



# THE 2024 MONETARY POLICY STATEMENT AT A GLANCE

**BACK TO BASICS:** RECALIBRATING THE  
MONETARY POLICY FRAMEWORK TO  
ANCHOR CURRENCY, EXCHANGE RATE  
AND PRICE STABILITY

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## PREAMBLE

This recalibrated monetary policy framework aims to address the current state of price and exchange rate instability in the economy. It is informed by two strategic policy pillars of restoring price and exchange rate stability, and re-monetising the local currency for it to serve its role as a medium of exchange and a store of value in a multi-currency system. The policy seeks to rebuild market confidence and trust, as well as Bank policy credibility.

## POLICY CONTEXT

### *Global Economic Developments and Outlook*

- Global growth is forecasted to be steady at 3.1% in 2023 and 2024, respectively, albeit well below historical average growth rates.
- Global risks and vulnerabilities have increased on account of tight monetary and financial conditions, funding squeeze, intensifying geo-political tensions, growing adverse weather events, and supply chain disruptions.
- The underlying global risks are likely to weigh down global growth prospects with spill-over effects on the domestic economy.

### *Domestic Economic Conditions*

- The domestic economy has been characterised by high inflation, as well as exchange rate and currency instability.
- Despite these setbacks, the economy has remained resilient, with an anticipated positive growth trajectory, albeit lower than the initially anticipated growth of 3.5% in 2024 due to the impact of the El-Nino induced drought which has turned out to be more severe than initially envisaged.
- By addressing the impact of currency and exchange rate instability on potential growth, this Monetary Policy Framework's concomitant stability-restoration measures will provide the desired boost to the country's economic growth prospects.
- On the external front, performance remains favourable with an estimated current account surplus of US\$125.6 million in 2023.

- In the last nine months, inflationary pressures have dissipated, as seen by the decline in the annual inflation rate from 30.9% in June to 17.8% in October 2023. However, due to market speculation and adverse inflation expectations, there has been growing volatility in the exchange rate, with annual inflation registering a rebound, increasing from 26.5% in December 2023 to 34.8% in January 2024, and further increasing to 55.3% in March 2024.
- This Monetary Policy Framework re-affirms the Reserve Bank's anti-inflationary commitment.

### ***Key Macroeconomic and Financial Indicators (2023-2024)***

- The key macroeconomic and financial statistics underpinning the Monetary Policy decisions point to strong macroeconomic fundamentals in the economy, notwithstanding the high inflationary pressures, driven by the exchange rate pass-through on domestic prices.

| <b><i>Economic Indicators</i></b>         | <b>2023</b> | <b>2024</b> |
|-------------------------------------------|-------------|-------------|
| <i>Global GDP Growth</i>                  | 3.1%        | 3.1%        |
| <i>Zimbabwe GDP Growth</i>                | 5.5%        | 3.5%        |
| <i>Inflation (End Period)</i>             | 26.4%       | 2-5%        |
| <i>Current A/C Balance (US\$ million)</i> | 125.6       | 204.5       |
| <i>Forex Receipts (US\$ billion)</i>      | 10.9        | 12.0        |
| <i>Non-Performing Loans (NPLs)</i>        | 2.1%        | 2.2%        |
| <i>Remittances (US\$ billion)</i>         | 1.8         | 2.2         |

### **MONETARY POLICY STRATEGIC FOCUS AREAS**

- This Monetary Policy Statement seeks to address the following key strategic issues:

### **1. Currency and Exchange Rate Stability:**

- Currency and exchange rate instability has largely been driven by:
  - High demand for foreign currency as a store of value.
  - Reduced confidence due to continued currency volatility in recent months, and the widening margin between the interbank and parallel market exchange rates.
  - Reduced use of the local currency for domestic transactions.
  - Lack of certainty and predictability on the exchange rate front.
- In view of the above, the Reserve Bank will introduce a market determined foreign exchange management system which links the local currency to a composite basket of reserve assets comprised of precious minerals (mainly gold) and foreign currency balances.

### **2. Financial Sector Stability:**

- The banking sector has remained safe and sound, with sufficient buffers for capital and liquidity, good asset quality, and sustained profitability.
- Accordingly, the Reserve Bank's oversight and financial surveillance framework will be reinforced to improve the current state of the financial sector and foster a culture of discipline and compliance.

