2025 MONETARY POLICY STATEMENT

FOSTERING PRICE, CURRENCY AND EXCHANGE RATE STABILITY THROUGH BALANCING CONFIDENCE-TRUST-CREDIBILITY-EFFICIENCY-STABILITY-GROWTH

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SECTION ONE

INTRODUCTION AND BACKGROUND

1. The 2025 Monetary Policy Statement is issued in terms of Section 46 of the Reserve Bank of Zimbabwe Act [Chapter 22:15]. The Statement is being issued at a time when the economy is experiencing relative inflation and exchange rate stability. The stability reflects the tight monetary policy stance maintained by the Reserve Bank during the last quarter of 2024, following the upward review of the Bank Policy Rate and statutory reserve requirements.

2. Greater exchange rate flexibility in the foreign exchange interbank market, anchored by tight monetary conditions, has also gone a long way in supporting the current stability. Specifically, strategic foreign exchange interventions by the Reserve Bank have helped clear the market and enabled the smooth flow of foreign exchange to the market. Going forward, the Reserve Bank will continue to deepen the Willing-Buyer Willing-Seller (WBWS) foreign exchange interbank market to enhance price discovery and market efficiency.

3. The increased foreign currency inflows during the second half of 2024 was also crucial in providing foreign exchange liquidity, thereby supporting the country's balance of payments and maintaining the current account in a surplus position for the rest of the year. The surplus on the current account is projected to further improve in 2025.

4. More importantly, the increased foreign currency inflows have allowed the build-up of foreign reserves, including gold, to support currency and exchange rate stability. In addition to covering local currency reserve money, foreign currency reserves also cover the entire local currency deposit base. The Reserve Bank will continue to accumulate reserves to provide adequate backing for ZiG stability.

5. Notwithstanding the positive developments on the inflation and exchange rate front, the tight monetary policy resulted in some temporary liquidity challenges with negative repercussions on economic activity. To ease the flow of funds in the interbank market, the Reserve Bank introduced an intra-day facility for banks, which eliminated payment gridlocks. The liquidity situation is expected to further improve through disbursements under the Targeted Finance Facility (TFF) to support productive sectors of the economy. The liquidity challenges also partly reflected the general inclination of economic agents, in a dollarized economy, to spend local currency while reserving foreign currency for store of value purposes.

6. Going forward, as price and exchange rate stability is further entrenched, the Reserve Bank will continue to delicately balance the trade-off between growth and inflation. As such, the Reserve Bank will ensure that its current monetary policy stance remains supportive of the envisaged growth of 6% in 2025.

7. As part of the preparation of this Monetary Policy Statement, the Reserve Bank had extensive stakeholder[1] engagements and consultations to leverage critical feedback and inputs required in mapping the monetary policy priorities for 2025.

8. The consultative meetings revealed broad acceptance of the ZiG by the market. The stakeholders commended the relative stability of the ZiG and implored the Reserve Bank to continue to stay the course of tight monetary policy to enhance confidence in the local currency and increase its usage, while ensuring adequate liquidity to support economic activity. Stakeholders highlighted that building confidence in the local currency would take time and required consistent policies, and *walking the talk in* implementing policies that promote price, currency and exchange rate stability.

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[1] The key stakeholders included the Bankers Association of Zimbabwe (BAZ), Confederation of Zimbabwe Industries (CZI), Confederation of Zimbabwe Retailers (CZR), Retailers Association of Zimbabwe (RAZ), Chamber of Mines (COM), Zimbabwe Council of Churches (ZCC), Zimbabwe Farmers' Union (ZFU), Commercial Farmers' Union (CFU), Zimbabwe National Chamber of Commerce (ZNCC), the Zimbabwe Tobacco Association (ZTA), The Asset Managers, Transporters Associations, the CEO Africa Round Table, and Telecoms Operators Association of Zimbabwe (Econet, Netone, Telecel, and Telone) , Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ).

9. Critically, stakeholders highlighted that policies that narrow the foreign exchange premium, reduce inflation and the cost of banking services as well as improving both the quantum and quality of ZiG bank notes would enhance confidence building in the local currency.

10. The Reserve Bank broadly concurred with the insightful submissions by stakeholders and is convinced that consolidating price and exchange rate stability is a pre-condition for enhancing confidence in the use of the local currency. In this regard, the Monetary Policy thrust aims to consolidate the gains of the ZiG to date considering the vulnerabilities and fragilities in the interbank foreign exchange market and the liquidity conditions.

11. The Reserve Bank will continue with the tight monetary policy stance whose overarching objective is to foster Central Bank policy credibility and trust under the ***Back-to-Basics Strategy***. In this regard, the monetary policy strategy will be anchored on three interwoven strategic pillars which are (i) Consolidating Price, Currency and Exchange Rate Stability; (ii) Enhancing Monetary Stability, Research, Policy and Data Integrity; and (iii) Maintaining Safety, Soundness and Integrity of the Financial Sector.

12. This Monetary Policy Statement outlines the policy stance of the Reserve Bank during the first half of 2025, informed by the above three strategic pillars.

13. The subsequent sections of the Monetary Policy Statement are presented as follows:
    - Section 2: Monetary and Financial Conditions
    - Section 3: Recent Economic Developments
    - Section 4: External Sector Developments
    - Section 5: Condition and Performance of the Banking Sector
    - Section 6: New Monetary Policy Measures
    - Section 7: Economic Outlook
    - Section 8: Conclusion

SECTION TWO

MONETARY AND FINANCIAL CONDITIONS

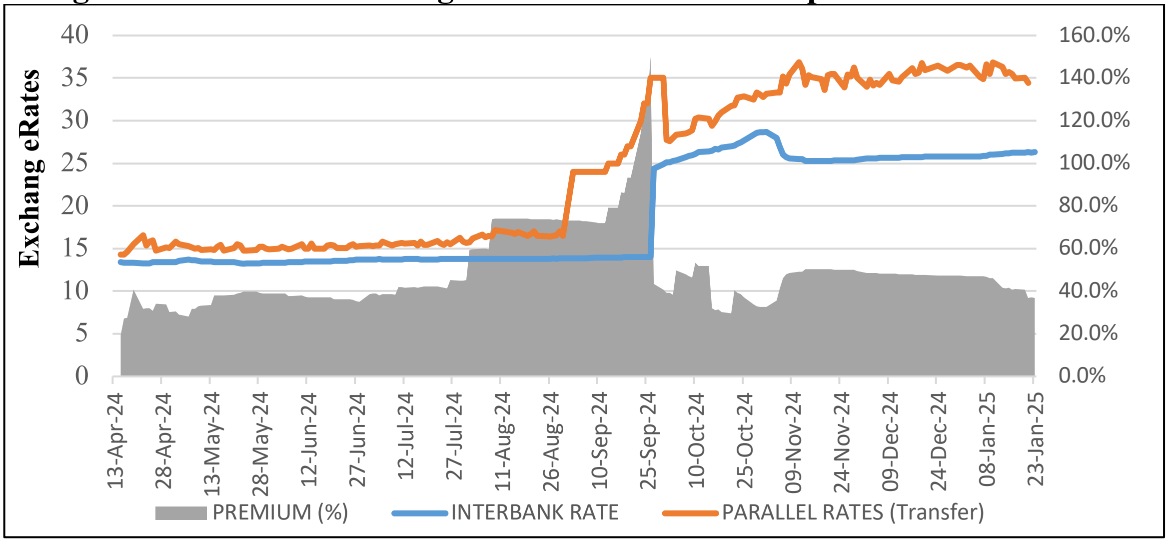
14. The Monetary Policy measures implemented by the Reserve Bank since the introduction of the ZiG have delivered exchange rate and inflation stability. This largely reflects the effectiveness of the Reserve Bank's tight monetary policy stance sustained since April 2024.

15. The tight monetary policy stance was further consolidated in September 2024 to address attendant risks to inflation and exchange rate stability through the upward review of the Bank Policy Rate and statutory reserves. This resulted in the dissipation of inflationary pressures since October 2024. Monthly ZiG inflation, therefore, declined from a peak of 37.2% in October 2024, to 3.7% in December 2024. The decline mainly reflected stability in the exchange rate, as evidenced by the significant narrowing of parallel market premiums. The Reserve Bank remains committed to ensuring sustained price stability that has been experienced in the last quarter of 2024.

Exchange Rate Developments

16. The interbank exchange rate and the parallel exchange rate remained stable since October 2024. The exchange rate premium has been contained since October 2024. Figure 1 shows the evolution of the interbank and parallel market exchange rates and the premium for the period from 15 April 2024 to 23 January 2025.

Figure 1: ZiG/US$ Exchange Rates and Premium April 2024 to Jan 2025



Source: RBZ and Market Intelligence Surveys, 2025

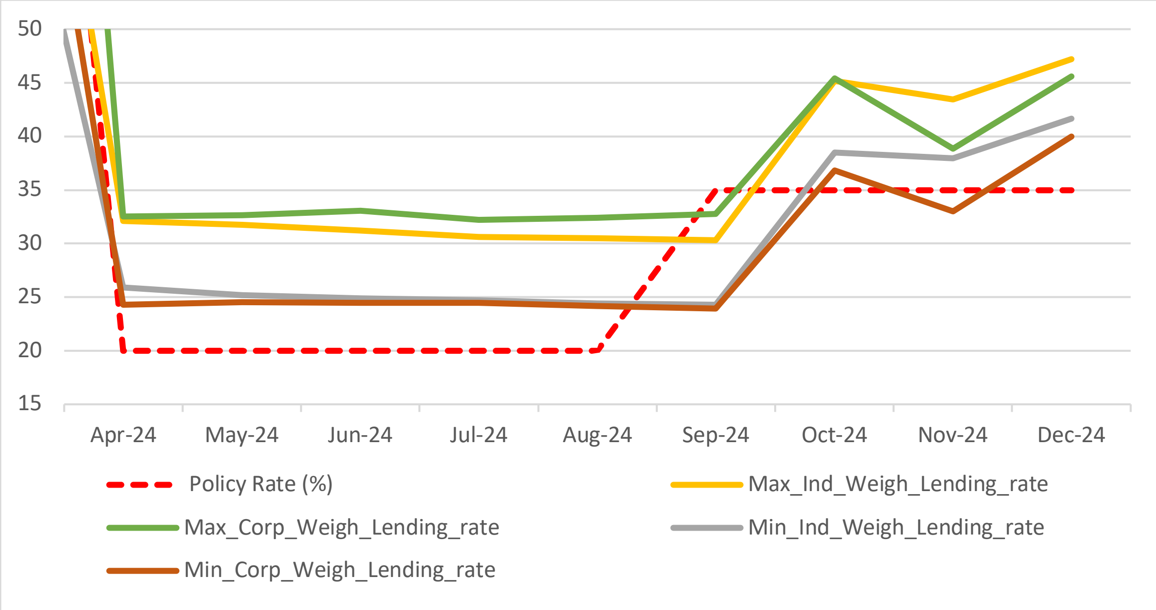
17. The stability in the exchange rate has gone a long way in supporting the disinflation trend witnessed during the last quarter of 2024.

