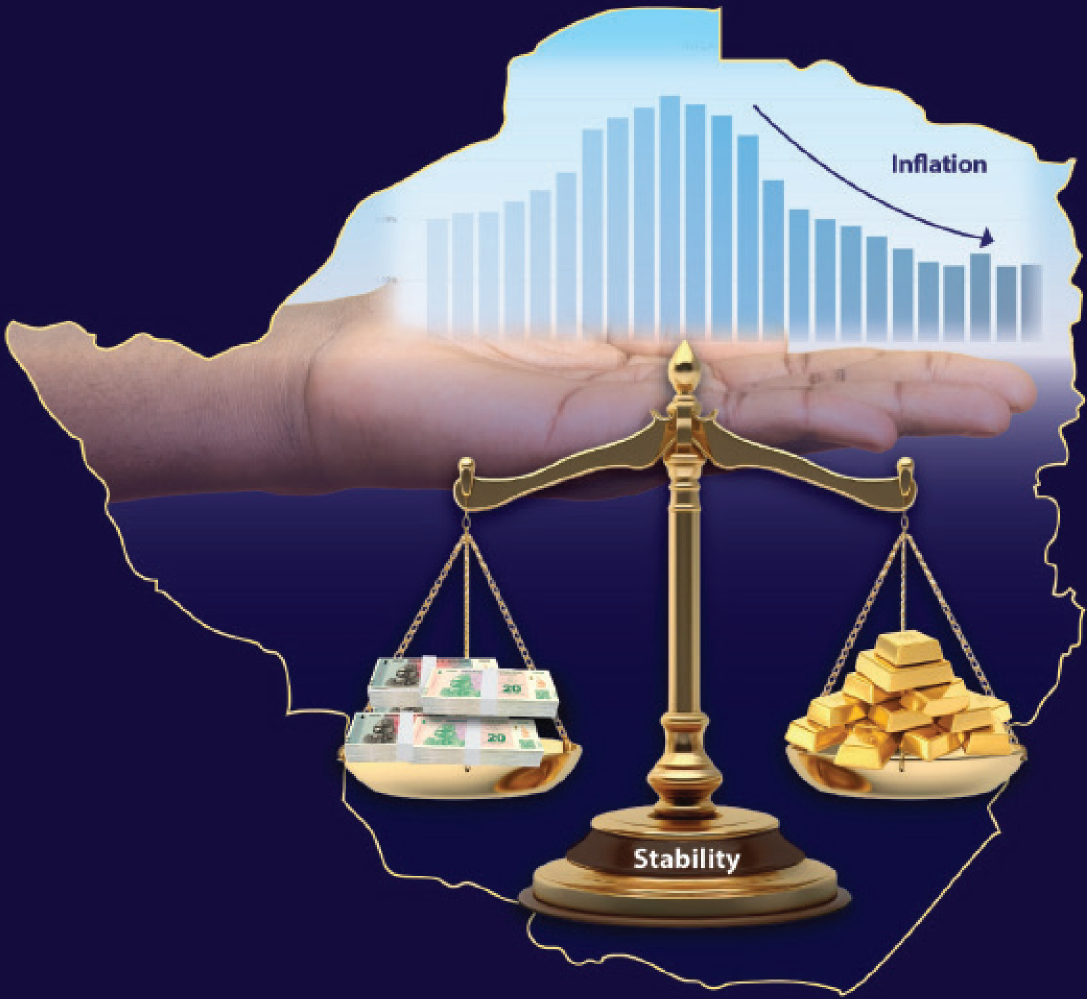
RESERVE BANK OF ZIMBABWE

2025 MID-TERM MONETARY POLICY STATEMENT

"Walking the talk and staying the course"

To durably anchor and consolidate stability.



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GOVERNOR

7 AUGUST 2025

MONETARIST VIEW

"Inflation is always and everywhere a monetary phenomenon."

Milton Friedman (1963)

KEY HIGHLIGHTS

The Reserve Bank will ensure policy consistency, ***"walk the talk, stay the course"*** and continue with a tight monetary policy stance to durably anchor and consolidate stability.

1. Inflation and Exchange Rate Stability Sustained

The Reserve Bank met a wide spectrum of stakeholders during the Monetary Policy Consultations, who commended the Bank for ***"walking the talk"*** in sustaining the prevailing inflation and exchange rate stability.

2. Monthly Inflation Low and Sustained

Monthly inflation sustained at low levels, averaging **0.64% from February to July 2025.**

3. Annual Inflation to Ease from October 2025

Annual inflation stood at **95.8% in July 2025** and is expected to ease significantly from October 2025 following dissipation of base effects.

4. Prudent Money Supply Management

Prudent money supply management by the Reserve Bank has kept inflation in check.

5. Prudent Liquidity Management

Effective liquidity management enhanced by recalibrated and tightened NNCDs.

6.Exchange Rate Stability Sustained

Exchange rate stability underpinned by **sustained foreign currency inflows** and **optimal money supply management.**

7. Sustained Foreign Currency Receipts

Foreign currency receipts increased to **US$7.2 billion** in the first six months to June 2025, a growth of **23.1%**, from **US$5.9 billion** over the same period in 2024. The **sustained inflows of foreign currency** have enabled the **consistent build-up of foreign reserves**, which stood at **US$731 million** as at end June 2025.

8. Availability of Foreign Currency for Import Payments

All the country's foreign currency needs for Bonafide foreign payments have been (and will continue to be) adequately met through the Willing-Buyer Willing-Seller (WBWS) foreign exchange market, supported by regular interventions by the Reserve Bank to liquify the market and smoothen exchange rate volatilities.

9. Adequate Foreign Reserves Cover for ZiG

The available foreign reserves cover local currency reserve money of **ZiG4.6 billion** by about **four (4) times**, as well as the entire stock of ZiG deposits of **ZiG17.3 billion** as at end June 2025.

10. Targeted Finance Facility Remains Accessible and Available

Productive sectors continue to benefit from Targeted Finance Facility (TFF) and disbursements over **ZiG400 million** as at end June 2025.

11. Banking Sector Stability

The banking sector remains **safe and sound** characterised by adequate capitalisation and low levels of **non-performing loans of 2.9%** against an International benchmark of 5% as at 30 June 2025.

12. National Payment Systems Remain Robust

The National Payment Systems (NPS) have remained robust and resilient with an **up-time of over 95%** supporting smooth and efficient transaction flows.

13. Electronic ZiG Transactions Increase

The proportion of electronic ZiG transactions increased to over **40%** as at June 2025**,** from **26%** in April 2024.

14. Availability and Usage of ZiG Cash Enhanced

Availability and usage of ZiG cash enhanced as banks increase access to ZiG cash through ATMs and banking halls.

15. Exporters' Foreign Currency Retention Maintained

Foreign currency retention remains at **70%**, implying that there is no change on export surrender requirements of **30%.**

16. Bank Policy Rate Maintained

The Bank Policy Rate has been maintained at **35%.**

17. Statutory Reserves Requirements Maintained

Statutory reserve requirements at **15%** for savings and time deposits and **30%** for demand and call deposits in both local and foreign currency. Differential statutory reserve requirements of **15-30%** allow banks to attract long-term deposits.

18. Monetary Policy Committee (MPC)

The MPC will review the Bank Policy Rate and Statutory Reserve Requirements depending on the evolution of monetary and financial conditions.

19. Penalties for Non-Compliance Increased

Penalties for non-compliance with trade and investment regulations **increased to a minimum of US$100,000.00 or equivalent in ZiG** and/or suspension of foreign exchange trading licence.

20. De-dollarisation Roadmap — Work in Progress

De-dollarisation roadmap will be crystallised in the National Development Strategy II (NDS2) and consideration will always be made to ensure that there is business continuity and certainty.

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SECTION ONE

INTRODUCTION AND BACKGROUND

1. This Mid-Term Monetary Policy Review Statement, which is issued in terms of Section 46 of the Reserve Bank Act [Chapter 22:15] comes at a time when the Reserve Bank has consistently "***walked the talk and stayed the course" of durably anchoring and fostering price, currency and exchange rate stability,*** since the introduction of ZiG in April 2024. Accordingly, the Reserve Bank has continued to ensure that money supply growth is consistent with targeted inflation and envisaged economic growth. This policy thrust has supported sustained disinflation without compromising economic growth prospects.

2. The stable macroeconomic conditions have supported the strong recovery in growth across all sectors of the economy. Notwithstanding the uncertain global economic prospects, the economy is projected to grow by 6% in 2025, up from an estimate of 1.7% for 2024. The strong growth rebound also benefited from the recovery in the performance of the agricultural sector and the growth in the mining, manufacturing and tourism sectors.

3. The prevailing macroeconomic stability is evidenced by a relatively stable ZiG/US$ exchange rate and prices, marked by limited volatility in the foreign exchange market. As a result, the ZiG monthly inflation averaged 0.6% in the period extending from February to July 2025. Reflecting the low month-on-month inflation, annual ZiG inflation, which has been elevated since April 2025 on account of the base effects, is expected to moderate significantly during the last quarter of 2025 and is projected to end the year at around 30%.

4. The ZiG/US$ exchange rate stability has been supported by sustained foreign currency inflows, the greater interplay of market forces and increased flexibility on the Willing-Buyer Willing-Seller (WBWS) foreign exchange market. During

the first six months to June 2025, foreign currency inflows, largely from export earnings and international remittances, amounted to US$7.2 billion, up from US$5.9 billion during the same period in 2024. The increased foreign currency inflows facilitated the build-up of foreign currency reserves, enabling the Reserve Bank to strategically intervene in the foreign exchange market to ensure market clearing and engender greater exchange rate stability.

5. Notably, foreign currency reserves have grown by over 150% from US$285 million in April 2024 to over US$730 million in June 2025. The Reserve Bank will continue to accumulate foreign currency reserves to achieve the regional benchmark of 3-6 months of import cover to support the sustained stability of the local currency.

6. The stable macroeconomic conditions have also resulted in increased usage of ZiG in the economy. The proportion of ZiG in National Payment System electronic transactions rose from 26% in April 2024 to over 40% in June 2025, reflecting increased usage of ZiG. In addition, local currency cash usage in the economy has increased. In this regard, the Reserve Bank continues to ensure the wider availability of ZiG cash through the banking system.

7. In order to ensure continued and prudent money supply management, the Reserve Bank refined its open market operations through the recalibration of Non-Negotiable Certificates of Deposit (NNCDs) in May 2025. In this regard, the Reserve Bank tightened the NNCDs to a fixed term of 30 days and curtailed early redemptions. The refinement is expected to ensure that the current monetary policy thrust remains effective in consolidating and entrenching price and exchange rate stability.

8. The current stability was also acknowledged and commended by key economic agents during stakeholder consultative meetings held from 7 to 14 July 2025 in

preparation for the 2025 Mid-Term Monetary Policy Statement. The stakeholders emphasised the need for the Reserve Bank to remain consistent in the implementation of prudent monetary policy and staying the course - **"walking the talk"** - by consolidating and entrenching stability.

9. Stakeholders welcomed the role being played by the Targeted Finance Facility (TFF) in supporting the productive sectors and called for the Reserve Bank to continue delicately balancing the need for stability and growth. Further, the stakeholders acknowledged the increased use of the ZiG in the economy and encouraged the Reserve Bank to continue ensuring the wider circulation of ZiG cash. The stakeholders highlighted that clarity on the de-dollarisation roadmap is critical to dispel misconceptions, enhance confidence, shape expectations and support sustained use of ZiG in the economy.

10. Following the adoption of communication by the Reserve Bank as an integral component of the monetary policy toolkit, insightful feedback has been received from stakeholders through both formal channels and social media. This has enriched the monetary policy debate and better informed monetary policy formulation. Consequently, the feedback from stakeholders corroborated the findings from the quarterly snapshot on recent monetary, currency, price and financial developments, which the Reserve Bank has been publishing in the public media for the wider audience.

11. Going forward, the Reserve Bank will continue to implement additional measures to strengthen the monetary policy framework and improve the effectiveness of monetary policy operations to consolidate price, currency and exchange rate stability. Accordingly, this Statement evaluates the performance and effectiveness of measures implemented since 5 April 2024 and reaffirms the monetary policy stance to be pursued by the Reserve Bank in the next six-month period.

12. The subsequent sections of the Monetary Policy Statement are presented as follows:

- Section 2: Recent Economic Developments
- Section 3: External Sector Developments
- Section 4: Condition and Performance of the Banking Sector
- Section 5: Monetary and Financial Conditions
- Section 6: Monetary Policy Measures
- Section 7: Economic Outlook
- Section 8: Conclusion

SECTION 2

RECENT ECONOMIC DEVELOPMENTS

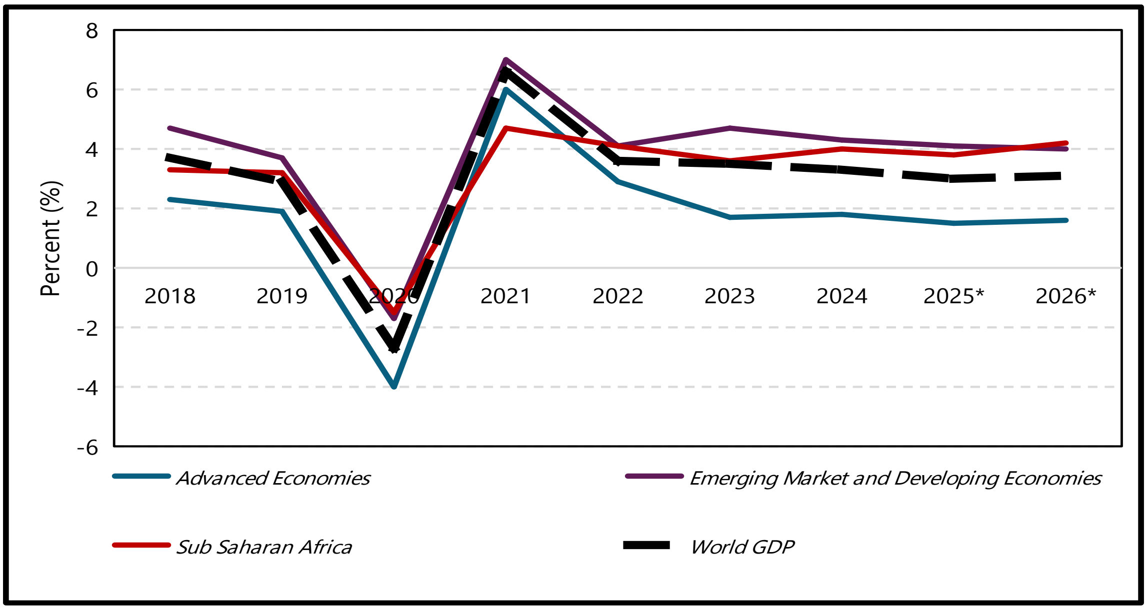
SECTION TWO

RECENT ECONOMIC DEVELOPMENTS

GLOBAL DEVELOPMENTS

13. The global growth momentum has decelerated against the backdrop of headwinds from diminished confidence, elevated debt levels, climate shocks, and heightened policy uncertainty compounded by ongoing geopolitical and trade tensions. The slowdown in global growth has been broad-based, characterised by divergent regional growth trajectories and the slower pace of disinflation, following the near-universal tariffs imposed by the USA. Moreover, retaliatory measures from the USA's major trading partners constrained trade and investment. Against this background, the IMF's July 2025 World Economic Outlook (WEO) Update, projects global growth to moderate from 3.3% in 2024 to 3.0% in 2025, as shown in Figure 1.

Figure 1: Real Gross Domestic Product (GDP)



* *Projections*

Source: IMF World Economic Outlook Update, July 2025

14. Looking ahead, medium-term growth is projected to remain at levels below the pre-pandemic historical average of 3.8%. The subdued growth outlook could

worsen poverty and delay income convergence between Emerging Market and Developing Economies (EMDEs) and advanced economies. Furthermore, declining foreign direct investment and foreign aid cuts could undermine job creation and poverty alleviation efforts, particularly in EMDEs.

15. The global growth outlook remains subject to significant downside risks from escalating protectionism, slowdown in global trade, policy uncertainty, a rebound in effective tariff rates, the impact of climate-related shocks, geo-economic fragmentation, intensified conflicts, and population ageing. Despite the significant risks dominating the outlook, global growth is forecasted to improve modestly to 3.1% in 2026 but remains subject to evolving trade policy changes and their differential effects across countries.

16. In advanced economies, growth is projected to slowdown from 1.8% in 2024 to 1.5% in 2025, before rebounding marginally to 1.6% in 2026. The decline in growth in 2025 is underpinned by the deceleration of activity in the US which is projected to decline from 2.8% in 2024 to 1.9% in 2025. The decline in US growth in 2025 largely reflects the dampening effects of import tariffs on aggregate demand. Further, increased policy uncertainty has weakened business and consumer sentiment in the US, reflecting the potential impact of trade tensions on global growth. Neverthelss, the near-term boost to growth is expected from President Trump’s One Big Beautiful Bill Act (OBBBA) to be implemented primarily through tax incentives for corporate investment.

17. In the Euro-area (EA), growth is projected to firm up from 0.9% in 2024 to 1.0% in 2025, and 1.2% in 2026. Growth performance in the EA is expected to recover notwithstanding the policy uncertainties from the US tariffs on EU imports and their initial dampening effects on consumer demand and investor sentiment. The offsetting effects of firming real wages and consumption occasioned by declining inflation, alongside accommodative fiscal conditions in Germany, spurred the

modest growth recovery in the Euro-area. In parallel, the strong first quarter GDP outturn in Ireland, driven by large pharmaceutical exports to the US, enhanced growth performance in Europe.

18. In EMDEs, growth is projected to decline from 4.3% in 2024 to 4.1% in 2025 and 4.0% in 2026. The slowdown in EMDEs is underpinned by significant growth downgrades for Emerging and Developing Asia, following the imposition of US trade tariffs in April 2024, and the challenging external environment.

19. Growth in China is projected to moderate from 5.0% in 2024 to 4.8% in 2025 and 4.0% in 2026 as US tariff measures weigh on growth performance. Nonetheless, stronger -than-anticipated growth in the first half of 2025, benefitting from lower US-China effective tariffs resulted in growth upgrades for China. At the same time, accommodative fiscal and monetary policy measures and the strong carryover from 2024 will further shore-up economic activity in 2025. Going forward, recovery in the Chinese economy remains contingent on tackling of attendant property market challenges. In India, growth is expected to remain strong at 6.4% in 2025 and 2026, underpinned by robust private consumption, particularly in rural communities.

20. In Sub-Saharan Africa (SSA), growth is projected to remain subdued at 4.0% in 2024 and 2025 as the disruptive effects of the recent trade policy shifts dampened the post-pandemic recovery momentum. More specifically, heightened global policy uncertainty and weakening investor sentiment have weighed on growth performance in South Africa, while low oil prices will hold back faster growth in Nigeria. Meanwhile, delays in the resumption of oil exports in South Sudan, will negatively impact on growth recovery in 2025. More broadly, changes in the global trade regime will have a strong bearing on global growth and the recovery in SSA through depressed commodity prices.

21. The shift in global policy priorities and the disproportionate impact of US trade tariffs on SSA's smallest and vulnerable countries has also generated renewed concerns. At the same time, elevated borrowing costs for EMDEs will compound debt dynamics, amplify the risk of capital flow reversals, and generate renewed currency and inflationary pressures. More importantly, foreign aid cuts will affect critical social and development initiatives with pronounced repercussions on the most vulnerable.

Global Inflation Developments

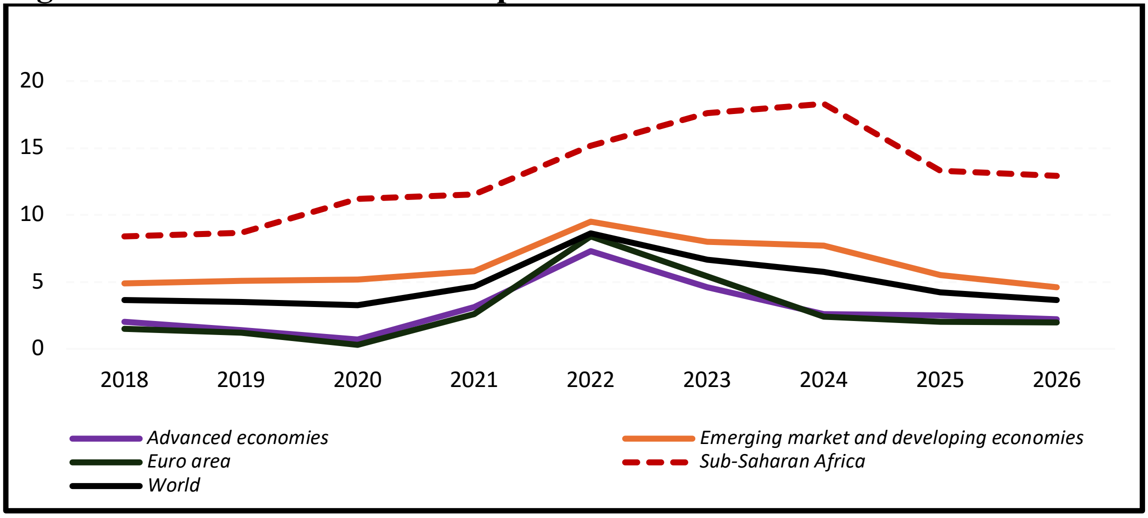
22. Global inflation is anticipated to decline in 2025 albeit at a slower pace than initially anticipated, owing to the impact of tariffs and the disruption of global value chains. The countries most affected by tariffs face higher import costs, productivity losses and a decline in domestic and external demand. Moreover, inflation expectations have surpassed central bank targets in major advanced and emerging market economies and renewed inflationary pressures from firming input prices, remain concerning. The retreat in commodity prices alongside cooling demand is, however, expected to moderate the incipient inflationary pressures. Accordingly, global inflation is projected to decline from 5.7% in 2024 to 4.2% and 3.6% in 2025 and 2026, respectively.

23. In advanced economies, inflation is forecasted to decline in 2026 and draw closer to the target. The progressive decline in inflation may signal the normalization of monetary policy in advanced economies. Similarly, in the Euro-area (EA) the disinflation process remains well on-track towards the medium-term target of 2%. The decline in EA inflation also benefitted from receding energy prices, declining services inflation and adjustment measures to enhance fiscal and debt sustainability. Additionally, incipient price pressures are likely to be countered by weaker demand, softer commodity prices and the diversion of trade to China.

24. Inflation in the USA is projected at 3.0% and 2.5% in 2025 and 2026, amidst renewed pressures from the pass through from tariffs and a weaker dollar to sensitive consumer products and the cost of intermediate goods. Nevertheless, the aggressive fiscal tightening designed to rationalize spending and cut official development assistance is expected to moderate inflationary pressures in the US.

25. Inflation in Sub-Saharan Africa is projected to remain elevated at 13.3% in 2025 against the backdrop of global policy uncertainties and sizeable fiscal deficits exacerbated by high debt repayments. Going forward, inflation is expected to moderate to 12.9% in 2026 on the back of anticipated improvements in the global economic outlook, which is envisaged to support demand for Africa's exports and moderate exchange rate and inflationary pressures. Figure 2 shows trends in global inflation.

Figure 2: Global Inflation Developments



Source: IMF World Economic Outlook Update, July 2025

26. Despite the notable progress on the disinflation path, significant inflation risks dominate the outlook. Specifically, strong headwinds from increased policy uncertainties, escalation of trade tensions, rising protectionism, and foreign aid cuts could undermine progress made on the disinflation front, including in EMDEs.

Commodity Price Developments

27. International commodity prices are anticipated to decline in 2025 and 2026 amid low demand due to the moderation in global growth occasioned by rising trade tensions and tighter global financial conditions. Consequently, prices for energy, food, agricultural commodities, base metals and minerals are generally projected to remain subdued in 2025 and 2026, largely as a result of slackening demand. Gold prices, however, remain elevated on account of the strong safe-haven demand.

28. The outlook for commodity prices, however, remains closely linked to the expeditious resolution of trade tensions. Table 1 shows selected commodity price developments in 2023 and 2024 as well as forecasts up to 2026.

Table 1: International Commodity Price Developments

Commodity	Actual 2023	Actual 2024	Forecast 2025	Forecast 2026
Energy				
Crude Oil, brent (US$/bbl)	82.6	80.7	64	60
Coal Australia (US$/mt)	172.8	136.1	100	95
Natural Gas, Europe (US$/mmbtu)	13.1	11.0	11.6	10.6
Food				
Soya bean oil (US$/mt)	1,119	1,022	990	967
Maize (US$/mt)	253	191	187	183
Rice, Thailand (US$/mt)	554	588	421	422
Wheat (US$/mt)	340	269	263	260
Agricultural Commodities				
Cotton (US$/kg)	2.09	1.91	1.65	1.70
Tobacco (US$/mt)	5,016	5,899	5,300	5,000
Base Metals and Minerals				
Nickel (US$/mt)	21,521	16,814	15,800	16,000
Copper (US$/mt)	8,490	9,142	8,200	8,000
Iron ore (US$/dmt)	120.6	109.4	95	88
Precious Metals				
Gold US$/toz	1,943	2,388	3,250	3,200
Platinum US$/toz	966	955	1,050	1,075

Source: World Bank Commodity Market Outlook, April 2025

DOMESTIC ECONOMIC DEVELOPMENTS

Real Sector Developments

29. Domestic economic activity improved in the first half of 2025 mainly driven by strong performance in the agriculture and mining sectors. As such, growth is projected to rebound from 1.7% in 2024, to 6% in 2025. The agriculture sector recovered strongly in 2025 with improved production across all crops. Tobacco output has surpassed the historical record with deliveries topping 351 million kgs as at 31 July 2025. Similarly, the mining sector has been bullish, driven by gold deliveries which rose to 20.1 tonnes as at end June 2025, up from 13.85 tonnes, during the same period in 2024.

