



NATIONAL ECONOMIC CONSULTATIVE FORUM

2025 MONETARY POLICY STATEMENT SYNOPSIS

1.0 INTRODUCTION

On 6 February 2025, the Governor of the Reserve Bank of Zimbabwe, Dr. J. Mushayavanhu, presented the 2025 Monetary Policy Statement (MPS), continuing under the Back-to-Basics Strategy. The MPS was presented under the theme “**Fostering Price, Currency and Exchange Rate Stability Through Balancing Confidence-Trust-Credibility-Efficiency-Stability-Growth**”.

Announced amid relative inflation and exchange rate stability, the MPS builds on the tight monetary policy stance embarked on earlier in 2024. The primary objective is to sustain this approach, reinforcing Central Bank policy credibility and trust through three strategic pillars: Consolidating Price, Currency, and Exchange Rate Stability; Enhancing Monetary Stability, Research, Policy, and Data Integrity; and Maintaining the Safety, Soundness, and Integrity of the Financial Sector.

Additionally, the policy emphasizes foreign exchange mobilization, perpetual reserves accumulation, and promoting demand for the local currency, ensuring a sustainable monetary environment.

2.0 MONETARY POLICY STRATEGIC FOCUS AREAS, MEASURES AND ANALYSIS

2.1 Review of Exporters’ Foreign Currency Retention Threshold

The measure reduced the foreign currency retention threshold for exporters from 75% to 70%. This change requires exporters to surrender 30% of their foreign currency earnings for ZiG, instead of the previous 25%. The primary goal is to boost the supply of foreign currency in the interbank market and build the reserves necessary to anchor backed-up supply of the ZiG, thereby enhancing exchange rate stability.

NECF Views

While reducing the retention threshold to 70% is beneficial as it increases the official supply of foreign currency and supports exchange rate stability, thereby reinforcing monetary credibility, it is crucial to implement complementary measures to mitigate potential negative impacts on exporters. Policy advice includes ensuring that the official exchange rate remains competitive and market-reflective to prevent market distortions, offering targeted incentives such as tax breaks (syncing with fiscal policy) or preferential loans to help exporters adjust, and maintaining streamlined access to forex when required for essential imports. Additionally, a gradual or sector-specific approach to the policy can facilitate smoother transitions for exporters while promoting overall forex inflows and sustaining export competitiveness.

2.2 Introduction of a US Dollar Denominated Deposit Facility (USDDDF)

The Reserve Bank has introduced the USDDDF to help exporters preserve the value of their additional 5% export surrender proceeds. Exporters who do not have an immediate need for the local currency (ZiG) equivalent of these proceeds can opt to invest them through this facility. The funds are held in a US Dollar denominated account, however exporters retain the flexibility to withdraw the equivalent amount in ZiG on demand, based on the prevailing interbank exchange rate on the settlement date.

NECF Views

One of the key benefits of the USDDDF is that it provides exporters with a secure mechanism to safeguard the value of their funds against local currency depreciation while still maintaining liquidity. This facility not only supports value preservation but also enhances confidence among exporters by offering flexibility in currency management. To further optimize this policy, it is advisable that the Reserve Bank ensures competitive deposit yields. Additionally, continuous monitoring and periodic review of the facility's performance can help in making timely adjustments that align with market dynamics and overall monetary policy objectives.

2.3 Refinement of the Foreign Exchange Management System

In this monetary policy measure the Reserve Bank is implementing several measures to deepen market flexibility, improve efficiency, and strengthen risk management. First, the Interbank Foreign Exchange Trading Guidelines for authorised dealers have been clarified by removing the previously applied 5% trading margin, originally used solely to determine the starting exchange rate after the introduction of the ZiG. Dealers are now required to on-sell foreign exchange at margins consistent with international best practices. In addition, the Reserve Bank has removed the weekly limits on foreign exchange access previously set at US\$500,000 for primary users and US\$100,000 for secondary users. To further facilitate cross-border transactions and reduce reliance on physical cash, the annual limit on prepaid international debit and credit cards has been increased from US\$500,000 to US\$1,000,000. Finally, measures to manage banks' foreign currency exposure are being refined by setting upper limits to help wind down over-exposed positions, aligning with the prescribed regulatory limits of 10% for single currency and 20% overall foreign exchange exposure risks.

