NATIONAL COMPETITIVENESS COMMISSION

Enhancing Zimbabwe's Global Competitiveness

Analysis of the Impact of the Repeal of S.I. 81A of 2024 - as Effected by Statutory Instrument (S.I.) 34 of 2025 - on Price Competitiveness in Zimbabwe

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1.0 Introduction

1.1 S.I. 81A of 2024 introduced a pricing regulation that compelled sellers to peg goods and services to the average interbank exchange rate, penalizing deviance (usually parallel market). Government gazetted S.I. 34 of 2025, which repeals S.I. 81A of 2024, liberalizing the exchange rate to a more market driven one and amputating the pricing constraint.

2.0 Impact on Price Competitiveness

Restoration of Price Flexibility

2.1 The repeal reopens pricing flexibility by businesses, shifting the balance back toward market-driven pricing mechanisms, hence providing a fair competition for all. Businesses regain control over pricing models and now compete based on productivity and efficiency, instead of exchange rate differentials.

2.2 Given the shortage of foreign currency on the interbank market, those companies accessing the foreign currency at the parallel exchange rates are given the flexibility to charge reflective prices towards achievement of a market determined rate. This also allows firms to realign prices to operational realities, improving profitability and sustainability. The repeal also enhances supply chain responsiveness as firms no longer absorb exchange rate losses. On the other hand, this may lead to reintroduction of inconsistent pricing practices across sectors, leading to market fragmentation, and consumers are likely to be exposed to price distortions from foreign exchange volatility.

Improved Alignment with Market Forces

2.3 The repeal fosters price discovery mechanism, allowing differentiation through innovation, service quality, and efficiency - not just compliance. A shift from price-controlled competitiveness to value-based competition is enhanced. However, safeguards preventing sellers from using speculative exchange rates to exploit consumers are lifted, hence the risk of a return to hyperinflationary behaviours if sellers begin the usually aggressive speculative pricing again.

Exchange Rate Policy and Confidence Implications

2.4 This repeal signals a market-oriented shift in policy, potentially attracting more private sector investment. This has the impact of improving Zimbabwe's standing with multilateral financial institutions (the International Monetary Fund and the World Bank), who often discourage rigid price controls. The main danger is perceived policy inconsistency - a repeal within a year of the original amendment can undermine confidence in regulatory stability.

Impact on Consumer Welfare and Inflation

2.5 Short-term inflationary pressures are likely to be witnessed as businesses recalibrate prices upward to match parallel market rates. In the medium to long-term, effects depend on macroeconomic discipline. If the official exchange rate is stable and credible, market pricing can promote efficiency and if not, the repeal could fuel price instability, hurting consumer purchasing power and competitiveness.

3.0 Proposed Recommendations

3.1 To attain the best out of this repeal, the Commission proposes the following recommendations:

3.1.1 S.I. 34 of 2025 should be accompanied by reforms that strengthen exchange rate transparency, foreign exchange market depth, and enforcement of fair-trading practices.

3.1.2 Authorities must enhance monitoring mechanisms for abuse, particularly in essential sectors.

3.1.3 Maintenance of monetary discipline, enforce transparency, and shield consumers from opportunistic pricing.

4.0 Conclusion

4.1 The repeal of S.I. 81A of 2024 restores competitive pricing dynamics, empowering businesses to operate according to market fundamentals. Businesses have been awarded the opportunity to recalibrate cost structures and realign pricing to actual forex exposure. This encourages investments in productivity and efficiency, the true drivers of competitiveness.

4.2 Price competitiveness is enhanced by removing restrictive penalties, reinstating market signals and encouraging more rational resource allocation. Without these, competitiveness gains could be undercut by instability and inequality.