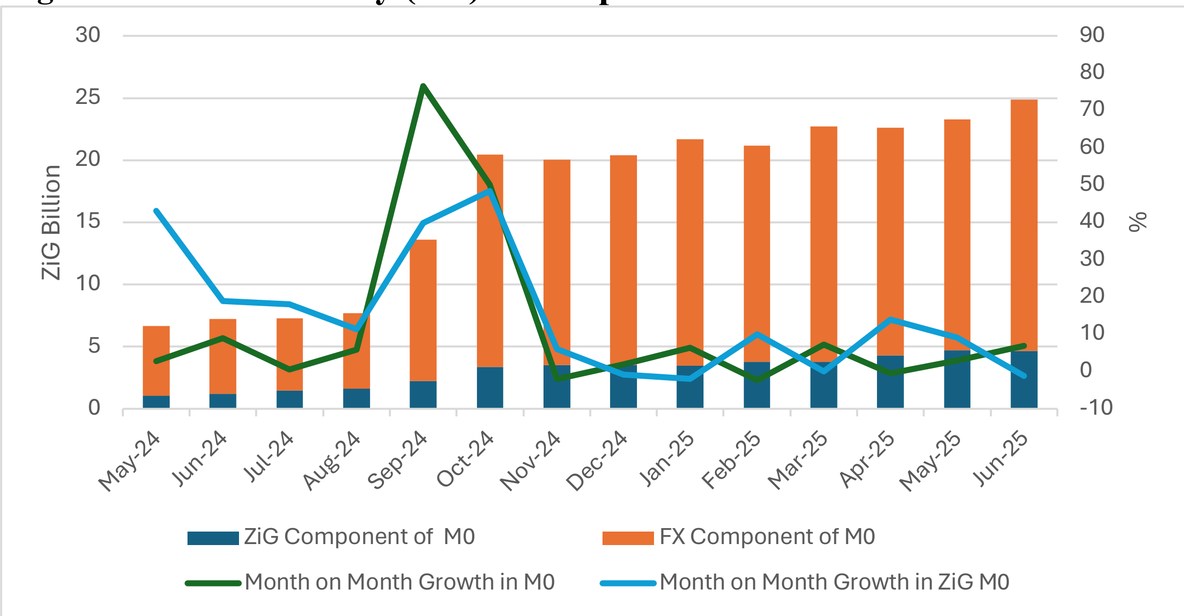
30. Overall, the economy has benefited immensely from the improved macroeconomic stability during the first half of 2025.

Monetary Developments

31. The local currency component of reserve money growth averaged 2.7% per month during the first quarter of 2025. Reserve money growth, however, rose to 13.9% in April 2025. To curtail reserve money growth, the Reserve Bank tightened the terms of NNCDs and enhanced their effectiveness in liquidity management. Following the tightening of NNCDs, reserve money growth has since moderated to 9.2% in May 2025, before declining significantly to -1.3% in June 2025.

32. Figure 3 shows monthly developments in reserve money.

Figure 3: **Reserve Money (M0) Developments**

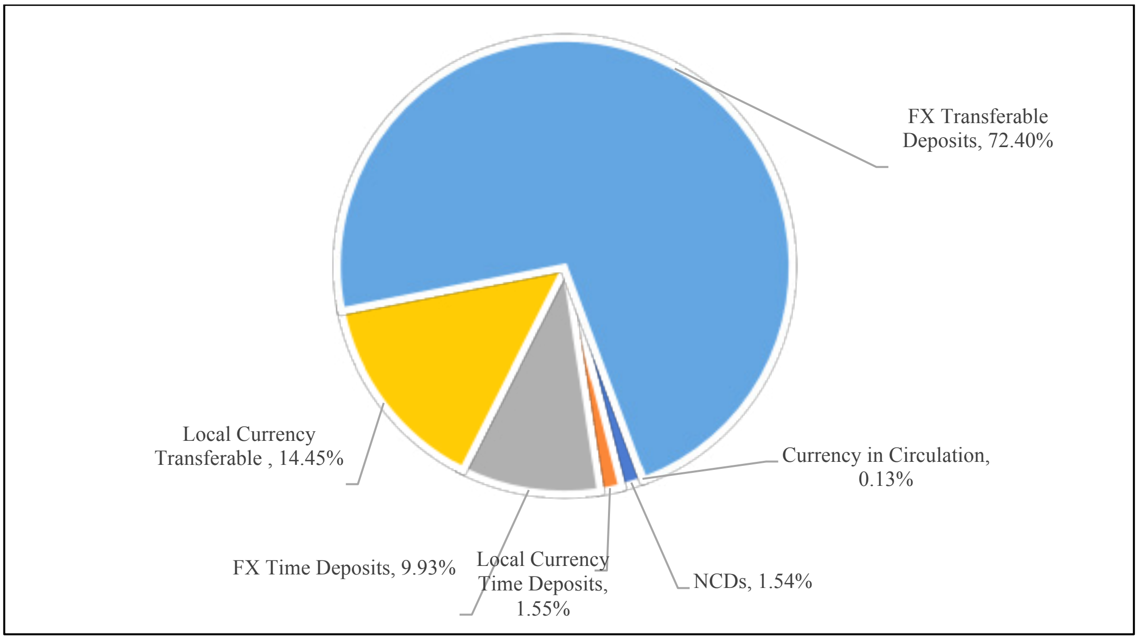


Source: Reserve Bank of Zimbabwe, 2025

33. Money supply growth has largely been consistent with exchange rate and inflation developments. The prudent monetary policy stance resulted in the dissipation of inflationary pressures during the first half of 2025.

34. Total broad money stood at ZiG97.34 billion in June 2025, an increase of 16.14%, from ZiG78.91 billion recorded in December 2024. The growth in total broad money largely reflected an expansion of 18.85% in foreign currency deposits from ZiG 59.29 billion in December 2024, to ZiG 70.47 billion in June 2025. Figure 4 shows the composition of total broad money supply.

Figure 4: **Composition of Money Supply**

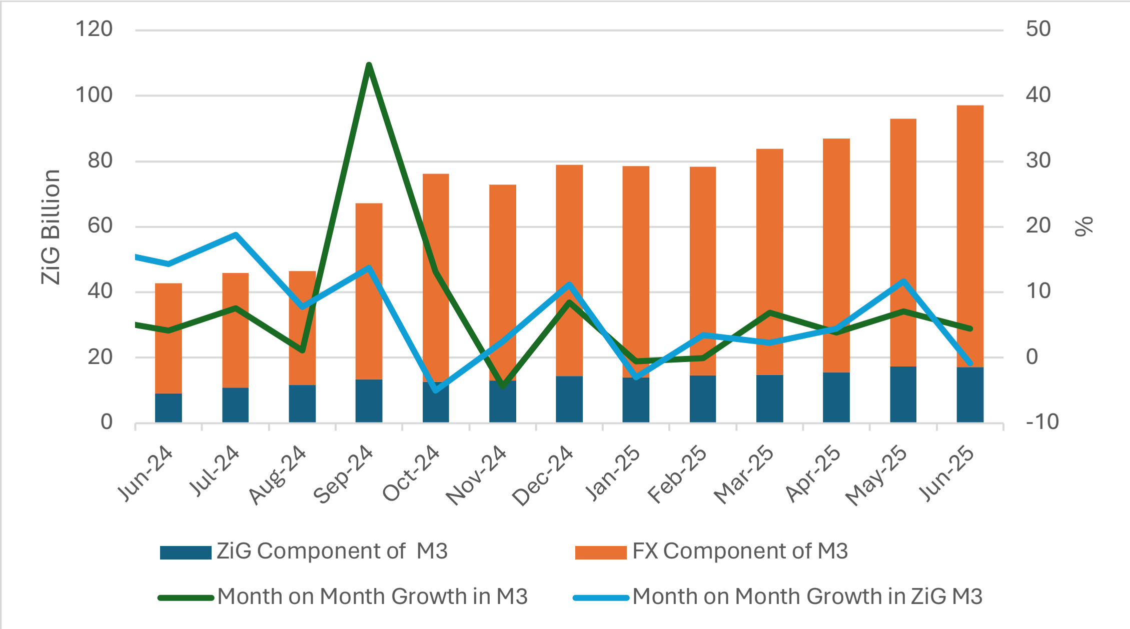


Source: Reserve Bank of Zimbabwe, 2025

35. Foreign currency transferable deposits continued to dominate total broad money accounting for 72.40%, while local currency transferable deposits constituted 14.45%.

36. In line with reserve money developments, month-on-month growth in local currency broad money averaged just below 1% in first quarter of 2025 and rose to 4.4% and 11.7% in April and May of 2025, respectively. Reflecting the decline in reserve money in June 2025, ZiG broad money growth decreased to -0.81% as depicted in Figure 5.

Figure 5: Broad Money (M3) Developments

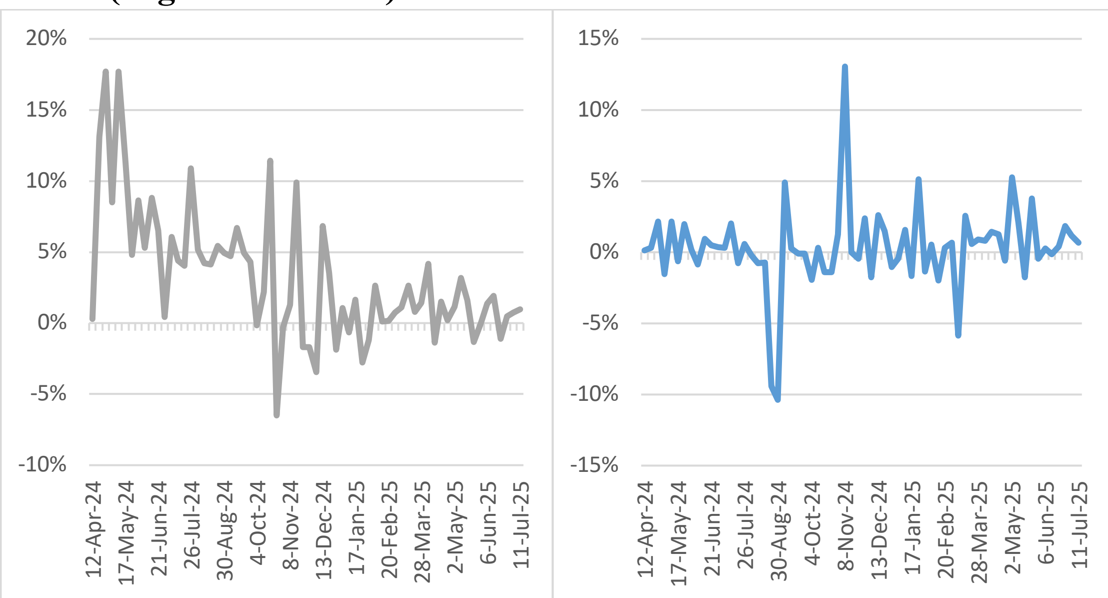


Source: Reserve Bank of Zimbabwe, 2025

Credit to the Private Sector

37. Banking sector month-on-month credit growth to the private sector averaged 3.6% over the first 6 months of 2025. The developments in weekly loans for both local and foreign currency are shown in Figure 6.

Figure 6: Weekly Growth in ZiG Loans (Left Hand Side) and USD Loans (Right Hand Side)



Source: Reserve Bank of Zimbabwe, 2025

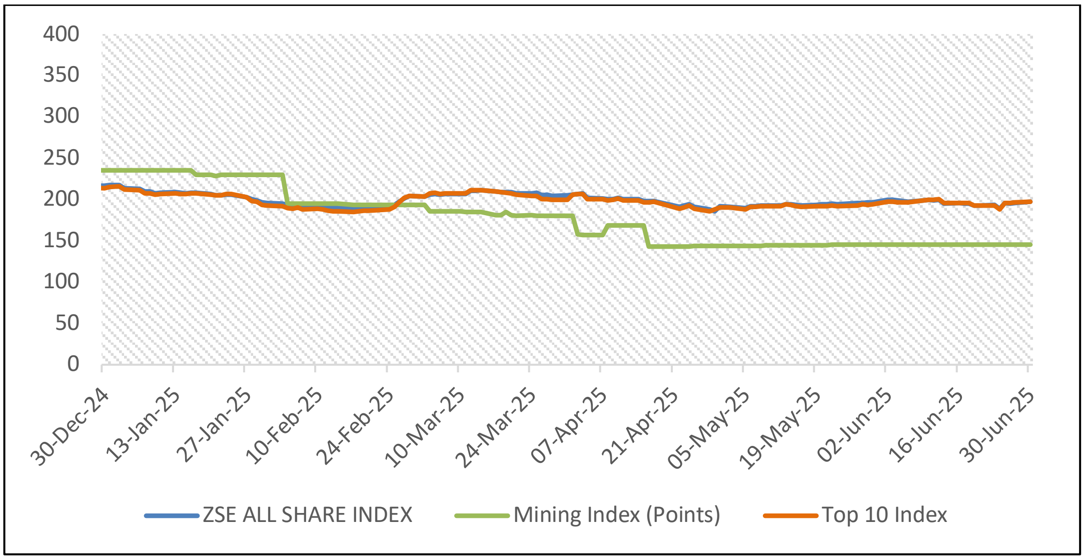
38. At an average credit growth of 3.6% per month, the annualised nominal credit growth comes to around 52% and real credit growth will be around 17%, assuming annual target inflation of 30%. This shows that the current credit growth is consistent with the envisaged economic growth of 6%. In this regard, the economy should be able to achieve the targeted economic growth for 2025, underpinned by higher-than-expected agricultural output (tobacco) and mining (gold).

Zimbabwe Stock Exchange Developments

39. The Zimbabwe Stock Exchange (ZSE) exhibited bearish sentiments during the first half of 2025, reflecting continued market correction following the tightening of monetary policy during the fourth quarter of 2024. In this regard, the All Share, Top 10, and Top 15 indices declined to close at 197.23 points, 194.14 points and 197.63 points, respectively. Similarly, the resource index declined from 235.38 points as at end December 2024, to close at 145.40 points.

40. Figure 7 shows the developments of the ZSE indices for the period 30 December 2024 to 30 June 2025.

Figure 7: All Share, Top 10 and Mining Indices



Source: Zimbabwe Stock Exchange, 2025

41. In line with developments on the local bourse, market capitalisation declined from ZiG 66.2 billion in December 2024 to ZiG60.97 billion as at June 2025.

Victoria Falls Stock Exchange (VFEX) Developments

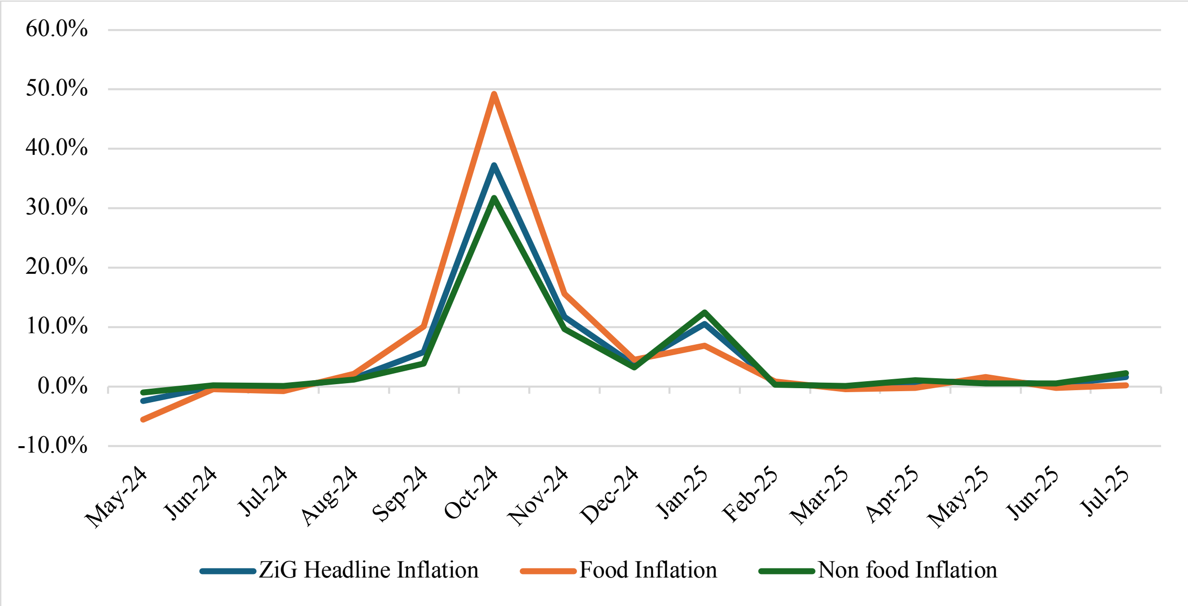
42. The VFEX traded on a negative trajectory during the second quarter of 2025. As a result, the VFEX All Share index lost 2.82% to close at 107.21 points, from 110.32 points recorded in the quarter ending March 2025. On an annual basis, the VFEX All Share index gained 3.35%, from 103.73 points recorded in June 2024.

INFLATION DEVELOPMENTS

Monthly ZiG Inflation

43. Month-on-month ZiG inflation has remained low, ranging between -0.1% and 0.9% during the first half of 2025, benefiting from tight monetary conditions that also helped stabilise the ZiG/US$ exchange rate. Monthly ZiG inflation stood at 1.6% in July 2025, driven by a increase in the rental subcategory and seasonal increases in the price of fruit. Figure 8 shows the developments in monthly inflation.

Figure 8: ZiG Monthly Inflation Profile (%)



Source: ZIMSTAT, 2025

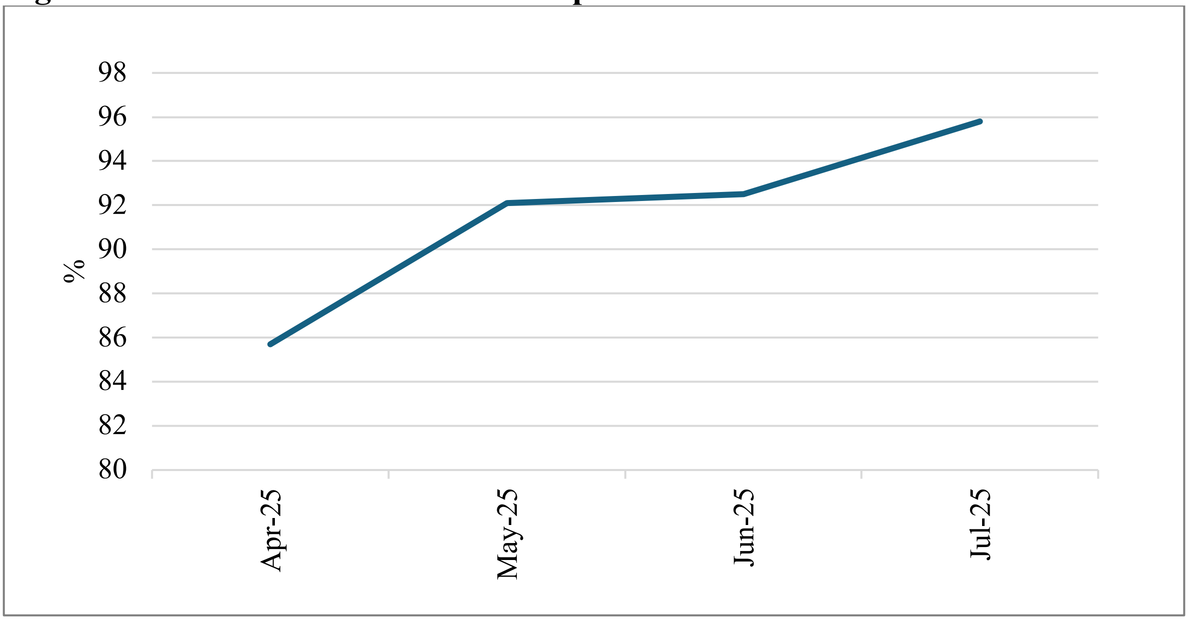
44. Monthly food inflation stood at 0.2% in July 2025, an increase from -0.2% in June 2025 driven by increases in fruits and vegetables food categories.

45. Non-food inflation, increased to 2.3% in July 2025, from 0.53% in June 2025, mainly driven by increases in rentals, housing, water, electricity, gas and other fuels and transport categories. Box 1 highlights recent inflation developments and drivers.

Annual ZiG Inflation

46. The annual ZiG inflation was recorded at 95.8% in July 2025, up from 85.7% in April 2025. The elevated year-on-year inflation largely reflects the base effect (Box 2), emanating from the once-off spike in month-on-month inflation in October 2024. Going forward, the current trend in annual inflation is expected to dissipate from October 2025 and align with the current low and stable monthly inflation. Figure 9 shows annual inflation developments since April 2025.

Figure 9: Annual ZiG Inflation Developments 2025



Source: ZIMSTAT, 2025

Box 1: Recent Monthly ZiG Inflation Dynamics Explained

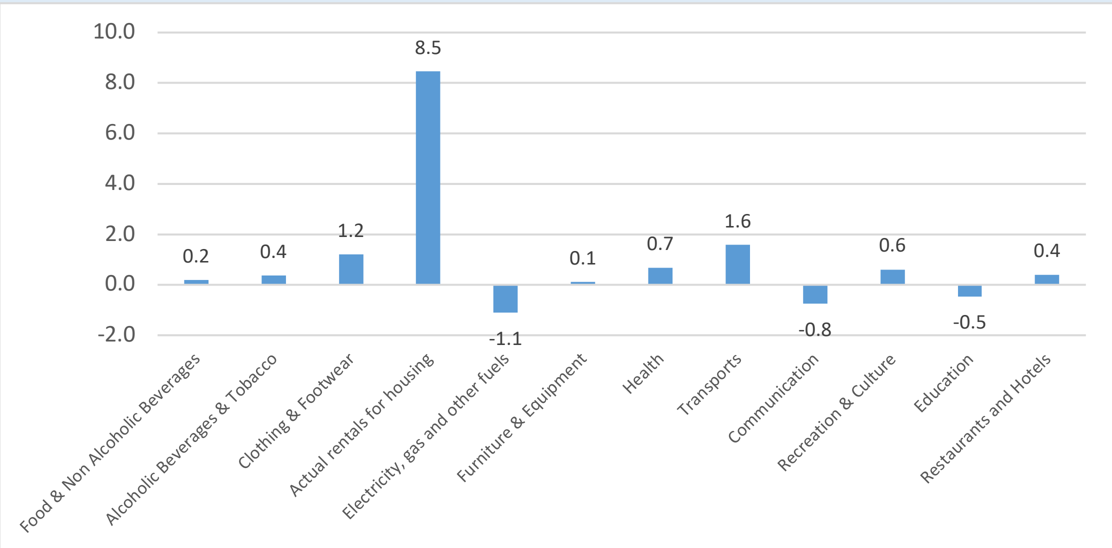
Inflation measures the sustained increase in the general price level in the economy based on a basket of goods and services. The Zimbabwe National Statistics Agency (ZIMSTAT) measures inflation using the consumer price index (CPI) comprised of a basket of 495 products. The 495 products are classified into twelve broad categories as follows: Food and non-alcoholic beverages; Alcoholic beverages and tobacco; Clothing and Footwear; Housing Water Electricity Gas and Other Fuels; Furniture, Household Equipment and Maintenance; Health; Transport; Communication; Recreation and Culture; Education; Restaurants and Hotels; and Miscellaneous Goods and Services. The categories for CPI are standardised across all countries in the world enabling the comparison of inflation across jurisdictions. The number of products in the basket, however, may differ from country to country as well as the weights for the specific categories.

ZIMSTAT collects the prices of all the commodities in the basket in shops across all districts of Zimbabwe for ZiG and US dollars to produce the respective consumer price indices, normally between the 11th and 17th of each month. The change in the price level between two consecutive months is referred to monthly or month-on-month inflation. While annual inflation is normally used to gauge the price movements over time, monthly inflation is critical to understand the current inflationary pressures and dynamics in the economy. Accordingly, to understand inflation dynamics, including the key drivers, central banks assess inflation developments in terms of the dynamics exhibited by prices of the sub-categories. The threat to price stability is considered high when monthly inflation is broad-based and driven by increases across most categories or products. On the other hand, when monthly inflation increase is observed in few categories, it can be assessed to be transitory and less of a threat to price stability.

Month-on-month ZiG inflation has been generally stable, averaging 0.6% from February to July 2025. In July 2025, month-on-month inflation, however, increased to 1.6%, up from 0.3% in June 2025, which was above the observed monthly average from February to July 2025. An analysis of the July CPI numbers, shows that monthly inflation was mainly driven by increases in rentals. Precisely, all CPI categories increased by an average of 0.3%, while rentals increased by 8.5% month-on-month, thereby driving up the overall monthly inflation for July 2025.

Rental prices in the CPI basket are measured and updated quarterly through the ZIMSTAT Quarterly Housing Survey, which is conducted at the end of each quarter. The price rental changes observed in the Survey are effected in the first month of the next quarter. Given that the Survey takes into account the three months price rental changes, there are likely to be growth spurts observed in the rental CPI each quarter. The Figure below shows monthly inflation by category.

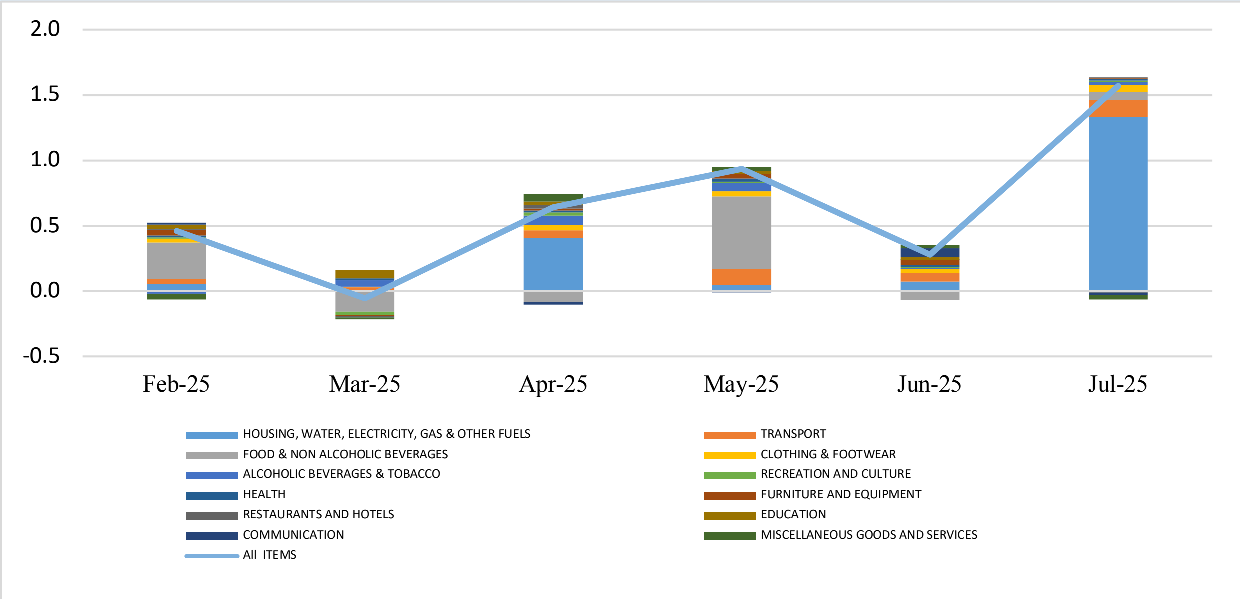
Monthly inflation by Category July 2025 (%)



Source: ZIMSTAT, 2025

Given the huge price increase in rental category as shown in the figure above, rentals contributed about 1.37 percentage points and all other items contributed only 0.23 percentage points to the 1.6% July 2025 monthly inflation. The Figure below shows the dynamics of monthly inflation.

