship is not without challenges. Foreign currency shortages and exchange rate instability have forced some suppliers to demand US dollar payments for high-demand products that require substantial foreign currency inputs.

The Retailers Association of Zimbabwe (RAZ) has highlighted this issue, noting that suppliers are increasingly adopting a two-tier pricing system—charging higher implied exchange rates for local currency transactions compared to the official rate. This has created supply chain disruptions for retailers like OK Zimbabwe, which have faced intermittent product shortages due to their inability to switch suppliers easily. Despite these challenges, retailers remain strong buyers, with suppliers exerting only marginal power over them.

Bargaining Power of Buyers: Price Sensitivity and Choice

In Zimbabwe's retail sector, the bargaining power of buyers is medium to high. While retailers like TM Pick 'n' Pay and Edgars deal with numerous small buyers daily, the cumulative effect of consumer behavior significantly influences the market. Consumers are highly price-sensitive and have a wide range of choices, both within the formal sector and from informal players such as tuckshops and street vendors. This forces retailers to remain competitive on pricing and convenience.

Additionally, the constant demand for new brands and products not currently in stock weakens retailers' power, as consumers can easily switch to competitors with lower switching costs. Retailers must also contend with the growing preference for informal markets, which often offer lower prices and greater flexibility. This dynamic underscores the need for formal retailers to innovate and adapt to shifting consumer preferences.

Threat of New Entrants: Barriers and Informal Competition

The threat of new entrants into Zimbabwe's formal retail sector is medium to high. Established players like TM Pick 'n' Pay and Edgars benefit from economies of scale, strong supplier relationships, and well-developed distribution networks. These factors create significant barriers to entry, requiring new entrants to invest heavily in infrastructure, marketing, and product development.

However, the informal sector poses a formidable challenge. Tuckshops, boutiques, street vendors, and flea markets have proliferated, offering smuggled goods at competitive prices. These informal players are often more agile and responsive to consumer needs, leading to a significant loss of market share for formal retailers. This trend is evident in the closure of several well-known retailers, including Choppies, Metro Peach, and N. Richards Group, while others like OK Zimbabwe have scaled back operations.

The government has taken steps to address this issue by simplifying business licensing processes and reducing associated costs. Initiatives to strengthen border management and curb smuggling are also underway, aiming to level the playing field between formal and informal players.

Threat of Substitutes: Limited but Present

The threat of substitutes in Zimbabwe's retail sector is relatively low. Retailers like TM Pick 'n' Pay, Edgars, and Electrosales offer a wide range of products, from groceries to household appliances, ensuring that consumers can find almost everything they need under one roof. This extensive product variety minimizes the risk of substitution, as consumers are unlikely to seek alternatives outside these retailers.

However, competition within the industry remains fierce. Retailers must contend with rivals such as OK Zimbabwe, Spar Zimbabwe, and BHOLA, which offer comparable product diversity. While this rivalry drives innovation and competitive pricing, it does not constitute a direct threat of substitution.

Industry Rivalry: Intense Competition in a Growing Market

The Zimbabwean retail and wholesale sector is characterized by intense competition, driven by a market size of approximately US$6.8 billion in 2024 and a compound annual growth rate (CAGR) of 6.28%. Established players like TM Pick 'n' Pay, Edgars, and Electrosales face significant challenges from both formal competitors and informal sector players.

Key rivals such as Spar Zimbabwe, OK Zimbabwe, and BHOLA continuously vie for market share, leveraging their product offerings, pricing strategies, and customer loyalty. At the same time, the informal sector's rapid growth has intensified competition, forcing formal retailers to innovate and adapt. This competitive landscape underscores the need for retailers to differentiate themselves through superior customer service, product variety, and strategic pricing.

Conclusion: Navigating Challenges and Seizing Opportunities

The Zimbabwean retail and wholesale sector remains a vital component of the country's economy, offering significant opportunities for growth and innovation. However, the industry must navigate a complex landscape shaped by foreign currency shortages, exchange rate volatility, and the growing influence of the informal sector.

To thrive in this environment, formal retailers must focus on enhancing operational efficiency, strengthening supplier relationships, and adapting to evolving consumer preferences. Government initiatives to formalize the informal sector and curb smuggling are positive steps, but their long-term impact remains to be seen. Ultimately, the sector's future will depend on its ability to balance competitive pressures with strategic investments in technology, distribution, and customer engagement.

By addressing these challenges and leveraging their strengths, Zimbabwe's retailers can continue to play a pivotal role in driving economic growth and meeting the needs of consumers in an ever-changing market.