Interest Rates

18. The Monetary Policy Committee (MPC) reviewed the Bank Policy Rate from 20% to 35% effective 27 September 2024, to curtail exchange rate and inflation pressures. Concomitantly, minimum and maximum corporate lending rates increased from 24.2% to 40% and 32.4% to 45.6%, respectively. Figure 2 shows the developments on the Bank Policy Rate, vis-a-vis lending rates since the introduction of the ZiG in 2024.

19. Following the upward review of the Bank Policy Rate, the overnight accommodation rate rose to 40%, in line with the Reserve Bank's tight monetary stance. The overnight accommodation window remains available to assist banks facing liquidity challenges. There was minimal reliance on the lender of last resort facility as most banks relied on the liquidation of NNCDs to meet their liquidity needs.

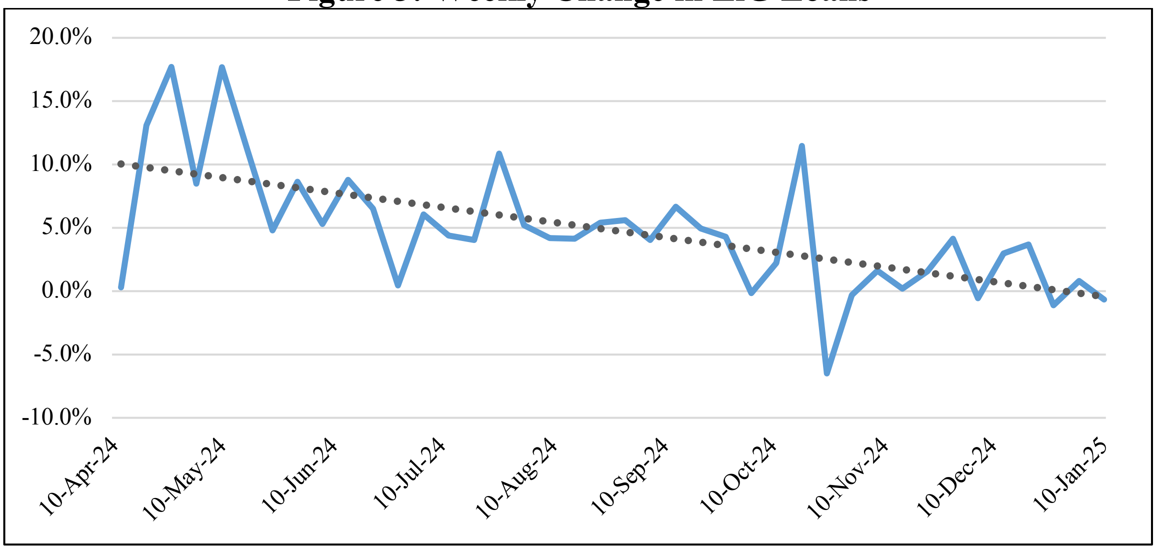
Figure 2: Bank Policy Rates and Versus Lending Rates (%)



Source: Reserve Bank of Zimbabwe, 2025

20. The monetary policy measures also assisted in slowing credit growth, thereby impacting positively on inflation and the exchange rate. Figure 3 shows weekly changes in ZiG loans.

Figure 3: Weekly Change in ZiG Loans



Source: Reserve Bank of Zimbabwe, 2025

Statutory Reserves

21. Statutory reserve requirements on both local and foreign currency deposits were standardised at 30%, from 15% for demand and call deposits, and 15% for savings and time deposits, up from 5%.

22. The adjustment of the statutory reserve requirements on 27 September 2024, further tightened market liquidity, withdrawing around ZiG1.2 billion from the market. The increase in statutory reserves and continued use of non-negotiable certificates of deposit (NNCDs) enabled the Reserve Bank to maintain optimal money market liquidity.

23. The Optimal Liquidity Level (OLL) which had been set at ZiG166.3 million in April 2024 was raised to ZiG500 million on 30 September 2024, in line with increases in the value of transactions processed through the Zimbabwe Electronic Transfer and Settlement System (ZETSS).

24. Reflecting the tight liquidity conditions during the last quarter of 2024, NNCDs declined to as low as ZiG25 million on 13 November 2024 and have remained stable within the envisaged thresholds.

Targeted Finance Facility

25. While the primary objective of the increase in the Bank Policy Rate and statutory reserve requirements, was part of the Reserve Bank's tight monetary policy stance it, however, resulted in constrained liquidity. To balance stability and economic growth, the Reserve Bank introduced the Targeted Finance Facility (TFF) funded from the statutory reserves of banks, to increase lending to productive sectors by banks. Funded from the statutory reserves already held at the Reserve Bank, the TFF is geared at augmenting lending by banks.

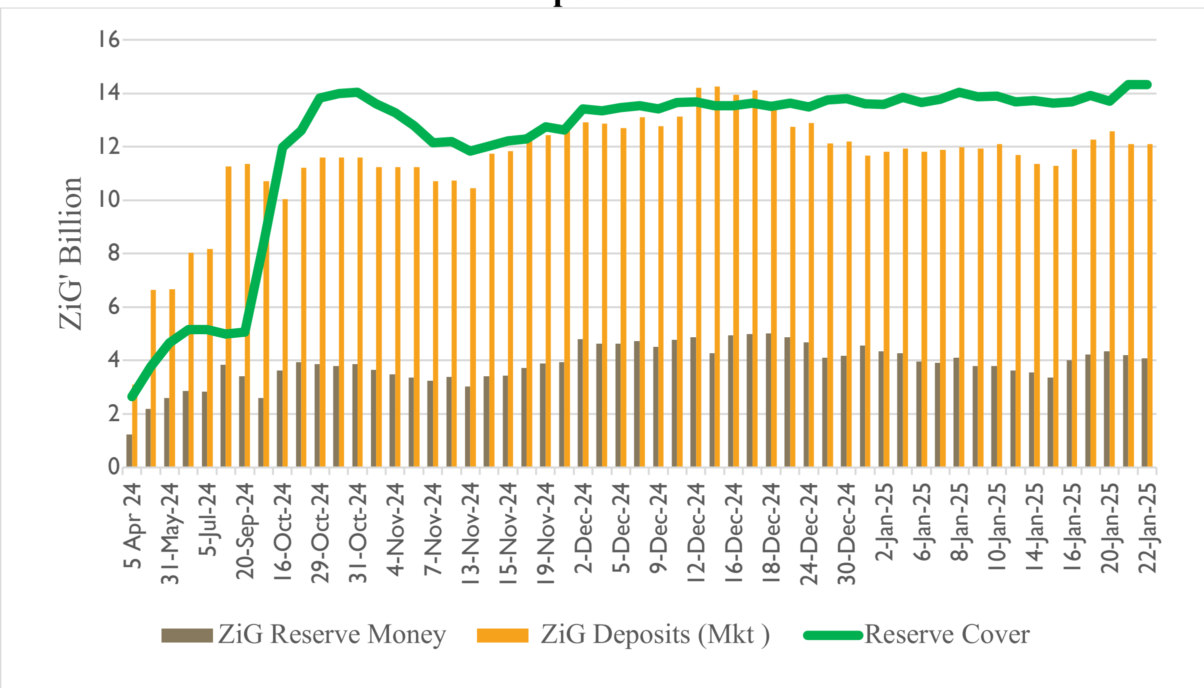
Gold and Foreign Currency Reserves

26. Since April 2024, the Reserve Bank embarked on a reserves accumulation strategy comprising of foreign currency and precious metals (mainly gold), from mining royalties, direct currency purchases from the interbank market and outright gold purchases. The reserves accumulation strategy is centred around ensuring that, at any point, the ZiG component of reserve money is fully backed.

27. Consequently, the total holdings of gold and foreign reserves have since increased by 87%, from US$285 million in April 2024 to around US$550 million as at end of January 2025. This has also ensured the full coverage of the total ZiG deposits in the economy of around ZiG13 billion, thereby supporting the Reserve Bank's currency and exchange rate stability objectives.

28. Figure 4 shows the foreign currency reserve cover of ZiG reserve money and deposits.

Figure 4 : Foreign Currency Reserve Cover of ZiG Reserve Money and Deposits



Source: Reserve Bank of Zimbabwe, 2025

29. Based on the current trends of foreign exchange inflows, including in-kind royalties, the reserve accumulation strategy for 2025 will result in a significant improvement in foreign reserves holdings at the Reserve Bank.

Foreign Exchange Market

30. Improved exchange rate flexibility on the WBWS foreign exchange market has fostered a market-driven and transparent exchange rate management system, while improving the accessibility of foreign currency in the market.

31. The Reserve Bank has been strategically intervening in the WBWS foreign exchange market, by injecting foreign currency, when necessary, to ensure that there is sufficient liquidity to meet market demand using export surrender proceeds.

32. The Reserve Bank sold a total of US$407.4 million on the WBWS platform from April to December 2024. The foreign currency uptake by banks on the WBWS averaged 70%, largely due to tight ZiG liquidity conditions.

33. The Reserve Bank continues to intervene in the interbank foreign exchange market, with about US$35 million having been injected in January 2025.

Key Monetary and Financial Indicators

34. The Reserve Bank considers communication as an important monetary policy tool to anchor inflation and exchange rate expectations. As such, the Reserve Bank will regularly publish key indicators underpinning the foregoing monetary and financial conditions. The indicators for the period April 2024 to January 2025, are shown in Table 1.