NECF Views

These reforms represent a significant positive step toward enhancing market efficiency and transparency. The refined guidelines such as adopting margins aligned with international best practices, lifting restrictive weekly trading limits, and increasing the annual limits on prepaid international cards are

commendable measures that will likely boost market liquidity, improve price discovery, and facilitate smoother cross-border transactions. Additionally, the calibrated approach to managing foreign currency exposure for banks supports prudent risk management while encouraging the growing prominence of the local currency. While these initiatives strengthen the overall framework, it is crucial to maintain vigilant monitoring of market dynamics to ensure that increased flexibility does not lead to heightened volatility or speculative excesses.

2.4 Sustainable Accumulation of Gold and Foreign Currency Reserves

Since the introduction of the ZiG in April 2024, the Reserve Bank has implemented a robust reserves accumulation strategy to fully back the reserve money with gold and foreign currency. By the end of January 2025, total reserves surged by approximately 90%, rising from US\$285 million to about US\$550 million (ZiG14.3 billion), thereby providing more than three times the necessary cover for ZiG3.5 billion in reserve money. In line with its monetary policy goals of ensuring currency and exchange rate stability, the strategy is set to shift focus in 2025 towards building a buffer of usable official reserves that meet regional benchmarks for import cover. This will be achieved by leveraging increased gold production, in-kind royalties, the purchase of export surrender proceeds, and contributions from willing sellers in the foreign exchange market, all while ensuring an optimal balance between gold and liquid foreign currency for effective liquidity management.

NECF Views

The sustainable accumulation of reserves is a commendable development that has significantly strengthened the backing of the reserve money and enhanced exchange rate stability. The Reserve Bank needs to continue leveraging this positive momentum by maintaining a well-diversified portfolio that balances gold and liquid foreign currency assets to mitigate global market volatility. Aligning the reserves accumulation strategy with broader macroeconomic policies will maximize its long-term benefits for economic stability.

2.5 Interest Rates

The Reserve Bank has maintained the Bank Policy Rate at 35% per annum, deeming it suitable for the current tight monetary stance and anticipated economic growth, with periodic reviews by the Monetary Policy Committee based on inflation and market fundamentals. Additionally, to promote a savings culture and reward depositors, the Reserve Bank has immediately raised the minimum interest rates for both ZiG and USD deposits. For ZiG deposits, the savings rate has increased from 3.5% to 5% and the time deposit rate from 5% to 7.5%, while for USD deposits, the rates have been raised from 1% to 2.5% for savings and from 2.5% to 4% for time deposits. Banks are encouraged to offer rates above these minimums and to actively promote the use of interest-bearing accounts over non-interest-bearing current accounts.

NECF Views

The current measures, including maintaining the Bank Policy Rate at 35% to uphold a tight monetary stance and the upward revision of minimum deposit rates to incentivize savings, are positive steps toward ensuring monetary stability and fostering a savings culture. However, to further enhance these policies, it is advisable to closely monitor their impact on both bank lending rates and credit growth. The Reserve Bank should ensure that the higher deposit rates do not inadvertently increase banks' cost of funds to a level that constrains productive lending or stifles investment. There is also need to continuously review the minimum deposit rates to at least be above the inflation rate and bank charges.

2.6 Statutory Reserves

The Reserve Bank standardized statutory reserves at 30% for demand deposits and 15% for savings and fixed deposits in both local and foreign currencies. The reserve ratios remain in effect, with the Bank indicating that they will review these requirements as appropriate based on prevailing monetary and financial conditions.

NECF Views

Maintaining statutory reserves at 30% for demand deposits and 15% for savings and fixed deposits has been effective in tightening liquidity, thereby supporting inflation and exchange rate stability. However, it is important to ensure that these reserve requirements do not excessively constrain credit availability, which could slow economic growth. The Reserve Bank should adopt a data-driven, flexible approach to adjusting statutory reserves, ensuring that any future changes balance liquidity management with the need to support productive lending.