Assessing the Impact of Macroeconomic Challenges on Zimbabwe's Retail Counters

Axia's Market Cap Plunges from US$77 million to US$42 million

Axia Corporation, a prominent player in Zimbabwe's retail and distribution sector, is listed on the Victoria Falls Stock Exchange (VFEX) following its spin-off from the Innscor Group in April 2016 and subsequently listed on the Zimbabwe Stock Exchange (ZSE) in May 2016. Axia listed on the VFEX in March 2023 with a market capitalization of US$77 million as of 10 March 2023. However, its valuation has since dropped to US$42 million, underscoring the broader macroeconomic headwinds that continue to weigh heavily on Zimbabwe's investment landscape.

Axia Delivers Mixed Bag: Transerv and Malawi Shine as DGA Zimbabwe Falters

Axia operates through three core business segments: TV Sales & Home (TVSH), Distribution Group Africa (DGA), and Transerv. In the half-year period ending 31 December 2024, TVSH recorded a 6% growth in both volumes and turnover. DGA, however, posted a mixed performance across its regional operations. In Zimbabwe, revenue dropped by 25%, with a 28% decline in volumes. Zambia experienced a 4% decline in turnover, mainly due to a 19% fall in volumes (in Kwacha terms). Malawi was the bright spot, posting a 14% increase in turnover and 5% growth in volumes, both in local currency.

Transerv delivered a robust performance, with revenue increasing by 27% and sales volumes rising 4%. The division continues to expand aggressively, now operating 54 retail outlets and 10 fitment centers across Zimbabwe. Its diversification into solar energy has become a significant revenue driver.

Axia Feels the Heat: ZWG Devaluation Wipes Out Gains, Slashes Profit Margins

Axia, like many formal retailers, has been impacted by the volatile macroeconomic environment, particularly exchange rate instability. On 27 September 2024, the Zimbabwean Gold (ZWG) was devalued by 43%, resulting in a US$2.287 million loss due to revaluation of ZWG-denominated treasury bills—issued by the government in lieu of outstanding auction market USD settlements. Although Axia posted a modest 2% increase in revenue (US$2.426 million), this was overshadowed by the currency-related losses, leading to declining profit margins, reduced earnings per share, and lower dividend payouts compared to the previous financial year.

Axia Doubles Down on Furniture and Auto Sectors as Restapedic Shines Amid Legend Lounge Slump

Strategically, the company continues to pursue growth in the furniture and automotive spare parts sectors and aims to enhance its distribution capabilities through new agency partnerships. DGA's ability to secure 55% of the Unilever portfolio following the latter's exit from Zimbabwe highlights Axia's growing regional influence. Meanwhile, Legend Lounge was integrated into the Restapedic division after posting a 10% drop in sales volumes and value due to informal sector competition. In contrast, Restapedic recorded strong growth, with volumes up 21% to 25,715 units and revenue increasing by 14%.

Despite these strategic efforts, Zimbabwe's broader operating environment remains challenging. Rising input costs and persistent economic instability continue to pressure margins. Although government initiatives to reduce the cost of doing business for retailers have been announced, their impact is yet to be realized.

Capital Restructuring in Focus as Edgars Bets on VFEX, Manufacturing, and Retail Recovery

Edgars, a long-standing formal clothing retailer in Zimbabwe, officially migrated from the Zimbabwe Stock Exchange (ZSE) to the Victoria Falls Stock Exchange (VFEX) on 8 April 2024, following delisting from the ZSE on 5 April 2024. The decision came in the wake of a challenging financial year ending 7 January 2024, during which unit sales declined by 11% to 2.55 million, while the cost of sales remained elevated. The group reported a trading loss, primarily driven by rising operating expenses including wages, fuel, utilities, and power backup costs against a backdrop of thin gross profit margins.

During this period, Edgars Stores and Jet Stores reported a significant skew toward cash sales in local currency, averaging 92% cash and only 8% on credit. For US dollar transactions, the trend reversed, with 72% of sales on credit and 28% in cash. The migration to the VFEX was a strategic move aimed at improving access to US dollar capital and broadening the investor base—particularly vital given Zimbabwe's persistent foreign currency shortages and the group's working capital needs in hard currency.

