RESERVE BANK OF ZIMBABWE

2025 MONETARY POLICY STATEMENT AT A GLANCE

FOSTERING PRICE, CURRENCY AND EXCHANGE RATE STABILITY THROUGH BALANCING CONFIDENCE-TRUST-CREDIBILITY-EFFICIENCY-STABILITY-GROWTH

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OVERVIEW

- The 2025 Monetary Policy Statement, issued in terms of Section 46 of the Reserve Bank of Zimbabwe Act [Chapter 22:15], comes at a time when the economy is experiencing relative inflation and exchange rate stability. The stability reflects the tight monetary policy stance maintained by the Reserve Bank during the last quarter of 2024, following the upward review of the Bank Policy Rate and statutory reserve requirements.

- Greater exchange rate flexibility in the foreign exchange interbank market, anchored by tight monetary conditions, has supported the current stability. Specifically, strategic foreign exchange interventions by the Reserve Bank have helped clear the market and enabled the smooth flow of foreign exchange to the market. The Reserve Bank will continue to deepen the Willing-Buyer Willing-Seller (WBWS) foreign exchange interbank market to enhance price discovery and market efficiency.

- Notwithstanding the positive developments on the inflation and exchange rate front, the tight monetary policy resulted in some temporary liquidity challenges. To ease the flow of funds in the interbank market, the Reserve Bank introduced an intra-day facility for banks, which eliminated payment gridlocks. The liquidity situation is expected to further improve through disbursements under the Targeted Finance Facility (TFF) to support productive sectors of the economy.

- Going forward, as price and exchange rate stability is further entrenched, the Reserve Bank will continue to balance the delicate trade-off between inflation and economic growth. As such, the Reserve Bank will ensure that its current monetary policy stance remains supportive of the envisaged growth of 6% in 2025.

- The Reserve Bank will continue with the tight monetary policy stance whose overarching objective is to foster Central Bank policy credibility and trust under the ***Back-to-Basics Strategy***. In this regard, the monetary policy framework will be anchored on three interwoven strategic pillars articulated in the 2025-2029 Reserve Bank Strategy Plan, which are (i) Consolidating Price, Currency and Exchange Rate Stability; (ii) Enhancing Monetary Stability, Research, Policy and Data Integrity; and (iii) Maintaining the Safety, Soundness and Integrity of the Financial Sector.

Key Monetary and Financial Indicators

- The Reserve Bank considers communication as an important monetary policy tool to anchor inflation and exchange rate expectations. As such, the Reserve Bank will regularly publish key indicators underpinning the monetary and financial conditions. The indicators for the period April 2024 to January 2025 are shown in Table 1.

Table 1: Key Monetary and Financial Statistics

	30-Apr-24	30-Jun-24	30-Sep-24	31-Oct-24	30-Nov-24	31-Dec-24	31-Jan-2025
Inflation							
ZiG Month-on-Month (%)	-	0.04	5.8	37.2	11.7	3.7	10.5
USD Month-on-Month (%)		-0.29	0.73	0.65	0.09	0.6	11.5
Monetary							
Reserve Money (ZiG Million)	720	1,225	2,254	3,345	3,539	3,511	3,454
Total ZiG Deposits – (Million)	7,195	9,274	10,705	11,603	13,293	11,664	12,466*
Reserve Cover (ZiG Million)	6,633	8,040	10,418	14,046	13,272	13,594	14,455
Financial Sector							
Non-Performing Loans Ratio (Benchmark=5%)[1]	N/A	2.02	3.19	N/A	N/A	3.37	N/A
Money Market							
Market Position (including NNCDs) (ZiG Million)	1,602	1,781	498	868	1,900	1,445	949
External Sector							
Cash and Nostro Balances (US$ million)	151	214	196	230	182	186	186
Gold Holdings Kgs	1,500	1,612	1,948	2,107	2,565	2,626	2,689
Gold Holdings Value (USD millions)	113	120	167	188	218	220	241
Other Reserves (In kind mineral royalties)	12	42	56	122	121	121	122
Total Reserve Covering ZiG (US million)	276	376	419	540	521	527	548
Average Pipeline Forex Demand (USD million)	25.40	33.50	44.20	19.70	23.97	23.00	17.30
WBWS Exchange Rate	13.4301	13.7031	24.8831	28.6802	25.4513	25.7985	26.3656
Implied Exchange Rate (ZiG Bank Deposits- over Foreign Currency Reserves)	26.0688	24.6649	25.5489	23.6911	25.4915	22.1344	22.7387

- As shown in Table 1, the Reserve Bank has been pursuing prudent money supply management with reserve money kept under control and not exceeding the targeted ZiG4 billion for 2024.