Table 1: Key Monetary and Financial Statistics

	30-Apr-24	30-Jun-24	30-Sep-24	31-Oct-24	30-Nov-24	31-Dec-24	31-Jan-25
Inflation							
ZiG Month-on-Month (%)	-	0.04	5.8	37.2	11.7	3.7	10.5
USD Month-on-Month (%)		-0.29	0.73	0.65	0.09	0.6	11.5
Monetary							
Reserve Money (ZiG Million)	720	1,225	2,254	3,345	3,539	3,511	3,454
Total ZiG Deposits – (Million)	7,195	9,274	10,705	11,603	13,293	11,664	12,466
Reserve Cover (ZiG Million)	6,633	8,040	10,418	14,046	13,272	13,594	14,455
Financial Sector							
Non-Performing Loans Ratio (Benchmark=5%)[2]	N/A	2.02	3.19	N/A	N/A	3.37	N/A
Money Market							
Market Position (including NNCDs) (ZiG Million)	1,602	1,781	498	868	1,900	1,445	949
External Sector							
Cash and Nostro Balances (US$ million)	151	214	196	230	182	186	186
Gold Holdings Kgs	1,500	1,612	1,948	2,107	2,565	2,626	2,689
Gold Holdings Value (USD millions)	113	120	167	188	218	220	241
Other Reserves (In kind mineral royalties)	12	42	56	122	121	121	122
Total Reserve Covering ZiG (US million)	276	376	419	540	521	527	548
Average Pipeline Forex Demand (USD million)	25.40	33.50	44.20	19.70	23.97	23.00	17.30
WBWS Exchange Rate	13.4301	13.7031	24.8831	28.6802	25.4513	25.7985	26.3656
Implied Exchange Rate (ZiG Bank Deposits- over Foreign Currency Reserves)	26.0688	24.6649	25.5489	23.6911	25.4915	22.1344	22.7387

Source: Reserve Bank of Zimbabwe, 2025

35. As shown in Table 1, the Reserve Bank has been pursuing prudent money supply management with reserve money kept under control and not exceeding the targeted ZiG4 billion for 2024.

[2] N/A= Data not available monthly but quarterly.

36. The Reserve Bank's foreign reserves accumulation strategy in 2024, has resulted in its gold holdings increasing from 1.5 tonnes to 2.7 tonnes. The monetary value of gold together with other foreign currencies ended the year at over half a billion US dollars which is more than three times cover of reserve money.

37. The pipeline demand reflects the amount of foreign currency invoices submitted to banks by their customers, for foreign payments which awaits payment. Since June 2024, the value of pipeline demand has averaged US$15-20 million per week, an amount that the Reserve Bank has been clearing using the intervention resources accumulated to date.

SECTION THREE

RECENT ECONOMIC DEVELOPMENTS

GLOBAL DEVELOPMENTS

Economic Growth

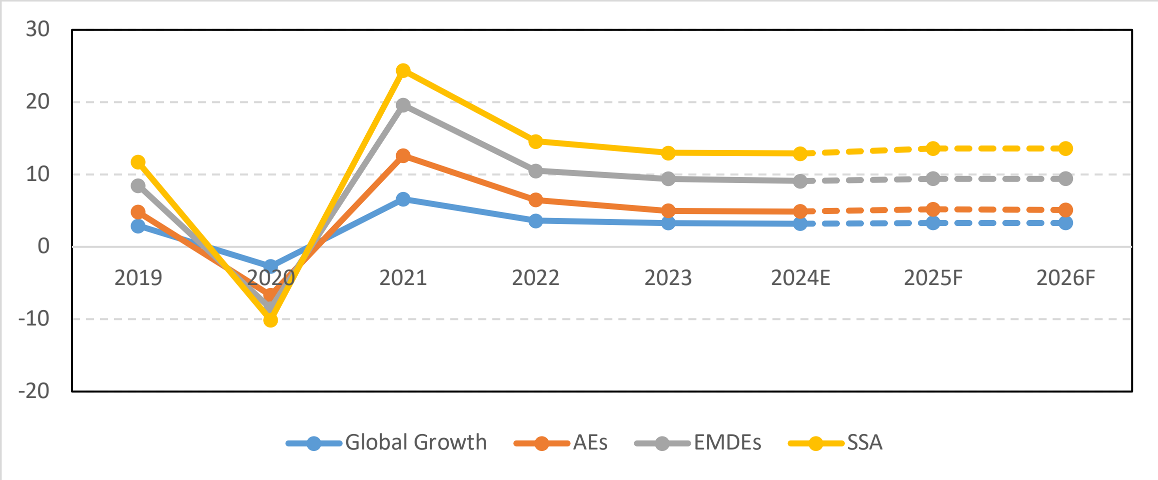
38. The post-pandemic recovery in global output continued to exhibit resilience, with growth holding steady and the progressive decline in inflation facilitating a soft-landing.

39. As such, monetary easing continued to support growth recovery in both Advanced Economies (AEs) and Emerging Market and Developing Economies (EMDEs). Nevertheless, regional divergences persist, and the medium-term outlook remains benign, characterised by below average growth.

40. Importantly, uncertainties dominate the outlook owing to heightened geo-political tensions and trade policy shifts, as well as elevated global public debt levels that threaten to trap the global economy in a low growth-high debt mode.

41. Against this background, the IMF's October 2024 World Economic Outlook and its January 2025 update, projected that global growth would firm up slightly, from 3.2 percent in 2024 and stabilise at 3.3 percent in 2025 and 2026, as shown in Figure 5.

Figure 5: Global Growth 2019 to 2026



Source: IMF World Economic Outlook, January 2025 Update

42. Looking ahead, the global growth outlook remains conditioned by downside risks from resurgent price pressures, intensified protectionism and heightened trade policy uncertainty, as well as climate related natural disasters. Furthermore, renewed fiscal pressures and currency volatility in Emerging Market Economies remain a concern. In Advanced Economies, growth is expected to rise from 1.7 percent in 2024 to 1.9 percent in 2025. The expansion of economic activity in AEs, however, masks divergent growth forecasts between the US and the Euro-Area.

43. In the US, growth projections were revised upwards to 2.7 percent for 2025 underpinned by robust aggregate demand, a less restrictive monetary policy stance, favourable financial conditions, and stronger investment. In the Euro-Area, growth is expected to gradually firm-up from 0.8 percent in 2024 to 1.0 percent in 2025, with performance weighed by geo-political tensions, weaker market sentiment, underwhelming manufacturing sector performance particularly in Germany and heightened policy uncertainty. More generally, the scarring effects of the recent energy price shock continue to weigh on growth prospects in Europe.

44. Growth performance in EMDEs is estimated to have remained subdued at 4.2 percent in 2024 and is expected to remain stable in 2025. This largely reflects the growth constraining effects of elevated trade and policy uncertainty, alongside low

demand. While the stimulus package measures enunciated by the Chinese authorities in November 2024 brought optimism, the property market drag, and subdued consumption continued to dampen growth performance to below potential levels. In India, growth is expected to remain robust and stable at 6.5 percent in 2025 and 2026.

45. In Sub- Saharan Africa (SSA), real GDP growth is estimated at 3.8 percent in 2024 and projected to recover to 4.2 percent in 2025 and remain broadly stable in 2026. The growth recovery reflects the waning effects of prior adverse weather shocks induced by the El Nino phenomenon, as well as the gradual easing of supply chain bottlenecks.

46. Notably, SSA growth performance reflects the expansion of activity in SSA region's largest economies —South Africa and Nigeria. South Africa's growth is expected to rise from 0.8 percent in 2024 to 1.5 percent in 2025, benefiting from improved power supply and easing inflation.

47. In Nigeria, growth is projected to rise from 2.9 percent in 2024 to 3.1 and 3.2 percent in 2025 and 2026, respectively, spurred by improved services sector activity and enhanced business confidence. Nonetheless, growth in Sub-Saharan Africa remains insufficient to raise per-capita income, narrow attendant income gaps and foster sustained and inclusive economic development.

48. Going forward, growth prospects in SSA remain challenged by multiple headwinds from the recurrence of devastating climate shocks, food and energy insecurity, spillovers from regional conflicts, volatile global financial and commodity markets, as well as the funding squeeze and liquidity stress.

49. Meanwhile, high debt service costs continue to crowd-out priority social and investment spending, further diminishing fiscal space. At the same time, inflation remains above target in many countries, with rising social tensions posing challenges for necessary macroeconomic adjustments. In addition, an escalation

of conflicts in Sudan and in the Middle East, could trigger energy and food price inflation in the region, while high global interest rates could further compound debt vulnerabilities.

Global Inflation

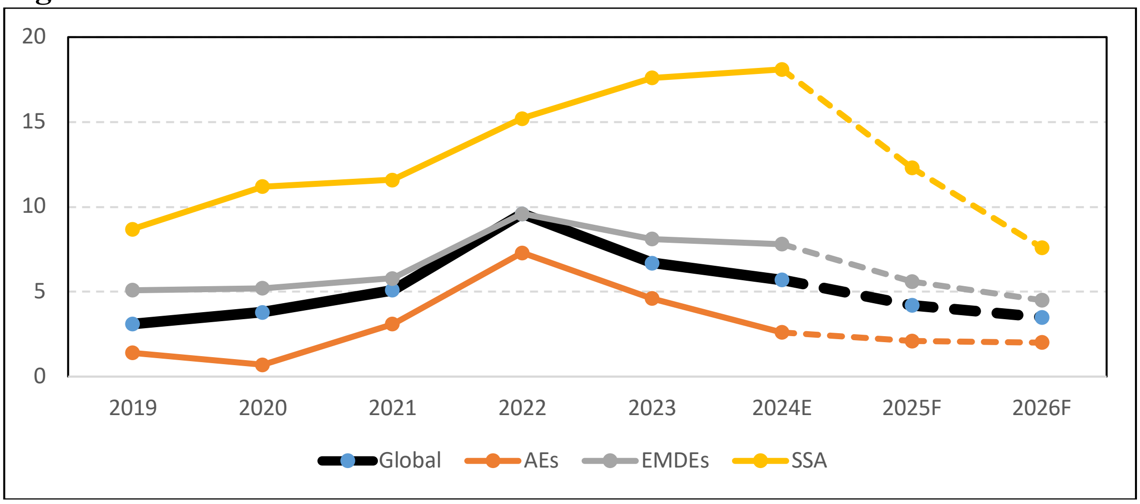
50. Global inflation continued on a downward path, with progress stalling in some countries, while services inflation remained high in other countries.

51. The general decline in global inflation reflected the dampening effects of synchronised monetary tightening, with the recent declining nominal wage growth and normalisation of labour markets, providing additional disinflation impetus.