Edgars Feels the Squeeze as Unit Sales Fall by 22%, But Bets Big on Carousel Expansion

For the six months ending 7 July 2024, Edgars faced continued pressure on consumer spending, with unit sales declining by 22.4%—from 1.09 million to 0.85 million—compared to the same period in 2023. Consequently, revenue dropped by 15.4% to US$16.1 million, down from US$19.0 million in the prior period. Notably, the proportion of credit sales in local currency increased significantly during this time, averaging 87%, compared to just 58% in the comparable period of 2023. This shift likely reflected temporary stability brought about by the introduction of the Zimbabwe Gold (ZiG) currency. However, the devaluation of ZiG in September 2024 may have inflicted financial losses on the group, potentially to be reflected in its yet-to-be-published full-year results.

During the review period, Edgars invested US$1 million—funded through a mix of internal cash and borrowings—into the expansion of its Carousel manufacturing division. Investments included semi-automated and automated machines, surface printers, embroidery equipment, boiler replacement, and an enhanced cutting room setup aimed at improving production efficiency.

Edgars Sees 29% Valuation Dip Post its listing on the VFEX

However, a point of concern is the group's rising debt burden. Interest-bearing borrowings increased from US$7.1 million to US$8.9 million, driven by working capital needs. This coincided with net cash outflows from operating activities amounting to approximately US$3.1 million. As of 2 May 2024, Edgars held a market capitalization of US$12 million. One year later, by 2 May 2025, the company's market cap had declined to US$8.5 million, reflecting a 29% drop over the 12-month period.

Edgars Targets Informal Market with Express Store Relaunch

Edgars operates across six business segments: Edgars Stores Retail, Jet Stores Retail, Carousel Manufacturing, Club Plus Microfinance, Corporate Head Office, and Financial Services. Despite the prevailing economic challenges, the group's ongoing investment in production and shift toward the VFEX signal a strategy focused on long-term resilience and access to hard currency capital.

Figure 18: Revenue Contribution By Segment

Edgars recently unveiled plans to relaunch its Express Stores under the Carousel division, with a goal of opening 10 new outlets in the current fiscal year. This initiative is aimed at directly competing with informal boutiques and second-hand clothing vendors by offering a broad selection of affordable family apparel.

The retail giant has also intensified its marketing efforts to support the rollout. While such strategic moves reflect the ambition and resilience of Zimbabwean businesses, persistent regulatory hurdles and a challenging operating environment continue to constrain their full potential.

Truworths Enters Corporate Rescue Amid Deep Financial Distress

In 2024, five Zimbabwean companies entered corporate rescue, among them clothing retailer Truworths, which faced acute financial stress and an unsustainable business model. The company was technically insolvent, with net liabilities of nearly US$1 million pre-due diligence and US$2 million post-assessment. Total creditor claims rose from US$2.5 million to US$3.3 million after due diligence.

Truworths' Heavy Reliance on Credit Sales Sparks Liquidity Crunch and 16-Month Salary Backlog

Truworths generated 83.8% of its revenue from retail merchandise sales and 1.5% from factory sales to third parties, with the remaining 14.7% from service fees and commissions on credit accounts. However, the company's dependence on credit sales—accounting for 85% of all sales—resulted in persistent liquidity issues, leading to 16 months of unpaid salaries.

Soaring Costs and USD Supply Hurdles Force Truworths Into Understocking and Store Closures

Cost pressures were driven by Employment Costs (39.1%) and Occupancy Costs (21.7%), highlighting the labor-intensive and location-dependent nature of its operations. The macroeconomic backdrop—marked by hyperinflation, policy volatility, currency devaluations, and an influx of second-hand clothing in the informal sector—further undermined financial stability. With limited local suppliers, Truworths was forced to import stock, demanding upfront USD payments that worsened cash flow problems and led to understocking and store closures.

Truworths Restructuring Wipes Shareholder Value and Slashes Creditor Recoveries to 12 Cents on the Dollar

The company's restructuring wiped out existing shareholder value entirely. Shareholders—Truworths International (35.34%), Mega Market (33.81%), Leraine Investments (14.53%), and others (17.27%)—had their equity canceled for a nominal total of just US$1, effectively forfeiting ownership.

Creditors were assigned to recover just 12 cents on the dollar, contingent on ZIMRA's verification of tax loss claims. A change of more than 5% in the assessed deferred tax asset could further adjust creditor payouts.

Under the approved rescue plan:

- Employees and corporate rescue costs are to be settled between months 7–12.
- General creditors are to be paid in three tranches over months 12, 18, and 24.