Monthly Inflation Contributions February to July 2025 (%)



Source: ZMSTAT, 2025

In this context, the Reserve Bank's assessment is that the ZiG monthly inflation in July 2025 was not broad-based as the greater part was driven by rentals. As such, barring any unforeseeable and emerging risks to exchange rate and inflation in the outlook period to December 2025, monthly ZiG inflation is expected to revert to the observed averages between February and June 2025, supporting the envisaged annual inflation year-end target of less than 30%.

SECTION 3

EXTERNAL SECTOR DEVELOPMENTS

SECTION THREE

EXTERNAL SECTOR DEVELOPMENTS

Foreign Currency Receipts

47. Total foreign currency receipts for the period January to June 2025 amounted to US$7.3 billion compared to US$5.9 billion received during the same period in 2024 representing a 23.1% increase. Table 2 shows a comparison of total receipts for 2025 and 2024.

Table 2: Foreign Currency Receipts (US$ millions)

Type of Receipt		Jan-June 2025	% Contribution	Jan-June 2024	% Contribution	% Change
Export Proceeds		3,949.8	54.5%	3,143.3	53.4%	25.7%
International Remittances	Diaspora Remittances	1,093.8	15.1%	1,009.2	17.1%	8.4%
	NGOs	550.1	7.6%	556.4	9.4%	-1.1%
Loan Proceeds (Private)		1,472.9	20.3%	849.2	14.4%	73.4%
Income receipts		65.4	0.9%	64.0	1.1%	2.2%
Foreign Investment		119.0	1.6%	268.8	4.6%	-55.7%
TOTAL		**7,251.0**	**100%**	**5,890.8**	**100%**	**23.1%**

Source: Reserve Bank of Zimbabwe

48. Export earnings contributed 54.5% of the country's total receipts for the period January to June 2025, while international money transfers accounted for about 22.7%. Export proceeds continue to anchor foreign currency receipts for the economy from which the majority of foreign payments are being met. At the same time, money transfer receipts have maintained the upward trend reflecting confidence in the formal money transfer system.

49. Table 3 shows export earnings by sector as at 30 June 2025.

Table 3: Exports Earnings January to June 2025

Sector	2025	2024	% Change
Mining	**2,807.00**	**2,025.40**	**38.60%**
Gold	*1,384.80*	*878.5*	**57.60%**
Platinum	*797.2*	*638.5*	**24.90%**
Lithium Ore	*214.6*	*215.8*	**-0.60%**
Chrome ore + Ferrochrome	*149.6*	*150.2*	**-0.40%**
Diamonds	*134.86*	*43.13*	**212.70%**
Coke	*89.4*	*57.3*	**55.90%**
Iron & Steel	*13.13*	*0.06*	**-**
Other minerals	*22.6*	*21.6*	**4.63%**
Tobacco	783.7	741.8	**5.60%**
Tourism	92.6	69.2	**33.80%**
Transport	90.8	82.9	**9.50%**
Manufacturing	90.7	119.9	**-24.40%**
Agriculture	47.7	73.9	**-35.50%**
Horticulture	17.1	14.1	**21.30%**
Other Services (Construction, etc)	12.2	9.3	**31.20%**
Postal & Telecommunications	8	6.8	**17.60%**
Total	**3,949.80**	**3,143.30**	**25.70%**

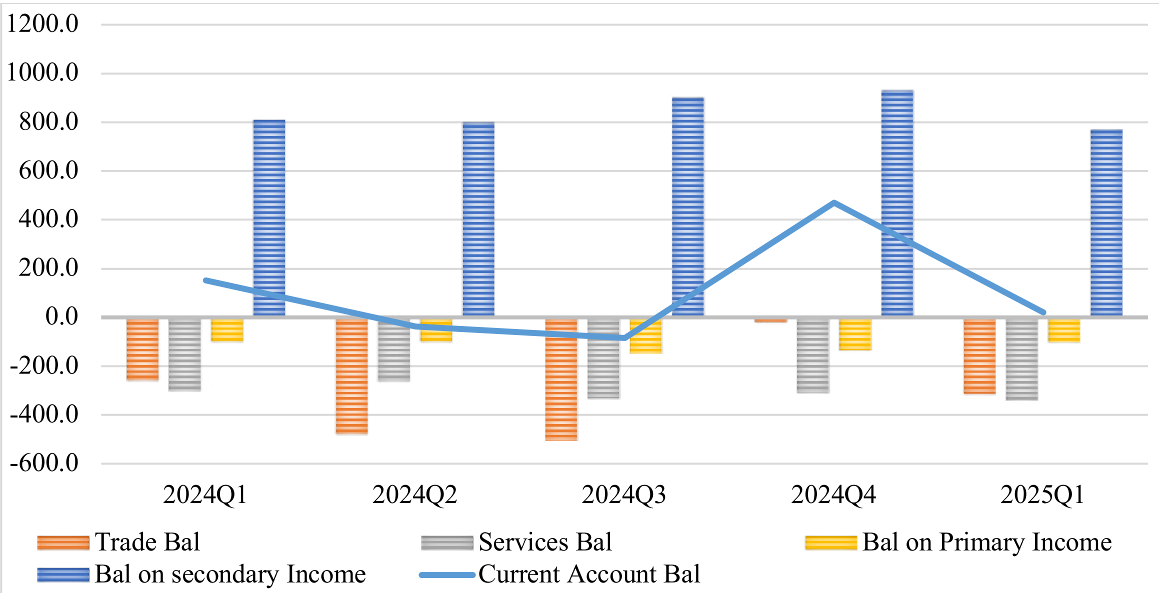
Source: Reserve Bank of Zimbabwe, 2025

Current Account Developments

50. The improvement in foreign currency receipts has positively impacted the country's current account position. Preliminary estimates indicate that the country's current account balance remained in surplus in the first quarter of 2025, albeit at a reduced level. The surplus was sustained by resilient personal transfers and strong export performance, particularly in the gold sub-sector.

51. The current account surplus was, however, partially offset by deficits registered in the trade, services and primary income accounts. Figure 10 shows developments in the current account.

Figure 10: Current Account Developments (US$ million)



Source: RBZ and Zimstat Estimates, 2025

Foreign Currency Payments

52. During the first half of 2025, Authorized Dealers reported foreign payments amounting to US$5.0 billion, a 17% increase from US$4.3 billion reported during the same period in 2024.

53. The trade account constitutes 82% of total foreign payments made during the period ending 30 June 2025. Notably, 39% (US$1,941.4 million) of payments went towards importation of raw materials and capital goods as shown in Table 4.

Table 4: Foreign Payments by Category

Category	Jan - Jun 2025 (USD)	Jan – Jun 2024 (USD)	% Variance	Contribution 2025	Contribution 2024
Merchandise Imports (excl. energy)	2,725,275,947	2,326,217,536	17%	54%	54%
- Raw Materials & Intermediate Goods	1,037,849,743	697,308,757	49%	21%	16%
- Capital Goods	903,548,381	850,256,601	6%	18%	20%
- Consumption & Manufactured Goods	783,877,823	778,652,178	1%	16%	18%
Energy (Fuel & Electricity)	929,318,124	844,647,022	10%	18%	20%
- Fuel	853,480,001	756,715,223	13%	17%	18%
- Electricity	75,838,124	87,931,799	-14%	2%	2%
Service Payments	475,866,343	469,657,685	1%	9%	11%
- Technical, Professional & consultancy	182,812,418	193,625,168	-6%	4%	4%
- Software	84,721,369	68,868,525	23%	2%	2%
- Other (tourism, edu., freight etc)	208,332,556	207,163,992	1%	4%	5%
Income Payments (Profits, Dividends)	285,404,112	144,826,917	97%	6%	3%
- Dividends	174,844,553	68,033,662	157%	3%	2%
- Interest Payments	25,088,248	17,246,088	45%	6.0%	0.4%
- Other (Salaries, Expats, Rental)	85,471,310	59,547,167	44%	2%	1%
Capital Remittances (Outward)	453,611,788	398,801,812	14%	9%	9%
- External Loan Repayments	344,945,488	304,932,155	13%	7%	7%
- Disinvestments	63,127,528	45,817,954	38%	1.3%	1.1%

Category	Jan - Jun 2025 (USD)	Jan – Jun 2024 (USD)	% Variance	Contribution 2025	Contribution 2024
- Foreign Investment	45,538,772	48,051,703	-5%	0.9%	1.1%
Other Payments	172,014,476	125,992,961	37%	3.4%	2.9%
- Card Payments	157,899,595	108,293,432	46%	3.1%	3%
- Refunds	14,114,880	17,699,529	-20.3%	0.3%	0.4%
Total	**5,041,490,790**	**4,310,143,933**	**17.0%**	**100%**	**100%**

Source: Reserve Bank of Zimbabwe, 2025

SECTION 4

CONDITION AND PERFORMANCE OF THE BANKING SECTOR

SECTION FOUR

CONDITION AND PERFORMANCE OF THE BANKING SECTOR

54. On aggregate, the banking sector remains safe and sound as reflected by the satisfactory key financial soundness indicators. There are, however, some issues of prudential concern at a few institutions and the Reserve Bank is instituting appropriate and proportionate supervisory action in terms of the Banking Act [*Chapter 24:20*] and the Microfinance Act [*Chapter 24:30*].

Banking Sector Architecture

55. Table 5 shows the banking sector architecture as at 30 June 2025.

Table 5: Banking Sector Architecture

Type of Institution	Number
Commercial Banks	14
Building Societies	4
Savings Bank (POSB)	1
Total Banking Institutions	**19**
Non-Bank Financial Institutions Under the Supervision of Reserve Bank	
Credit-only-MFIs	**296**
Deposit-taking MFIs	**9***
Development Financial Institutions (SMEDCO, IDBZ, IDCZ and AFC Land & Development Bank)	**4**
Total Non - Bank's Financial Institutions	**309**
Total Number of Institutions	**328**

*Includes Cashbox Financial Services Microbank Limited which is licenced but not operational.

Source: Reserve Bank of Zimbabwe, 2025

56. A total of 26 credit-only microfinance institutions were registered during the period from January to June 2025.

BANKING SECTOR DEVELOPMENTS

Financial Soundness Indicators

57. As at 30 June 2025, the condition and performance of the banking sector was satisfactory as reflected by the key financial soundness indicators depicted in Table 6.

Table 6: Financial Soundness Indicators

Key Indicators	Benchmark	Jun-24	Sept-24	Dec-24	Mar-25	June-25
Total Assets (ZiG Billion)	-	77.55	139.20	161.39	167.33	191.82
Total Loans & Advances (ZiG Billion)	-	27.45	51.41	55.93	59.30	67.51
Net Capital Base (ZiG Billion)	-	16.45	33.47	38.29	39.79	39.99
Core Capital (ZiG Billion)	-	14.02	27.40	33.42	33.22	33.08
Total Deposits (ZiG Billion)	-	43.60	76.10	89.07	93.15	112.77
Net Profit (ZiG Billion)	-	10.42	20.57	26.68	2.63	4.96
Return on Assets (%)	-	13.37	20.84	22.83	2.43	4.39
Return on Equity (%)	-	35.74	55.87	61.53	6.87	12.84
Capital Adequacy Ratio (%)	12	46.15	36.96	34.89	38.14	33.81
Tier 1 Ratio (%)	8	40.13	32.41	31.67	26.44	25.28
Loans to Deposits Ratio (excluding lines of credit) (%)	-	52.51	56.93	58.83	58.60	56.01
NPLs Ratio (%)	5	2.02	3.19	3.37	3.34	2.90
Liquidity Ratio (%)	30	59.52	57.53	58.84	58.87	56.76

Source: Reserve Bank of Zimbabwe, 2025

Banking Sector Capitalization

58. During the period under review, 17 out of 19 banking institutions reported core capital above the minimum regulatory capital requirements, as shown in Table 7.

Table 7: Reported Core Capital as at 30 June 2025

No.	Banking Institution	Reported Core Capital (ZiG)	US$ Equivalent (US$1: ZiG26.9457)	Minimum Regulatory Capital (US$)
1	CBZ Bank	5,740,961,066.41	213,056,668.28	US$30 million
2	Stanbic Bank Zimbabwe	4,167,917,335.52	154,678,384.14	US$30 million
3	Ecobank Zimbabwe	3,366,964,539.47	124,953,686.10	US$30 million
4	CABS	3,199,303,609.95	118,731,508.55	US$30 million

No.	Banking Institution	Reported Core Capital (ZiG)	US$ Equivalent (US$1: ZiG26.9457)	Minimum Regulatory Capital (US$)
5	ZB Bank	2,646,567,460.68	98,218,545.47	US$30 million
6	NMB Bank	1,726,233,551.63	64,063,414.63	US$30 million
7	FBC Bank	1,516,155,943.96	56,267,083.21	US$30 million
8	First Capital Bank	1,511,638,952.90	56,099,450.11	US$30 million
9	Nedbank Zimbabwe	1,259,349,463.59	46,736,565.15	US$30 million
10	Metbank Limited	1,244,343,725.00	46,179,677.00	US$30 million
11	BancABC	1,109,179,532.50	41,163,507.81	US$30 million
12	National Building Society	1,085,448,357.94	40,282,804.23	US$30 million
13	FBC Crown Bank	921,321,380.63	34,191,777.56	US$30 million
14	AFC Commercial Bank	906,428,697.42	33,639,085.18	US$30 million
15	TN Cybertech Bank	887,071,222.56	32,920,696.90	US$30 million
16	POSB	858,955,687.27	31,877,282.36	US$20 million*
17	FBC Building Society	687,505,502.39	25,514,479.21	US$20 million
18	ZB Building Society	139,030,839.88	5,159,667.03	US$20 million

** POSB, which is established in terms of the POSB Act [Chapter 24:10] does not have minimum capital requirements. The institution, however benchmarks with tier II banking institutions that have a capital requirement of ZiG equivalent of US$20 million.*

Source: Reserve Bank of Zimbabwe, 2025

59. Time Bank, registered as a commercial bank and with reported core capital of equivalent to US$3.8 million as at 30 June 2025, was authorised to re-commence limited commercial banking activities (without taking deposits) in August 2022. The banking institution is not authorised to take deposits.

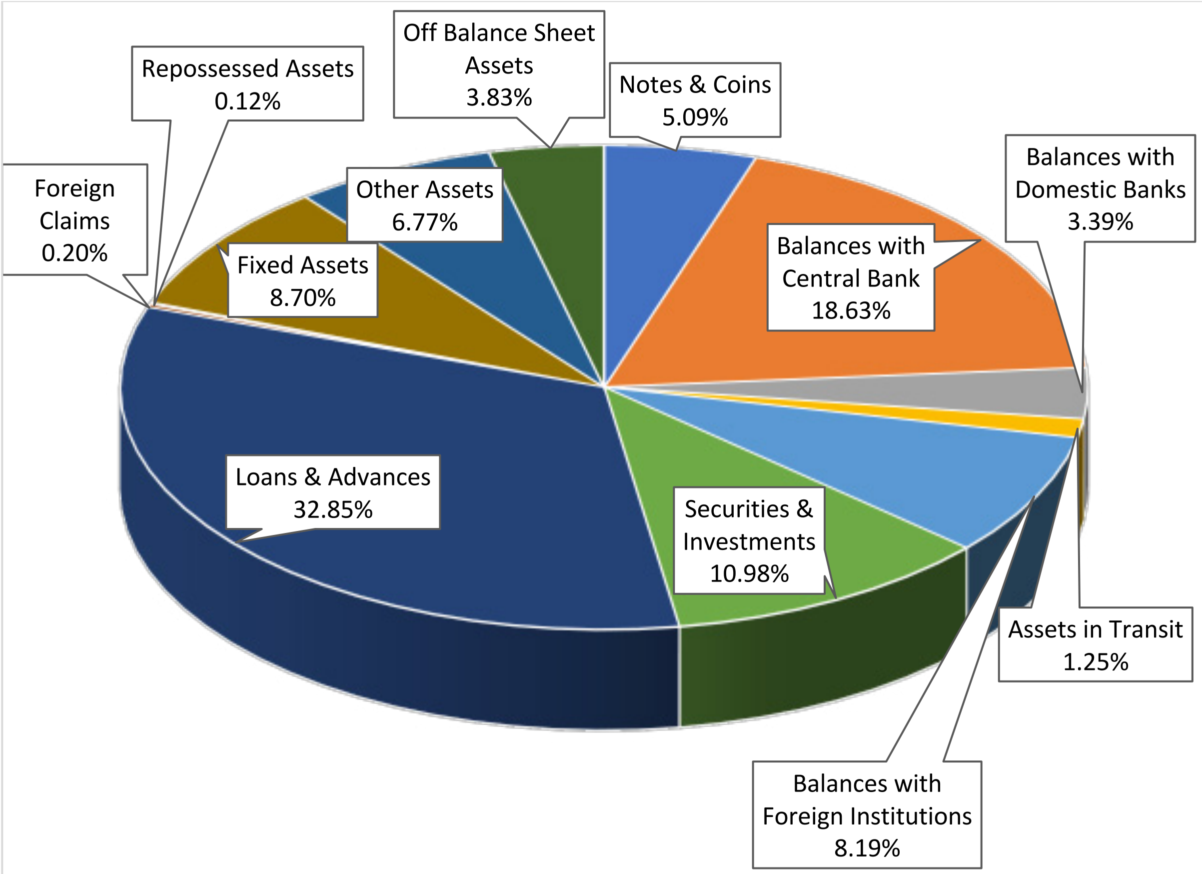
60. ZB Building Society resolved to surrender its operating licence, and processes are currently underway to address outstanding administrative and regulatory issues.

Banking Sector Asset Structure

61. During the period under review, total banking sector assets increased from ZiG161.4 billion as at 31 December 2024 to ZiG191.8 billion as at 30 June 2025.

62. Figure 11 shows the asset mix which remained skewed towards loans & advances, which accounted for 32.9% of total banking sector assets as at 30 June 2025 [Dec 2024: 31.3%].

Figure 11: Asset Mix as at 30 June 2025



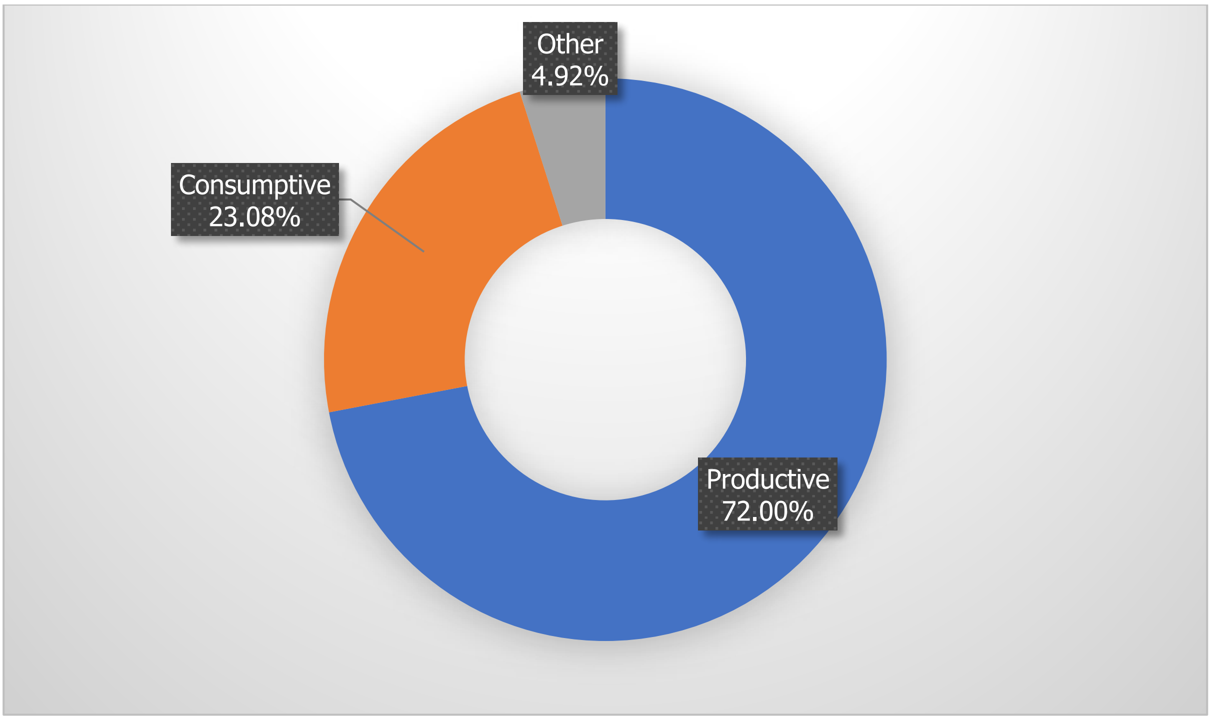
Source: Reserve Bank of Zimbabwe, 2025

Banking Sector Loans and Advances

63. Aggregate banking sector loans and advances amounted to ZiG67.5 billion as at 30 June 2025, compared to ZiG55.9 billion as at 31 December 2024. Foreign currency denominated loans accounted for 88.4% of the banking sector aggregate loans.

64. The country's key productive sectors continue to benefit from the intermediary role of banks and they secured 72.0% of total loans as at 30 June 2025, as shown in the Figure 12. Specifically, agriculture, manufacturing and distribution sectors accounted for 16.8%, 12.2% and 10.9% of total loans, respectively.

Figure 12: Sectoral Distribution of Loans as at 30 June 2025



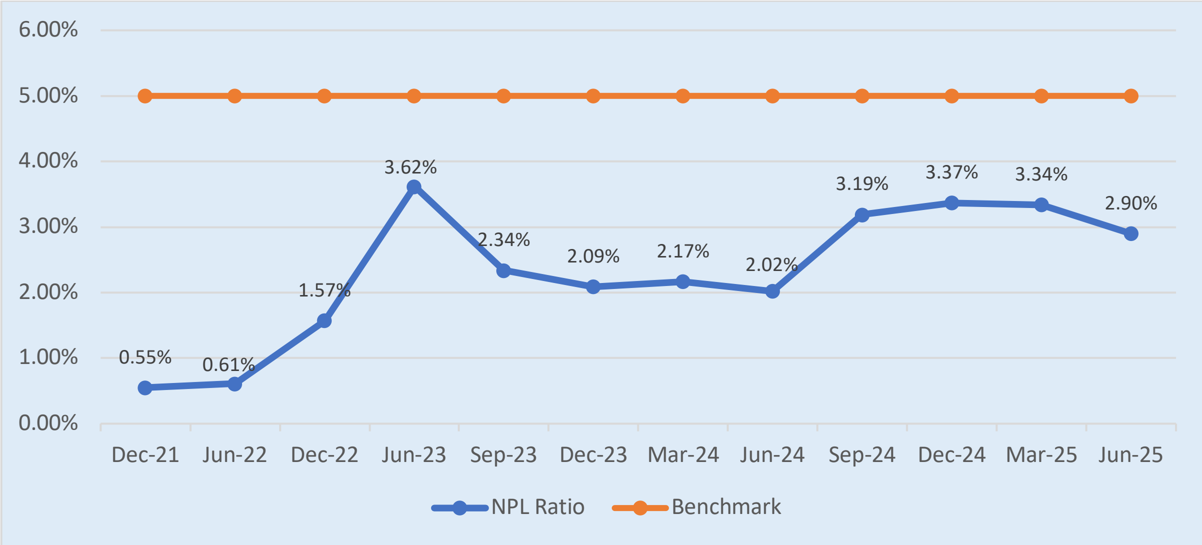
Source: Reserve Bank of Zimbabwe, 2025

Asset Quality

65. As at 30 June 2025, the banking sector reported an aggregate non-performing loan to total loans ratio (NPL) of 2.9% compared to 3.4% as at 31 December 2024. The quality of the banking sector's loan portfolio remains satisfactory, and the NPL ratio is within the internationally acceptable benchmark of 5%.