52. It is against this background that global inflation declined from 6.7 percent in 2023 to 5.7 percent in 2024 and is projected to decline further to 4.2 percent and 3.5 percent in 2025 and 2026, respectively. Nevertheless, pockets of elevated inflation remain mostly in EMDEs, developing Europe and Latin America.

53. In the SSA region, inflation remained in double digits in many countries owing to currency pressures and high food prices reflecting the repercussions of adverse weather conditions on food supply and prices. Figure 6 shows the general decline in global inflation.

Figure 6: Global Inflation 2019 to 2026



Source: IMF World Economic Outlook, January 2025 Update

54. Despite the notable disinflation strides, the hard-won gains are challenged by renewed risks from the energy price shock, appreciation of the US dollar and the uncertain price effects of tariffs.

55. Moreover, inflation expectations in advanced economies have drifted significantly above central bank targets, signaling a real risk of de-anchoring. At the same time, capital flow reversals occasioned by divergent monetary policy paths could exert additional currency and inflationary pressures. Further, commodity price spikes could be detrimental to current disinflation efforts.

56. Meanwhile, global financial conditions remain largely accommodative despite heightened policy uncertainties. Nonetheless, financial conditions in EMDEs have slightly tightened against the backdrop of the dollar appreciation prompted by expectations of new tariffs and higher interest rates in the US.

57. In parallel, fiscal and inflation concerns in advanced economies are expected to exert undue pressure on long term rates, which further compounds the cost of borrowing in EMDEs.

58. Considering the significant challenges facing the global economy, policymakers are focusing on balancing the important trade-offs between inflation and economic activity. Concurrently, calls have strengthened to replenish fiscal buffers, fortify the foundations for growth through scaled-up structural reform efforts and efforts to strengthen global cooperative efforts to safeguard the benefits of multilateral trade.

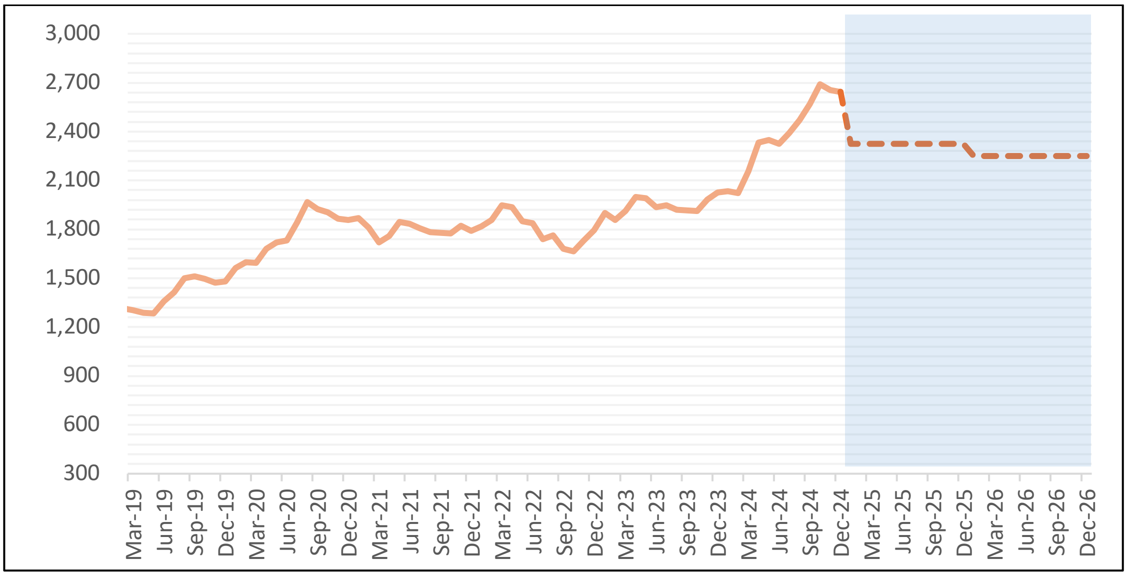
Global Price Developments for Selected Commodities

Gold

59. Gold prices remained buoyant in 2024, reaching a peak of US$2,700 per ounce in October 2024, as shown in Figure 7. The uptick in gold prices reflected heightened geopolitical tensions, sustained demand from central banks, and the onset of U.S.

monetary policy easing. Central banks in EMDEs increased their gold holdings in 2024 as they diversified their international reserve portfolios away from the dollar. Continued safe-haven demand for gold, on the back of geopolitical tensions, and financial and policy uncertainties, will likely sustain the higher gold prices in the near term.

Figure 7: Gold Prices US$/Oz January 2023 to December 2024

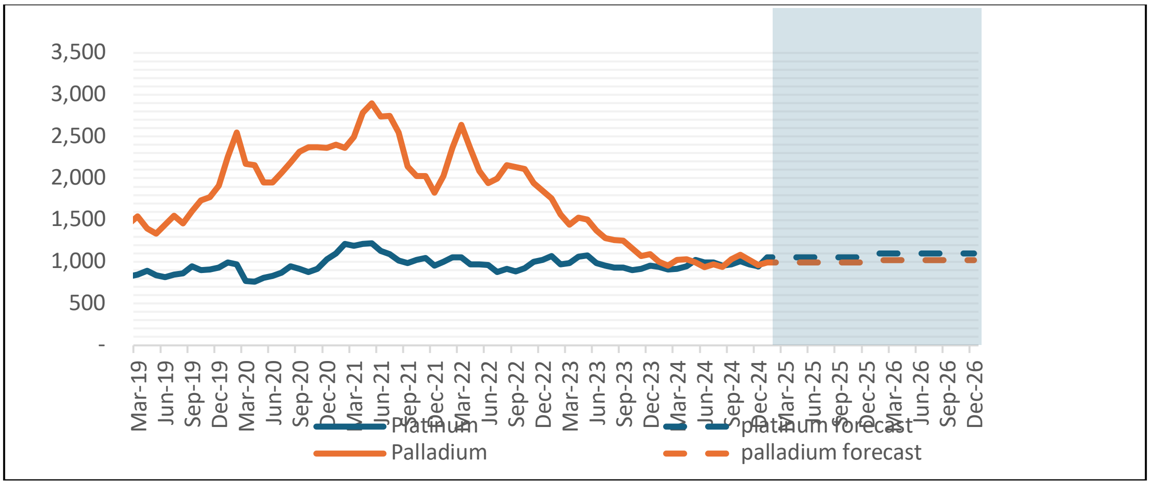


Source: World Bank Commodity Prices, 2024

Platinum Group of Metals (PGMs)

60. PGMs prices remained subdued in 2025 as shown in Figure 8, largely reflecting slowing activity in the automotive sector, as the energy transition to renewables gains momentum. In the outlook period, the demand for PGMs is likely to remain subdued owing to the shifting structure of the automative sector against the growth in the electric vehicles sub-sector. These developments will weigh down prices, with negative spillovers to Zimbabwe's export proceeds.

Figure 8: PGMs Prices US$/Oz

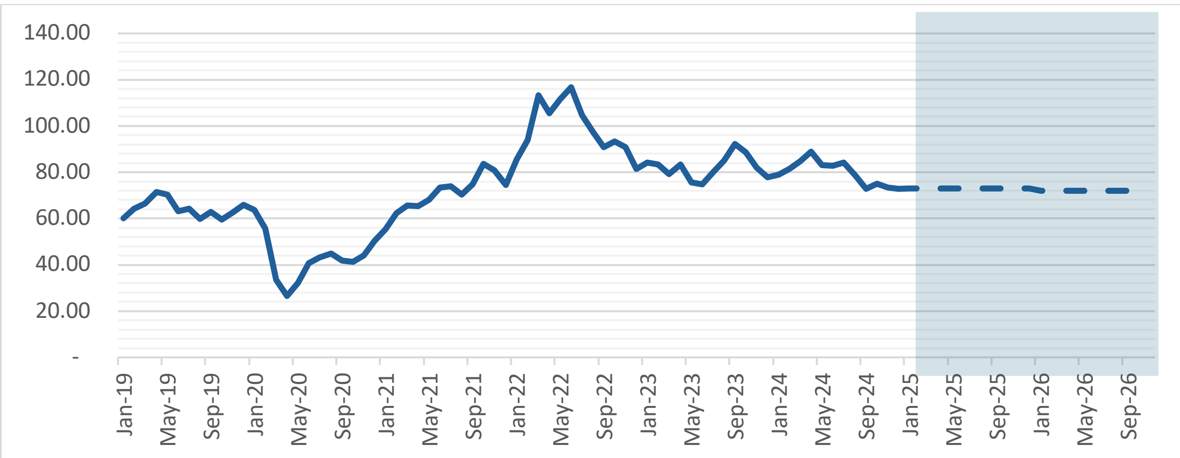


Source: Johnson Matthey, 2025

Brent Crude Oil

61. Oil prices declined by 2.3%, from US$82.6/barrel in 2023 to US$80.7/barrel in 2024. Strong global growth in the production of oil, against subdued demand exerted downward pressure on prices. Nevertheless, heightened geopolitical risks in the Middle East, and continued voluntary production restrictions among Organisation of Petroleum Exporting Countries (OPEC+) members, partially supported the prices. The economic weaknesses and concerns about subdued oil consumption in China are expected to continue weighing down prices in 2025, as shown in Figure 9.

Figure 9: Brent Crude Oil



Source: World Bank Commodity Prices, 2024

REAL SECTOR DEVELOPMENTS

62. The economy is estimated to have grown by 2% in 2024, mainly due to the poor performance of the agriculture sector, occasioned by the severe drought. In 2025, however, the economy is expected to rebound and grow by 6% owing to an improved agricultural season. In addition, the prevailing price and exchange rate stability is expected to underpin the envisaged growth trajectory.