### **3. Money Supply Growth:**

- Unchecked base money growth causes inflation and undermines the stability of the exchange rate.
- With this framework, the Bank intends to strategically manage money supply growth through a disciplined culture in sync with improved economic activity and increased reserves in the form of precious minerals (mainly gold) and foreign currency balances.

### **4. Foreign Exchange Mobilisation and Reserve Accumulation:**

- The Reserve Bank will consistently maintain a comfortable and steady buffer of foreign reserves to ensure that the new currency is at all times fully covered by reserves.
- Foreign exchange mobilisation and accumulation will be a key focus of the new monetary policy framework.

- Financial sector surveillance will be strengthened in order to stop foreign exchange leakages.

### 5. Promoting Increased Demand for the Local Currency:

- The economy has, of late, been moving towards full dollarisation, as the US dollar has continued to dominate the weaker ZW\$, with over 80% of market transactions currently conducted in US dollars.
- The public outcry over excessive bank charges, problem of change, rejection of soiled US\$ notes, and the inconvenience of small ZW\$ denominations has rendered the local currency ineffective as a store of value and means of exchange.
- Increased demand for the local currency will enhance its stability and role as a store of value and medium of exchange.
- This Monetary Policy Statement has introduced new measures to increase demand for the local currency.

### NEW MONETARY POLICY MEASURES

- Following the recalibration of the Bank's policymaking framework, the New Monetary Policy measures are intended to achieve the following objectives which are consistent with regional and global best practices:
  - a) A solid and stable national currency.
  - b) A stable and sustainable exchange rate.
  - c) Robust policy credibility and restoration of market confidence.
  - d) A stable and sustainable macro economy as enshrined in Vision 2030 and NDS1.
- The new policy framework will be implemented sequentially to ensure lasting stability, certainty, and predictability thereby achieving the desired impact on financial, monetary, currency, and exchange rate stability.
- The sequential approach will be anchored on five policy measures:
  - a) Adoption of a market-determined exchange rate system.
  - b) Efficient and optimal money supply management.
  - c) Introduction of a new structured currency.

- d) Anchoring local currency on reserves backed by gold and foreign currency balances.
- e) Other support measures and obligations in response to market demands.

### **1. Adoption of Market Determined Exchange Rate System**

- The auction system has been replaced by a refined interbank foreign exchange market under a willing-buyer-willing-seller (WBWS) trading arrangement. Following this development, a transparent price discovery mechanism is now in place in the interbank market.
- The Bank will continue to provide trading liquidity to the market using the 25% surrender proceeds from exports.

### **2. Efficient and Optimal Money Supply Management**

- The Bank's money supply management policy thrust will ensure that reserve money growth is contained within the limits of growth in gold and foreign currency reserves.
- The Bank will continue to maintain a tight monetary policy stance to ensure sustainability of the monetary anchor.
- Efficient management of liquidity and money supply will entail the discontinuation of all Quasi-Fiscal Activities, and alignment of interest rates with positive real rates and exchange rate expectations.
- The Bank will strictly adhere to Statutory limits on Bank Lending to the Government.

### **3. Introduction of New Structured Currency**

- The Reserve Bank is introducing a structured currency which is generally defined as a currency that is pegged to a specific exchange rate or currency basket and backed by a bundle of foreign exchange assets (potentially including gold). This means that a Central Bank can only issue domestic notes and coins when fully backed by a foreign "reserve" currency or foreign exchange assets and that the currency is fully convertible into the reserve currency on demand.
- The structured currency being introduced is anchored by a composite basket of foreign currency and precious metals (mainly gold) held as reserves for this purpose by the Reserve Bank.
- The strong macroeconomic fundamentals currently prevailing in the economy, as reflected by persistent surpluses in the balance of payments,

fiscal sustainability, and a bullish mining sector will support the local currency.

