



PRESS STATEMENT

RESOLUTIONS OF THE MONETARY POLICY COMMITTEE MEETING HELD ON 28 MARCH 2023

The Monetary Policy Committee (the MPC) of the Reserve Bank of Zimbabwe (the Bank) met on 28 March 2023 to review the recent macroeconomic and financial developments in the economy and their implications on monetary policy.

The MPC noted with satisfaction that domestic economic activity remained robust notwithstanding the expected slowdown in global economic growth. Domestic inflationary pressures in the economy continued dissipating as a result of fiscal discipline, the tight monetary policy, and enhanced monitoring and enforcement of market discipline by the Financial Intelligent Unit (FIU).

The favourable uptake of gold coins has aided the dissipation of domestic inflationary pressures. As at 10 March 2023, a cumulative total of 31,866 gold coins had been sold in different denominations, mopping up more than ZW\$25.8 billion as at the same date.

The MPC noted with satisfaction that month-on-month inflation declined from 0.7% in January 2023 to -1.6% in February 2023 and 0.1% in March 2023. Annual inflation also declined from 101.5% in January 2023 to 92.3% in February 2023 and further down to 87.6% in March 2023 and was expected to continue on the disinflation path owing to the tight monetary policy stance and anticipated bumper harvest which was expected to dampen food prices.


The MPC also noted that the 70:30 currency mix of foreign and local currency, respectively, in the economy was a reflection of the significant foreign currency inflows into the economy during the year 2022, which trend was expected to continue in 2023. During the period extending from 1 January 2023 to 15 March 2023, the country received US\$1.78 billion in foreign currency, representing an increase of 31.5% compared to US\$1.36 billion in the same period in 2022. This was against payments of US\$1.69 billion over the same period in 2023. The local currency also continued to be widely used in the economy as shown by the Real Time Gross Settlement (RTGS) transactions of ZW\$10.6 trillion in the five months from October 2022 to February 2023, compared to US\$7.5 billion worth of transactions settled during the same period.

In order to ensure continued anchoring of exchange rate and inflation expectations in the economy, the MPC resolved to stay the course of a tight monetary policy stance and made the following policy decisions which will take effect from 1 April 2023:

- i. Reduced the Bank policy rate from 150% to 140% per annum;
- ii. Reduced the Medium-term Bank Accommodation (MBA) Facility for the productive sectors, including individuals and MSMEs, from 75% to 70% per annum;
- iii. Maintained the prevailing Bank policy rate as the minimum lending rate for all banks;
- iv. Maintained the statutory reserves requirements at 10% for demand and call deposits and 5% for time and savings deposits for both domestic and foreign currency deposits;
- v. Maintained the minimum deposit rates on savings and time deposits at 30% and 50% per annum, respectively; and
- vi. Further liberalised the foreign exchange market to enhance the operation of the Willing-Buyer Willing-Seller market by:
 - (a) increasing and standardising the trading margins for authorized dealers from the current 5% to 10%, consistent with the margin applicable to *bureaux de change* and retailers; and
 - (b) maintaining the maximum amount per transaction at US\$100,000.

To expand the value-preserving instruments and enhance divisibility and widen their access to the public, the MPC resolved to complement the current issuance of physical gold coins with gold-backed digital products (digital tokenisation of gold coins). This initiative will allow gold coins to be widely traded and, in the process, expand tradeable assets in the economy for store-of-value purposes. This will be over and above the procurement, by the Bank, of smaller USD denominations for divisibility purposes and/or change for transactions in the economy.

The MPC affirmed its commitment to stay the course of the tight monetary policy stance and to cautiously adjust the policy rates in line with positive developments in the economy. In order to enhance the use of the US dollar through formal banking channels, the Bank shall engage banking institutions to address the current high bank charges on foreign currency deposits.



John P Mangudya
Governor
30 March 2023