MONETARY DEVELOPMENTS

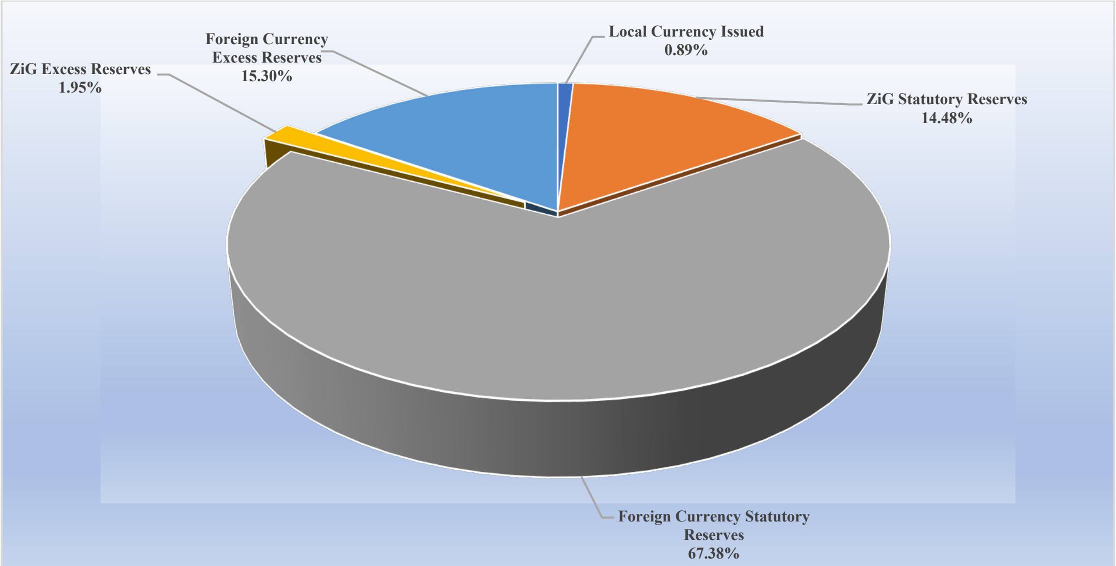
Reserve Money Developments

63. Total reserve money, inclusive of foreign currency statutory reserves, stood at ZiG20.40 billion as at 31 December 2024. This largely reflect an expansion in the foreign currency component of reserve money in September 2024, following the upward review in statutory reserves.

64. The local currency component of reserve money, which the Reserve Bank tracks for monetary policy purposes, has been stable, increasing from ZiG3.3 billion in October 2024 and to ZiG3.5 billion in December 2024. This followed the tight monetary policy stance pursued by the Bank during the last quarter of 2024.

65. Consistent with the target of 5% month-on-month inflation set by the Bank for 2024, the local currency component of reserve money was successfully contained at below the target of ZiG4 billion, which saw inflation falling to 3.7% by 31 December 2024. Looking ahead, the tight monetary policy stance will be maintained in 2025, to consolidate the gains achieved in 2024.

Figure 10: Components of Reserve Money (31 December 2024)



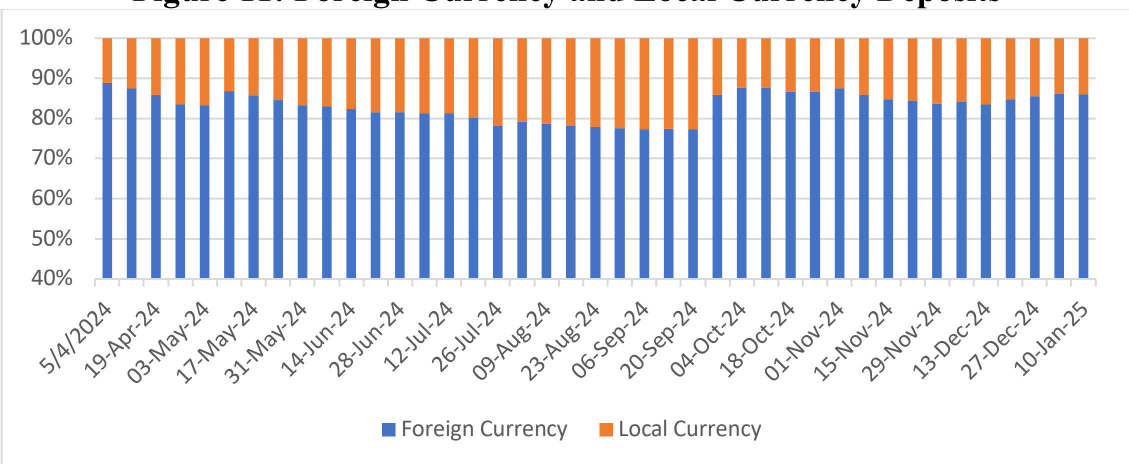
Source: Reserve Bank of Zimbabwe, 2024

66. The reserve money stock as at 31 December 2024 largely comprise of foreign currency statutory reserves, 67.38%, and foreign currency excess reserves, at 15.30%, as shown in Figure 10.

Broad Money Developments

67. Broad money (M3) amounted to ZiG87.45 billion in December 2024, largely due to the foreign currency component of deposits, which constituted 83% of total deposits as shown in Figure 11. The growth in money supply, reflected fluctuations in the exchange rate, particularly the significant once-off depreciation in September 2024.

Figure 11: Foreign Currency and Local Currency Deposits

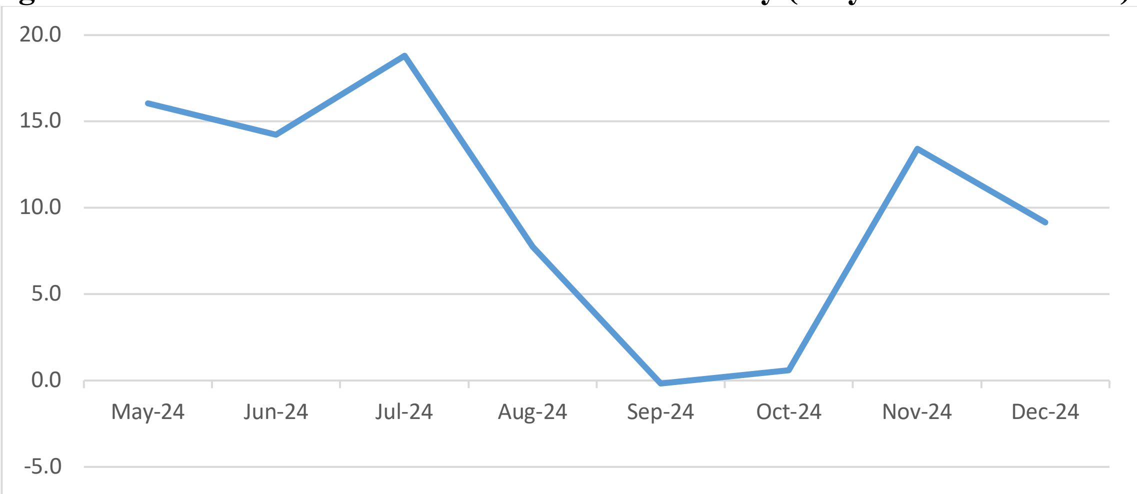


Source: Reserve Bank of Zimbabwe, 2025

68. Following the tightening of monetary policy, growth in the local currency component of broad money fell significantly, from 16% in May 2024 to 9% in December 2024. This significantly contributed to the relative stability in the exchange rate, with positive benefits to inflation.

69. Figure 12 shows the monthly developments in the local currency component of money supply, since the launch of the re-calibrated Monetary Policy Statement, in April 2024.

Figure 12: Month-on-Month Growth in Broad Money (May - December 2024)



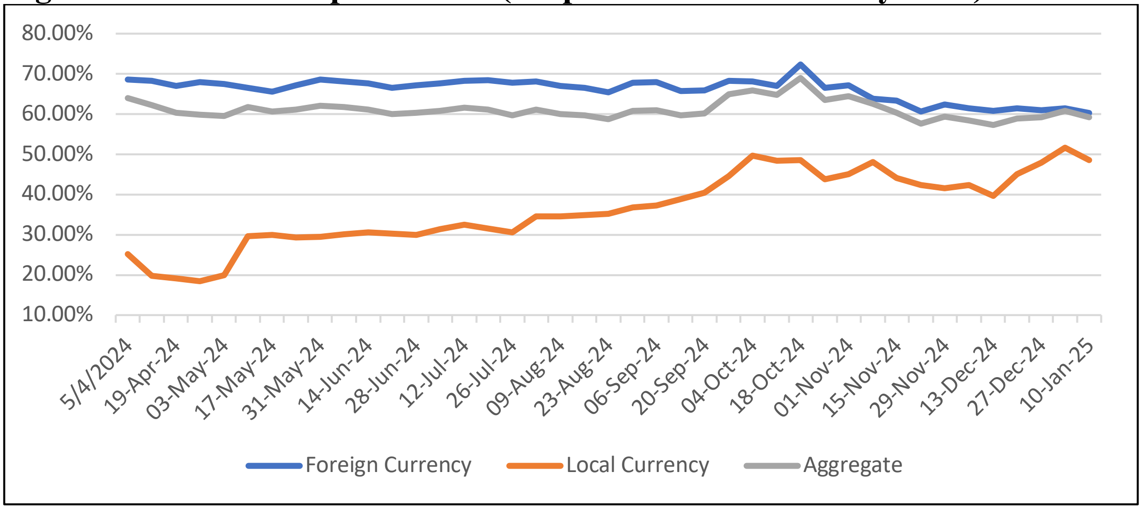
Source: Reserve Bank of Zimbabwe, 2025

70. Money supply growth as at 31 December 2024 was underpinned by the increase in domestic credit to ZiG74.54 billion in December 2024, from ZiG38.04 billion in June 2024. The expansion in domestic credit due to the growth in credit to the private sector, from ZiG26.71 billion to ZiG55.48 billion, was largely in the form of loans and advances. Over the same period, net claims on Government increased from ZiG9.91 billion to ZiG17.32 billion.

71. Loans and advances to the private sector were largely driven by the foreign currency component, which accounted for 88% of total credit, partly explained by movements in the exchange rate. The ZiG loans-to-deposits ratio increased from 30% in April 2024 to 50% in December 2024, while the USD loans-to-credit ratio

rose marginally, from 56.88% to 59.41% over the same period. Evidently, the local currency portfolio of bank loans has been increasing since the beginning of the implementation of the re-calibrated monetary policy framework in April 2024, as shown in Figure 13.

