PRESS STATEMENT

RESOLUTIONS OF THE MONETARY POLICY COMMITTEE MEETING HELD ON 23 OCTOBER 2023

The Monetary Policy Committee (the MPC) of the Reserve Bank of Zimbabwe (the Bank) met on 23 October 2023 and deliberated on recent macroeconomic and financial developments in the economy.

The MPC was pleased with the relative exchange rate and price stability obtaining in the economy since June 2023. The MPC noted, with emphasis, the need to ensure that inflation expectations continued to be firmly anchored through urgent attention to any emerging risks. The MPC also noted that there was need to continue promoting solutions that were aligned with the digital space and plastic money environment that the country found itself in and, in that regard, the MPC applauded the Bank for continuing to engender financial inclusion in a market-based and cash-lite driven economy.

The MPC noted that the negative impact of emerging global risks, including subdued global growth emanating from geo-economic fragmentation and the effects of tight monetary policy, high interest rates, credit squeeze and low international commodity prices, could pose significant risks to the current stability in the domestic economy. Global growth was expected to slow down from 3.5% in 2022 to 3.0% in 2023 and to 2.9% in 2024, which is far below the historical average of 3.8%.

Due to the negative developments in the global economy, prices for most mineral commodities including platinum, nickel and lithium have been declining, negatively affecting export receipts in the economy. As a result, export receipts, which are the main source of foreign currency for both the wholesale and retail foreign exchange auctions and for servicing the country's foreign commitments, fell by 9% over the nine months to September 2023, from US$4.5 billion during the comparable period in 2022 to US$3.6 billion.

Considering the emerging global risks and the need to keep exchange rate and inflation expectations anchored to support economic growth, the MPC made the following resolutions:

Interest Rates

With immediate effect, the Bank Policy rate has been reduced from 150% to 130% per annum and the Medium-term Bank Accommodation (MBA) interest rate for the productive sectors including individuals and MSMEs will be maintained at 75% per annum.

Foreign Currency Retentions

With effect from 1 November 2023, foreign currency retentions on exports shall be standardised at the level of 75% across all sectors of the economy and all special dispensations granted to some sectors of the economy shall be removed. The net effect of this measure is to increase foreign exchange resources available to the Bank and Government to meet foreign exchange requirements for the settlement of national and international obligations.

Promotion of No-Frills (Low-Cost) Bank Accounts

Financial institutions are encouraged to scale up financial inclusion through opening of more no-frills (low-cost) accounts. This measure will promote more usage of banking services and financial products, including increased use of bank cards, digital financial services and other cash-lite means of payments in the economy. In order to complement efforts to formalise the economy and to give more impetus to the use of non-cash-based means of payment in the economy, it is recommended that Government considers removing Intermediated Money Transfer Tax (IMTT) on transactions that are intermediated through plastic bank cards and other digital platforms.

Trading Margins

In order to support the continuous fine-tuning and further liberalisation of the foreign exchange market, with a view to guaranteeing and safeguarding exchange rate stability, it is recommended that the limit of 10% trading margin above the interbank rate be removed.

Zimbabwe Gold (ZiG)

Since its introduction as a medium of exchange on 5 October 2023, the use of ZiG has been embraced widely in the economy and its continued dual use as a value preserving instrument and a medium of exchange in the economy will go a long way in supporting digitisation, financial inclusion and the overall stability of the local currency.

The MPC will remain alert to attend to any emerging risks, emanating from both the domestic and international fronts, in its commitment to ensuring stability in the exchange rate and general price levels.

John P Mangudya
Governor
24 October 2023