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

- The Reserve Bank's foreign reserves accumulation strategy in 2024, has resulted in its gold holdings increasing from 1.5 tonnes to 2.7 tonnes. The monetary value of gold together with other foreign currencies ended the year at over half a billion US dollars which is more than three times cover of reserve money.

- The pipeline demand reflects the amount of foreign currency invoices submitted to banks by their customers, for foreign payments and which awaits payment. Since June 2024, the value of pipeline demand has averaged US$15-20 million per week, an amount that the Reserve Bank has been clearing using the intervention resources accumulated to date.

MACROECONOMIC AND FINANCIAL DEVELOPMENTS

Global Economic Developments and Outlook

- Global growth is projected to firm up slightly, from 3.2% in 2024 and stabilise at 3.3% in 2025 and 2026.

- Global inflation declined from 6.7% in 2023 to 5.7% in 2024 and is projected to decline further to 4.2% and 3.5% in 2025 and 2026, respectively.

- Considering the significant challenges facing the global economy, policymakers are focusing on balancing the important trade-offs between inflation and economic growth.

Domestic Economic Conditions

- The economy is expected to rebound and grow by 6% owing to an improved agricultural season from a slowdown of 2% in 2024. The prevailing price and exchange rate stability is expected to underpin the envisaged growth trajectory.

- The exchange rate has stabilised since the monetary policy measures of 27 September 2024 as evidenced by the significant narrowing of exchange rate premiums. Monthly ZiG inflation has also moderated owing to tight monetary conditions.

Balance of Payments Developments

- The country's current account balance is expected to further improve from a surplus of US$501.2 million in 2024 to a surplus of US$611.6 million in 2025.

- The favourable current account balance was driven by robust export performance and diaspora remittances which are also expected to continue on this path.

Banking Sector Conditions and Performance

- The banking sector remains safe and sound and continues to contribute to the inclusive and sustainable economic growth.

- As at 31 December 2024, 18 out of 19 banking institutions were well capitalised with core capital above the minimum regulatory capital requirement and strong asset quality with non-performing loans of 3.67% (against a benchmark of 5%).

Payment Systems Stability

- The national payment system remains secure, safe and efficient with steady transaction growth indicating a healthy financial environment.

MONETARY POLICY STANCE

- Price stability is the overriding objective of the Reserve Bank of Zimbabwe's monetary policy framework.

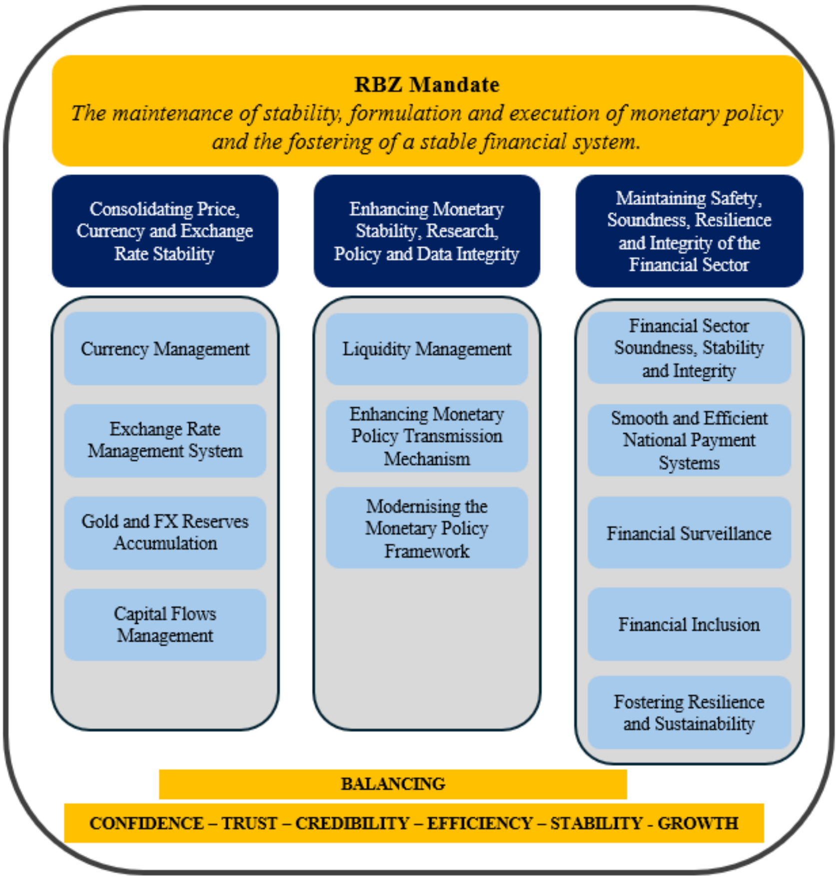
- The policy measures implemented by the Reserve Bank during the last quarter of 2024 have stabilised inflation and the exchange rate and laid a solid foundation for continued stability in the economy, going forward.