2.7 The Targeted Finance Facility (TFF) and Access to WBWS Interbank Foreign Exchange Market

The Reserve Bank introduced the Targeted Finance Facility (TFF) in January 2025 to enhance bank financing for productive sectors without creating new money, as it is funded from banks' statutory reserves. The facility has now been extended to wholesalers and retailers to help address working capital challenges and facilitate restocking. To further support its effectiveness, beneficiaries of the TFF can access foreign currency from the *Willing-Buyer Willing-Seller (WBWS) Interbank Foreign Exchange Market*, provided they submit valid invoices for critical imports.

NECF Views

The Targeted Finance Facility (TFF) is a well-structured initiative that enhances liquidity for productive sectors and retailers without increasing money supply, thereby supporting economic activity while maintaining monetary stability.

Allowing beneficiaries to access foreign currency through the WBWS market is also a positive move, ensuring that businesses can secure critical imports efficiently. To strengthen the impact of this facility, the Central Bank should ensure that access to foreign currency remains predictable and fairly priced to enhance business confidence and improve the facility's overall success in stabilizing key sectors.

2.8 Functional and Presentation Currency - Financial Reporting

The Reserve Bank, in consultation with the Public Accountants and Auditors Board (PAAB), mandated that all entities adopt ZiG as the common presentation currency for financial reporting, including 2024 audited financial statements. To enforce compliance, government agencies and regulatory bodies such as the Zimbabwe Stock Exchange (ZSE), the Securities and Exchange Commission of Zimbabwe (SECZim), and the Insurance and Pension Commission (IPEC) will issue statements ensuring all entities adhere to the new reporting requirements.

NECF Views

Adopting ZiG as the common presentation currency for financial reporting is a positive step toward enhancing financial transparency, comparability, and consistency across businesses and sectors. This move strengthens confidence in the local currency and aligns with its growing use in transactions. However, for successful implementation, it is essential to ensure clear guidelines and transitional support for businesses adapting their reporting systems. The Reserve Bank, in collaboration with regulatory bodies, should provide capacity-building programs for accountants and auditors to facilitate smooth compliance. Additionally, mechanisms should be put in place to address potential challenges, such as foreign exchange translation for companies with multi-currency transactions and the treatment of legacy balances.

2.8 Bank and transaction Charges

In response to concerns over high bank charges, the Reserve Bank indicated that it would ensure that banks exempt charges for accounts with balances below US\$100 or its equivalent in ZiG. Additionally, Point of Sale (POS) transactions under US\$5 or its equivalent in ZiG will be exempt from transaction charges for both banks and Payment Systems Providers (PSPs). The Reserve Bank is also collaborating with the Bankers Association of Zimbabwe (BAZ) and PSPs to develop mechanisms that reduce bank charges and encourage the use of e-cash to promote ZiG. These measures are expected to be finalized and communicated by mid-2025.

NECF Views

To enhance the effectiveness of the policy measures, the Reserve Bank should focus on clear communication and awareness campaigns to ensure stakeholders understand the exemptions. Monitoring and regulating bank

charges is crucial to prevent hidden fees, while promoting digital financial literacy will encourage broader e-cash adoption. Additionally, incentivizing collaboration between banks and PSPs can reduce costs and improve the payment ecosystem.

3.0 CONCLUSION

The MPS by the RBZ presents a comprehensive approach that will definitely foster stability, growth, and a gradual transition towards mono-currency. While several measures show promise in financial inclusion, trade facilitation and macroeconomic stability, it is crucial to address potential challenges and unintended consequences of high interest rates, inflation risks and the need for policy reviews by the Monetary Policy Committee (MPC) as well as continuous engagements with various business membership organisations and government, for continuous policy review. The NECF remains committed to engaging with the various stakeholders on behalf of the RBZ, ensuring that these policies are effectively implemented and also promote complementarity with the Ministry of Finance, Economic Development and Investment Promotion measures, and ultimately support the Zimbabwe's Sustainable Goals and the National Development Strategy 2 towards attainment of an upper middle-income economy by 2030.

NECF Secretariat, 2025