



PRESS STATEMENT

RESOLUTIONS OF THE MONETARY POLICY COMMITTEE MEETING HELD ON 25 FEBRUARY 2022

The Monetary Policy Committee (MPC) of the Reserve Bank of Zimbabwe (the Bank) met on 25 February 2022 and deliberated on macroeconomic and financial developments in the economy, as well as the progress made in the implementation of the recent monetary policy measures announced on 7 February 2022.

The Committee raised concern over increase in broad money (M3) and its implications on parallel market activities and inflation. In this context, the Committee urged the Bank to continue actively monitoring the developments in broad money in order to vigilantly stem out any resultant speculative activities.

The Committee noted that the spike in month-on-month inflation from 5.3% in January 2022 to 7% in February 2022 mainly reflected increase in global and administrative prices. The current global dynamics, including disturbances in Ukraine, were expected to result in spill-over effects on domestic prices. Such global developments include increases in the international prices of oil, gas, fertiliser and cooking crude oil, products of which Russia and Ukraine are major producers.

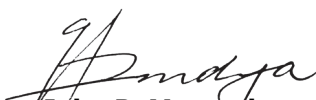
The Committee also noted that the parallel market exchange rate had stabilised since the beginning of February 2022. As such, the Committee's deliberations focused on ensuring that the exchange rate remained well anchored and that current short term exogenous inflation pressures from the global economy and administrative prices would not be transmitted into domestic inflation.

The Committee commended measures taken by Government to promote greater use of the local currency in the economy and urged the Bank to continue exploring additional measures to ensure increased appetite for use of local currency for both transactional and store-of-value purposes.

The Committee urged the Bank to clear the foreign exchange auction backlog by end of March 2022 and ensure that, going forward, the allotted funds will be equivalent to foreign exchange available during each week of the auction.

In light of the global and domestic economic outlook, the Committee made the following resolutions:

- i. To maintain the Bank policy rate at 60% and the Medium Term Bank Accommodation (MBA) Facility interest rate at 40%;
- ii. To maintain statutory reserve requirements for demand/call deposits at 10% and at 2.5% for savings and time deposits, respectively;
- iii. To maintain reserve money growth targets at 7.5% for the first and second quarters of 2022;
- iv. To ensure continued synchronisation of Government payments and market liquidity positions in order to foster strong adherence to quarterly reserve money targets and manage inflation expectations; and
- v. To further liberalise the foreign exchange market by allowing commercial banks to process bona fide external payments below US\$1000 to augment payments made through *bureaux de change* and the auction system.


John P. Mangudya
Governor
4 March 2022