66. The trend in the level of NPLs from 30 June 2022 to 30 June 2025 is shown in Figure 13.

Figure 13: Trend in Non- Performing Loans



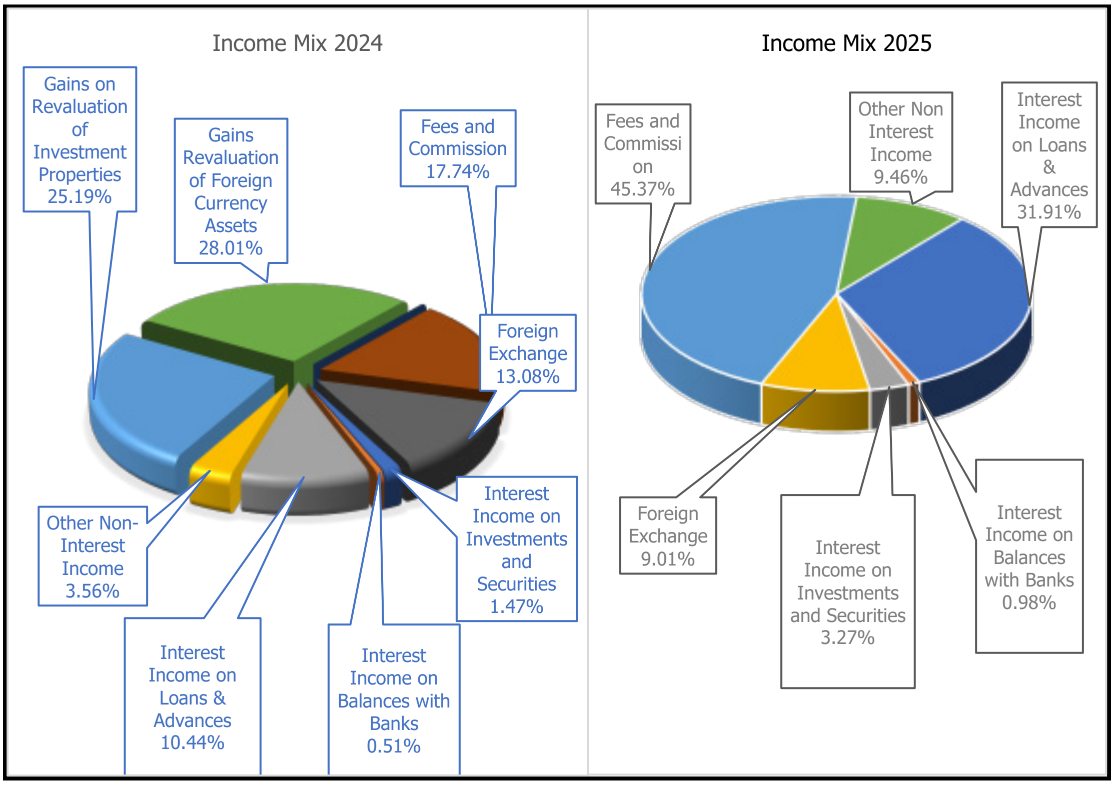
Source: Reserve Bank of Zimbabwe, 2025

Banking Sector Profitability

67. Aggregate banking sector profit amounted to ZiG5.0 billion (US$184.07 million) for the half year ended 30 June 2025, compared to ZiG10.4 billion (US$760.37 million) reported in the corresponding period in 2024.

68. The income mix for the sector for June 2024 and June 2025 is depicted in Figure 14.

Figure 14: Banking Sector Income Mix June 2024 and June 2025



Source: Reserve Bank of Zimbabwe, 2025

69. The return on assets and return on equity ratios were 4.4% and 12.8% as at 30 June 2025, compared to 13.4% and 35.7% as at 30 June 2024, respectively.

70. The reduction in the dominance of non-funded income emanating from revaluation gains and foreign exchange changes reflects lesser reliance on foreign exchange gains by institutions due to the stability of the ZiG currency. The anticipated continued ZiG stability will further result in improved quality and sustainability of banking institutions' earnings.

Banking Sector Deposits and Liquidity

71. During the period under review, the banking sector's average prudential liquidity ratio was 56.8% as at 30 June 2025, and 18 out of 19 banking institutions reported ratios which were compliant with the regulatory minimum ratio of 30%.

72. As at 30 June 2025, total banking sector deposits amounted to ZiG112.8 billion, an increase from ZiG89.1 billion recorded as at 31 December 2024. Foreign currency denominated deposits accounted for 84.7% of total deposits as at 30 June 2025.

Sustainable Banking Practices

73. Adoption of sustainability standards continues to gain momentum in the Zimbabwean banking sector with 15 out of 19 banking institutions, two (2) development finance institutions and one (1) deposit-taking microfinance institution undergoing the Sustainability Standards & Certification Initiative (SSCI) being driven by the European Organization for Sustainable Development (EOSD).

74. Banking institutions complied with the Monetary Policy Statement of February 2025, which required banking institutions to nominate suitably qualified and/or experienced board sustainability champions by 31 March 2025.

75. The board sustainability champions are expected to among others:
    a) lead the transformation and reorientation of the banking institutions into sustainable, green and climate-proofed institutions through the adoption of sustainable banking practices;
    b) play a pivotal role in steering the banking institutions towards long-term sustainability with a forward-looking perspective;
    c) lead the integration of sustainability and climate change considerations into the institutions' strategies, governance and risks management systems; and

d) promote the alignment of the institutions' operations to the country's national development priorities and other relevant guidance by international standard setting bodies.

Adoption of Artificial Intelligence in the Financial Sector

76. The Reserve Bank undertook a survey in May 2025, which indicates that financial institutions are increasingly adopting Artificial Intelligence (AI) tools in their business operations. The main activities benefiting from AI technologies include credit scoring, cybersecurity and systems on customer service and operational efficiency. In particular, there is notable interest in advanced AI such as Agentic and Generative AI.

77. There are numerous benefits of adopting AI in the financial sector ranging from increased customer satisfaction, financial inclusion, enhanced operational efficiency to revenue growth. Meanwhile, there are a number of risks and challenges associated with AI adoption, which include model bias and fairness, cybersecurity vulnerabilities, data quality and data privacy concerns. The risks associated with AI adoption need to be addressed proactively.

78. Meanwhile, the Reserve Bank is currently developing AI specific guidelines to provide guidance to regulated institutions on the minimum AI implementation requirements. The guidelines are expected to complement the existing Cybersecurity and Resilience guidance.

AML/CFT/CPF Supervision

79. As part of ongoing efforts to enhance the Anti-Money Laundering/Counter Financing of Terrorism/Counter Proliferation Financing (AML/CFT/CPF) supervisory effectiveness and compliance culture among banks and microfinance institutions, a number of initiatives were conducted.

80. The AML/CFT/CPF Guideline No.1–2025/BSS&FS was issued to banking and microfinance institutions in line with section 3(3) of the Money Laundering and Proceeds of Crime Act [Chapter 9:24], effective 1 June 2025.

81. Licensing requirements were enhanced by including the screening of shareholders, directors and senior management of banking and microfinance institutions against the United Nations Security Council Resolutions (UNSCR) list, as well as declaration of source of income and source of wealth.

82. Following the dissemination of the 2024 National Risk Assessment (NRA) results by the Financial Intelligence Unit (FIU), banking and deposit taking microfinance institutions are required to adopt and implement the results of the NRA, by updating their AML/CFT/CPF frameworks and other activities.

83. Banking and deposit taking microfinance institutions are required to submit to the Reserve Bank, board approved Action Plans on the activities and initiatives undertaken to incorporate the results of the NRA, including evidence thereof, latest by 31 December 2025.

84. The results of the National Risk Assessment can be accessed on the FIU website.

PERFORMANCE OF THE MICROFINANCE SECTOR

85. The microfinance sector continues to support the financial inclusion agenda through provision of finance to low income and underserved communities and their micro, small and medium enterprises. The key performance indicators for the microfinance sector (deposit-taking and credit-only microfinance institutions) are summarised in Table 8.

Table 8: Microfinance Key Performance Indicators: 30 June 2025

Indicator	Jun 2024	Sept 2024	Dec 2024	Mar 2025	Jun 2025
Total Loans (ZiG billion)	2.14	4.43	5.16	5.98	6.37
Total Assets (ZiG billion)	3.49	7.37	8.60	10.28	10.89
Total Equity (ZiG billion)	1.20	2.36	2.74	3.79	3.77
Net Profit (ZiG billion)	0.36	0.68	0.97	0.22	0.40
Total Deposits (ZiG billion)	0.43	0.98	1.35	1.58	2.13
Average Operational Self-Sufficiency (OSS) (%)	182.36	192.13	182.81	137.76	162.93
*Portfolio at Risk (PaR>30 days) (%)	10.88	9.93	11.47	11.58	13.07
Number of Outstanding Loans	563,521	786,706	972,541	597,902	545,533
Number of Active Loan Clients	401,964	549,413	575,217	562,168	510,905
Number of Female Borrowers	176,502	247,401	263,484	269,266	216,521
Loans to Female Borrowers (ZiG billion)	0.67	1.52	1.48	1.96	2.23
Number of Branches and Agencies	1,224	1,343	3,046	3,546	3,765

Source: Reserve Bank of Zimbabwe, 2025

Microfinance Sector Capitalisation

86. The microfinance sector reported aggregate equity of ZiG3.77 billion as at 30 June 2025, a marginal decrease from ZiG3.81 billion as at 31 March 2025. As at 30 June 2025, five (5) out of the eight (8) operational DTMFIs in the subsector were compliant with the minimum capital requirement of the local currency equivalent to US$5 million.

87. The capital levels for the operating DTMFIs is indicated in Table 9.

Table 9: DTMFIs Sub-sector Capitalisation

No.	Institution	Core Capital 31.12.24 (US$m)*	Core Capital 31.03.25 (US$m)*	Core capital 30.06.25 (ZiGm)	Core Capital 30.06.25 (US$m)*	Status of Compliance
1	InnBucks MicroBank Limited	8.92	8.99	366.4	13.6	Compliant
2	African Century Limited	9.92	9.73	270.14	10.03	Compliant
3	Success Microfinance Bank	6.86	8.88	263.59	9.78	Compliant
4	GetBucks Microfinance Bank	3.31	3.66	242.17	8.99	Compliant
5	Mukuru Financial Services Zimbabwe	5	5.08	135.79	5.04	Compliant
6	EmpowerBank Limited	0.94	1.11	51.57	1.91	Non-Compliant
7	Zimbabwe Women's Microfinance Bank	1.34	0.78	38.39	1.42	Non-Compliant
8	Lion Microfinance Bank	0.1	0.83	22.09**	0.82	Non-Compliant
	Total	**32.30**	**39.05**	**1390.14**	**51.59**	

Exchange rate : US$1: ZiG26.7654 as at 31 March 2025

: US$1: ZiG26.9457 as at 30 June 2025

*** Lion Microfinance's Core capital is as at 31 March 2025.*

Source: Reserve Bank of Zimbabwe, 2025

Portfolio Quality

88. The microfinance industry registered a 6.52% increase in total microfinance loan portfolio from ZiG5.98 billion as at 31 March 2025 to ZiG6.37 billion as at 30 June 2025. The top 30 microfinance institutions had a total loan portfolio of ZiG5.53 billion, representing 86.76% of the total industry loan portfolio, pointing to high concentration within the sector. Credit risk in the microfinance sector remains elevated with PaR (>30 days) ratio of 13.07%, up from 11.58% in the previous quarter, against the international benchmark of 5%.

Deposits Mobilization

89. The DTMFIs sub-sector, as at 30 June 2025, registered a 34.81% increase in total deposits from ZiG1.58 billion as at 31 March 2025, to ZiG2.13 billion, largely driven by foreign currency deposits, which accounted for 90.68% of total deposits. The prudential liquidity ratio for the DTMFI as at 30 June 2025 was 135.85% a

decline from 177.45% as at 31 March 2025. The prudential liquidity ratio was significantly above the prudential minimum threshold of 30%.

Predatory Lending Practices by Microfinance Institutions

90. In pursuit of financial stability and fostering consumer protection, the Reserve Bank undertook a number of market conduct activities to assess microfinance institutions' compliance with the Core Client Protection Principles as enunciated in the First Schedule of the Microfinance Act [Chapter 24:30].

91. In the February 2025 Monetary Policy Statement, the Reserve Bank highlighted that it had received a number of complaints against microfinance institutions regarding predatory lending practices.

92. The surveys and the market conduct supervision inspections completed to date, established that in general, the microfinance institutions largely complied with the Microfinance Act and the Consumer Protection Framework. There were, however, incidences of non-compliance relating to disposal of clients' assets without the requisite court order and over-deductions of monthly payments.

93. The Reserve Bank has instituted supervisory action on the non-compliant institutions and will continue to intensify its market conduct surveillance on the sector during the year to ensure compliance.

Interest rates and Charges

94. The ongoing supervisory activities by the Reserve Bank noted that while a number of credit-only microfinance institutions reported charging interest rates on loans and advances ranging between 7% to 15% per month depending on the source of the working capital, there were some few outliers charging interest rates as high as 25% per month. The Reserve Bank is instituting appropriate corrective supervisory actions on these microfinance institutions, in line with section 37 of the Microfinance Act [Chapter 24:30].

95. Microfinance institutions are required on an ongoing basis, to adhere to responsible pricing practices and ensure that effective interest rates (all-inclusive) reflect the cost of funds, fairness, and the need to avoid over-indebtedness. The Reserve Bank will continue to monitor the terms and conditions of business activities to ensure adherence to the Microfinance Act, and the Consumer Protection Framework No. 01-2017/BSD.

Use of Digital Financial Services by Microfinance Institutions

96. The survey conducted by the Reserve Bank showed that approximately 67% of the microfinance institutions have adopted the use of technology in microfinance business for onboarding clients, loan processing, loan repayments and loan classification. However, microfinance institutions cited high costs of investment in technology as a major impediment in implementing and adopting digital financial services.

97. Digital financial services assist in the delivery of affordable and suitable financial services to the underserved and marginalized segments of society. Microfinance institutions are, therefore, urged to invest more in the adoption of digital financial services to enhance outreach and financial inclusion, improve operational efficiency and facilitate long-term sustainability.

98. In line with the First Schedule of the Microfinance Institutions Code of Conduct, Microfinance Institutions should provide digital financial literacy to their clients. In addition, given the increased use of digital tools in offering financial services, the microfinance institutions are required to enhance their cybersecurity risk management framework to align it with developments in the financial sector.

FINANCIAL INCLUSION

99. The Reserve Bank continues to spearhead implementation of the National Financial Inclusion Strategy II, in collaborating with stakeholders with the view of building a sustainable and inclusive financial system that has capacity to contribute meaningfully to the developmental aspirations of the nation.

100. Operationalisation of the National Financial Inclusion Governance structures commenced during the first half of 2025, with the National Financial Inclusion Technical Committee having met on 15 April 2025. The National Financial Inclusion Steering Committee is scheduled to meet in the third quarter of 2025.

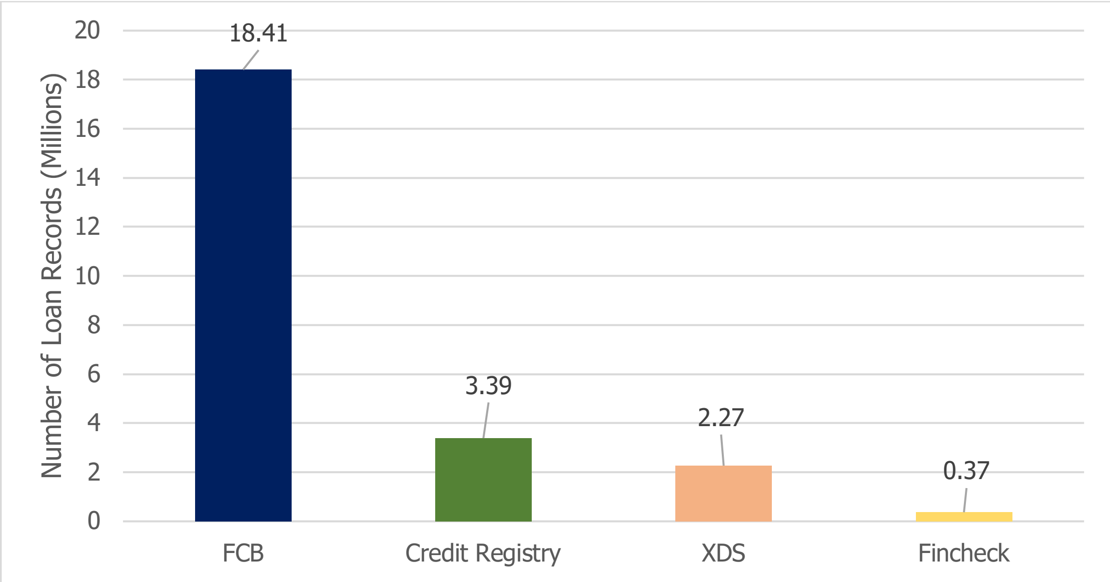
CREDIT INFRASTRUCTURE

Credit Registry

101. The credit information infrastructure continued to expand, playing a pivotal role in enhancing credit access and supporting sound lending practices. The collaborative efforts of the Credit Registry and the three (3) private credit bureaus have sustained the availability of reliable borrower credit data, strengthening both credit market efficiency and the resilience of the financial system. By enabling informed credit decisions, the system remains an essential tool in promoting responsible lending and managing credit risk across the financial sector.

102. As at 30 June 2025, all the credit reporting institutions maintained 24.4 million searchable records. The distribution of credit records by institution, is shown in Figure 15.

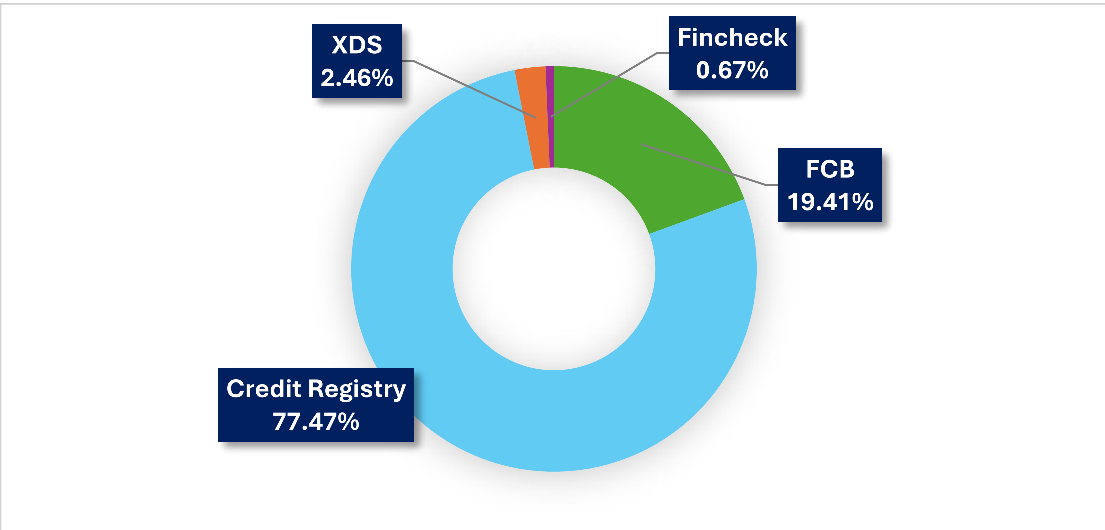
Figure 15: Cumulative Loan Records per Credit Reporting Institution



Source: Reserve Bank of Zimbabwe, 2025

103. In addition, the distribution of inquiries across credit reporting institutions is illustrated in Figure 16.

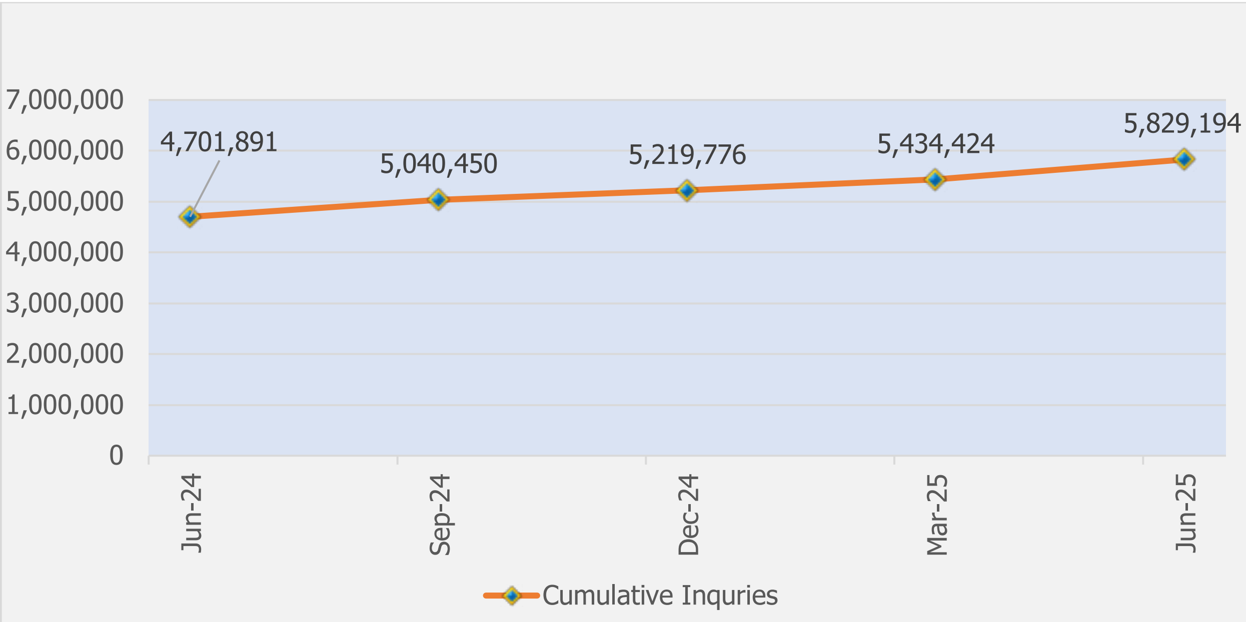
Figure 16: Distribution of Inquiries per Credit Reporting Institution



Source: Reserve Bank of Zimbabwe, 2025

104. As at 30 June 2025, statistics from the Credit Registry reveal a 45.3% increase in cumulative inquiries, rising from 4,701,891 on 30 June 2024, as shown in Figure 17.

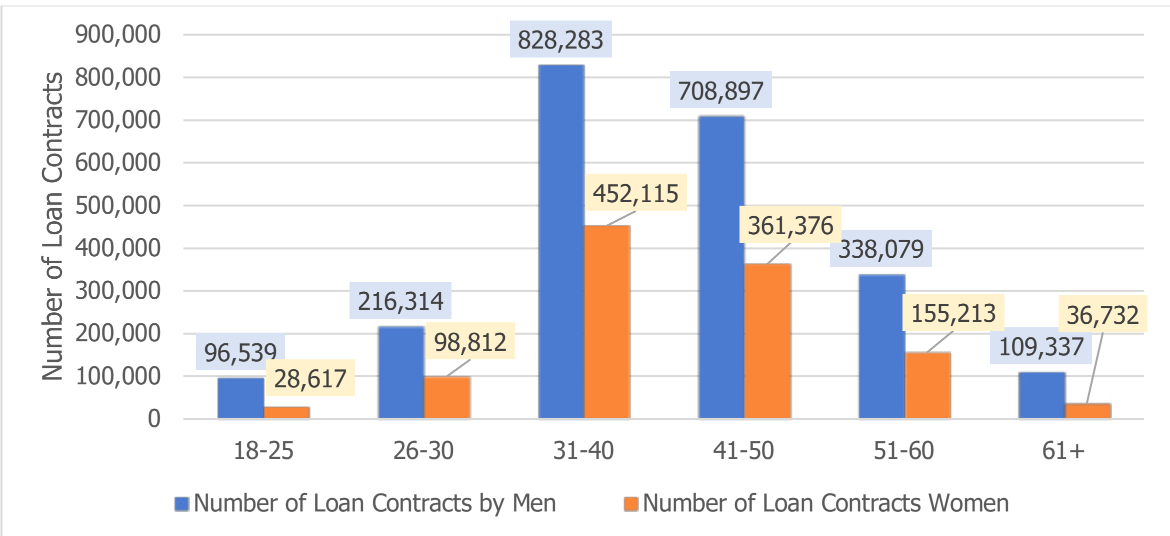
Figure 17: Cumulative Credit Registry Usage Status



Source: Reserve Bank of Zimbabwe, 2025

105. The distribution of loans to individual borrowers by age and gender in the Credit Registry database, as at 30 June 2025, was shown in Figure 18.

Figure 18: Distribution of Loans Age & Gender



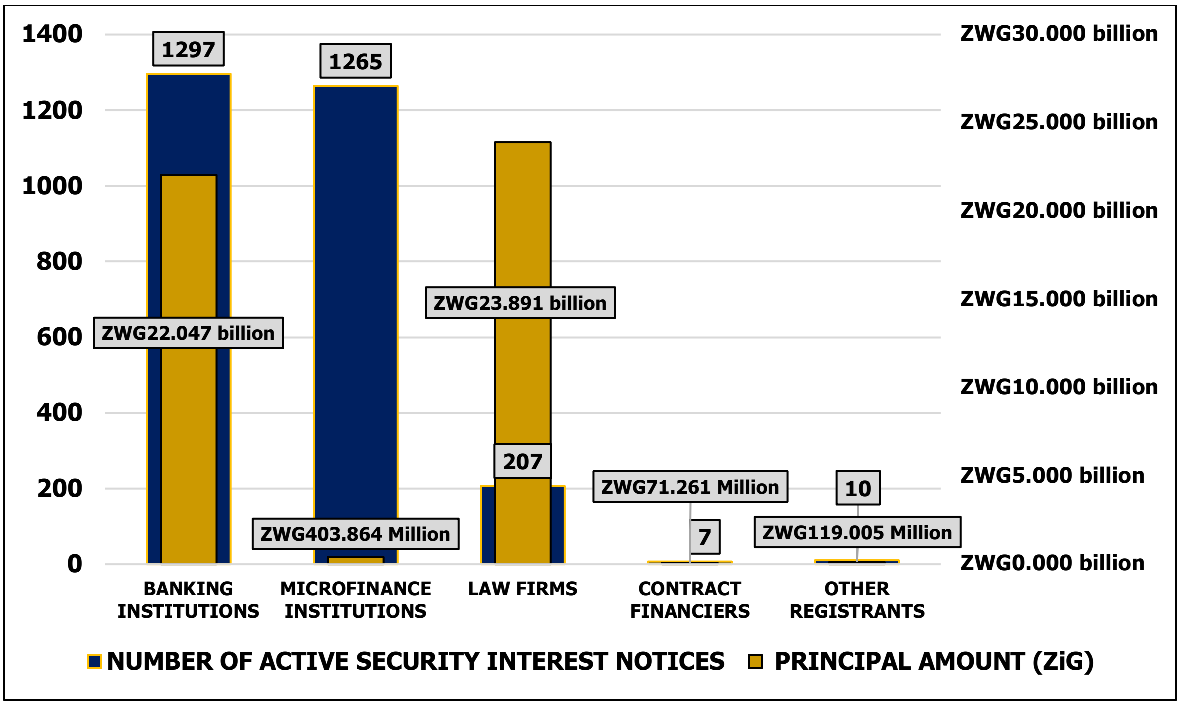
Source: Reserve Bank of Zimbabwe, 2025

Collateral Registry

106. As at 30 June 2025, the Collateral Registry recorded 3,329 active registrations with a combined principal value of ZiG56.3 billion. Microfinance institutions were the leading users with 1,384 registrations, followed by banks with 1,167 entries.