Control of Truworths has shifted to Valfin Investments (The new investor), which committed a US$5.07 million capital injection—US$4 million in equity and US$1.07 million in debentures—to recapitalize and stabilize the business.

Stockouts Hammer OK Zimbabwe: 36% Sales Volume Drop in Q3 Wipes Out H1 Gains

The financial year ending 31 March 2024 proved exceptionally challenging for OK Zimbabwe, as macroeconomic volatility and regulatory distortions weighed heavily on performance. Formal retailers, including OK Zimbabwe, were mandated to transact at the official exchange rate—creating pricing inefficiencies and shifting consumer preference toward the informal sector, which remained unregulated. In response, suppliers shortened payment terms and, in some cases, demanded prepayments for goods invoiced in local currency to hedge against inflation. These supply-side constraints, coupled with declining consumer purchasing power and surging prices, led to 29.2% drop-in units sold year-over-year.

The first half of FY25 (ending 30 September 2024) offered a brief reprieve. The Zimbabwe Gold (ZiG) currency, introduced in April, remained relatively stable for several months, and the exchange rate premium narrowed. This temporary monetary calm contributed to a 27.7% increase in sales volumes compared to the prior half-year period.

ZiG Devaluation Deepens OK Zimbabwe's USD Debt Woes as Suppliers Flee to Informal Market

However, underlying structural issues persisted. Foreign currency shortages remained entrenched in the formal banking sector, and ZiG's limited convertibility meant suppliers and manufacturers increasingly shifted to the informal market to transact in U.S. dollars. OK Zimbabwe, meanwhile, maintained significant U.S. dollar-denominated obligations—approximately US$30 million in trade payables and US$5 million in borrowings—while generating less than US$1 million in operating cash flows.

The September devaluation of ZiG significantly worsened the group's position. With roughly 80% of sales in ZiG, the devaluation amplified the burden of USD liabilities. Confidence in the local currency evaporated among suppliers and manufacturers, accelerating the migration to informal channels and intensifying formal sector stock shortages.

OK Zimbabwe Shuts Down Four Stores, Cuts 56 Jobs in Harare

By the third quarter (ended 31 December 2024), daily stock availability had plummeted to just 50%, driving a sharp 36% drop in sales volumes—effectively reversing the positive momentum recorded in the first half. In February 2025, OK Zimbabwe shut down four Harare branches, resulting in 56 job losses. Initially, six closures were planned to include the Mbare and Entumbane branches, though these were later reconsidered. The company announced intentions to reopen Entumbane as a wholesale operation in a bid to streamline costs.

OK Zimbabwe Seeks to raise US$30 million Capital Boost as Financial Pressures Mount

Key operating cost pressures during the half-year included rising employee benefit expenses tied to retrenchments, surging utility and power backup costs due to tariff hikes and electricity supply disruptions and USD-denominated finance charges, which exacerbated financial strain. Amid these challenges, OK Zimbabwe announced plans to raise US$30 million in capital, mirroring its outstanding trade payables balance as part of a strategy to to bridge a funding gap, pay creditors and stabilise the company's financial position. Recently, OK Zimbabwe revealed that discussions to raise US$30 mln are now at an advanced stage.

As market players, we now await the release of the group's full-year results for FY25, which will reveal the extent of fourth-quarter impacts especially around volume recovery and stock availability. Despite official assurances about ZiG's stability and steady exchange rate premiums, financial disclosures from retailers like OK Zimbabwe will be instrumental in evaluating the currency's practical adoption and credibility among key economic stakeholders: manufacturers, suppliers, consumers, and the formal retail sector.

TM Pick n Pay Recorded a Modest 4.8% Volume Dip, Outperforming Peers

For the financial year ended 29 February 2024, TM Pick n Pay was not spared from Zimbabwe's challenging retail environment. Like other formal retailers, the group contended with weak consumer demand, limited USD revenues (less than 20% of total turnover), and uncompetitive USD pricing compared to the informal sector. Operationally, the business recorded a cash outflow from operations, with key cost pressures stemming from utilities (electricity and water), wages and salaries, and notably, the 2% Intermediated Money Transfer (IMT) Tax, now the second-largest operating cost.

Despite these challenges, TM Pick n Pay's volume performance was relatively resilient. Units sold for the year declined by just 4.8%, an improvement from a 10% drop at the half-year mark, thanks to a 5.2 percentage point recovery in the second half. This performance compared favorably with peers like OK Zimbabwe, which experienced a sharper decline.

