



PRESS STATEMENT

RESOLUTIONS OF THE MONETARY POLICY COMMITTEE MEETING HELD ON 23 SEPTEMBER 2022

The Monetary Policy Committee (MPC or Committee) of the Reserve Bank of Zimbabwe (the Bank) met on 23 September 2022 to discuss the macroeconomic and financial developments in the economy and their implications on monetary policy.

The MPC expressed satisfaction with the positive impact of the recent policy measures, which have resulted in the significant fall of month-on-month inflation from 12.4% in August 2022 to 3.47% in September 2022. The decline in month-on-month inflation has in turn resulted in the decline in annual inflation to 280.4% in September 2022, down from 285.1% in August 2022. The Committee had projected annual inflation to start tapering in September 2022, having earlier reached its plateau in August 2022.

The MPC is committed to ensuring that the current disinflation trend is sustained, in both the short and long-term, through the maintenance of the tight monetary policy stance which should be buttressed by continuous fiscal prudence and close monitoring of wage-push inflation. This position is consistent with contemporary regional and global trends where monetary policy has remained tight to control inflation which is driven by both endogenous and exogenous geo-political factors.

The Committee also expressed satisfaction with the progress registered with regard to the convergence of the parallel market and willing-buyer willing-seller foreign exchange rates. The foreign exchange rate premium has significantly declined from an elevated level of 140% in May 2022 to current levels of between 5% and 15%, which is consistent with regional and international norms. This positive development on the exchange rate front is envisaged to go a long way in eliminating arbitrage opportunities which were fueling forward pricing models and hence fomenting adverse inflation and exchange rate expectations.

The Committee also expressed confidence that that the prevailing favourable external sector environment, as reflected by robust performance in foreign currency receipts, will provide further impetus to the achievements relating to the exchange rate and price stability. Foreign currency receipts stood at US\$7.7 billion as at 31 August 2022, representing a 32.4% increase from US\$5.8 billion recorded during the same period

in 2021. The foreign currency receipts compare favourably with the corresponding foreign payments which amounted to US\$5.1 billion as at 31 August 2022, translating into a surplus foreign exchange position with attendant positive implications for external sector stability.

The Committee noted, with satisfaction, the improved market confidence and uptake of gold coins as an alternative investment product to holding US\$. A total of 9516 gold coins valued at ZW\$9 billion had been sold as at 23 September 2022, with 35% having been sold to individuals and 65% to corporates, including asset management and insurance entities.

In view of these positive developments, the MPC resolved:

- i. to maintain the Bank policy rate and medium-term lending rate at current levels of 200% and 100%, respectively, until durable stability, measured by a sustained decline in month-on-month inflation to desired levels of less than 5%, is attained; and
- ii. to further liberalise the foreign exchange market by increasing the maximum amount that entities can purchase from banks for bona fide foreign payments under the willing-buyer willing-seller system from the current level of US\$20,000 to US\$100,000 per week per entity.

Going forward, the MPC expects that a combination of the current tight monetary policy, continued use of gold coins, foreign exchange auction system, insistence of value for money by Government in its procurement processes and practices, close monitoring of possible occurrence of wage-push inflation and effective monitoring and enforcement by the Financial Intelligence Unit will sustainably anchor exchange rate expectations, thus limiting the exchange rate pass-through to inflation.



John P Mangudya
Governor
27 September 2022