




## **PRESS STATEMENT**

### **DELIBERATIONS OF THE MONETARY POLICY COMMITTEE (MPC)**

1. The Monetary Policy Committee (MPC) of the Reserve Bank of Zimbabwe held its second meeting on 15 November 2019. All Members of the Committee were present and decisions taken were with the full agreement of all Members. The Committee continued with its mandate to deliberate on a path to ensure exchange rate and price stability, the smooth functioning of the interbank market and how to support economic activity without prejudice to the key objective of reducing inflation to low and stable levels in the short to medium term.
2. The Committee welcomed the 2020 National Budget whose main thrust is to boost productivity, growth and job creation. The Committee, thus, underscored the importance of aligning monetary policy to the envisaged fiscal policy.
3. In this regard, the Committee emphasised the need for the Bank to put in place measures to fund the productive sectors of the economy by redirecting excess liquidity in the financial system. To this end, the Bank policy rate, currently at 70%, requires review. Notwithstanding a recent spike in monthly inflation to 38.8%, due to shocks caused mainly by adjustments of electricity and fuel prices, the inflation outlook is positive. Consequently, the Committee resolved to revise the Bank policy rate from 70% to 35% with effect from 20<sup>th</sup> November 2019. This position would be further reviewed at future Committee meetings.
4. The Committee discussed the significance of exports to the country's foreign exchange receipts and agreed on the need to support exporters by removing any bureaucracy that impede the administration of exports. At the same time exporters are expected to comply with the Exchange Control regulatory provisions on the repatriation of export proceeds. The Committee resolved that all exporters that do not repatriate export proceeds within the statutory Exchange Control approved limits, shall forfeit their retention of export proceeds through the liquidation of such funds upon receipt onto the interbank market at the prevailing exchange rates.
5. Concerning the operations of the interbank foreign exchange market, the Committee resolved to set up a Working Group comprising of the Reserve Bank officials, treasurers from Authorised Dealers and members of the MPC to review the rules of the interbank market, with a view to improving its efficiency. The Committee also underscored the need to incorporate Bureaux de Change in the process in order to expand, deepen and

enhance the operational efficiency of the interbank market. In addition, the Committee agreed to launch the market tracker under the Reuters system, which is intended to enhance transparency in the operation of the interbank market, by the end of November 2019.

6. Finally, the Committee noted the need to come up with quarterly monetary aggregate targets, consistent with the macroeconomic framework underpinning the 2020 National Budget. These targets will be monitored and regularly communicated to the market, as part of the Committee's disinflationary programme.
7. The next MPC meeting will be held on 29 November 2019.



**John P. Mangudya**  
**Governor**

**18 November 2019**