107. In terms of the value of movable collateral, banks accounted for ZiG32.0 billion, while law firms registering on behalf of clients recorded a total value of ZiG23.9 billion, as illustrated in Figure 19.

Figure 19: Value of Registered Securities as at 30 June 2025



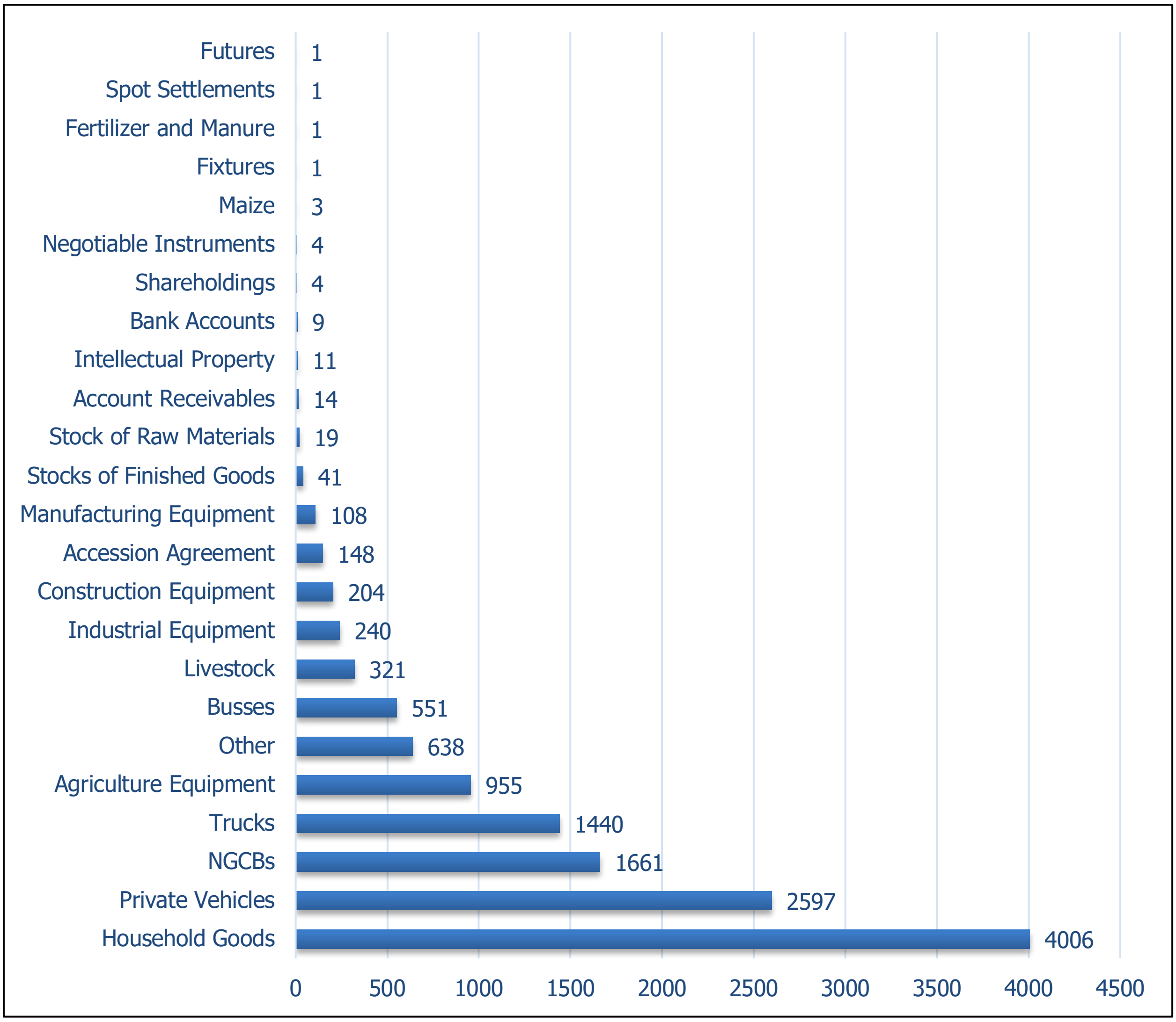
Source: Reserve Bank of Zimbabwe, 2025

108. Since its inception in November 2022, the Collateral Registry has recorded a total of 7,074 security interest notices in movable assets. Of these, 3,329 notices (47%) remain active, while 3,745 (53%) have expired.

109. Lending institutions continue to expand the types of movable assets which qualify as collateral. During the half-year to 30 June 2025 collateral ranged from

household goods, private vehicles, trucks, agricultural equipment to shares as further shown in Figure 20.

Figure 20:Types of Collateral as at 30 June 2025

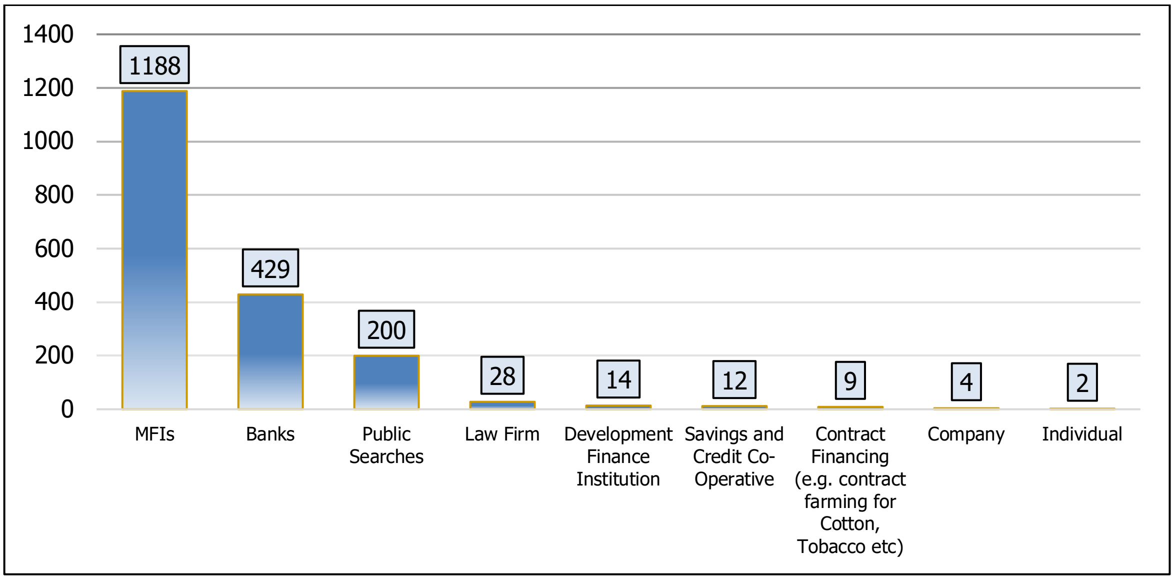


**Other includes motorcycles, trailers and other movable assets that are yet to be classified in the Collateral Registry system.*

Source: Reserve Bank of Zimbabwe, 2025

110. MFIs also registered the highest number of security interests searches as shown in Figure 21.

Figure 21:Searches by Client as at 30 June 2025



Source: Reserve Bank of Zimbabwe, 2025

NATIONAL PAYMENT SYSTEMS DEVELOPMENTS

111. In line with its statutory mandate, the Reserve Bank continued to safeguard the stability and resilience of the national payment systems through robust licensing, risk-based supervision and strengthened AML/CFT/CPF oversight.

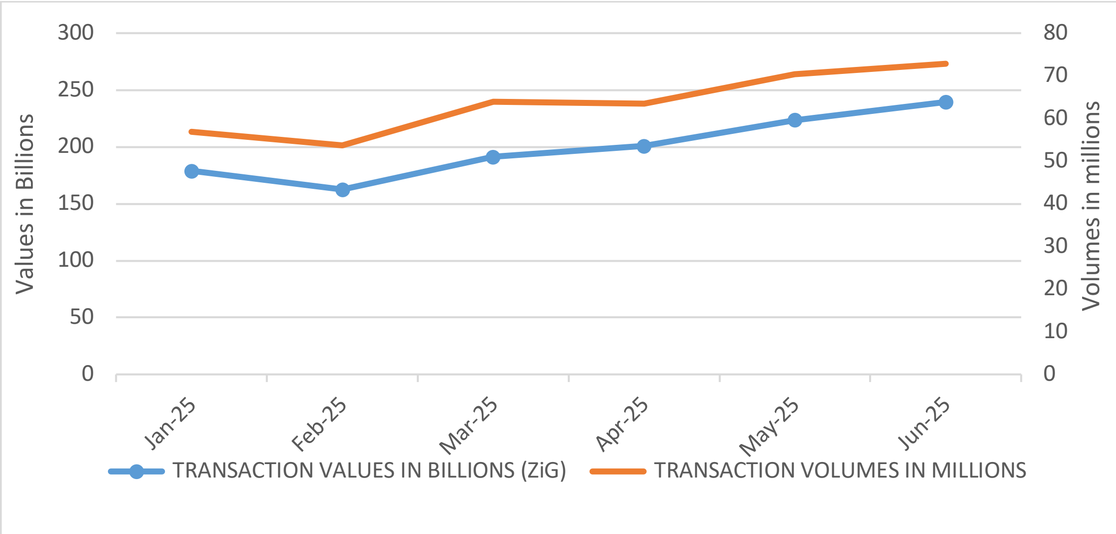
112. The Reserve Bank continued to promote the adoption and usage of digital financial services to enhance efficiency, security and financial inclusion within the economy. In addition, the Reserve Bank sought to reduce reliance on cash, broaden access to payment services, and accelerate the transition towards a digitally inclusive financial ecosystem through targeted policy interventions, stakeholder engagement and support for enabling infrastructure.

Digital Transactions

113. Significant strides have been made in advancing the development of payment systems, particularly through the growing adoption of instant payment schemes and mobile money services. The focus for the Reserve Bank is now on ensuring payments systems efficiency, safety and cost effectiveness.

114. During the first half of 2025, a total of 381 million transactions valued at ZiG1.2 trillion were undertaken through different payment streams. Figure 22 provides a detailed illustration of the trends in transaction values and volumes on a monthly basis.

Figure 22: Digital Payments Transaction Values and Volumes from Jan - Jun 2025



**Digital Payments Include Transactions conducted on the RTGS, Card, Mobile Money, Mobile Apps and Online platforms*

Source: Reserve Bank of Zimbabwe, 2025

115. The ZiG/USD ratio of transactions processed through the RTGS system was around 40/60 as at June 2025.

Real Time Gross Settlement System (RTGS)

116. During the period under review, the value of transactions processed through the RTGS System was ZiG248.9 billion and USD$16.7 billion with corresponding volumes of 2.3 million and 3.1 million, respectively.

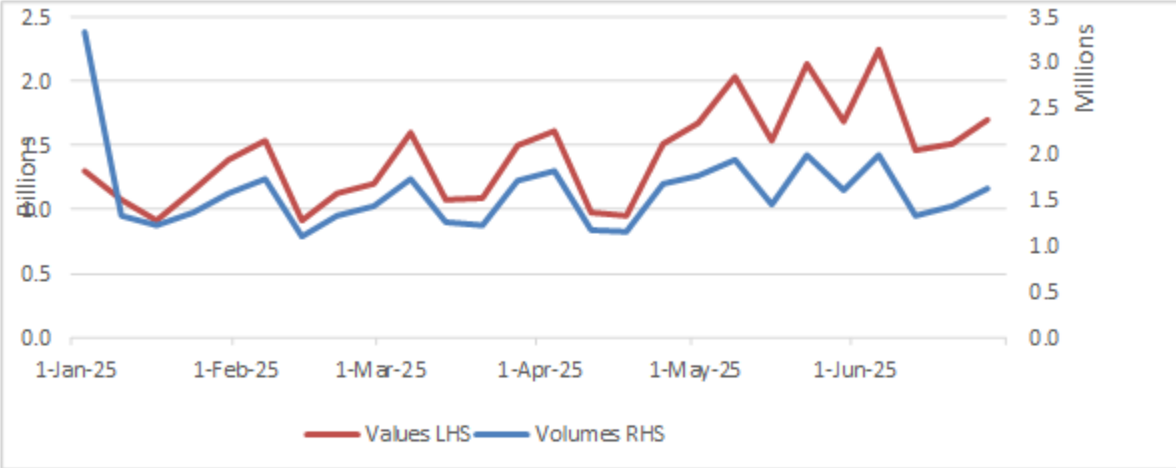
117. Following the upgrade of the RTGS system in November 2024, seven (7) banks are now able to process SWIFT ISO20022 compliant messages in preparation for the November 2025 cut-off date for MT messages. In this regard, we urge the remaining banks to ensure that they are ready to process MX ISO20022-compliant transactions.

Interoperability

118. The Reserve Bank is actively promoting greater interoperability across various payment platforms, including mobile money providers and financial institutions. This effort is aimed at reducing market fragmentation and fostering healthy competition, across the entire payment landscape. The Reserve Bank continues to engage stakeholders to standardize payment formats and rules, thereby streamlining processes and enhancing the overall efficiency of the payment ecosystem.

119. The interoperability transactions values processed for retail digital transactions continued to trend upwards with June 2025 value peaking at ZiG2.2 billion. The volumes for the 6 months to June 2025 are shown in Figure 23.

Figure 23: Interoperability transactional values and volumes Jan to Jun 2025



Source: Reserve Bank of Zimbabwe, 2025

Supervisory and Oversight Activities

120. The Reserve Bank will continue to strengthen its oversight of payment systems through a combination of onsite inspections and offsite surveillance. These supervisory activities are aimed at ensuring that payment system operators and participants comply with regulatory requirements, uphold operational resilience, manage risks effectively, and maintain the safety, efficiency, and integrity of the payments ecosystem.

121. The payments sector has continued to demonstrate a strong commitment to international AML/CFT/CPF standards, as well as domestic regulatory requirements. Payment service providers (PSPs) have progressively enhanced their compliance culture in line with the risk-based approach.

122. The Reserve Bank urges all payment service providers to continue strengthening their AML/CFT/CPF and cyber risk management practices to preserve the resilience, integrity, and security of the financial system.

Adapting Regulatory Frameworks

123. The rapid evolution of financial technology necessitates a dynamic and adaptive regulatory framework. The Reserve Bank continued to review and adjust its regulations to accommodate emerging payment system technologies. The Bank's approach seeks to strike a balance between fostering innovation and ensuring robust oversight, consumer protection, and financial stability.

124. Recent amendments to the licensing regulations for money transmission and mobile banking services, including an updated fee structure, was aimed at streamlining entry for new payment service providers while maintaining regulatory integrity.

125. The Reserve Bank remains committed to promoting responsible innovation within the payments ecosystem and will continue to monitor the development and deployment of new products through its oversight framework to ensure their safety, soundness, and alignment with public interest objectives.

Regional and International Developments

126. The Reserve Bank continues to explore collaborations with regional and international partners to facilitate smooth and more affordable international transactions, thereby supporting trade, investment, and ultimately economic growth.

127. To date, local banks and payment platforms are integrating into regional payment infrastructures such as the Pan-African Payment and Settlement System (PAPSS), launched by the African Continental Free Trade Area (AfCFTA) Secretariat and Afreximbank, among others.

128. During the period under review, the 14 local banks on the SADC–RTGS processed 1,949 transactions valued at ZAR2.41 billion, a decrease of 23% compared to the same period in 2024.

Digital Financial Services Market Conduct

129. Consistent with efforts to promote financial inclusion and consumer protection, the Reserve Bank conducted nationwide outreach programmes in collaboration with regulatory partners, Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ), Consumer Protection Commission (CPC) and the Consumer Council of Zimbabwe (CCZ).

130. These initiatives are focused on promoting fair digital financial services, enhancing financial literacy, and strengthening financial stability.

131. The Reserve Bank encourages all participants in the payment systems ecosystem to intensify inclusive consumer education efforts, with particular emphasis on rights awareness, dispute resolution mechanisms, and responsible usage of digital financial services.

SECTION 5

MONETARY AND FINANCIAL CONDITIONS

SECTION FIVE

MONETARY AND FINANCIAL CONDITIONS

132. This section of the Mid-Term Monetary Policy Statement discusses the monetary and financial conditions underpinning the current monetary policy stance. It further gives detailed explanations and clarity on key fundamentals which include:

- Monetary Policy Communication;
- Monetary Policy Framework;
- Monetary Policy Transmission Mechanism;
- Annual Inflation Dynamics and Base Effects;
- Interest Rate Policy;
- Feedback on Conduct of Foreign Exchange Transactions;
- Foreign Exchange Net Open Positions; and
- ZiG in the Family of Selected African Currencies.

133. The Reserve Bank continues to deploy its monetary policy instruments to entrench stability, with price stability remaining its primary monetary policy objective. The monetary policy stance which was maintained during the first six months to June 2025, has supported the price, currency and exchange rate stability in the economy. Reflecting the stability, monthly inflation has remained low and stable averaging about 0.6% from February to July 2025 while annual inflation is expected to end the year at below 30%.

134. The Reserve Bank remains committed to implementing a prudent monetary policy stance that supports the continued disinflation trajectory and envisaged economic growth for 2025.

Monetary Policy Communication

135. Communication has become an integral element of modern monetary policy management. The current monetary and financial conditions have been shaped by effective monetary policy communication. Specifically, the Reserve Bank has adopted communication as part of its monetary policy toolkit as it helps to shape expectations, enhance transparency and increase the effectiveness of monetary policy itself.

136. Pursuant to this, the Reserve Bank has been regularly publishing Monetary Policy Committee Communiques, Quarterly Snapshots of key monetary and financial indicators, Weekly, Monthly and Quarterly Economic Bulletins, Explainers and other ad hoc Press Statements. In addition, the Reserve Bank has intensified its consultative and inclusive approach by engaging a wider spectrum of stakeholders to inform the monetary policy formulation process. **The stakeholder consultation and inclusiveness is expected to anchor market expectations, provide important signals (forward guidance) and yield the mutually desired outcomes.**

137. This Monetary Policy Statement also contains a summary of stakeholder interventions and comments that also informed the monetary policy formulation process **(Annex - Summary of Stakeholder Consultations on Monetary Policy Implementation).**

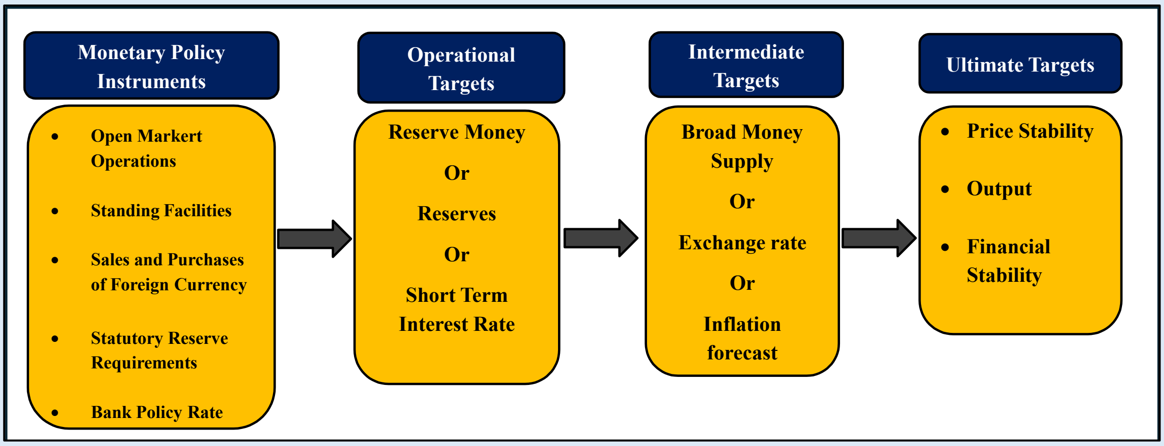
RBZ Monetary Policy Framework Explained

138. The Reserve Bank of Zimbabwe is currently using a **hybrid approach** to monetary policy management involving **reserve money** as the operational target and the **nominal exchange rate** as the intermediate target to achieve its ultimate policy objective of price stability. Types of monetary policy frameworks that central banks can use to achieve their policy objectives and the key tenets is shown in Box 2.

Box 2: The Monetary Policy Framework Explained

Monetary policy frameworks evolve in line with macro-economic developments, country peculiarities or idiosyncrasies. More generally, central banks should have a coherent, transparent and forward-looking monetary policy framework with a primary goal of price stability. The common monetary policy frameworks include inflation targeting, monetary targeting and exchange rate targeting. Central banks can choose one of these frameworks or a combination (hybrid), depending on the obtaining monetary and financial conditions in the economy. A monetary policy framework is generally composed of instruments, operational target(s), intermediate target(s) and the ultimate objective. Instruments are tools that are used to influence the desired operational target(s). Intermediate targets are the variables that assist in achieving the policy objective. An intermediate target is, however, not necessarily a policy objective.

COMPONENTS OF MONETARY POLICY FRAMEWORKS



In this regard, the Reserve Bank of Zimbabwe is currently using a hybrid approach in which reserve money is the operational target and the exchange rate is the intermediate target. In the Zimbabwean context, the exchange rate is the nominal anchor. The stability of the exchange rate is expected to result in low and stable prices, which is the ultimate objective of the Reserve Bank's monetary policy framework. **For the avoidance of doubt, the Reserve Bank is not targeting the exchange rate as the operational target and therefore, does not interfere in the foreign exchange market.** The Reserve Bank is using a floating (market determined) exchange rate system and only influences exchange rate movements through ensuring prudent management of reserve money.

The combination of optimal control of money supply growth with a market-determined exchange rate will support the lasting stability of prices. The controlling of reserve money to stabilise exchange rate is informed by the need to address previous episodes of exchange rate and inflation volatility, high degree of dollarisation as well as confidence and trust deficit in the economy. Other country experiences have demonstrated that in highly dollarised economies, prices are more responsive to fluctuations in the exchange rate.

The Reserve Bank is currently using the Bank Policy Rate, statutory reserve requirements, Non-Negotiable Certificates of Deposit (NNCDs), and sales and purchases of foreign currency as monetary policy instruments to control the growth of reserve money.

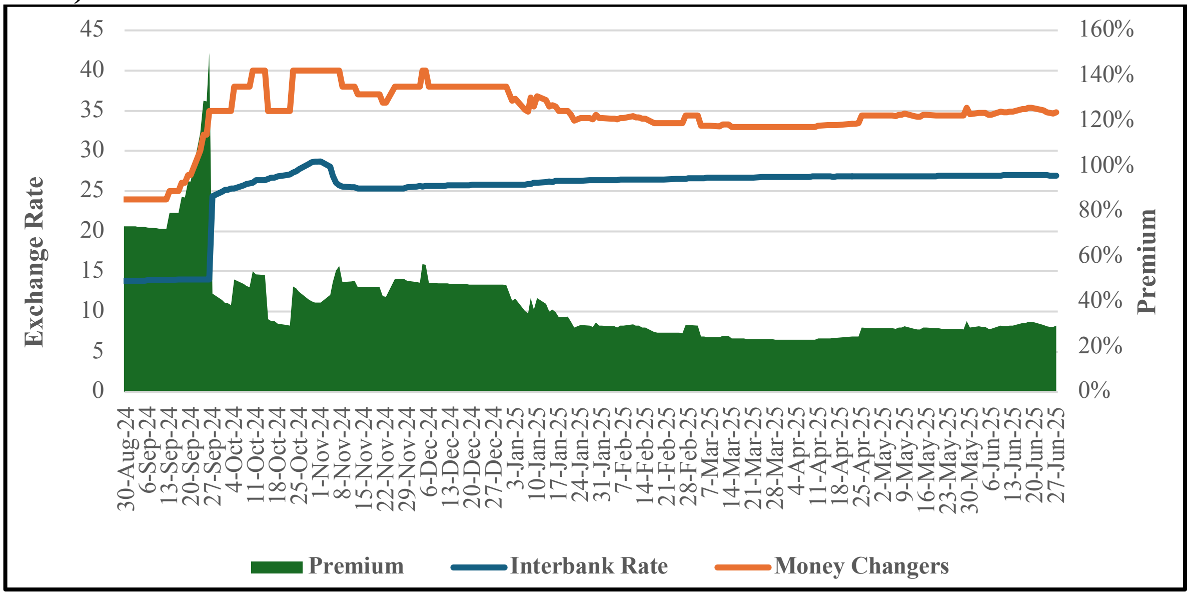
To enhance the effectiveness of monetary policy, in line with increased use of ZiG in the economy, the Reserve Bank is working on transitioning to indirect monetary policy instruments, which will mainly depend on open market operations. This will also enable the Reserve Bank to move to inflation targeting in the medium term in line with the SADC regional monetary policy harmonisation framework.

Understandably, on the onset in April 2024, the Reserve Bank recalibrated its Monetary Policy Framework to underpin the disinflation program and support the convergence of annual inflation towards the regional benchmarks.

Exchange Rate Developments

139. The interbank exchange rate remained largely stable against the US$, closing the month of June 2025 at ZiG26.95 per US$. The parallel market exchange rate premium has remained stable, below 30% since January 2025 as shown in Figure 24.

Figure 24: ZiG/US$ Exchange Rates and Premium (August 2024 to June 2025)



Source: RBZ and Market Intelligence Surveys, 2025

140. The interbank exchange rate has notably strengthened in early July 2025, partly reflecting the effectiveness of enhanced NNCDs in money supply management.

ZiG in the Family of Currencies in SADC and Beyond

141. The stability of the ZiG currency, introduced in April 2024, alongside the recalibrated monetary policy framework has increased predictability and certainty in monetary and financial affairs. Against this background, ZiG performance has compared well with regional currencies in terms of cost of living, thereby, establishing its position in the family of selected currencies in the Southern African Development Community (SADC) and beyond as shown in Table 10.

