



UPDATE ON RESERVE MONEY

As at 7th August 2020

RESERVE MONEY

1. Reserve money continued on a downward trend, falling further to ZW\$13.35 billion¹ on 7th August 2020, from ZW\$16.66 billion recorded on the 31st of July 2020, largely reflecting a decrease of ZW\$908.14 million in banks' liquidity (i.e. RTGS balances at RBZ).
2. The decrease in reserve money over the week was largely attributable to the increase in ZW\$1.8 billion in Government deposits as a result of increased revenue collections. Government deposits rose from ZW\$7.1 billion on 31st July 2020 to ZW\$8.9 billion by the week ending 7th August 2020, thus absorbing significant liquidity from the market.
3. Deposit taking banking institutions' required reserves also declined marginally, during the period under review.

Table 1: Reserve Money Developments (ZWS Millions)

						PRELIMINARY ESTIMATES		
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Week Ending 30 Jun-20	Week Ending 31 Jul-20	Week Ending 7 Aug-20
Currency Issued by RBZ*	1,137	1,217	1,308	1,341	1,456	1,671	1,898	1,948
Banking Sector Deposits at RBZ	7,254	7,089	8,789	10,199	12,082	10,420	11,453	10,536
<i>Statutory (Required) Reserves</i>	<i>1,041</i>	<i>1,083</i>	<i>1,205</i>	<i>1,214</i>	<i>1,387</i>	<i>890</i>	<i>1,050</i>	<i>1,041</i>
<i>Banks' RTGS Liquidity</i> Ω	<i>6,213</i>	<i>6,006</i>	<i>7,584</i>	<i>8,895</i>	<i>10,696</i>	<i>9,529</i>	<i>10,403</i>	<i>9,495</i>
Other Deposits@	861	1,075	1,608	920	277	582	3,312	870
Reserve Money π	9,251	9,381	11,705	12,460	13,815	12,673	16,662	13,354
Memorandum Items								
Currency Issued/Reserve Money Ratio	12.3%	13.0%	11.2%	10.8%	10.5%	13.2%	11.4%	12.4%

						PRELIMINARY ESTIMATES		
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Week Ending 30 Jun-20	Week Ending 31 Jul-20	Week Ending 7 Aug-20
Currency in Circulation**/Deposits Ratio	2.7%	2.5%	2.2%	2.0%	1.9%	1.5%	1.6%	1.6%
Monthly Change in RTGS Balances	-16.4%	-3.3%	26.3%	18.5%	19.0%	-16.8%	-10.2%	-8.7%
Monthly Change in Reserve Money	-10.4%	1.4%	24.8%	6.5%	10.9%	-10.6%	-2.0%	-19.9%
Government Deposits at RBZ (Stock) Ψ	3,144	3,347	2,847	2,967	2,092	8,509	7,073	8,881
Other Deposits at RBZ (FPR a/c)								2,324
Monthly Inflation	2.2%	13.5%	26.59%	17.64%	15.13%	31.66%	N/A	N/A
Inter-Bank Exchange Rate	17.35	17.95	25.00	25.00	25.00	57.36	76.76	80.47

Notes:

1. Amount also reflects re-classification of FPR's foreign exchange deposit, which was previously included in reserve money. This deposit has no effect on reserve money as previously advised.

** Currency Issued – refers to bank notes and coins issued by the Reserve Bank of Zimbabwe.*

*** Currency in Circulation – refers to the currency circulating outside the banking system. This excludes currency held in the vaults of banks.*

Ω These are deposits that banks place in the Real Time Gross Settlement (RTGS) System for purposes of meeting their inter-bank transactions.

π Figures may reflect positions as at last Friday of the month. See Monthly Reviews for month-end positions.

@ Other Deposits are mainly proceeds of drawdowns from foreign currency loans which are advanced to Fidelity Printers & Refiners (FPR) to purchase gold from the gold producers. The amounts are, therefore, purely accounting entries which do not represent money creation. With effect from 7th August 2020, this foreign exchange deposit will now appear as a memorandum item.

Ψ Provisional.

N/A - not yet available.