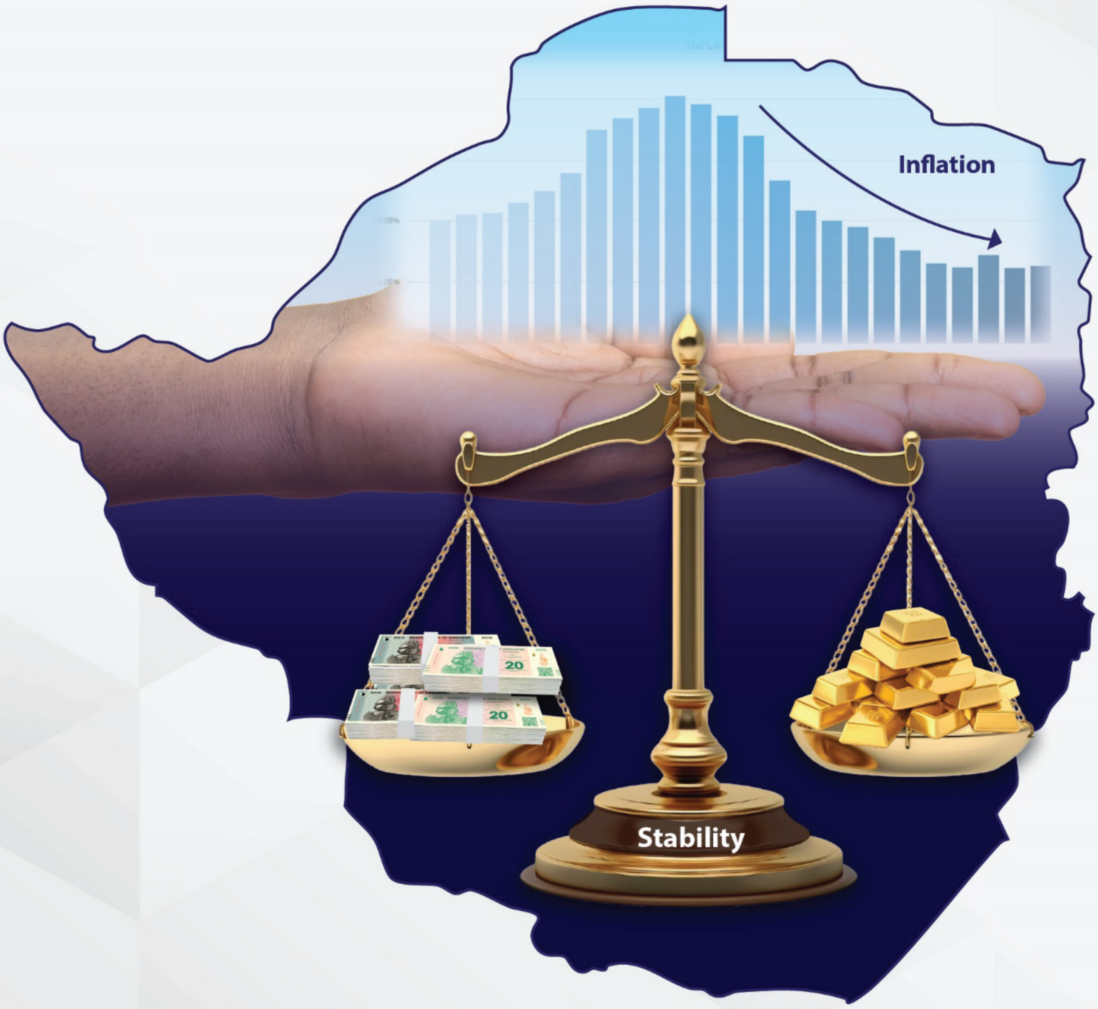
2025 MID-TERM MONETARY POLICY STATEMENT AT A GLANCE

"Walking the talk and staying the course"

To durably anchor and consolidate stability.



DR. J. MUSHAYAVANHU

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.

OVERVIEW

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.

KEY MACROECONOMIC 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[1]	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

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

MACROECONOMIC AND FINANCIAL DEVELOPMENTS

Global Economic Developments and Outlook

12. The global growth momentum is decelerating, weighed by escalating trade tensions, tighter financial conditions, diminishing confidence and exceptional policy uncertainty. The slowdown in global economic activity is broad-based, characterised by divergent regional growth trajectories and the slower pace of disinflation, following the near-universal tariffs imposed by the USA. Moreover, reciprocal measures from the USA major trading partners have further weakened trade and investment. Against this background, the IMF's July 2025 World Economic Outlook (WEO) updates projects global growth to moderate from 3.3% in 2024 to 3.0% in 2025.

13. 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 is, however, expected to moderate the incipient inflationary pressures. Accordingly, global inflation is projected to decline from 5.7% in 2024 to 4.3% and 3.6% in 2025 and 2026, respectively.

14. Considering the significant impact of adverse global economic shifts, the Reserve Bank remains vigilant to ensure appropriate policy measures are implemented to strengthen the domestic economy's resilience to external shocks.

Domestic Economic Conditions

15. Domestic economic activity during the first half of 2025 has shown signs of improvement, mainly driven by the agriculture and mining sectors. The economy is still expected to recover 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.

16. Regarding inflation developments, month-on-month ZiG inflation has remained low, ranging between -0.1% and 0.9% during the first half of 2025, supported by the relative stability of the ZiG/US$ exchange rate. Monthly ZiG inflation stood at 1.6 % in July 2025, up from 0.3% in June 2025, driven by an increase in food and non-food inflation. 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, emanating from the once-off spike in month-on-month inflation in October 2024. The current trend in annual inflation is expected to dissipate from October 2025 and align with the current low and stable monthly inflation.

17. Furthermore, the interbank exchange rate remained largely stable against the US$, closing the month of June at ZiG26.95 per US$. The exchange rate premium has also been contained remaining below 30% since January 2025.

Balance of Payments Developments

18. Total foreign currency receipts for the period January to 30 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. The foreign receipts were against foreign payments amounting to US$5.0 billion, a 17% increase from US$4.3 billion reported during the same period in 2024.

19. 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.

Banking Sector Condition and Performance

20. The financial soundness metrics indicate that the banking sector is safe and sound despite some issues of prudential concern at a few institutions. As at 30 June 2025, 17 out of 19 banking institutions reported core capital above the minimum regulatory capital requirements and the non-performing loans ratio stood at 2.89% compared to 3.37% as at 31 December 2024.

Payment Systems Stability

21. During the first half of 2025, the National Payment Systems demonstrated stability and safety, with steady transaction growth indicating a healthy financial environment.

22. 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.

MONETARY POLICY MEASURES

MONETARY POLICY THRUST OF THE RESERVE BANK

23. 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

24. 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.

25. 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.

26. 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

27. 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.

28. 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.

29. 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.

30. 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

31. 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.

32. 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.

33. 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

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

35. 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. 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.

36. 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, adaptive and based on current and previous annual inflation trends in the context of high inflation.

37. **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

38. 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

39. 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).

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

41. **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.**

42. **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

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

44. 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.

45. 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

46. 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.

47. 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.

48. 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

49. 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

50. 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.

51. **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.**

52. 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

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

54. 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.

55. **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.

56. **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 in due course.**

(h) De-Dollarisation Roadmap

57. 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.

58. 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 value of 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

59. 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

60. 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.

61. 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.**

62. 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

63. 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.

64. 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.

65. 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

66. 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.

67. 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.

68. 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

69. 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

70. 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.

ECONOMIC AND INFLATION OUTLOOK

71. 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

72. 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

73. 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.

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