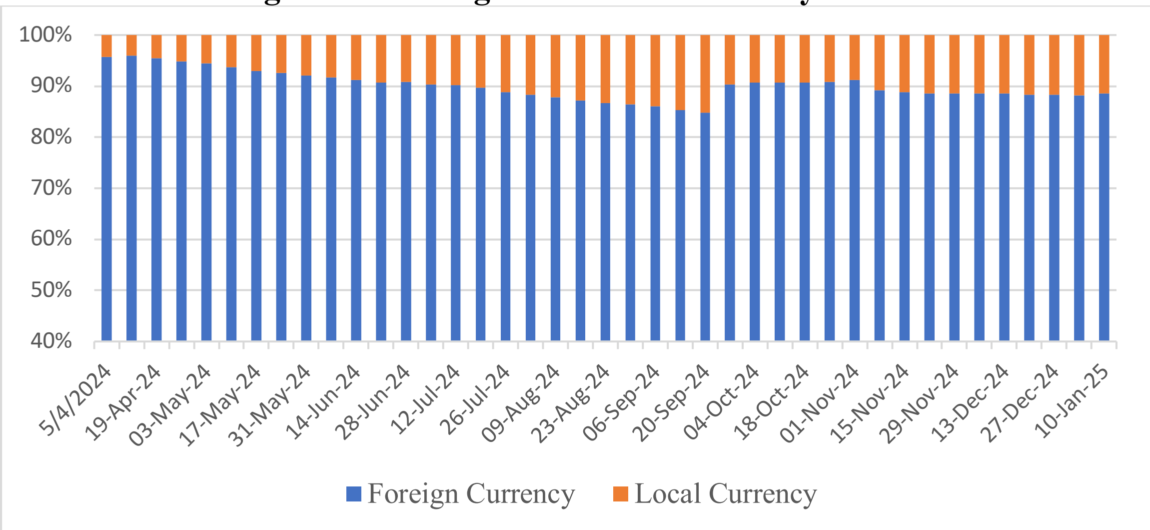
Figure 13: Loan to Deposit Ratio (5 April 2024 – 10 January 2025)



Source: Reserve Bank of Zimbabwe, 2025

72. The proportion of local currency loans to total loans, which declined to 9.69% after the depreciation of exchange rate on 27 September 2024, had increased to 11.46% by the week ending 10 January 2025.

Figure 14: Foreign and Local Currency Loans



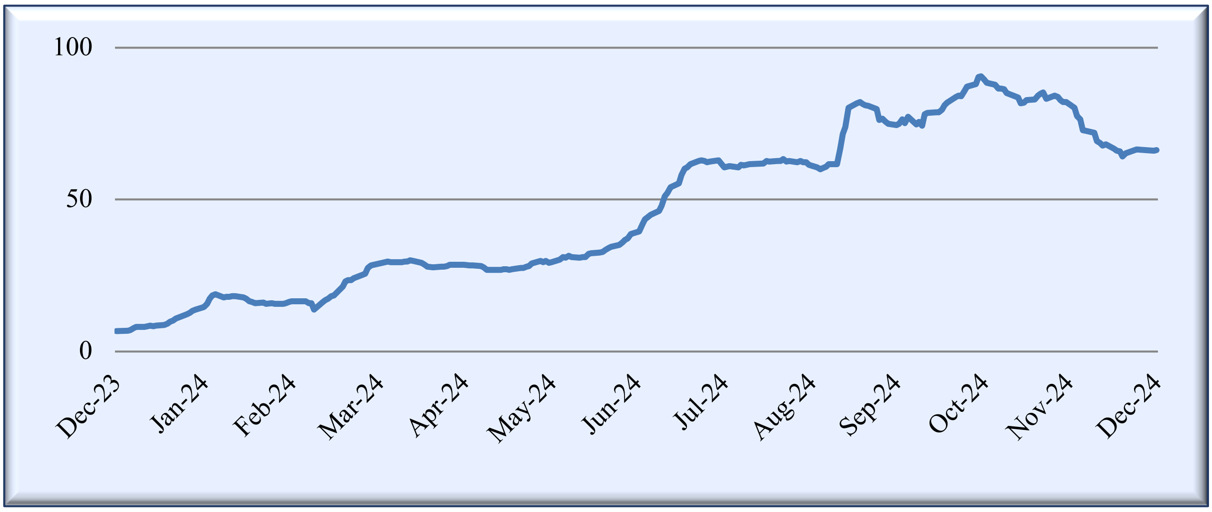
Source: Reserve Bank of Zimbabwe, 2025

STOCK MARKET DEVELOPMENTS

Zimbabwe Stock Exchange (ZSE)

73. In line with the tight liquidity conditions that prevailed in the economy since October 2024, the ZSE was characterised by bearish sentiment during the last quarter of 2024. Market capitalisation declined from ZiG 89.6 billion in October 2024 to close the year at ZiG 66.2 billion, as shown in Figure 15.

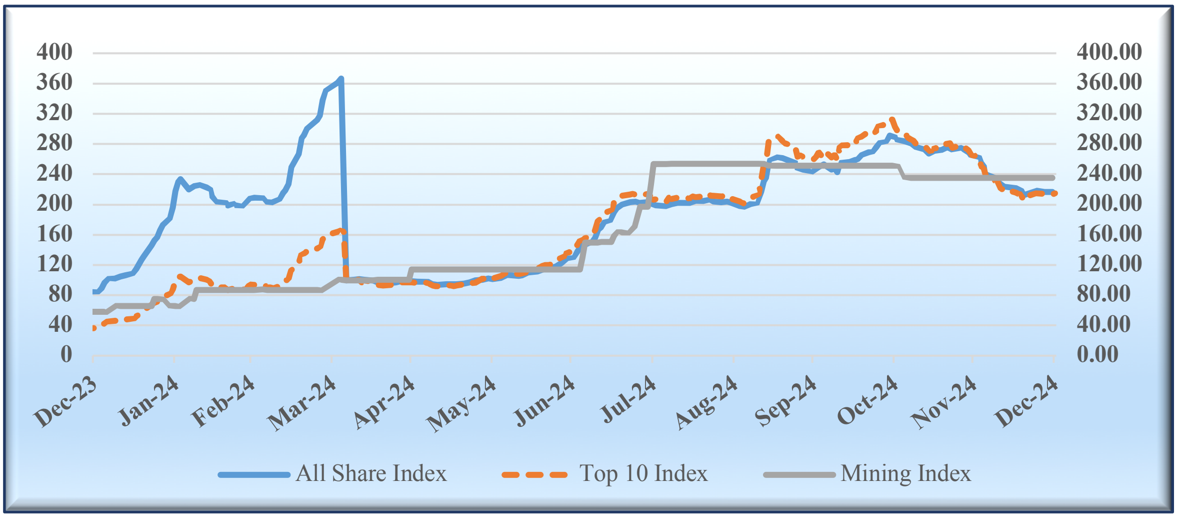
Figure 15: ZSE Market Capitalization (ZW$ billions)



Source: Zimbabwe Stock Exchange, 2024

74. The bearish conditions on the ZSE since October 2024 were also discernible from the various sub-indices, as shown in Figure 16.

Figure 16: Zimbabwe Stock Exchange All Share, Top 10 and Mining Indices

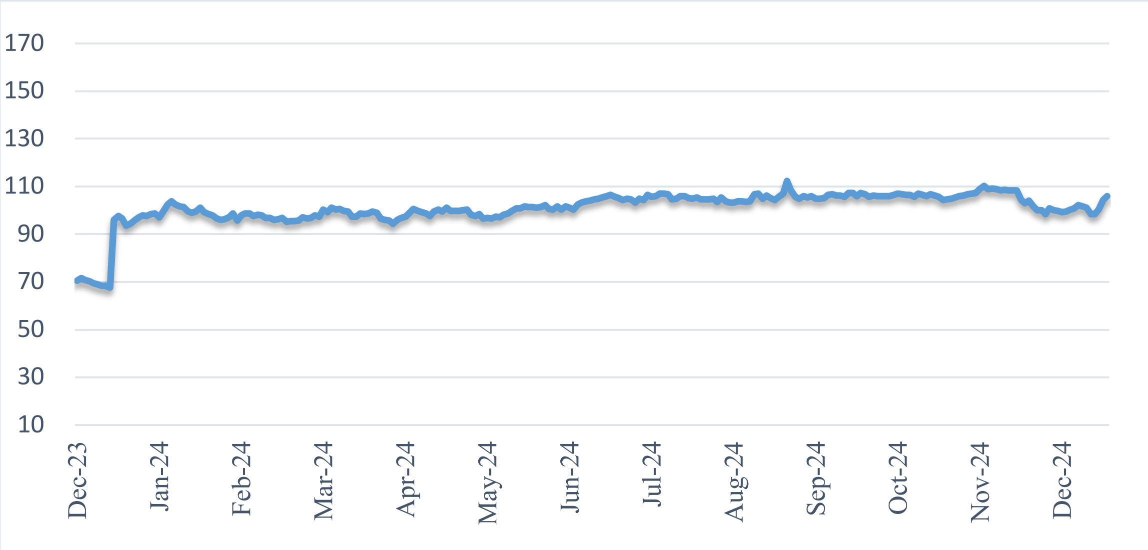


Source: Zimbabwe Stock Exchange, 2024

Victoria Falls Stock Exchange (VFEX)

75. The Victoria Falls Stock Exchange (VFEX) All Share Index was relatively stable since the second half of 2024, as shown in Figure 17.