Reserve Bank Strategy Plan and Monetary Policy Framework

- The Reserve Bank's Strategy Plan (2025-2029) exclusively focuses on its core mandate of maintaining price and financial stability.

- The Strategy Plan is aligned to the "***Back-to-Basics"*** thrust aimed at balancing "**Confidence-Trust-Credibility-Efficiency-Stability-Growth"** outcomes.
- The monetary policy framework is derived from the Reserve Bank Strategy Plan, as shown in Figure 1.

Figure 1: Reserve Bank Monetary Policy Framework (2025-2029)



- Guided by the strategic pillars of the monetary policy framework, the Reserve Bank will implement well sequenced and timed monetary policies based on a continuous monitoring and assessment of domestic, monetary and financial conditions, as well as global economic conditions.

- The Reserve Bank will maintain a tight monetary policy stance and make appropriate reviews, consistent with inflation and exchange rate developments.

MONETARY POLICY MEASURES

- The monetary policy stance for the first half of 2025 is aimed at consolidating stability and supporting economic growth, premised on the following policy measures and considerations:

(a) Review of Exporters' Foreign Currency Retention Threshold

- In order to guarantee continued stability in the interbank foreign exchange market through augmenting the supply of foreign currency, as well as building the critical foreign currency reserves needed to anchor the ZiG, the foreign currency retention level for exporters has been reduced from 75% to 70%, with immediate effect.
- This implies that the effective surrender portion of export proceeds has been increased from 25% to 30%.

(b) Introducing a US Dollar Denominated Deposit Facility (USDDDF)

- Exporters with no immediate use of the ZiG equivalent for the additional 5% export proceeds surrender requirement will have an option to invest in a USDDDF at the Reserve Bank which they can withdraw in ZiG on demand at the prevailing interbank exchange rate on the settlement date.

(c) Refinement of the Foreign Exchange Management System

i. Clarification of the Interbank Foreign Exchange Trading Guidelines

- The Reserve Bank is further refining and clarifying the Interbank Foreign Exchange Trading Guidelines to Authorised Dealers, as follows:
  - The 5% trading margin as communicated in the previous Interbank Foreign Exchange Trading Guidelines issued at the inception of the Willing-Buyer Willing-Seller Foreign Exchange Trading Arrangements on 3 May 2024,

was only applicable for the determination of the starting exchange rate, following the introduction of the new currency, ZiG.

- Accordingly, Authorised Dealers are expected to on-sell foreign exchange purchased from willing sellers, including the Reserve Bank, at a margin consistent with international best practices.

ii. Removal of Limits on Foreign Exchange Trading

- The limits on funds that can be accessed from the Foreign Exchange Interbank Market that had been set at US$500,000 (Five hundred thousand United States Dollars) and US$100,000 (One hundred thousand United States Dollars) for Primary and Secondary users of foreign exchange, respectively, per week, per entity as stated in Section 3.1 of Exchange Control Circular 4 of 2022, have been **removed,** with immediate effect.

- The Reserve Bank will issue streamlined Foreign Exchange Interbank Market Guidelines to operationalise the refinements on the exchange rate management system and removal of foreign exchange trading limits.

iii. Review of Prepaid International Debit and Credit Cards Limit

- In order to promote the use of the prepaid international debit and credit cards, the Reserve Bank has, with immediate effect, reviewed upwards the **annual** limit from US$500,000 (Five hundred thousand United States Dollars) to US$1,000,000 (One million United States Dollars).

- This review will also enhance the ease of doing business and reduce the use of foreign currency cash for cross-border transactions.

iv. Foreign Currency Exposure Limits

- The single currency and the overall foreign exchange risk exposure limits are critical risk management tools for managing foreign exchange exposures of banks. These limits are prescribed under the Banking Regulations S. I. 205 of 2000 at 10% and 20% of net capital base, respectively.

