



UPDATE ON RESERVE MONEY

AS AT 2ND OCTOBER 2020

RESERVE MONEY

1. Banking sector deposits at the Reserve Bank declined by ZW\$780.03 million, while required reserves and currency issued increased slightly, resulting in **reserve money falling by ZW\$698.26 million, to ZW\$14.29 billion over the week ending 2 October 2020.**
2. Foreign exchange purchases and sales by the RBZ through the auction system accounted for the fall in banks' deposits. In addition, Government deposits at the Central Bank rose by ZW\$2.17 billion, which has the impact of withdrawing liquidity from banks, thus contributing to the fall in reserve money during the week under review.

Table 1: Reserve Money Developments (ZW\$ Billions)

								PRELIMINARY ESTIMATES		
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Week Ending 25 Sept-20	Week Ending 2 Oct-20
Currency Issued by RBZ ¹	1.14	1.22	1.31	1.34	1.46	1.67	1.90	2.05	2.12	2.14
Banking Sector Deposits at RBZ	7.25	7.09	8.79	10.20	12.08	10.42	11.46	9.78	12.47	11.75
<i>Statutory (Required) Reserves</i>	<i>1.04</i>	<i>1.08</i>	<i>1.21</i>	<i>1.21</i>	<i>1.39</i>	<i>0.89</i>	<i>1.05</i>	<i>1.19</i>	<i>1.34</i>	<i>1.40</i>
<i>Banks' RTGS Liquidity</i> ²	<i>6.21</i>	<i>6.01</i>	<i>7.58</i>	<i>8.90</i>	<i>10.70</i>	<i>9.53</i>	<i>10.41</i>	<i>8.59</i>	<i>11.13</i>	<i>10.35</i>
Other Deposits ³	0.86	1.08	1.61	0.92	0.28	0.58	2.79	0.29	0.40	0.40
Reserve Money ⁴	9.25	9.38	11.71	12.46	13.82	12.65	16.15	12.12	14.99	14.29
Memorandum Items										
Currency Issued/Reserve Money Ratio (%)	12.3	13.0	11.2	10.8	10.5	13.2	11.8	16.9	14.1	14.9

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	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Week Ending 25 Sept-20	Week Ending 2 Oct-20
Currency in Circulation ⁵ /Deposits Ratio (%)	2.7	2.5	2.2	2.0	1.9	1.2	0.9	1.4	1.4	1.3
Monthly Change in RTGS Balances (%)	-16.4	-3.3	26.3	18.5	19.0	-10.9	-9.2	10.11	9.40	-7.01
Monthly Change in Reserve Money (%)	-10.4	1.4	24.8	6.5	10.9	-8.4	27.6	6.02	5.83	-4.66
Government Deposits at RBZ (Stock) ⁶	3.14	3.35	2.85	2.97	2.09	7.46	6.02	11.52	7.94	10.10
Other Deposits at RBZ (FPR a/c)								3.82	3.68	4.67
Monthly Inflation (%) ⁷	2.2	13.5	26.6	17.6	15.1	31.7	16.7	1.4	N/A	N/A
Inter-Bank Exchange Rate	17.35	17.95	25.00	25.00	25.00	57.36	76.76	83.40	81.50	81.44

Notes:

¹ *Currency Issued – refers to bank notes and coins issued by the Reserve Bank of Zimbabwe.*

² *These are deposits that banks place in the Real Time Gross Settlement (RTGS) System for purposes of meeting their inter-bank transactions.*

³ *Other Deposits at RBZ 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.*

⁴ *Figures may reflect positions as at last Friday of the month. See Monthly Reviews for month-end positions.*

⁵ *Currency in Circulation – refers to the currency issued by the RBZ less currency held in the vaults of banks.*

⁶ *Provisional. The increase in Government deposits at the RBZ means that corporates are using their RTGS balances at banks to pay taxes, which results in a decrease in reserve money, and vice versa.*

⁷ *Blended Inflation Rate – from July 2020, the rate reflects the combined local currency and foreign currency price indices.*

N/A - not yet available.