TM Pick n Pay Rides Exchange Rate Volatility to Steady Volumes and Strong USD Gains in H1 2024

During the six months ending 31 August 2024, the group's USD revenue share rose to 24%—an 8-percentage point increase year-on-year. This gain reflected early optimism following the introduction of the Zimbabwe Gold (ZWG) currency, which initially brought exchange rate convergence. However, the stability was short-lived, and by period-end, the widening gap between official and parallel market rates returned.

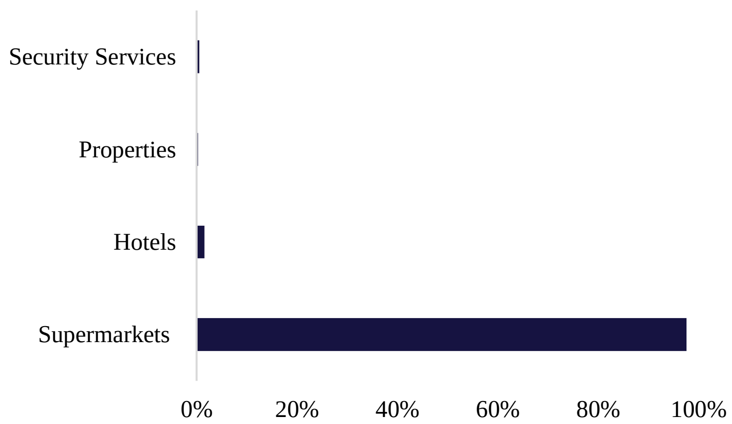
Performance for the half-year was mixed: a 19% decline in units sold during Q1 was offset by 24% growth in Q2, resulting in a marginal overall volume decline of less than 1%. This trend suggests TM Pick n Pay performs better in periods of exchange rate instability—contrasting with OK Zimbabwe, which fared better under relative currency stability.

As of 31 August 2024, the group had exposure to trade payables and borrowings, though most foreign suppliers were paid on a prepayment or cash basis. Notably, TM Pick n Pay maintained access to low-cost, unsecured funding—including from minority shareholders—and continued to benefit from trade finance arrangements across borders, such as in South Africa. The group also reported positive operating cash flow during the period, supported by US dollar cash reserves held in its offshore subsidiary.

TM Pick n Pay Recorded 8% Volume Growth in Q3, Outpacing OK Zimbabwe's Stockouts

In Q3 ending 30 November 2024, TM Pick n Pay supermarkets posted an 8% increase in units sold, outperforming OK Zimbabwe, which faced severe stockouts during the same period. TM Pick n Pay's stronger performance could be attributed to its regional footprint and supplier relationships outside Zimbabwe, which likely enhanced stock availability.

Figure 19: Meikles Revenue Contribution By Segment



TM Pick n Pay Supermarkets accounts for 98% of Meikles' total revenue.

Analyst Commentary

The true scale of Zimbabwe's wholesale and retail sector remains indeterminable, as a significant portion, comprising tuckshops and informal vendors operates outside official statistics. Despite this, the informal sector now eclipses the formal sector in both employment and transaction volumes. This report has outlined how formal retailers were facing an existential threat lately, largely due to regulatory pressures and an uneven competitive landscape that favors informal traders.

While the role of the informal sector in job creation and economic contribution is undeniable, it should not grow at the expense of formally registered businesses. If anything, incentives should be introduced to encourage informal players to formalize, making the benefits of doing so clear and tangible, even at a grassroots level. Current estimates suggest that over 70% of business operators are engaged in retail, highlighting the sector's centrality to Zimbabwe's economy. From 2021 to 2024, wholesale and retail trade contributed an average of US$6.2 billion annually, or roughly 18.8% of GDP.

The repeal of Statutory Instrument (SI) 81A of 2024, previously mandating use of the official exchange rate, through enacting SI 34 of 2025 is a positive development, granting retailers greater flexibility in pricing and potentially relieving some pressure. However, the success of this policy hinges on consistency. Frequent shifts in currency regulation have severely impacted retailer viability in recent years. Should authorities maintain a stable policy environment in 2025, the formal retail sector has a strong chance of recovery. Conversely, any abrupt policy reversals could trigger a renewed cycle of store closures, company exits, and corporate rescue interventions.

Disclosure appendix

Analyst Certification
The following analyst(s) who is (are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security (ies) or issuer(s) and/or any other views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Ranga Makwata.

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Additional disclosures.

1 This report is dated as at 5 May 2025
2 All market data included in this report are dated as at close of 5 May 2025, unless otherwise indicated in the report.

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