### ***3.1. Currency Conversion and Swap***

- With effect from 5 April 2024, banks shall convert the current Zimbabwe dollar balances into the new currency which shall be called Zimbabwe Gold (ZiG) to foster simplicity, certainty, and predictability in monetary and financial affairs. The new currency will co-circulate with other foreign currencies in the economy.
- The swap rate will be guided by the closing interbank exchange rate and the price of gold as at 5 April 2024. The swap rate shall be used to make legitimate conversions of all ZW\$ deposits in the banking sector; all ZW\$ loans and advances made by the sector; ZW\$ treasury bills; all outstanding auction allotments; all export surrender obligations; all prices of goods and services in ZW\$; and any other ZW\$ denominated obligations.
- On conversion of all current ZW\$ balances, banks are directed to rename all the current ZW\$ accounts as ZiG accounts. Gold-backed Digital Token (GBDT) accounts will no longer be called ZiG accounts but will be known as GBDT accounts.
- All ZW\$ notes and coins held by account holders will be credited into their ZiG accounts using the applicable conversion factor. The banks will continue to accept these deposits for a period of 21 days after 5 April 2024.
- The Reserve Bank has made special arrangements for those without bank accounts to swap their ZW\$ notes and coins at POSB and AFC Commercial Bank within 21 days after 5 April 2024.
- In instances where the cash holding to be exchanged is above ZW\$100,000, banks shall apply the requisite know your customer (KYC) and Customer Due Diligence (CDD) principles.

### ***3.2. Issuance of New Bank Notes and Coins***

- ZiG notes and coins shall be issued in denominations made up of 1ZiG, 2ZiG, 5ZiG, 10ZiG, 20Zig, 50ZiG, 100ZiG, and 200ZiG which will be distributed through the normal banking channels. The coins shall be introduced in due course.

### ***3.3. Anchor of the Currency***

- ZiG shall at all times be anchored and fully backed by a composite basket of reserves comprising foreign currency and precious metals (mainly gold), received by the Reserve Bank as part of in-kind royalties and kept in the vaults of the Bank. Foreign currency balances will be accumulated through market purchases from the 25% surrender requirements as well as sale of some precious metals received as royalties.
- As at 5 April 2024, the Bank's reserve asset holdings comprise of USD 100 million in cash and 2,522 kg of gold (worth US\$185 million) to back the entire local currency component of reserve money which currently stands at ZW\$2.6 trillion requiring full (100%) cover of gold and cash reserves amounting to US\$90 million. The total amount of gold and cash reserve holdings of US\$285 million represents more than 3 times cover for the ZiG currency being issued.

### ***3.4. Exchange Rate Management System***

- The starting exchange rate shall be determined by the prevailing closing interbank exchange rate as at 5 April and the London PM Fix price of gold as at 4 April 2024.
- The intervening exchange rate shall be determined by the inflation differential between ZiG and USD inflation rates and the movement in the price of the basket of precious minerals held as reserves. The weights will be determined by the composition of reserve assets.

### ***3.5. Foreign Exchange Liquidity Management***

- The Bank will use 50% of the foreign currency proceeds from surrender requirements for strategic interventions in the foreign exchange interbank market.

- The remaining foreign currency will be available to satisfy the Government's foreign currency obligations in exchange for ZiG and to build foreign exchange reserves for the Reserve Bank.
- Foreign currency retention thresholds remain standardised at 75% across all sectors except for small-scale gold producers.

### ***3.6. Interest Rate Policy***

- The Bank has recalibrated the Bank policy rate from 130% per annum to 20% per annum consistent with the new monetary policy framework.
- The overnight accommodation interest rate has been set at 5% above the Bank policy rate and the Bank deposit facility interest rate at 7.5% below the Bank policy rate, thus giving the starting interest rate corridor of between 11% to 25% per annum.
- The Bank policy rate and the corresponding interest rate corridor will be reviewed by the Monetary Policy Committee (MPC) from time to time in line with inflation developments.
- Minimum savings and time deposits interest rates on ZiG are set at 9% and 7.5% below the Bank deposit facility rate of 12.5%, respectively. Minimum interest rates on FCA deposits remain unchanged at 1% and 2.5% for savings and time deposits, respectively.

### ***3.7. Open Market Operations (OMO)***

- Going forward, open market operations will be carried out to ensure that reserve money will always be fully backed by a corresponding composite basket of reserve assets comprising precious minerals (predominantly gold) and foreign currency balances.
- All the current non-interest-bearing non-negotiable certificates of deposits (NNCDs) in ZiG beyond the optimal liquidity level and those encumbered by existing foreign currency structures will be converted into tenors of 1 year and above.