Table 10: ZiG in the Family of Selected Currencies in SADC and Beyond

A[1]	B[2]	C[3]	D[4]	E[5]	F[6]	G[7]	H
Ranking By Column C	**COUNTRY**	**USD Exchange Rate for Countries' Local Currency**	**Selected Countries' Currencies Cross-rates to ZiG**	**Comparative Cost of Living**	**GDP Per Capita Current (US$)**	**Highest Legal Tender (Denomination)**	**National Currency**
		24 July, 2025	**23 July, 2025**	**Jul-25**	**2024**	**2025**	**2025**
1	Ghana	10.451	0.388	0.94	2,405.79	200	Cedi
2	Botswana	13.346	0.495	0.94	7,695.24	200	Pula
3	Seychelles	14.646	0.543	1.81	17,858.82	500	Seychellois Rupee
4	Eswatini	17.553	0.651	0.97	3,936.11	200	Lilangeni
5	Lesotho	17.561	0.651	0.96	971.81	200	Loti
6	Namibia	17.561	0.651	1.04	4,413.13	200	Namibian Dollar
7	South Africa	17.561	0.651	1.40	6,253.37	200	Rand
8	Zambia	23.226	0.861	1.28	1,235.08	500	Kwacha
9	**Zimbabwe**	**26.788**	**1**	**1**	**2,656.41**	**200**	**Zimbabwe Gold (ZiG)**
10	Mauritius	45.351	1.682	0.90	11,871.73	2,000	Mauritian Rupee
11	Mozambique	63.962	2.372	1.07	647.29	1,000	Metical
12	Kenya	129.221	4.792	0.82	2,206.13	1,000	Kenyan Shilling
13	Algeria	129.636	4.807	0.53	5,631.18	2,000	Dinar
14	Angola	917.027	34.004	1.35	2,122.08	20,000	Kwanza
15	Rwanda	1442.566	53.491	0.56	999.65	5,000	Franc
16	Nigeria	1529.956	56.732	1.34	806.95	1,000	Naira
17	Malawi	1734.054	64.3	1.10	508.37	5,000	Malawian Kwacha
18	Tanzania	2577.579	95.578	0.62	1,185.75	10,000	Tanzanian Shilling
19	DRC	2886.086	107.018	1.42	647.44	20,000	Congolese Franc
20	Madagascar	4417.647	163.809	0.57	545	20,000	Malagasy Ariary

Sources: Respective central bank websites, cost of living calculator and world development indicators, 2025

[1] Countries ranked by USD exchange rates in terms of the respective countries' local currency.
[2] 15 SADC countries and 5 other African countries.
[3] USD exchange rates in terms of the respective countries' local currency
[4] ZiG exchange rate to respective countries' local currency where ZiG is 1. In nominal terms, when the number is more than 1 it means ZiG is stronger and vice versa.
[5] The cost of a comparative common consumer basket of goods and services across all countries. When the index is more than 1 it means the basket for that country is more expensive than Zimbabwe and vice versa. The comparative common consumer basket includes the following: Meal at inexpensive Restaurant; Rice (white), 1kg; Chicken Fillets, 1kg; Water, 1.5 litre bottle; Loaf of Fresh White Bread, 500g; One-way Ticket local transport; Basic (Electricity, heating, Cooling, Water and Garbage) for 85m^2 Apartment; Mobile Phone Monthly Plan with Calls and 10GB of Data.
[6] Measures a country's nominal GDP divided by the total population as at end 2024 for Zimbabwe GDP of US$ 45 billion and population of 16 million was used.
[7] Shows the highest bank note denominations for respective National currencies which are legal tender. Statutory Instruments (S.I) 60 of 2024, promulgated ZiG bank note denominations ZiG10, ZiG20, ZiG50, ZiG100, and ZiG200 (highest). However, currently in Zimbabwe ZiG20 is the highest note in circulation.

Sustained Disinflation

142. The prudent management in money supply resulted in a stable interbank exchange rate which resulted in the slowdown of exchange rate pass-through to prices as evidenced by the decline in month-on-month inflation. Annual inflation was, however, elevated due to base effects from the sharp depreciation experienced in September 2024 and this is explained in Box 3.

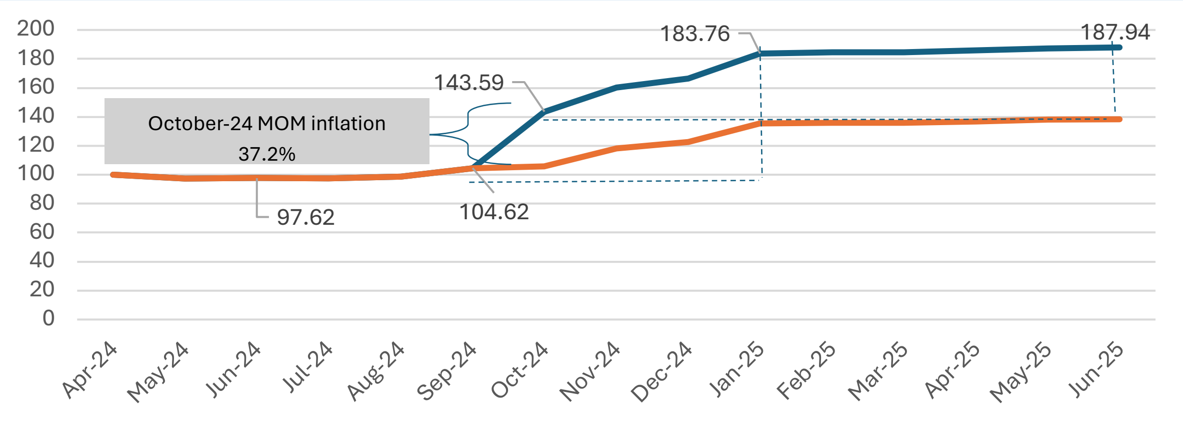
Box 3: Impact of Base Effects on Annual ZiG Inflation

Base effects are inherent in the calculation of annual inflation but are, however, pronounced and normally reported in cases where there is a once off extreme increase in monthly inflation in a period covered by year-on-year inflation. The base effects normally result from a sharp increase in Value Added Tax (VAT), energy prices and sharp exchange rate depreciation.

In this case annual inflation will not be due to the recent short-term changes in inflation from one month to the next but also to previous price volatility in the previous year which is called the base effect.

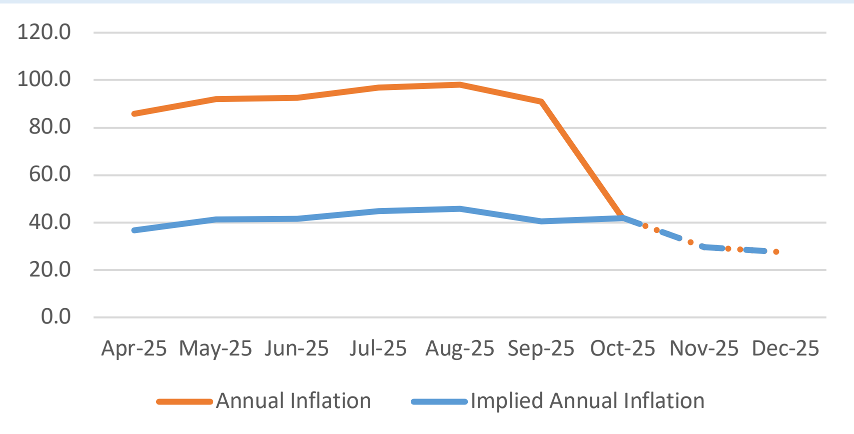
Importantly the rapid change in CPI level from September 2024 to January 2025 has had implications for annual inflation which is related from moving from a low base to a high base. Current CPI is on the high base whereas the CPI 12 months earlier is still on the low base.
In June 2025 around 50% of current annual inflation is explained by the impact of the base effect induced by the rise in CPI from September 2024 to October 2024.

ZiG CPI and Implied CPI April 2025 to June 2025



Intuitively, base effects have cycles of 12 months, whereafter, the impact of high base effects will be shown in lower annual inflation assuming that month-o n-month price developments remain relatively stable. In this regard, once the base effects run their full course in October 2025 the annual inflation profiles of the ZiG CPI and the Implied CPI will converged to end the year below 30%.

ZiG Annual Inflation and Implied Annual Inflation



	Annual ZiG Inflation (Actual) %	Annual ZiG Inflation (Implied) %
April-25	85.7	43.6
May-25	92.1	48.1
Jun-25	92.5	49.4
Jul-25	95.8	44.8
Aug-25	98.1	45.8
Sept-25	91.0	40.6
Oct-25*	42.0	42.0
Nov-25*	29.6	29.6
Dec- 25*	27.4	27.4

Monetary Policy Transmission Mechanism

143. Monetary policy transmission refers to the mechanisms and systems through which policy induced change on monetary policy instruments are channelled or conveyed to the ultimate policy objectives. The monetary policy instruments usually include the Bank Policy Rate, use of standing facilities, open market operations such as Treasury Bills and NNCDs, and statutory reserve requirements. The ultimate objectives are usually on output growth, price and exchange rate stability.

144. For Zimbabwe, however, policy instruments are the Bank Policy Rate and NNCDs, while the ultimate policy objective is price stability. The Reserve Bank has been firming up on its monetary policy transmission mechanism given the recalibrated monetary policy framework introduced in April 2024. In this Mid-Term Monetary Policy Statement the focus is on money supply growth and inflation nexus.

Box 4: Monetary Policy Transmission Mechanism

Money Supply Growth and Inflation Nexus

The current monetary policy thrust of the Reserve Bank of Zimbabwe which focuses on controlling reserve money growth to reduce inflation is based on the historical close relationship observed between money supply growth and inflation, normally observed during periods of high inflation and exchange rate volatility. **Empirical evidence from the Reserve Bank and other researchers shows a 1 to 1 relationship between money and inflation between 2003 and 2008 and also recently between 2017 and 2023**.

The relationship between money supply growth and inflation is based on Monetarists' view (Milton Friedman) ***that inflation is always and everywhere a monetary phenomenon.*** This means that a sustained rise in inflation is primarily driven by increases in money supply and credit in the economy. The relationship is derived from Fisher's equation of exchange referred to as the Quantity theory of Money (QTM). The QTM is expressed as follows:

MV=PQ…………………………………………………………… (1)

Where M is money supply, V is velocity of circulation, P is the general price level, and Q is real output such that PQ is nominal gross domestic product.

In growth terms, equation 1 can be re-written as follows:

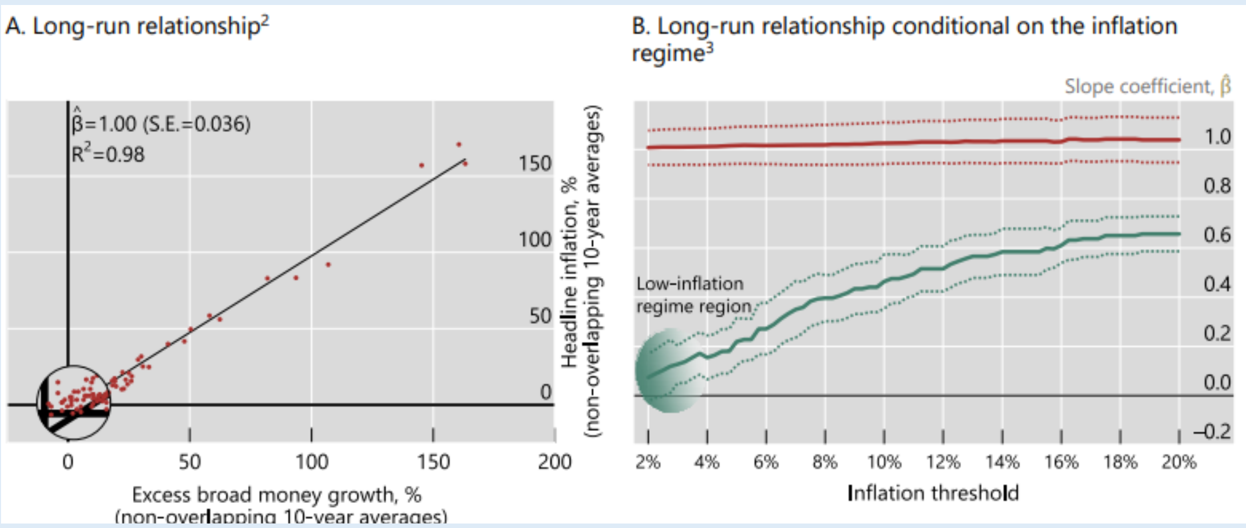
m=p+q – v ……………………………… (2)

The relationship between money supply, inflation and output growth as given by (2) is such that any growth in money supply is passed through to inflation (P), accommodated through increased economic activity (Q) and adjustments in money velocity of circulation by economic agents (V). The velocity is, however, assumed to be constant in the short-term and therefore, the increase in money supply is generally absorbed by inflation for a certain level of growth.

When the velocity is not constant the 1 to 1 relationship between inflation and money may not necessarily hold especially when there is some economic growth.

Recent Global Experiences on the Nexus Money Supply and Inflation

Empirical evidence post COVID-19 on the money supply and inflation relationship has resulted in what is known as the *Two-Regime View of Inflation.* The Two-Regime View shows that the relationship between money and inflation depends on the level of inflation in an economy. The relationship is weak when inflation is low, normally below 4%, while the relationship is strong and close to 1 when inflation is high and above 20%. The BIS in its 2022 Annual Report, which was expanded in the BIS Papers Number 133 of March 2023, shows the following relationship between money and inflation.



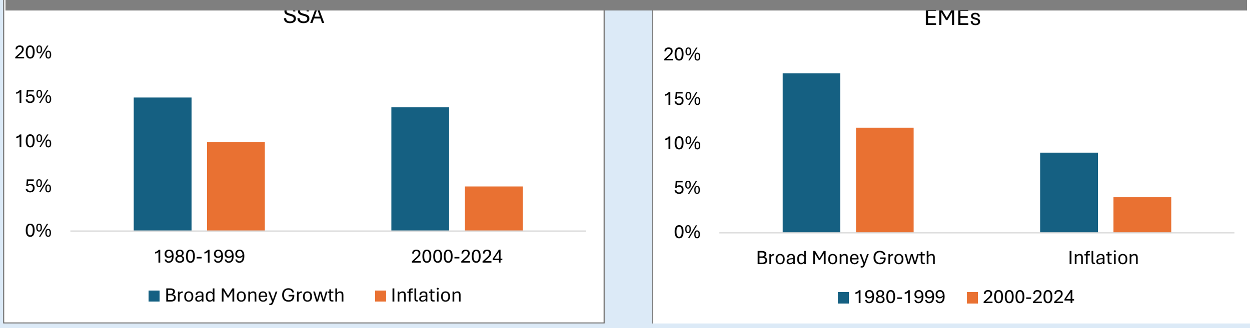
Recent Global Experiences on Money Supply and Inflation… continued

The findings show that:

- When inflation is very high the relationship is 1 to 1 in line with the money neutrality concept in the long-run.
- When inflation is below 4%, the relationship is weak; and
- That when inflation is between 10 and 20% the relationship between money supply growth and inflation is around 50-60%.

The Two-Regime View of Inflation was also corroborated by the International Monetary Fund's Africa Department in Keynote Address on Evolution and Challenge for Monetary Policy in Africa during the 50th Anniversary of the Banco de Moçambique.

Broad Money Growth and Inflation in SSA and EMEs



Source: IMF, Evolution and Challenges for Monetary Policy in Africa, 2025

As the Reserve Bank consolidates price stability and inflation goes below 30% by end of year 2025, the relationship between money supply growth and inflation may weaken and enable sustained price stability even in periods of small and unavoidable shocks to money supply.

It is against this background that the Reserve Bank's monetary policy framework will transition from the hybrid approach to an inflation targeting regime in the medium-term when inflation has been reduced to single digit levels in line with the SADC benchmarks.

Effective Management of Money Market Liquidity

145. The Reserve Bank maintained a tight monetary policy stance during the first half of 2025 and will continue with its current stance during the next six months. As the value of payments through the Zimbabwe Electronic Transfer and Settlement System (ZETSS) increased, the Reserve Bank adjusted the Optimal Liquidity Level (OLL) from ZiG500 million to ZiG600.5 million on 27 May 2025.

146. To align market liquidity with the OLL, excess liquidity was mopped through issuance of NNCDs. The tenor of NNCDs was adjusted from multiple maturities of 7, 14, 21 and 30 days to only 30 days effective 27 May 2025. Early redemption of NNCDs is allowed only for purposes of buying foreign currency from the Reserve Bank or payment of taxes into the Main Exchequer Account at the Bank. The outstanding NNCDs were ZiG1,536 million on 30 June 2025.

Overnight Accommodation

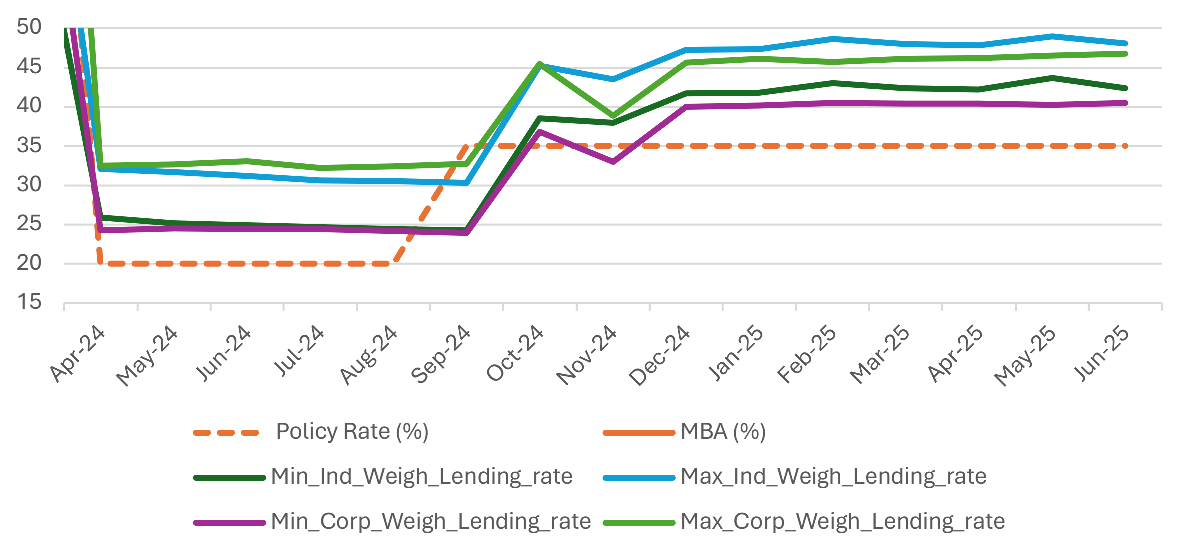
147. There was minimum recourse to the lender of last resort facility during the first half of 2025.

Interest Rates

148. The Reserve Bank maintained the Bank Policy Rate at 35% since 27 September 2024, to curtail exchange rate and inflation pressures. Concomitantly, minimum and maximum corporate lending rates increased from 40% to 40.27% and 45.6% to 46.51%, respectively. Figure 26 shows the developments on the Bank Policy Rate, vis-a-vis lending rates since the introduction of the ZiG in 2024.

149. In line with the current tight monetary policy stance, the overnight accommodation rate remained at 40%. The overnight accommodation window remains available to assist banks facing liquidity challenges. There was minimal reliance on the lender of last resort facility as most banks relied on the liquidation of NNCDs to meet their liquidity needs.

Figure 25: Bank Policy Rates and Versus Lending Rates (%)



Source: Reserve Bank of Zimbabwe, 2025

Determination of the Bank Policy Rate

150. The Bank Policy Rate is calibrated to take into account the balance of risks between output and inflation. Box 5 explains the parameters considered in the determination of the Bank Policy Rate.

Box 5: Determination of the Bank Policy Rate

The Bank Policy Rate currently at 35% is assessed to be appropriate to reduce inflation towards the end of year target of 30% and support the envisaged growth of 6% for 2025.

The Monetary Policy Committee reviews the Bank Policy Rate at the quarterly or ad hoc MPC meetings based on a wide range of information on monetary and financial conditions as well as economic activity. The main rationale for using the Bank Policy Rate as a monetary policy tool, is that it influences the cost of credit in the economy. In this regard, an increase in interest rates is expected to result in a slowdown of credit to the private sector and vice versa which will in turn affect consumption and investment. By influencing credit in the economy, interest rates impact on money supply growth and inflation.

To be effective, the interest rate policy should take into account the level of inflation to ensure positive real interest rates in the economy. Normally, the calculation of real interest rates takes into account expected inflation. However, in economies where inflation is high and the central bank wants to frontload a disinflation programme, the real interest rate uses current inflation as opposed to expected inflation. This is because expectations are likely to be adaptive and backward-looking. In doing this, monetary policy will be incorporating the inflation expectation formation process and inflation persistence.

The central bank, in setting the policy rate, may also use the Taylor Rule as a monetary policy reaction tool to balance the inflation and output trade-offs. The rule allows the central bank to set the weights depending on its inflation and growth objectives. The Taylor rule typically uses parameters, often 0.5 for both inflation and output gaps to determine the magnitude of the interest rate response to changes in inflation and output. The parameters for inflation and the output gap may be adjusted according to the balance of risks. In cases of elevated inflation risk, a higher weight is allocated to the inflation component.

The real interest rate is calculated as follows:

$$r = \left(\frac{1+i}{1+\pi}\right) - 1 \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (1)$$

Where r is the real interest rate, i the nominal interest rate (Bank Policy Rate) and π is expected inflation or current inflation. Since these variables are in percentages and for practical purposes, equation (1) can be simplified as follows:

$$r = i - \pi \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (2)$$

The interest rate using the Taylor Rule is calculated as follows:

$$i^p = \bar{r} + \pi + 0.5(\pi - \pi^*) + 0.5(y - y^*) \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (3)$$

This can be simplified as Bank Policy Rate (i^p) = Natural Real Interest Rate ($\bar{r}$) + Current Inflation (π) + 0.5 * (Inflation Gap) + 0.5 * (Output Gap)

Where: i^p is the policy interest rate set by the central bank, $\bar{r}$ is the economy's long-run real interest rate (natural real interest rates), π is the actual inflation and π^* is the central bank inflation target, y is actual output and y^* is potential output

Currently, the Reserve Bank uses the Taylor Rule to guide the policy rate determination alongside other macroeconomic and financial indicators. As the Reserve Bank transitions towards an inflation targeting regime, the Taylor Rule will become an integral component or the monetary policy block for the central bank's reaction function in the Quarterly Projection Model for monetary policy analysis.

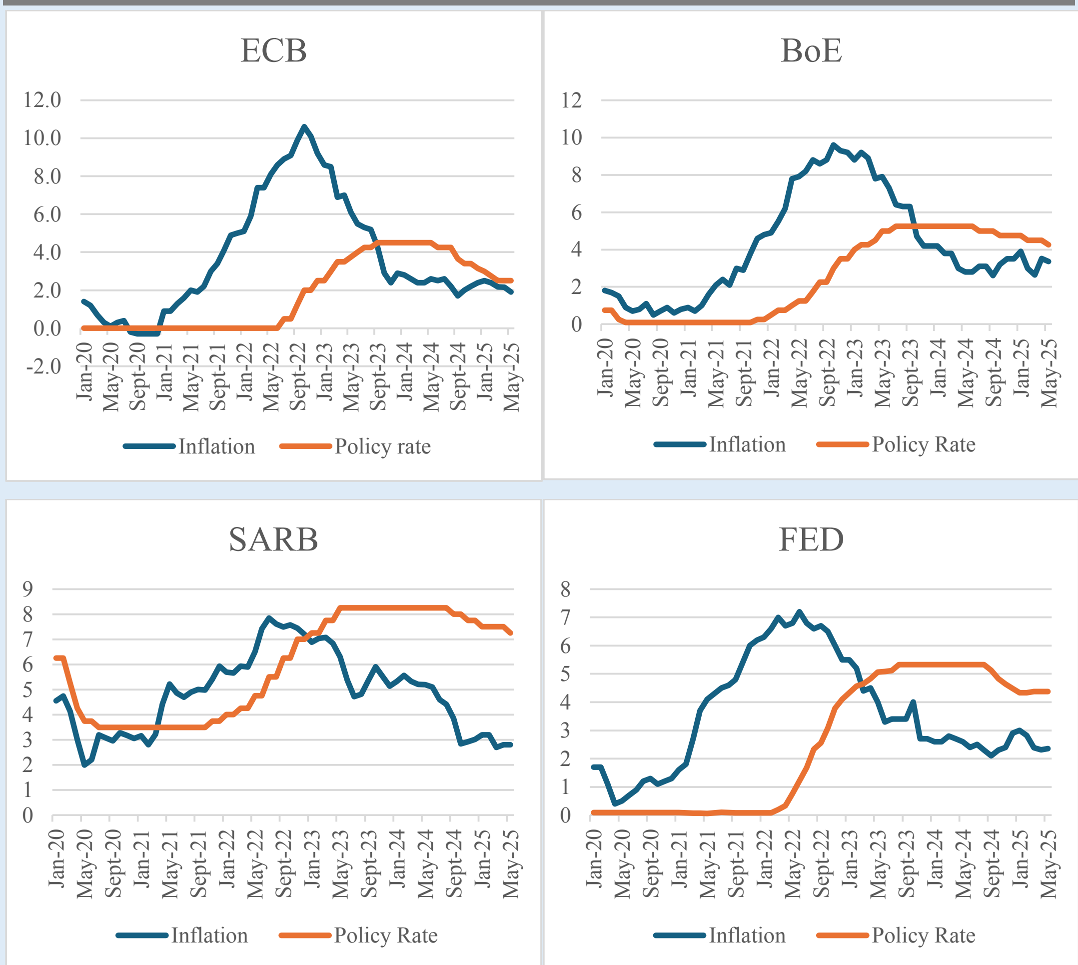
Monetary policy also aims to ensure positive real interest rates in order to support price stability, growth and financial stability. In this regard, an increase in inflation results in a decline in real interest rates and in this context the Reserve Bank reacts by hiking the policy rate to ensure that positive real interest rates are maintained.

The current policy rate of 35% is, therefore, set considering the expected end of year annual inflation of 30%, yielding a positive real interest rate of 5%. The real interest rate of 5% is consistent with experiences of emerging and developing economies. Considering current annual inflation levels, the implied real interest rate would be negative. The Reserve Bank considers the 35% policy rate to still be appropriate notwithstanding the elevated annual inflation, which is largely due to the base effects. As shown in Box 2, discounting the impact of the base effect, the implied annual inflation is consistent with the current policy rate.

In addition, the policy rate has been assessed to be compatible with the envisaged growth of 6% for 2025, taking into account improved output observed during the first half of 2025, particularly the recovery in agriculture, mining and manufacturing.