- However, as provided under the Banking Regulations, the Reserve Bank has been granting temporary exemptions on a case-by-case basis given the multicurrency framework and its impact on the banking institutions' balance sheets.

- In order to allow ZiG to gain prominence in the multicurrency system and align with the prescribed foreign currency exposure limits under the Banking Regulations, the Reserve Bank will set upper limits to facilitate winding down, by banking institutions, that are currently over-exposed in foreign currency.

(d) Sustainable Accumulation of Gold and Foreign Currency Reserves

- Since the introduction of ZiG in April 2024, the Reserve Bank embarked on a reserves accumulation strategy focused on ensuring that the ZiG component of reserve money is fully backed, at all times. The total holdings of gold and foreign currency reserves have increased by about 90%, from US$285 million in April 2024 to around US$550 million (ZiG14.3 billion) as at end of January 2025, thereby providing more than 3 times cover for reserve money of ZiG3.5 billion.

- Consistent with its monetary policy objectives of ensuring currency and exchange rate stability, the Reserve Bank is committed to the continued accumulation of reserves to cover ZiG reserve money in the economy. The Reserve Bank will leverage its foreign reserves build-up strategy on the anticipated increase in gold production (from 36 tonnes in 2024 to a projected 40 tonnes in 2025), through in-kind royalties, purchase of foreign exchange export surrender proceeds and from willing sellers of foreign exchange in the WBWS market.

- The reserves accumulation strategy of the Reserve Bank in 2025, will therefore, shift focus towards building-up a buffer of usable official reserves to adequately cover ZiG and to meet regional benchmarks of months of import cover. The foreign reserves accumulation framework will be guided by the strategic intent to ensure an optimal and balanced portfolio mix between gold and foreign currency cash (liquidity management) to facilitate timely interventions in the foreign exchange market.

- The Reserve Bank has, therefore, since May 2024 been building internal capacities and capabilities for the implementation of a robust and prudent reserve management strategy that will guarantee value preservation and sustainable growth in foreign currency reserves.

(e) Interest rates

i. Bank Policy Rate

- The Bank Policy rate, which is currently at 35% per annum, is assessed to be appropriate to support the current tight monetary policy stance and the envisaged economic growth.

- The policy rate will be maintained at the current level of 35% per annum and reviewed by the Monetary Policy Committee (MPC), from time to time, based on inflation developments and other market fundamentals.

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

- Considering recent stakeholder concerns and the need to reward depositors, the minimum interest rates for savings and time deposits in both ZiG and USD have been reviewed upwards, with immediate effect, as follows:

Currency/Term	Savings Deposit Rates		Time Deposit Rates	
	Old	**New**	Old	**New**
ZiG Deposits	3.5%	**5%**	5%	**7.5%**
USD Deposits	1%	**2.5%**	2.5%	**4%**

- The Reserve Bank encourages banks to offer depositors more than the stipulated minimum deposit rates, to promote a banking and savings culture in the economy.

(f) Statutory Reserves

- The statutory reserve ratios have been maintained at 30% for demand deposits and 15% for savings and fixed deposits in both local and foreign currency.

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

- In January 2025, the Reserve Bank introduced the Targeted Finance Facility (TFF) to enhance banks' support to productive sectors. The TFF is financed from the pool of banks' statutory reserves held at the Reserve Bank, implying that there is no new money created to finance it. The operational modalities of the TFF have already been issued to banks.

- In order to address working capital challenges recently experienced by some wholesalers and retailers, the TFF has been extended to these critical sectors to enable them to restock.

- To ensure the effectiveness of the TFF facility in supporting productive sectors, beneficiaries of the funds can access the WBWS Interbank Foreign Exchange Market to access the requisite foreign currency, upon submitting bonafide invoices to support their critical import requirements.

(h) Currency Management

- Cognisant of the need to ensure the optimal distribution of ZiG notes in the economy, particularly for ease of access in the remote areas and to further entrench financial inclusion, the Reserve Bank is embarking on an intensive and extensive educational campaign programme and other initiatives, working with key stakeholders in the communities.

- The Reserve Bank is also working on enhancing the quality and design of ZiG bank notes in line with international standards. The rollout of the improved high quality ZiG notes will be communicated in due course.

(i) Functional and Presentation Currency - Financial Reporting

- Given the need to ensure comparability of financial statements, the Reserve Bank, following consultations with the Public Accountants and Auditors Board (PAAB), requires that all entities adopt a common presentation currency, ZiG, for reporting purposes, with immediate effect, including for the 2024 audited financial statements. This requirement is consistent with the increase in the number and value of transactions settled in ZiG since its introduction on 5 April 2024.