Figure 17: Victoria Falls Stock Exchange All Share Index



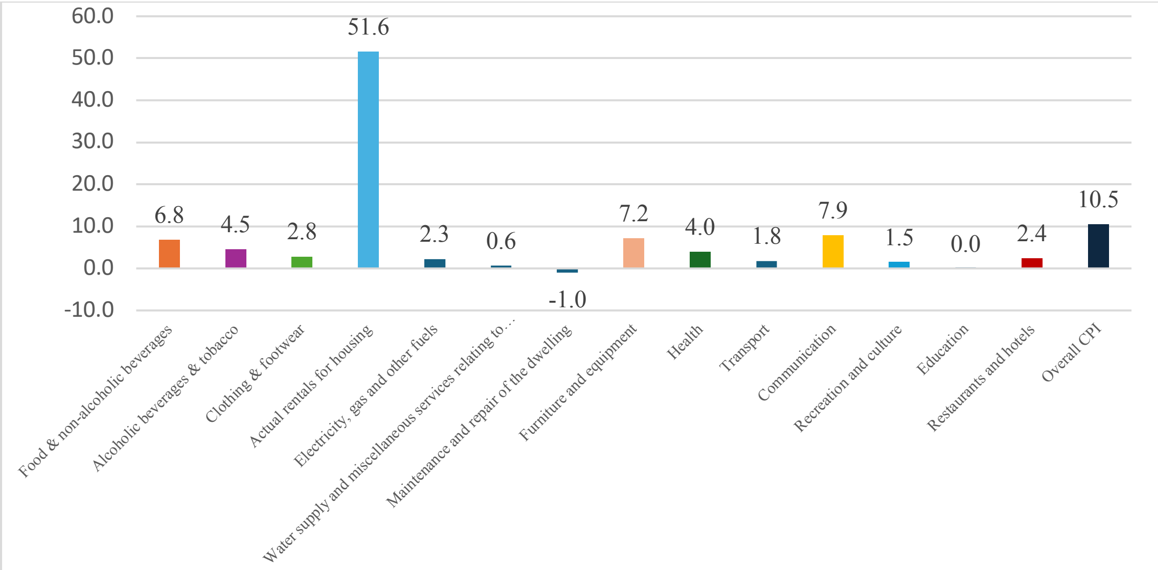
Source: Victoria Falls Stock Exchange, 2024

INFLATION DEVELOPMENTS

76. Monthly ZiG inflation declined, following the monetary policy measures introduced on 27 September 2024. Monthly inflation decelerated by 8.0 percentage points, from 11.7% in November 2024 to 3.7% in December 2024, driven by both food and non-food inflation. The decline in inflation was attributed to the stability in the monetary conditions which dampened inflationary pressures.

77. Monthly ZiG inflation stood at 10.5% in January 2025 mainly driven by a once-off huge increase in rentals of 51.6%. The weight of the rentals subcategory is 19.83% of the total CPI basket. The high increase in rental inflation in January 2025 resulted in the subcategory contributing 6.3% of the headline month-on-month inflation of 10.5% which is 60.2%. All other subcategories increased moderately, as shown in Figure 18.

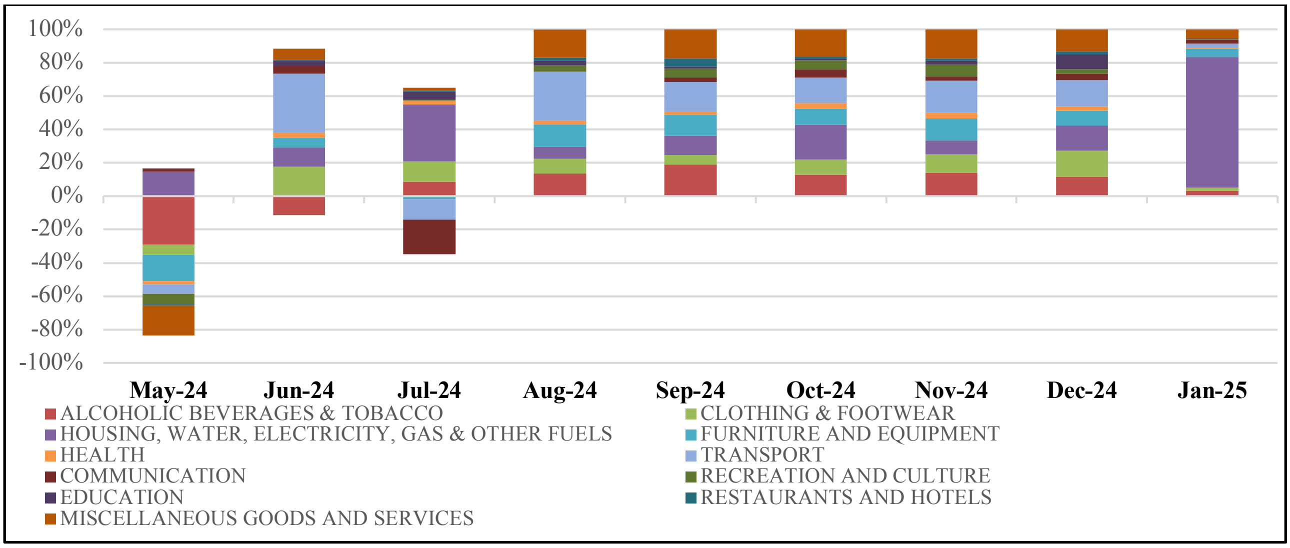
Figure 18: CPI Categories Monthly Inflation Changes (Dec 2024- Jan 2025)



Source: ZIMSTAT, 2025

78. On average from May 2024 to January 2025, transport, and housing, water, electricity, gas and other fuels and transport were the largest contributors to monthly non-food inflation, as shown in Figure 19.

Figure 19: ZiG Contributions to Non-food inflation (May 2024 to Jan 2025)

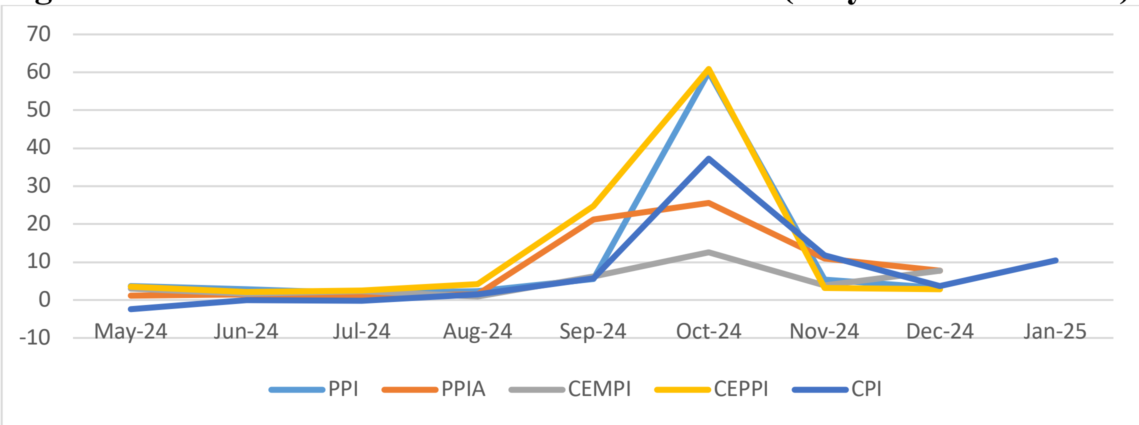


Source: ZIMSTAT, 2025

79. Consequent to the broad-based decline in inflation since October 2024, all other price indices in the economy declined. These include the Producer Price Index (PPI), Producer Price Index Agriculture (PPIA), Civil

Engineering Materials Price Index (CEMPI) and Civil Engineering Plant Price Index (CEPPI). Figure 20 shows the month-on-month ZiG inflation rates for PPI, PPIA, CEMPI, CEPPI and CPI.

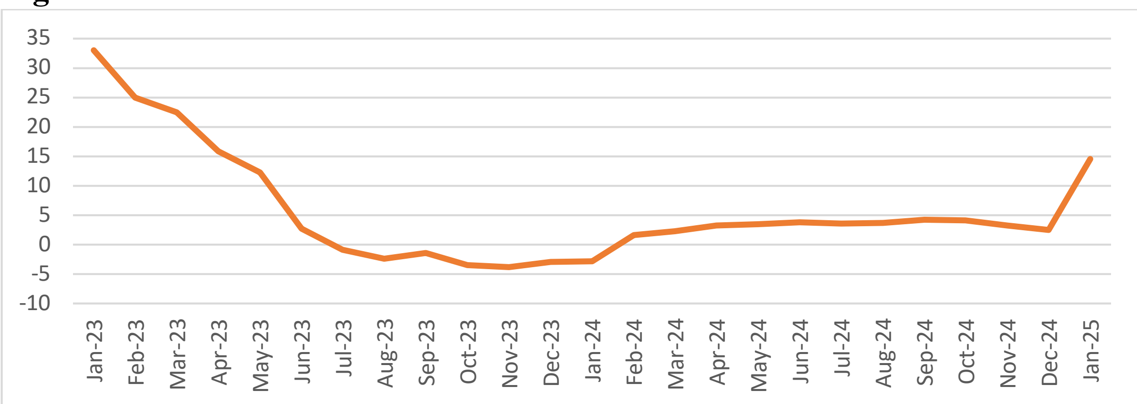
Figure 20: Month-on-Month ZiG Inflation Rates (May 2024 - Jan 2025)



Source: Reserve Bank of Zimbabwe, 2025

80. Prices in US dollars remained low and stable since June 2023. In January 2025, however, month-on-month US$ inflation recorded large monthly increase of 11.5% in January 2025 up from 0.6% in December 2024. This was driven in part by food inflation which registered an increase of 16.9%, contributing 5.3 percentage points to total inflation. Figure 21 shows the USD Annual inflation from January 2023 to January 2025.

Figure 21: USD Annual CPI Inflation Jan 2023 to Jan 2025



Source: Reserve Bank of Zimbabwe, 2025

SECTION FOUR

EXTERNAL SECTOR DEVELOPMENTS

BALANCE OF PAYMENTS DEVELOPMENTS

Foreign Currency Receipts

81. Total foreign currency receipts for 2024 amounted to US$13 316.2 million, representing a 21.0% increase from US$11 009.3 million received in 2023, as shown in Table 2.