The Reserve Bank will, however, adjust the policy rate in line with inflation developments and incoming data on economic activity. Recent country experiences from post Covid 19 disinflation programmes show that central banks normally reduce the policy rate once annual inflation goes below the policy rate and is sustained. In addition, the tightening cycle is normally rapid to quickly contain inflationary pressures, while the loosening cycle is gradual, data dependent and can be even slower in times of heightened economic uncertainty.

Policy Rates and Inflation 2020 to 2025



Source: Central Banks and BIS, 2025

Statutory Reserves

151. Statutory reserve requirements for both local and foreign currency deposits remained at the same levels of 30% for demand and call deposits and 15% for savings and time during the first half of 2025. Reflecting growth in deposits, local currency statutory reserve balances rose by 37% from ZiG2.89 billion on 16 January 2025 to ZiG3.96 billion as of 30 June 2025.

152. Statutory reserve requirements are one of the instruments in the Reserve Bank's monetary policy toolkit as explained in Box 6.

Box 6: Statutory Reserve Requirements Explained

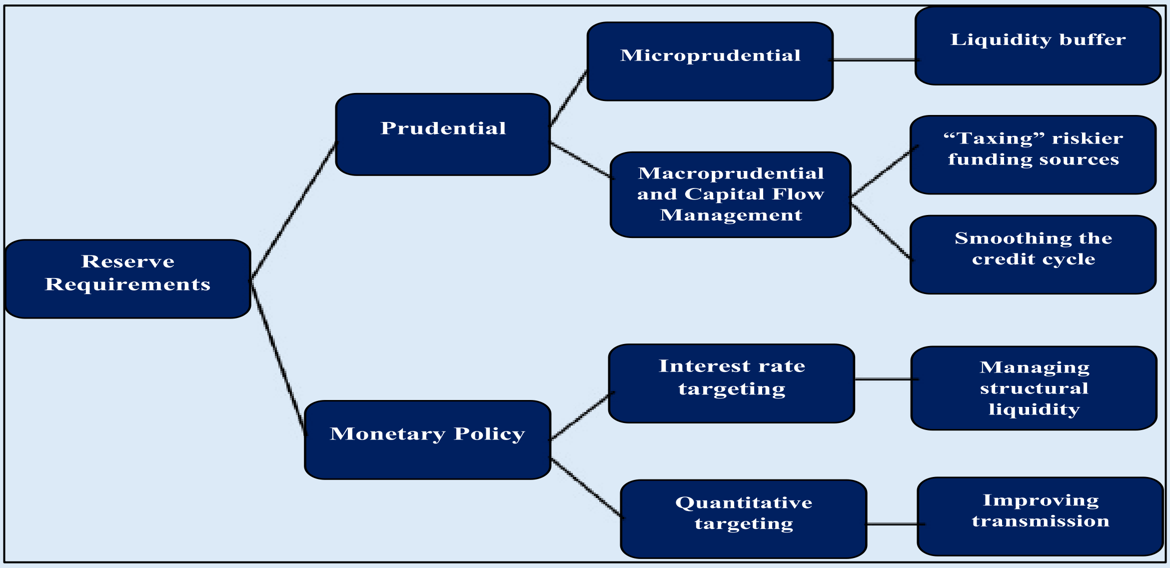
Statutory reserves requirement (SRR) is a prominent policy instrument used by central banks to support both monetary policy and financial stability. SRR are used to manage liquidity and credit creation in the banking sector by compelling banks to maintain a proportion of their deposit liabilities with the central bank.

Critically, as a monetary policy tool, SRRs are used to influence the level of the money supply to achieve quantitative monetary targets consistent with inflation and growth objectives. For a certain level of SRR, as the deposit base increases, the amount of liquidity withdrawn through SRRs increases and when there is a decrease in deposits the reverse happens. When there is an increase in the deposit base that might threaten price stability, the central bank may increase SRRs to support monetary policy tightening. The central bank reduces the SRRs to inject liquidity into the market to support a more accommodative policy stance with a view to boost economic activity in periods of economic slack.

In addition, by mopping up liquidity, statutory reserves complement the calibration of other monetary policy instruments such as the policy rate.

SRR can also be deployed as a micro or macro-prudential tool to manage significant build-up of liquidity in the market which could result in financial imbalances with risks to financial stability. In this regard, SRR assist in the build-up of liquidity buffers, and smoothening of the credit cycle to limit financial stress and systemic risk.

Statutory Reserve Requirement Objectives



Source: IMF, 2022

Central banks have implemented SRRs on a uniform or a differential basis. SRRs are differentiated in terms of tenor and currency composition of deposits. Regarding differentiation on tenor basis, central banks would impose higher SRRs on demand or call deposits and lower on savings and time deposits to support long-term savings which are critical to support long-term investment and sustainable growth.

Currently, Zimbabwe is using a differentiated SRR regime with 30% for demand and call deposits and 15% for savings and time deposits for both local and foreign currency. The differentiation on tenor basis creates incentives for banks to change the structure of their deposit liabilities by attracting long-term deposits, thereby reducing their SRR obligations and supporting long-term savings in the economy. Banking institutions, therefore, have an option to incentivise depositors to place funds in time and savings deposits for which SRRs are set at lower levels.

Stakeholders have, however, raised concerns that the current SRRs might be on the higher side and thereby dampening credit growth in the economy. The Reserve Bank's considered view is that at 30%, SRRs for demand and call deposits are well calibrated ans in line with experiences for countries with high inflation and which intend to durably anchor inflation expectations as shown below.

Statutory Reserve Requirements Country Comparison

Country	***Statutory Reserves (%)***		***Annual Inflation (%)***
	Domestic Currency	***Foreign Currency***	
Zimbabwe *(call & demand)*	30	30	92.5 (Jun-25)
Zimbabwe *(savings & time)*	15	15	92.5 (Jun-25)
Zambia	26	-	14.1 (Jun-25)
Nigeria	50	-	22.2 (Jun-25)
Mozambique	29	29.5	4.15 (Jun-25)
Malawi	10	3.75	27.1 (Jun-25)
Argentina	40.9	-	39.4 (Jun-25)
Egypt	18	-	14.9 (Jun-25)
Angola	19	-	19.7(Jun-25)

Source: Respective Central Bank websites and National Statistical Offices, 2025

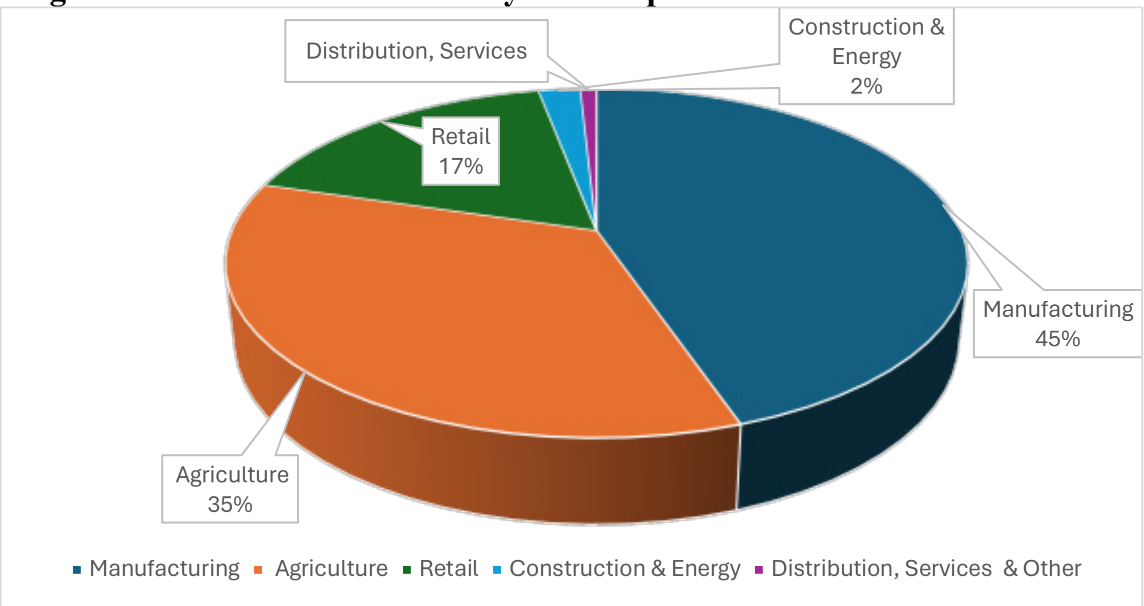
While the current statutory reserve requirements might have dampened credit growth in the short-term, to help sustain low inflation, the Reserve Bank has put in place the Targeted Finance Facility (TFF) funded from the pool of banks' statutory reserves, to increase lending to productive sectors and promote economic growth.

In this context, the Reserve Bank reaffirms its position that the statutory reserve requirements are currently set at an appropriate level.

Targeted Finance Facility (TFF)

153. The TFF was introduced by the Reserve Bank in January 2025 to support productive sectors. By end June 2025, total disbursements stood at ZiG420 million, while the outstanding balance was ZiG350.4 million. Figure 26 shows disbursements under the facility as of 30 June 2025.

Figure 26: TTF Disbursements by sector up to 30 June 2025



Source: RBZ, 2025

154. By the end of June 2025, reflecting repayments made, total outstanding under the TFF amounted to ZiG349.66 million. The facility proved instrumental, particularly in supporting key growth-driving sectors within Zimbabwe's economy.

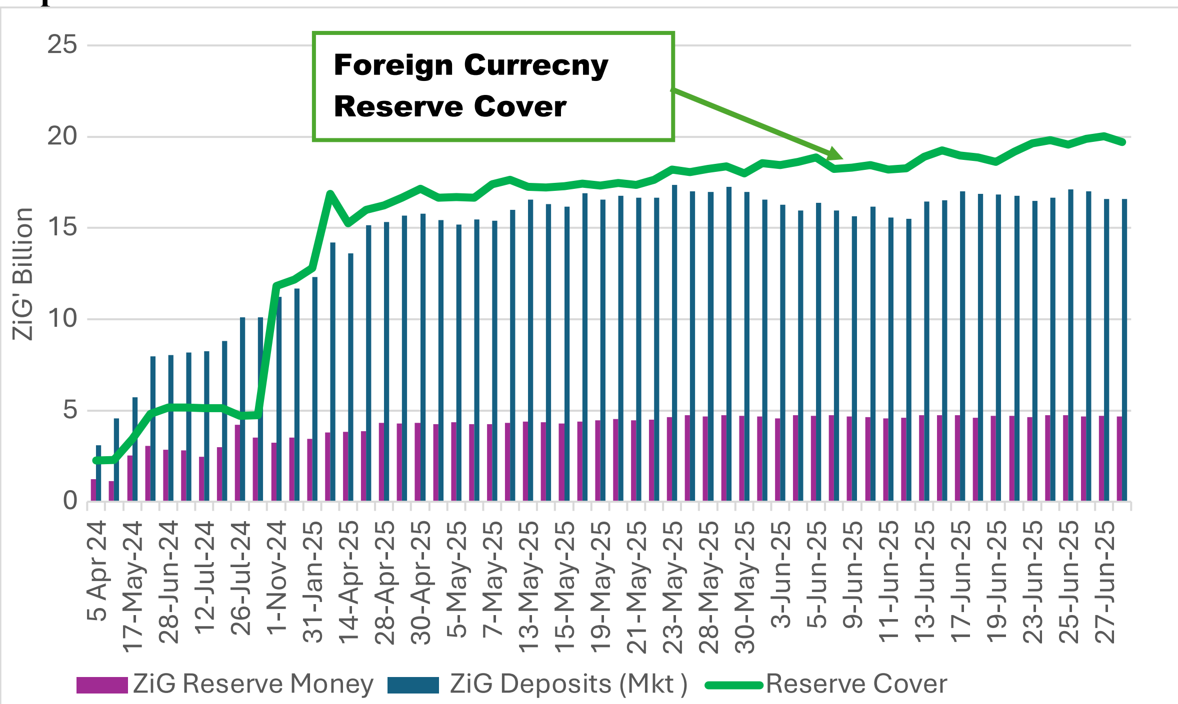
155. Disbursements under TFF have been dominated by manufacturing and agricultural sectors, accounting to 44.82% and 34.73%, respectively.

Gold and Foreign Currency Reserves

156. The Reserve Bank continued its gold and foreign currency reserves accumulation to anchor the local currency and meet the targeted import cover of 3 – 6 months. As a result, international reserves holdings have grown by 37% from about US$530 million at the end of December 2024 to about US$731 million as of 30 June 2025.

157. The RBZ shall continue to buy gold and build its foreign currency reserves to provide a solid anchor for the local currency. Figure 27 shows the foreign currency reserve cover of ZiG reserve money and deposits.

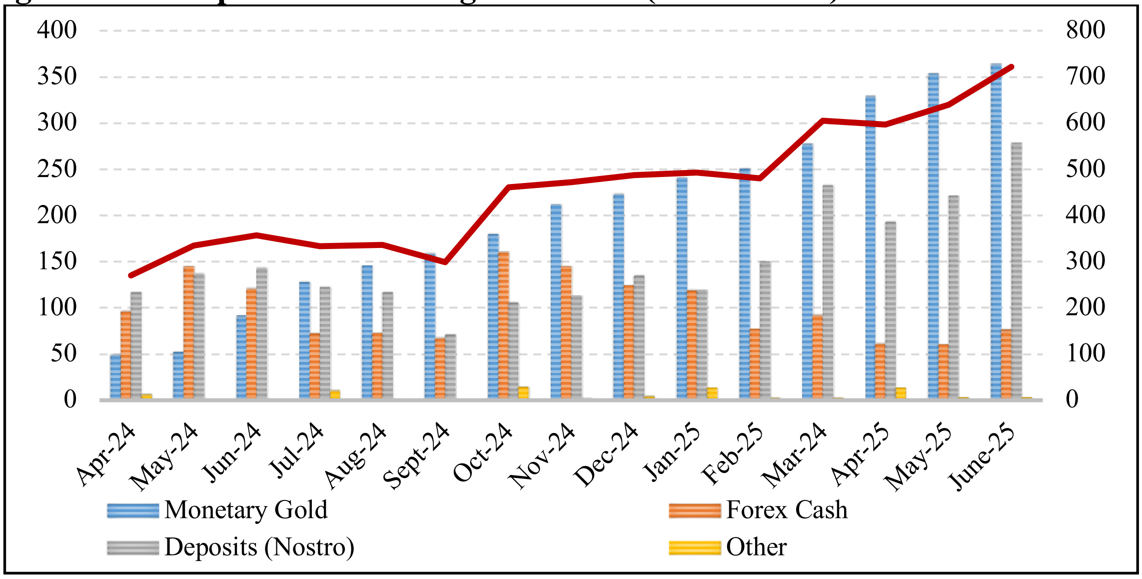
Figure 27 : Foreign Currency Reserve Cover of ZiG Reserve Money and Deposits



Source: Reserve Bank of Zimbabwe, 2025

158. Reflecting historically high gold prices and the increase in gold output and the resultant in-kind-royalties, monetary gold dominated the foreign reserves basket followed by foreign currency nostro deposits. Figure 28 shows developments in the composition of foreign reserves.

Figure 28: Composition of Foreign Reserves (US$ million) June 2025



Source: Reserve Bank of Zimbabwe 2025.

Foreign Exchange Market

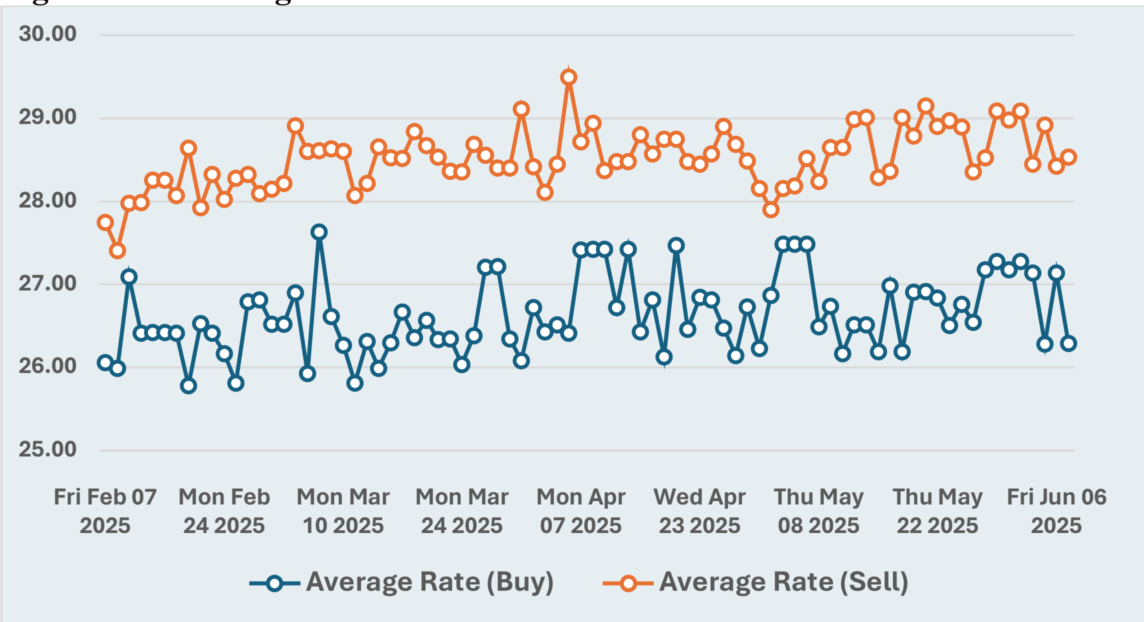
159. The Reserve Bank continued to play a critical role in the Willing-Buyer-Willing-Seller (WBWS) foreign exchange market through interventions to cover legitimate FX demand not covered by interbank market purchases. The WBWS foreign exchange market remains key in providing access to foreign currency through a market-driven and transparent exchange rate system.

160. During the first half of 2025, the Reserve Bank intervened to the tune of US$448.9 million compared with US$407.4 million sold in 2024. The demand for FX will increase during the second half of the year to cover requirements for the festive season and preparations for the agricultural season. The supply of FX is also lower during this time of the year and therefore the central bank will put in place buffers to cover that demand.

161. The Reserve Bank adopted a floating exchange rate regime, under the WBWS where banks are free to set their own exchange rates for buying and selling foreign currency, while the Reserve Bank intervenes to smoothen any volatility in the market. The trends in WBWS exchange rates indicate a normal pattern of

exchange rate movements, providing evidence that the rate is floating, rather than fixed, and that there is no interference from the Reserve Bank as shown in Figure 29.

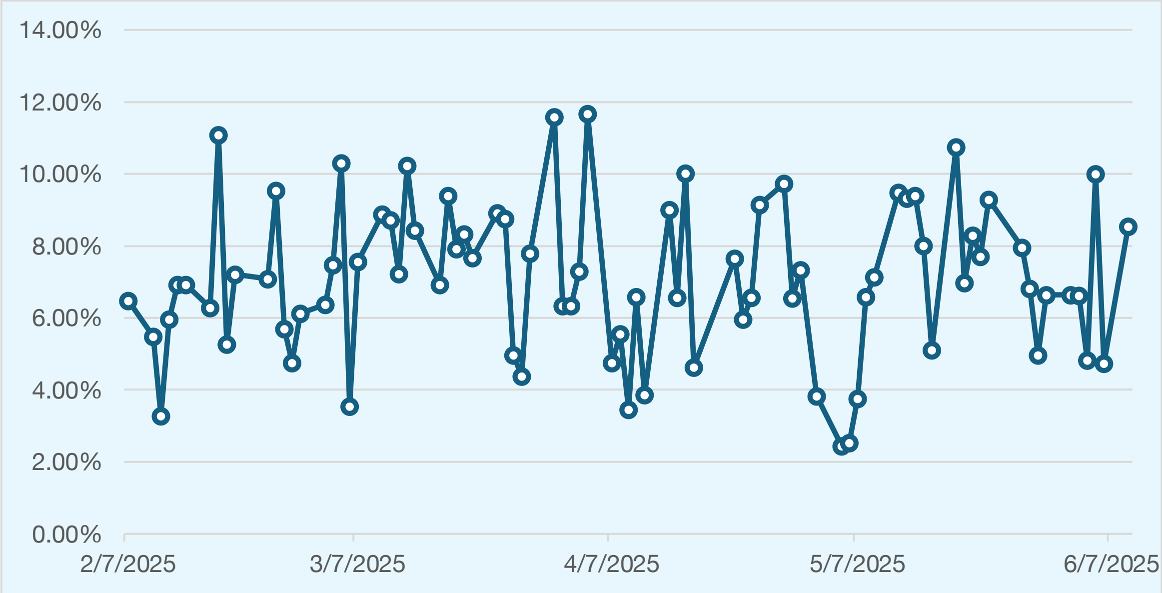
Figure 29: Exchange Rate Trends in the WBWS Market



Source: Reserve Bank of Zimbabwe, 2025

162. The WBWS margins have no uniform pattern of spreads suggesting that banks determine their own rates. The margins as depicted in Figure 30 range from 2.45% to 11.66%. This shows that the clarification by the Reserve Bank on the initial 5% margin that was used for the calculation of the opening exchange rate on 8 April 2024, enabled banks to freely price their foreign currency. With increased competition in the foreign exchange market, the margins should converge towards levels consistent with international best practice.

Figure 30: WBWS Interbank Market Margin



Source: Reserve Bank of Zimbabwe, 2025

Foreign Exchange Policy

163. As part of measures to improve the efficiency of the foreign exchange market, the Reserve Bank consulted banks on the implementation of the Foreign Exchange Policy and areas of improvement. The findings of the perception survey are capture in Box 7.

Box 7: Feedback on the conduct of Foreign Exchange Transactions in the Market

The Reserve Bank conducted a Sentiment Survey to assess banks' perceptions on the service delivery, processing of applications on foreign exchange transactions and facilitation of foreign trade and investment. The results of the Sentiment Survey reveal a generally positive perception on the Reserve Bank, with most respondents expressing satisfaction with the responsiveness, operational effectiveness, communication on policy and application turnaround times.

The Survey also uncovered the following potential areas for improvement:

(a) The need for modernisation of the Foreign Exchange regulations;

(b) The need for improvement on regulatory clarity and discussions on foreign exchange policies with banks so as to enhance policy implementation success rate;

(c) Continuous improvement on turnaround times for foreign investment related applications;

(d) Streamline foreign trade rules, regulations, and procedures to facilitate cross-border trade;

(e) Promulgate regulations that improve cross-border trade environment for small and medium-sized enterprises (SMEs);

(f) Identify and publish investment opportunities within the supply and value chains along priority economic corridors;

(g) Improve public–private sector trade and investment promotion initiatives. Joint trade and investment promotion initiatives with banks and Government Agencies such as Zimtrade and Zimbabwe Investment and Development Agency (ZIDA); and

(h) Enhanced collaboration between the Reserve Bank, Zimbabwe Revenue Authority (ZIMRA) and banks on facilitation of trade, as well as automation of the processes.

Foreign Exchange Net Open Positions

164. In the context of the multi-currency environment, the effective management of foreign exchange exposures is a key element in ensuring the maintenance of financial stability. In this regard, the computation of foreign currency Net Open Positions is critical for risk management in the banking sector. Box 8 explains the Reserve Bank's processes and approaches underway for enhancing the assessment of foreign exchange Net Open Positions in the market.

Box 8: Calculation of Banking Sector Foreign Currency Net Open Positions (NOPs)

Following the issuance of revised NOP guidance in May 2025 to the market, the Reserve Bank noted computational gaps which necessitated re-orientation and training to promote the provision of high data quality and consistency on banks' foreign exchange risk management.

The Reserve Bank has since initiated the process of assessing risk mitigatory characteristics of banks' structural positions against the qualifying criteria in line with Banking Regulations and international practices.

Structural positions are considered for deduction from NOP when the meet the following criteria:

a) investments in affiliated but not consolidated entities denominated in foreign currencies;
b) investments in consolidated subsidiaries or branches denominated in foreign currencies.
c) The exclusion from the calculation is made for at least six months;
d) The establishment of a structural FX position and any changes in its position must follow the bank's risk management policy for structural FX positions.
e) Exclusions of the risk position needs to be applied consistently, with the exclusionary treatment of the hedge remaining in place for the life of the assets or other items;
f) Supervisory review of documentation relating to positions and amounts to be excluded from market risk capital requirements;
g) Long-term debt – foreign currency denominated debt that is used to finance operations;
h) Non-monetary items – such as property, plant and equipment that are recorded at historical cost and not revalued regularly; and
i) Other approved regulatory deductions.

The strategic hedging of capital adequacy ratios reduces exposure to foreign currency risks, supports strong banking sector balance sheets and promotes financial stability.

Key Monetary and Financial Indicators

165. Key monetary and financial conditions indicators on quarterly basis for period April 2024 to June 2025 are shown in Table 11.

Table 11: Key Monetary and Financial Statistics

	30-Apr-24	30-Jun-24	30-Sep-24	31-Dec-24	31-Mar-25	30-Jun-25
Inflation						
ZiG Month-on-Month (%)	-	0.04	5.8	3.7	-0.06	0.3
ZiG Annual inflation				-	-	92.5
USD Month-on-Month (%)	0.8	-0.3	0.7	0.6	0.1	-0.2
USD Annual (%)	3.2	3.8	4.2	2.5	15.0	14.0
Monetary						
Reserve Money (ZiG Million)	720	1,225	2,254	3,516	3,790	4,652
Total ZiG Deposits – (Million)	6,894	9,138	13,298	14,365	14,761	17,078
Foreign Reserves Cover for ZiG (ZiG Million)	3,722	4,751	9,034	12,164	16,871	19,697
Financial Sector						
Non-Performing Loans Ratio (Benchmark=5%)	N/A[8]	2.02	3.19	3.37	3.34	2.90
Money Market						
Market Position (ZiG Million)	114	145	166	399	364	341
External Sector						
Cash and Nostro Balances (US$ Million)	182	238	196	192	296	309
Gold Holdings Kgs	1,500	1,612	1,948	2,626	2,780	3,439
Gold Holdings Value (USD Million)	113	120	167	220	275	362
Other Reserves (In kind mineral royalties)	57	19	120	44	27	24
Total Reserve Covering ZiG (USD Million)	276	376	419	527	630	731
Average Pipeline Forex Demand (USD Million)	-	40.9	7.8	12.7	14.8	17.5
WBWS Exchange Rate	13.4301	13.7031	24.8831	25.7985	26.72	26.9457
Implied Exchange Rate (ZiG Bank Deposits- over Foreign Currency Reserves)	-	21.383	25.5489	24.7374	22.5598	22.4178

Source: Reserve Bank of Zimbabwe, 2025

[8] N/A= Data not available monthly but quarterly.