- Government and other regulatory bodies, such as the Zimbabwe Stock Exchange (ZSE), the Securities and Exchange Commission of Zimbabwe (SECZim) and the Insurance and Pension Commission (IPEC) will issue statements to enforce the new reporting requirements by all entities.

(j) Liquidity Management

- The Reserve Bank continues to closely monitor liquidity levels and developments, and to take necessary measures to ensure optimal liquidity and guarantee the smooth and efficient operation of the national payments system. The operational interventions by the Reserve Bank in the money market will always be guided by the need to balance stability and growth.

(k) Promoting Inter-Bank Market Trading

- The Reserve Bank is concerned that trading on the inter-bank market has remained low, largely due to the evident market segmentation. Lack of trading on the inter-bank market necessitates the Reserve Bank to accommodate individual banks in short positions, as opposed to settling the net market position through the "Lender of Last Resort" window.

- In this regard, following extensive consultations with the market, the Reserve Bank is working with the Bankers Association of Zimbabwe (BAZ) to resuscitate a vibrant inter-bank money market to enhance the monetary policy transmission channel in the economy. Banks are, therefore, encouraged to set counterparty limits among themselves that promote a vibrant and efficient inter-bank money market, which is vital for monetary policy effectiveness.

(l) Bank and Transaction Charges

- Domestic stakeholders consulted by the Reserve Bank bemoaned the current high levels of bank charges obtaining in the banking sector. The Reserve Bank will continue to ensure that banks strictly adhere to a policy compelling them 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).

- The Reserve Bank is also working with BAZ and PSPs to come up with mechanisms to minimise bank charges and encourage use of e-cash to promote ZiG. These mechanisms will be finalised and communicated before the end of the first half of 2025.

(m) Promoting Digital Payments and Use of Point of Sale (POS) Machines

- In line with the policy stance to enhance digital transactions in the economy, Banks and Payments System Providers (PSPs) are directed with immediate effect to ensure that every business account (new and existing) is issued with a Point of Sale (POS) machine or any other approved digital mechanism which can facilitate transactions in both ZiG and USD.

- Any dormant POS machines or digital transactional gadgets should be reported to the Reserve Bank **Toll Free Hotline (0800 6009).**

- To promote the use of normal banking channels on all domestic trading transactions, the Reserve Bank further advises all Local Authorities and other licencing entities to ensure that all applicants for trading licences (individuals or corporates) have a bank account and a functional POS machine at the point of licencing and/or renewal.

(n) Discriminatory Pricing Practices in Telecommunications

- The Reserve Bank has received complaints from stakeholders during the consultative meetings alleging that some mobile money operators are applying discriminatory pricing practices against ZiG in preference for USD transactions. For instance, promotions for internet data packages are only available in US dollars and not in ZiG.

- The Reserve Bank has since engaged the regulatory authority, Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ), and the Telecommunications Operators Association of Zimbabwe (TOAZ).

- The industry players have agreed to rationalise their pricing structures. This will allow their customers to purchase internet data packages using their currency of choice.

- The Reserve Bank, through the Financial Intelligence Unit (FIU) will continue to monitor adherence to this requirement by TOAZ members.

(o) Capital Flows Management – Trade and Investment Facilitation

- The management of capital flows is considered an important part of the macroprudential policy toolkit for developing countries, which remains instrumental in offsetting systemic risk externalities.

- In line with regional standards, the Reserve Bank, as part of its reorientation of the strategic thrust, has, therefore, created new structures that ensure: -

i. Macro-prudential management of cross-border capital flows that encourage companies to grow globally from a domestic base, and facilitate trade (exports and imports) and investment (debt and equity);
ii. Effective risk-based surveillance of cross-border capital flows;
iii. Robust cross-border reporting systems to effectively track foreign currency flows; and
iv. Simplification of foreign exchange transactions administration for ease of doing cross-border trading and investment.