### ***3.8. Statutory Reserve Requirements***

- The statutory reserve requirements for demand deposits in ZiG and savings and time deposits in ZiG remain standardised at 15% and 5%, respectively.
- In order to foster continued financial sector stability in the face of increased lending in foreign currency, measures will be put in place to enhance

foreign exchange liquidity, moderate foreign currency exposures and mitigate against payment gridlocks in the banking sector.

- In this regard, the Bank is increasing the statutory reserve ratio for foreign currency demand deposits from 15% to 20% with effect from 8 April 2024.
- The statutory reserve requirements for foreign currency time and savings deposits shall, however, remain at the current level of 5%.

### ***3.9. Treasury Bills Denominated in ZW\$***

- All treasury bills previously issued in ZW\$ will be converted to ZiG and the rate adjusted accordingly.

### ***3.10. Alleviating Bank Charges***

- Banks will not charge monthly bank maintenance or service charges for individual bank accounts with a conservative daily balance of US\$100 and below or its equivalent in ZiG for a period of up to 30 days.

## **4. Other Supporting Measures and Bank Obligations**

- The following measures will be strictly implemented to support the new monetary policy framework:

### ***4.1. Promoting Increased Demand for the Local Currency***

- Statutory Instrument 218 of 2023 restored the use of multicurrency in the settlement of any transactions until 31 December 2030.
- Accordingly, measures will be put in place to gradually promote the increased use of the new structured currency as we move towards 2030.
- In order to foster demand for the local currency, Government will make it mandatory for companies to settle at least 50% of their tax obligations on Quarterly Payments Dates (QPDs) in ZiG.
- The Bank will continue with its strict liquidity management in order to mitigate against shocks that cause spikes in the exchange rate.

### ***4.2. Auction Allotments Obligations***

- Following the introduction of a refined interbank foreign exchange market under the willing-buyer willing-seller trading arrangement, all outstanding auction allotments will be converted into ZiG and issued out as NNCDs at

the current interbank exchange rate, with a maturity of 24 months at an interest rate of 7.5% per annum.

- This process will allow the beneficiaries to maintain the value of their proceeds under the new framework.

#### ***4.3. Outstanding Payments for Auction Surrender Obligations***

- All outstanding payments for foreign exchange purchased by Treasury under the 25% surrender requirement will be converted to a ZiG denominated instrument with a tenor of one (1) year at an interest rate of 7.5% per annum.

#### ***4.4. Gold Coins and Gold Backed Digital Tokens***

- Gold coins and Gold backed digital tokens shall continue to be used as investment instruments and to manage liquidity in the economy, with a view to stabilising the currency and exchange rate.
- As already indicated above, the gold-backed digital tokens (GBDT) will no longer be called ZiG but GBDT.

#### ***4.5. Reconfiguration of National Payment Systems***

- By April 8, 2024, Mobile Network Operators (MNOs), who are essential to the National Financial Inclusion Strategy, will also be expected to ensure that all their customers can effortlessly transition from ZW\$ wallets to ZiG wallets.

#### ***4.6. Domestic Pricing of Goods and Services***

- Once the local currency is redenominated in Zimbabwe Gold (ZiG), all domestic traders are expected to consistently modify their pricing systems in line with the currency reforms.
- With immediate effect, prices for goods and services shall be converted using the conversion rate and thereafter quoted in ZiG, for the transacting public's convenience.
- Within seven days from 5 April 2024, all entities other than banks and MNOs are expected to have completed the configuration of their systems to conduct business in ZiG.

### **Inflation Outlook**

- Once the currency and exchange rate have stabilised and the supplementary support measures in this new Monetary Policy Framework have been implemented, inflation expectations should be firmly anchored towards the observed trend of domestic USD inflation, which is expected to be below 1% month-over-month and between 2 and 5% annually.
- Compared to the recent past, when the economy was growing in an inflationary environment, growth prospects will be more favourable with the anticipated exchange rate and price stability.

### **The Key Takeaways - 2024 Monetary Policy Statement**

- The Bank has introduced a new monetary policy framework that is envisaged to foster stability, simplicity, certainty, and predictability in the execution of the country's monetary and financial affairs.
- Precisely, the new framework will re-monetize the local currency and enhance its functions as a medium of exchange and store of value.

**MAY GOD BLESS ZIMBABWE**

**I THANK YOU**

SIGNED



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