SECTION 6

MONETARY POLICY MEASURES

SECTION SIX

MONETARY POLICY MEASURES

MONETARY POLICY THRUST OF THE RESERVE BANK

166. In line with the need to ensure that there is policy consistency as the Reserve Bank continues to ***walk the talk***, this Mid-Term Monetary Policy Review Statement restates previously announced measures and introduces complementary measures to buttress and provide further clarity. The measures are, therefore, designed to **durably anchor and consolidate** the prevailing exchange rate and price stability by addressing emerging risks and continue to shape inflation expectations.

Monetary Policy Framework

167. In 2024, the Reserve Bank's "Back-to-Basics" thrust recalibrated its monetary policy framework to focus on price stability as the sole monetary policy objective. As such, the Reserve Bank will continue to implement measures to ensure that through **prudent monetary policy management**, the country achieves and maintains price stability without undermining economic growth.

168. In light of the above, the Reserve Bank is controlling reserve money as the operational target to stabilise the ZiG/US$ exchange rate, which is the intermediate target or the nominal anchor. The stability of the exchange rate is expected to result in low and stable prices, which is the ultimate objective of the Reserve Bank's monetary policy.

169. In this regard, the Reserve Bank will **stay the course** of the current tight monetary policy stance, while remaining flexible to signals informed by incoming data on inflation, exchange rate, economic activity and other key macroeconomic fundamentals.

Monetary Policy Stance

170. The current tight monetary policy stance has been informed by the need to address previous episodes of exchange rate and inflation volatility and durably entrench price stability. Precisely, the Monetary Policy Framework was calibrated to underpin the disinflation program and support the convergence of annual inflation towards the regional benchmarks.

171. Similar to disinflation programs from other country experiences, the Reserve Bank's current tight monetary policy stance takes into account the country's peculiar macroeconomic circumstances and past experiences. In Zimbabwe, "**inflation has largely been a monetary phenomenon"**. As such, the current monetary program considers the historical hyperinflation episodes (*hysteresis),* high dollarisation and the need to address the confidence and trust deficit in the economy. Other country experiences have demonstrated that in highly dollarised economies, prices are more responsive to fluctuations in the exchange rate.

172. In light of the above, the Reserve Bank is controlling reserve money as the operational target to stabilise the ZiG/US$ exchange rate which is the intermediate target or the nominal anchor. The stability of the exchange rate is expected to result in low and stable prices which is the ultimate objective of monetary policy. **For the avoidance of doubt, the Reserve Bank is not using the exchange rate as the operational target and therefore, does not interfere in the foreign exchange market.** The Reserve Bank is using a market determined floating exchange rate and is only influencing its movement through ensuring prudent management of reserve money.

173. The combination of optimal control of money supply and a market-determined exchange rate will support the narrowing of the parallel market premium, thereby supporting lasting stability of prices.

(a) Fiscal and Monetary Policy Coordination

174. The current monetary policy stance has benefited from complementary fiscal policy measures. Consequently, there has not been any recourse to central bank financing by the Treasury which provided further impetus to the Reserve Bank's efforts to curtail monetary growth and bring inflation under control.

175. The implementation of the 50:50 basis in terms of local and foreign currency for settlement of Quarterly Payment Dates (QPDs) has gone a long way in increasing the demand for ZiG. The requirement will result in economic agents increasing their sales in local currency in order to have adequate funds to settle QPDs.

176. The Reserve Bank, in its Advisory role, will continue to engage Government to address specific potential fiscal risks to macroeconomic stability raised by stakeholders during the Monetary Policy Consultations.

MONETARY POLICY MEASURES

(a) Interest rates

i. Bank Policy Rate

177. During the Reserve Bank's consultations with stakeholders on monetary policy implementation, the current Bank Policy rate at 35% was said to be too high. The stakeholders proposed a downward review of the policy rate.

178. The current Bank Policy rate, together with other measures, have been critical in supporting the prevailing price, currency and exchange rate stability. Precisely, the Policy rate has managed to stem speculative borrowing and ensured that credit is channelled towards the productive sectors of the economy. The Reserve Bank reaffirms that the current Bank Policy rate is well calibrated based on inflation and output dynamics. The Reserve Bank projects inflation to end the year at around 30%, giving positive real interest rate of 5%, which is consistent with the natural rate observed in other countries (Box 5). Accordingly, the Bank Policy Rate has

been maintained at 35% and will continue to be reviewed by the Monetary Policy Committee (MPC) in line with obtaining fundamentals.

179. Given the high annual inflation and the need to anchor inflation expectations, the current bank policy rate at 35% is assessed to be still appropriate, and supportive of stability and growth. The recent country disinflation experiences have shown that, to durably anchor inflation expectations, it would be appropriate to reduce policy rates when inflation has gone below the policy rate in order to foster the optimal level of positive real interest rates. This is also based on experience that inflation expectations are mainly backward looking and adaptive and based on current and previous annual inflation trends in the context of high inflation.

180. **Going forward, the Monetary Policy Committee will continuously review and adjust the Bank Policy rate appropriately in line with the evolution of risks to inflation and growth.**

ii. Minimum Deposit Interest Rates and Promotion of a Savings Culture

181. Reflecting the current level of the benchmark interest rate, minimum interest rates for savings and time deposits in both ZiG and USD have been maintained, as follows:

Currency/Term	Savings Deposit Rates	Time Deposit Rates
ZiG Deposits	**5%**	**7.5%**
USD Deposits	**2.5%**	**4%**

(b) Bank and Transaction Charges

182. Further, stakeholders indicated that bank charges are too high thereby increasing transactional costs through the formal banking system which promotes disintermediation of banks and informalisation of the economy. Banks are required to adhere to the measures announced in the February 2025 Monetary Policy Statement restated as follows; *to exempt from bank charges, all accounts that maintain a balance below US$100 or its equivalent in ZiG. In addition, Point of*

Sale (POS) transactions for amounts less than US$5 or its equivalent in ZiG are also exempted from transaction charges, for both banking institutions and Payment System Providers (PSPs).

183. **Also, in an effort to curb informalisation, banks are reminded to ensure that all business account holders are provided with POS machines.**

184. **The Reserve Bank continues to urge the Bankers Association of Zimbabwe (BAZ) to reduce their bank charges to ensure affordability of banking services to the public.**

185. **In addition, the Reserve Bank strongly urges banks and PSPs to embrace digitalisation to enhance their operational efficiency and pass-on to consumers the gains of reduced costs.**

(c) Statutory Reserves

186. Stakeholders called for the reduction in statutory reserve requirements in both USD and ZiG in order to boost banks' lending capacity to their clients.

187. The Reserve Bank has used statutory reserves as one of its monetary policy tools to mop-up excess liquidity from the market, which has been key in supporting the obtaining price stability. The current statutory reserve requirements are set between 15% and 30% depending on the nature of the deposits. Banking institutions can, therefore, easily reduce the effective statutory reserve requirements towards 15% by attracting more long-term deposits.

188. The current differentiated statutory reserve requirements is supportive of deepening the money market, promoting long-term savings and engendering greater financial stability. The statutory reserve ratios, therefore, remain unchanged and will be reviewed when appropriate and consistent with the monetary policy thrust.

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

189. Stakeholders acknowledged that TFF is a positive initiative and underscored the need for extending the financing to companies involved in the supply value chains and enhancing lending conditions for long term funding.

190. The Reserve Bank introduced the Targeted Finance Facility (TFF) financed from the pool of banks' statutory reserves held at the Reserve Bank to ensure continued flow of credit to productive sectors. TFF has gone a long way in supporting the productive sectors of the economy particularly agriculture, manufacturing and wholesale and retail. TFF will continue to be availed exclusively to productive sectors of the economy, with the exception of the retail sector.

191. It is also pertinent to note that the money market has maintained persistent daily long position, indicating that there is adequate liquidity available for lending. Banks are, therefore, encouraged to set trading limits for each other to avoid concentration of liquidity in a few banks and make lending available to other economic agents. In this regard, the Reserve Bank encourages value chain suppliers to access bridging finance from their bankers.

(e) Exporters' Foreign Currency Retention Threshold

192. The foreign currency retention level for exporters has been maintained at 70% and will be reviewed in line with the de-dollarisation road-map, which will be informed by the forthcoming National Development Strategy II (NDS2) blueprint. **This means that the export surrender requirement, which is currently at 30%, is maintained.**

(f) Recalibrated NNCDs

193. The Reserve Bank remains committed to maintaining a tight monetary policy stance while working towards correcting existing market imbalances, market segmentation, and limited interbank trading. To support the reserve money targeting framework and bolster the monetary policy toolkit, the Reserve Bank attaches a premium on the transition from direct to indirect monetary policy instruments.

194. **As part of the transition process to indirect monetary policy instruments, in May 2025, the Reserve Bank recalibrated NNCDs to ensure that they are non-redeemable (except for payments of taxes and purchase of foreign currency), non-transferable and for a fixed tenor of 30 days, with zero coupon.**

195. As market conditions become favourable and banks have sufficient incentives to compete for market liquidity, the Reserve Bank will fully transition to the use of indirect monetary policy instruments, including remuneration of NNCDs. Under these conditions, banks will only approach the Central Bank for overnight accommodation as a last resort.

(g) ZiG Cash Availability and Usage

196. Stakeholders also urged the Reserve Bank to implement additional measures to increase acceptance and uptake of ZiG in the market.

197. The improved macroeconomic stability has seen increased usage of ZiG as reflected by the rise in the proportion of electronic ZiG in the National Payments System from 26% in April 2024 to over 40% in June 2025. The increase in the usage of ZiG has also been accompanied by an increase in the demand for ZiG cash. The Reserve Bank has been ensuring issuance of ZiG in line with optimal requirements in the market**. In this regard, the Reserve Bank has been working with banking institutions to ensure that at least 3% of their ZiG deposits**

(regional optimal benchmark for cash-in-circulation against deposits) are held and available for distribution as cash.

198. **To enhance distribution of ZiG cash, the Reserve Bank has directed banking institutions to increase access of ZiG through Automated Teller Machines (ATMs) and banking halls.** The Reserve Bank will ensure that banking institutions that have not already started distributing ZiG cash through ATMs have done so by end of September 2025. Currently, the banking sector is holding in their vaults a total of over ZiG200 million in cash awaiting distribution to banking clients in need.

199. **As advised in the February 2025 Monetary Policy Statement, the Reserve Bank is working to modernise the current ZiG banknotes. The Reserve Bank further advises that the re-design and production process of the improved ZiG banknotes is progressing very well and is at an advanced stage. The public will be advised of the expected roll-out at the appropriate time.**

(h) De-Dollarisation Roadmap

200. The need for a clear de-dollarisation roadmap was one of the most prominent issues that came out during the Mid-Term Monetary Policy Review stakeholder consultations. Specifically, the stakeholders raised concerns that all contracts in USD including bank loans are now capped or limited to 2030. Stakeholders also relayed fears and concerns pertaining to the fate of their foreign currency deposits at the end of the multicurrency system in 2030.

201. The de-dollarisation roadmap will be crystalised in the National Development Strategy II and the Reserve Bank which is chairing the NDS2 Thematic Working Group on Macroeconomic Stability and Financial Deepening (MESFIND) is currently seized with consultations on the issue. **The roadmap will undoubtedly encapsulate the need to maintain the current stability, preserve the foreign currency accounts and the existing USD denominated contracts.**

Consideration will always be made to ensure that there is business continuity and certainty.

(i) Foreign Currency Interbank Trading Margins

202. Stakeholders consulted by the Reserve Bank during the Mid-Term Monetary Policy Review bemoaned the increase in foreign currency trading margins following the clarity on the 5% trading margin in the February 2025 Monetary Policy Statement. **The Reserve Bank is urging Authorised Dealers to stick to international best practice regarding the application of foreign exchange trading margins.**

OTHER MONETARY POLICY SUPPORT MEASURES

(j) Compliance with Trade and Investment Regulations

203. The Reserve Bank of Zimbabwe has observed recurring incidences of non-compliance with Exchange Control rules and regulations by Authorised Dealers, Authorised Dealers with Limited Authority (ADLAs), corporates and individuals. These incidents, which contravene the established regulatory framework, undermine the conduct of trade and investment transactions and compromise the integrity of the financial sector. Prevalent and notable violations include, but are not limited to, the following:

i. Non-acquittal of export and import documentation within prescribed timelines;
ii. Non-application of liquidation requirements on export receipts within prescribed timelines;
iii. Falsification of export and import documentation to facilitate irregular exports and imports;
iv. Non-registration of external loans and other service agreements;
v. Establishment of cross-border investments without prior authorisation by the Reserve Bank;
vi. Under declaration of exports and over-pricing of imports;

vii. Non-reporting and non-submission of statutory returns on approved trade and investment transactions;

viii. Masking of borrowed funds through multiple bank transfers culminating in the abuse of the willing buyer-willing seller foreign exchange interbank market.

ix. Wrong classification and coding of trade and investment transactions, which distorts data accuracy and integrity.

x. Failure to conduct prudential analysis of the client's supporting documentation for accessing foreign currency on the Willing-Buyer Willing-Seller (WBWS) foreign exchange interbank market, resulting in 'double dipping' and payments not supported by Bonafide invoices and/or shipping documents.

204. To foster a culture of compliance and uphold the foreign exchange rules and regulations that govern trade and investment transactions, **the Reserve Bank has revised the penalty fees for non-compliance upwards to 1% of the transaction amount or one hundred thousand United States dollars (US$100,000.00 or ZiG equivalent), whichever is greater or suspension or revocation of foreign exchange trading licence.**

205. Authorised Dealers, Authorised Dealers with Limited Authority and Corporates are, therefore, required to put in place adequate internal control systems to ensure compliance with foreign exchange rules and regulations. Acts of non-compliance will not be tolerated.

(k) Currency Discrimination in Pricing of Goods and Services

206. During Monetary Policy consultations, stakeholders raised concerns over discriminatory practices against ZiG payments for goods and services. These malpractices include inflated prices for ZiG, outright rejection of payment in ZiG, false claims of system outages for POS and goods stock-outs when one intends to

pay in ZiG. They highlighted that the practice was more prevalent in the case of airtime purchases.

207. Specifically, stakeholders complained that it was difficult to transact in ZiG when purchasing airtime from some service providers in local currency but it becomes much easier when transacting in USD.

208. In the February 2025 Monetary Policy Statement, the Reserve Bank urged these service providers and other economic agents to ensure that goods and services are equally and easily available in both ZiG and USD. **The Reserve Bank further re-emphasises that mobile network operators and other traders take heed of the call by the Bank to ensure fair trading practices in line with the multi-currency system.** The Financial Intelligence Unit (FIU) will, henceforth, monitor compliance in this respect and those found to be non-compliant will be penalised accordingly.

(l) Sustainability and Climate Risk Management

209. As part of ongoing national initiatives to accelerate the implementation of sustainability disclosure standards issued by the International Sustainability Standards Board (ISSB), the Reserve Bank will be conducting a survey to assess the banking sector's preparedness.

210. In line with the requirements of International Financial Reporting Standards S1 and S2, entities, including banking institutions, will be required to disclose information on sustainability and climate-related risks and opportunities, governance and risk management systems.

211. The thrust towards compliance with ISSB disclosure requirements follows early adoption of the standards by Government of Zimbabwe in 2021.

(m) Gender diversity and Inclusion

212. Fostering gender diversity, as well as promoting inclusivity remains an important aspect of the National Financial Inclusion Strategy II. In view of the need to improve the proportion of women and people with disabilities in leadership positions within the financial sector, all banking institutions and microfinance institutions are required to submit to the Reserve Bank, their roadmap towards gender equality and inclusion of Persons with Disabilities in decision-making roles by 31 December 2025.

(n) Financial Literacy

213. The Reserve Bank will increase its financial literacy outreach programs through various channels to ensure that communities in rural areas and marginalised areas are informed about monetary policy and financial inclusion initiatives. Further, effective 31 December 2025, all banking institutions and microfinance institutions are required to provide quarterly updates on their financial literacy outreach programs to the rural communities.

SECTION 7

ECONOMIC AND INFLATION OUTLOOK

SECTION SEVEN

ECONOMIC AND INFLATION OUTLOOK

214. The monetary policy measures outlined above are expected to support the continued consolidation of exchange rate and price stability. Sustained macroeconomic stability is critical for the economy to realise its growth potential in the short to medium term.

Inflation Outlook

215. The Reserve Bank remains committed to achieving lasting price stability by ensuring that it continues to ***"walk the talk"*** of prudent money supply management under the reserve money targeting framework. In this regard, monthly inflation is expected to remain low and stable between 1 and 3% supporting an end-of-year annual inflation of below 30%.

Balance of Payments Outlook

216. In line with increased foreign currency inflows during the first half of 2025, the country's current account balance is expected to improve from a surplus of US$501.2 million in 2024 to a surplus of US$621.7 million in 2025. The projected surplus will continue to be supported by improvements in merchandise exports and remittances.

SECTION 8

CONCLUSION

SECTION EIGHT

CONCLUSION

217. The current monetary policy stance pursed in the first half of 2025 has proved effective in anchoring inflation and exchange rate expectations and the Reserve Bank will **stay the course** to create a track record of sound monetary policy implementation, which is critical for fostering confidence, trust and central bank credibility.

218. The favourable output growth from the strong recovery in the agriculture and mining sectors will go a long way in supporting the recovery in aggregate demand witnessed during the first half of 2025 and provide greater scope for monetary measures to support the current disinflation programme.

KEY TAKEWAYS

The Reserve Bank will continue walking the talk and staying the course in implementing policies that durably anchor and consolidate price, currency and exchange rate stability; and will maintain the tight monetary policy stance with the overarching objective to foster Central Bank policy consistency and credibility.

- ✓ The measures announced in this Monetary Policy consolidate the gains of ZiG to date and address potential risks over the outlook period.
- ✓ As we move towards 2030, the Reserve Bank is encouraging businesses to recalibrate their business models, including trading arrangements to accommodate the increasing usage and demand for the local currency, ZiG.
- ✓ The Reserve Bank will, thus continue to maintain a delicate balance between its inflation reduction objective and supporting robust economic growth.
- ✓ The Monetary Authorities will carefully manage liquidity conditions in the market to curb speculative activities while ensuring inflation is sustainably contained to around 30% in 2025 and that the economy continues to grow at the envisaged 6% for 2025.

I Thank You

Dr. J. Mushayavanhu
GOVERNOR

RESERVE BANK OF ZIMBABWE

SUMMARY

OF STAKEHOLDER CONSULTATIONS ON MONETARY POLICY IMPLEMENTATION

(7-14 July 2025)

Communication has become an integral component of modern monetary policy management. The Reserve Bank has adopted communication as part of its **monetary policy toolkit** as it also helps to shape expectations, enhance transparency and increase the effectiveness of monetary policy itself.

ANNEX

SUMMARY OF STAKEHOLDER CONSULTATIONS ON MONETARY POLICY IMPLEMENTATION

1. The Reserve Bank has continued to adopt a listening and consultative approach to formulating monetary policy as part of building central bank policy credibility, confidence and trust. In this regard, the Reserve Bank held Stakeholder Consultative meetings from 7-14 July 2025 to solicit feedback on the impact of the current monetary policy on businesses and economic agents and recommendations for the forthcoming Mid-Term Monetary Policy Review. Stakeholder consultations are critical to support the effectiveness of monetary policy by ensuring that policy measures remain responsive to the needs of the economic agents.

2. The MPS stakeholder meetings were attended by key stakeholders, cutting across the various sectors of the economy, which include:

    i. Zimbabwe National Chamber of Commerce (ZNCC);
    ii. Commercial Farmers Union and Zimbabwe Farmers Union (CFU and ZFU);
    iii. CEO Africa Roundtable;
    iv. Zimbabwe Council of Churches (ZCC);
    v. Zimbabwe Tourism Authority (ZTA);
    vi. Consumer Council of Zimbabwe (CCZ);
    vii. Capital Markets Council (CMC);
    viii. Confederation of Zimbabwe Industries (CZI);
    ix. Chamber of Mines;
    x. Confederation of Zimbabwe Retailers (CZR);
    xi. Estate Agents Council (EAC);
    xii. Bankers Association of Zimbabwe (BAZ);
    xiii. Retailers Association of Zimbabwe (RAZ); and
    xiv. Various Economic Commentators and Business Analysts.

3. Generally, the stakeholders acknowledged and commended the obtaining relative macroeconomic stability prevailing as evidenced by low inflation and stable

exchange rate. However, some stakeholders were concerned that the stability could be temporary due to Government delays in the settlement of obligations to suppliers and contractors.

4. Stakeholders, however, expressed concern over the following issues bedevilling the economy that requires the attention of authorities. These issues are highlighted in Tables 1 and 2.

Table 1: Summary of Stakeholders Issues and Comments

	Subject Matter	Stakeholder Comments and Issues	RBZ Feedback
1	**De-dollarisation by 2030**	Government should provide clear direction and assurance possibly anchored in legislation that foreign currency deposits held within the domestic financial system will retain its foreign currency status post multi-currency era	The RBZ allayed the stakeholders' fears and advised that a roadmap will be provided in the upcoming NDS 2. The roadmap will, however, encapsulate the need to maintain the current macro stability, preserve the foreign currency accounts and avoid loss of value of the existing US$ denominated contracts.
2	**Interest Rate**	Interest rates on ZiG loans could be high and there may be need a to reconsider the rates, starting with a review of the 35% Bank Policy Rate as it influences other lending rates in the banking sector.	The Bank reaffirms that the current Bank policy rate is well calibrated based on inflation and output dynamics. The Bank projects inflation to end the year at 30%, giving positive real interest rate of 5%, which is consistent with the natural rate observed in other emerging and developing countries. The policy rate will continue to be reviewed by the MPC in line with obtaining fundamentals.
3	**Targeted Finance Facility**	Stakeholders acknowledged that TFF is a positive initiative, however, there is need for opening up TFF window to companies involved in the supply value chains and enhance lending conditions for long-term funding	The RBZ acknowledges the need for funding for value chain bridging finance. However, the market is currently in surplus, which can fund their requirements (gap).
4	**Currency Discrimination by Mobile Money Operators**	Stakeholders highlighted that it is difficult to transact in ZiG when purchasing services from Mobile Money Operators. However, it becomes much easier when transacting in USD.	The Reserve Bank will engage Mobile Money Operators to ensure that there is equal trading in both domestic and foreign currencies in line with the multicurrency system.
5	**High Bank Charges**	Stakeholders indicated that bank charges are too high thereby increasing the cost of trading through the formal banking system.	Through moral suasion, the Reserve Bank continues to urge the BAZ to review their pricing policies.
6	**Foreign Exchange Market**	Stakeholders recommended the introduction of a cap on the margin in the WBWS interbank market to ensure that the private sector can access foreign currency at fair rates	The Reserve Bank envisages that the actions being taken to deepen the foreign exchange market will go a long way to strengthen competition with the effect of narrowing the trading margins.
7	**Availability and usage of ZiG**	Implement measures to increase adoption and uptake of ZiG in the market.	ZiG cash is available at banks and the Reserve Bank has directed banks to ensure that they pick up their ZiG cash entitlements so that they have optimal holdings to issue to their client, at all times.

	Subject Matter	Stakeholder Comments and Issues	RBZ Feedback
			ZiG usage will increase in line with the de-dollarization roadmap that will be formulated in the NDS2 Framework.
8	**Fiscal Matters**	Stakeholders raised concerns regarding fiscal risks to the prevailing stability.	The Reserve Bank and Treasury have been working closely to ensure monetary policy and fiscal policy complementarity. The Reserve Bank, in its Advisory role, will continue to engage Government to address specific potential risks to macroeconomic stability raised by stakeholders.

Table 2: Summary of Stakeholders Comments

	Subject Matter	Stakeholder Comments	RBZ Feedback
1	**Effective Communication**	Stakeholders commended the Reserve Bank for its inclusive and consultative approach to monetary policy formulation. Stakeholders viewed this participatory approach as an important tool to ensure the relevance of monetary policy measures in addressing the challenges confronting various sectors of the economy.	Communication has become an integral component of modern monetary policy management. The Reserve Bank has, therefore, adopted communication as part of its monetary policy toolkit as it also helps to shape expectations, enhance transparency and increase the effectiveness of monetary policy itself. A monetary policy statement that benefits from stakeholder consultation and inclusiveness is expected to anchor market expectations and yield the mutually desired outcomes.
2	**Price and exchange rate stability**	Stakeholders commended the Reserve Bank and Government for the stability obtaining in the economy and urged them to stay the course of the current policy stance.	The Reserve Bank remains committed to staying the course of the current tight monetary policy stance which has resulted in stability in the economy. Going forward, the Reserve Bank will ensure prudent money supply management for effective exchange rate and inflation control.
3	**Access to foreign exchange**	Stakeholders acknowledged the availability and timely settlement of invoices for foreign payments on the willing-buyer willing seller foreign exchange interbank market.	The Reserve Bank will continue to build foreign reserves to regional and international standards to create a sufficient buffer to cushion the country against any external shocks that may threaten ZiG stability. The Reserve Bank urges all holders of bonafide foreign payments invoices to approach their banks through the WBWS interbank market to access foreign exchange for their transactions and avoid the illegal parallel market. The Reserve Bank has taken bold steps to ensure that foreign exchange will always be available in the WBWS interbank market for bonafide external payments.
4	**Targeted Finance Facility (TFF)**	The stakeholders appreciated the establishment of the TFF, which assisted in augmenting credit availability and bolstered productive sector activities.	The Reserve Bank noted the temporary liquidity challenges which were affecting production and hence established the TFF to bridge the funding gap. However, the Reserve Bank is still concerned about the low utilization of the facility and encourages corporates to approach their bankers to access the financing facility.

5	**Policy Consistency**	Stakeholders welcomed the implementation of consistent monetary policy measures (walking the talk) that continue to send positive signals to the market.	The Reserve Bank reaffirms its commitment and believes that confidence and trust are earned from consistent central bank policy actions. Reserve Bank policy credibility and transparency are also envisaged to form the right expectations and establish a predictable positive trajectory.

END