Other Monetary Policy Support Measures

i. Sustainable Banking Practices

- As a way to enhance effectiveness of the processes to integrate sustainability considerations, all banking institutions are required to nominate suitably qualified and/or experienced Board Sustainability Champions and advise the Reserve Bank by 31 March 2025.

ii. Climate Risk Management

- In line with requirements stipulated in the Climate Risk Management Guideline 01-2023/BSD, banking institutions are required to submit to the Reserve Bank their institutional climate risk profiles as at 31 December 2024, by 31 March 2025.

iii. Cyber Resilience in the Banking and Microfinance Sectors

- In order to enhance cybersecurity, all banking and deposit-taking microfinance institutions are required to conduct annual cybersecurity audits and submit audit reports to the Reserve Bank.

iv. Risk Management Framework for Artificial Intelligence

- Financial institutions are required to put in place robust risk management systems, taking into account issues of data security, ethical concerns and operational vulnerabilities.
- The Reserve Bank has also embarked on a financial innovation, fintechs and digitalisation strategy, to enhance operational efficiency, robust risk management and keep abreast with global technological developments.

v. Lending Practices of Microfinance Institutions

- The Reserve Bank has received complaints on predatory lending practices by Microfinance Institutions. Accordingly, the Reserve Bank will intensify its surveillance of microfinance institutions to ensure compliance with the Microfinance Act and Consumer Protection Framework. Appropriate supervisory actions will be instituted against non-compliant institutions.

vi. Promoting Financial Inclusion in Remote and Under-served Communities

- To promote widespread establishment of *bureaux de change* operators in remote and under-served communities, including designated growth points, the Reserve Bank has, with immediate effect, exempted licencing fees for opening of branches in these areas.

vii. Taking of Deposits by Unlicensed Entities

- Members of the public are advised that only registered banking and deposit-taking microfinance institutions (microfinance banks) are authorised to mobilise deposits from members of the public. For the avoidance of doubt, credit-only microfinance institutions are not authorised to take deposits. A list of registered deposit-taking microfinance institutions is available on the Reserve Bank website (www.rbz.co.zw).

viii. Abuse of safe deposit boxes to by-pass formal banking channels

- The Reserve Bank has noted with concern the increasing abuse of safe deposit boxes and the proliferation of "shadow banks". It has been observed that some businesses are not banking all or most of their cash receipts and are, instead, keeping such cash in safe deposit boxes held with financial institutions and security companies.

- The Reserve Bank is working with the Financial Intelligence Unit and other Law Enforcement Agencies to curtail such practices and encourage the use of normal banking channels, in line with the Bank Use Promotion and Suppression of Money Laundering Act [Chapter 24:24].

(p) Fiscal and Monetary Policy Complementarity

- It is essential that there is complementarity and cohesion between fiscal and monetary policies. This Monetary Policy Statement is, accordingly, aligned with the following key imperatives highlighted in the 2025 National Budget and anticipated to be critical anchors to the National Development Strategy 2 (NDS2), and Vision 2030:

a. **Price Stability:** The Reserve Bank will use available monetary policy tools as enunciated in this Monetary Policy Statement to anchor price stability.
b. **Exchange Rate Stability:** This Monetary Policy Statement has amplified measures to enhance the efficiency of the willing-buyer willing-seller foreign exchange rate system, in order to promote price discovery.
c. **Maintenance of tight monetary policy:** The Reserve Bank is committed to a tight monetary policy stance.
d. **Bank charges:** In collaboration with banks, the Reserve Bank will continue to explore ways to reduce transaction costs in the banking sector to address public concerns on high bank charges.
e. **Financial Inclusion:** The Reserve Bank is working with banks and non-banking institutions to facilitate the continued development of tailor-made products and services for the unbanked segment of the population.
f. **Economic Growth:** The measures contained in this Monetary Policy Statement are aligned to the achievement of the envisaged 6% economic growth for 2025.

ECONOMIC OUTLOOK

- The monetary policy measures outlined above are expected to anchor inflation and exchange rate expectations and support the envisaged growth of 6% in 2025.

- The implementation of these measures will be sustained to create a track record of sound monetary policy performance, critical for fostering Central Bank policy credibility.

- At the same time, the favourable economic growth for 2025 will benefit from the anticipated recovery in agriculture and the power sector.

Inflation Outlook

- The commitment by the Reserve Bank to pursue optimal monetary policies through prudent reserve money targeting and strategic interventions in the foreign exchange market will stabilise the exchange rate, which is a key driver of price dynamics in a multi-currency environment.

- Inflation is expected to continue on a downward trend, with month-on-month inflation projected to average below 3% in 2025, consistent with exchange rate stability.

- Given the base effects caused by the spike in monthly inflation in October 2024, annual inflation is expected to be elevated from April 2025 to September 2025 before significantly moderating to end the year between 20-30%.

KEY MESSAGE

The Reserve Bank will continue walking the talk in implementing policies that promote 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.

- 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 that the economy continues to grow at the envisaged 6% for 2025.

I Thank You

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