Table 2: Total Foreign Currency Receipts for 2023 and 2024 (US$ Millions)

Type of Receipt		2024		2023		% Change
		Amount (US$ Millions)	% Contribution	Amount (US$ Millions)	% Contribution	
Export Proceeds		7,879.1	59.2%	6,056.7	55%	30.1%
International Remittances	Diaspora Remittances	2,152.5	16.2%	1,804.0	16%	19.3%
	NGOs	1,182.5	8.9%	1,206.9	11%	-2.0%
Loan Proceeds		1,589.8	11.9%	1,454.7	13%	9.3%
Income receipts		125.1	0.9%	111.4	1%	12.3%
Foreign Investment		387.1	2.9%	375.6	3.4%	3.1%
TOTAL		**13,316.2**	**100%**	**11,009.3**	**100%**	**21.0%**

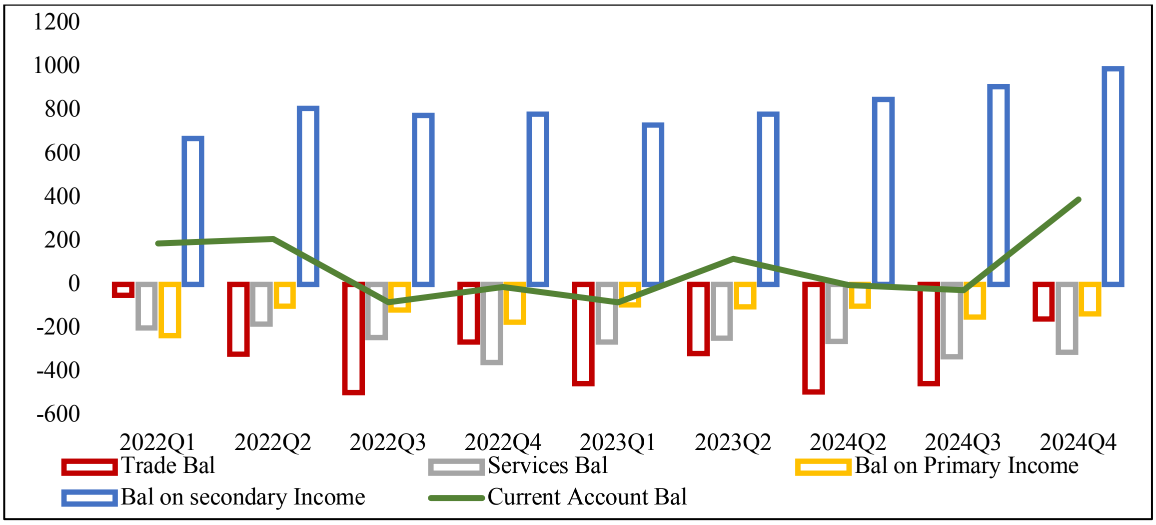
Source: Reserve Bank of Zimbabwe, 2025

Current Account Developments

82. The improved foreign currency inflows resulted in improved current account performance. Preliminary estimates indicate that the current account recorded a surplus of US$501.2 million in 2024, representing a significant improvement from a surplus of US$133.9 million recorded in 2023. This followed strong remittance inflows and higher export growth relative to imports.

83. The current account surplus was, however, moderated by services and primary income accounts that remained in deficit. Figure 22 shows developments in the current account.

Figure 22: Current Account Developments (US$ millions)

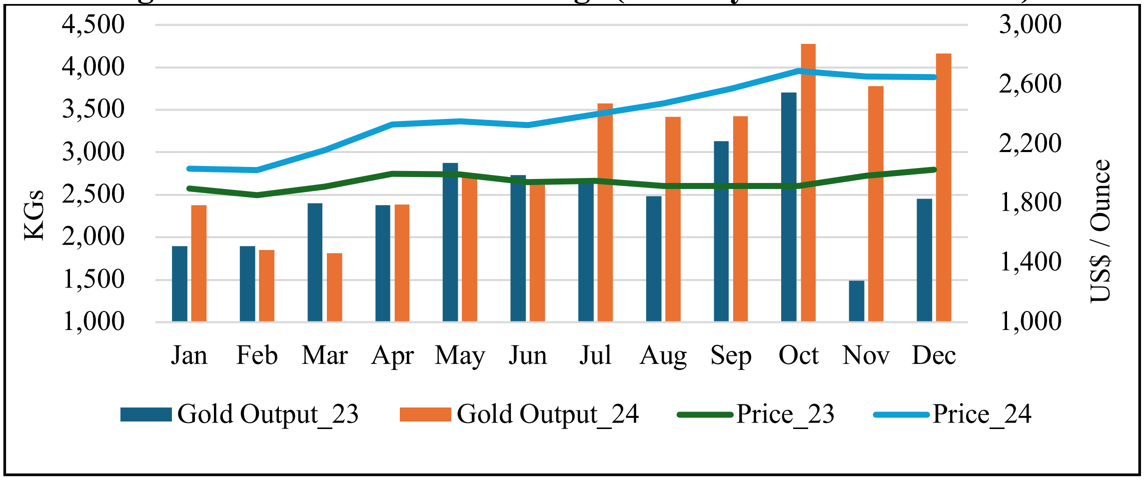


Source: RBZ and ZIMSTAT Estimates, 2025

84. Merchandise exports stood at US$7.9 billion in 2024. The robust performance was mainly driven by exports of gold and tobacco.

85. Mineral exports, which constituted the largest share of merchandise exports, grew by 7.8%, from US$5.4 billion in 2023 to US$5.9 billion in 2024. Gold exports recorded a remarkable increase of 37% to US$2.5 billion in 2024, from US$1.8 billion in 2023. This was largely driven by both higher production volumes and favourable global gold prices. Gold purchases by Fidelity Gold Refiners (Private) Limited (FGR) increased from 30.1 tonnes in 2023 to 36.5 tonnes in 2024, representing a 21% growth illustrated in Figure 23.

Figure 23: Gold Purchases in Kgs (January to December 2024)



Source: Reserve Bank of Zimbabwe, 2025

86. The country's import bill rose by 4.9%, from US$8.7 billion in 2023 to US$9.1 billion in 2024. This was driven by increases in imports of food, fuel, raw materials, vehicles, and manufactured goods, as the economy continued to expand.

87. The food import bill rose significantly by 55.2%, from US$628.9 million in 2023 to US$976.1 million in 2024. This was underpinned by grain imports, necessitated by the EL Nino-induced drought that adversely affected the 2023/24 agricultural season. Maize imports increased from US$149 million in 2023 to US$574.6 million in 2024. While the overall import bill increased, moderating prices for edible oils and fertilizers, partially offset the increase.

Transfers

88. Personal transfers increased by 18.1%, from US$2.2 billion in 2023 to US$2.6 billion in 2024. This was attributable to higher remittances, which positively impacted on the current account balance.

Foreign Currency Payments

89. Total foreign currency payments funded through Authorised Dealers increased by 0.7% from US$9.3 billion in 2023 to US$9.4 billion recorded in 2024. Table 3 shows foreign payments by category.

Table 3: Foreign Payments by Category in USD Millions (2023-2024)

	2024	2023	% Variance	Contribution 2024	Contribution 2023
Merchandise Imports (excl. energy)	**5,033.82**	**4,907.62**	**3%**	**54%**	**53%**
- Raw Materials & Intermediate Goods	1,625.71	1,628.77	0%	17%	17%
- Capital Goods	1,758.64	1,953.94	-10%	19%	21%
- Consumption & Finished Manufactured Goods	1,649.46	1,324.90	24%	18%	14%
Energy (Fuel & Electricity)	**1,752.28**	**1,948.94**	**-10%**	**19%**	**21%**
- Fuel	1,574.24	1,774.35	-11%	17%	19%
- Electricity	178.04	174.60	2%	2%	2%
Service Payments	**1,019.52**	**943.42**	**8%**	**11%**	**10%**
- Technical, Professional & consultancy	423.52	455.04	-7%	5%	5%
- Software	167.80	136.90	23%	2%	1%
- Other (tourism, edu, freight etc)	428.20	351.49	22%	5%	4%
Income Payments (Profits, Dividends)	**409.84**	**333.78**	**23%**	**4%**	**4%**
- Dividends	220.82	169.02	31%	2%	2%
- Interest Payments	26.20	39.06	-33%	6.0%	0.4%
- Other (Salaries, Expats, Rental)	162.82	125.70	30%	2%	1%
Capital Remittances (Outward)	**908.44**	**944.17**	**-4%**	**10%**	**10%**
- External Loan Repayments	696.77	765.56	-9%	7%	8%
- Disinvestments	106.82	86.05	24%	1.1%	0.9%
- Foreign Investment	104.85	92.56	13%	1.1%	1.0%
Other Payments	**263.61**	**246.94**	**7%**	**2.8%**	**2.6%**
- Card Payments	228.51	208.95	9%	2.4%	2%
- Refunds	35.10	37.99	-7.6%	0.4%	0.4%
Total	**9,387.52**	**9.324.88**	**0.7%**	**100%**	**100%**

Source: RBZ (2024)

SECTION FIVE

CONDITION AND PERFORMANCE OF THE BANKING SECTOR

90. The financial soundness metrics as at 31 December 2024 indicate that the banking sector remains safe and sound and continues to contribute to economic growth. Table 4 shows the banking sector architecture.

Table 4: Banking Sector Architecture

Type of Institution	Number
Commercial Banks	14
Building Societies	4
Savings Bank (POSB)	1
Total Banking Institutions	**19**
Other Financial Institutions Under the Supervision of Reserve Bank	
Credit-only-MFIs	268
Deposit-taking MFIs	9
Development Financial Institutions (SMEDCO, IDBZ, IDCZ and AFC Land & Development Bank)	4
Total Other Institutions	**281**
Total Number of Institutions	**300**

Source: RBZ (2024)

91. Mukuru Financial Services Zimbabwe Limited was registered to conduct deposit-taking microfinance business on 2 October 2024 and commenced operations on 17 December 2024.

Financial Soundness Indicators

92. The Banking sector recorded satisfactory financial performance during the year ended 31 December 2024, as reflected by the key financial soundness indicators depicted in Table 5.

Table 5: Financial Soundness Indicators

Key Indicators	Benchmark	Dec-23 (ZW$)	Mar-24 (ZW$)	Jun-24	Sep-24	Dec-24
Total Assets	-	ZW$34.41tn	ZW$106.82tn	ZiG77.55bn	ZiG139.20bn	ZiG161.39bn
Total Loans & Advances	-	ZW$11.26tn	ZW$40.09tn	ZiG27.45bn	ZiG51.41bn	ZiG55.93bn
Net Capital Base	-	ZW$7.77tn	ZW$24.61tn	ZiG16.45bn	ZiG33.47bn	ZiG38.29bn
Core Capital	-	ZW$6.31tn	ZW$20.12tn	ZiG14.02bn	ZiG27.40bn	ZiG33.42bn
Total Deposits	-	ZW$19.47tn	ZW$6.65tn	ZiG43.60bn	ZiG76.10bn	ZiG89.07bn
Net Profit	-	ZW$5.77tn	ZW$14.77tn	ZiG10.42bn	ZiG20.57bn	ZiG26.68bn
Return on Assets	-	23.97%	22.83%	13.37%	20.84%	24.72%
Return on Equity	-	68.99%	61.33%	35.74%	55.87%	65.62%
Capital Adequacy Ratio	12%	37.34%	36.98%	46.15%	36.96%	34.89%
Tier 1 Ratio	8%	25.77%	30.39%	40.13%	32.41%	31.67%
Loans to Deposits Ratio	-	49.27%	53.98%	52.51%	56.93%	58.83%
NPLs Ratio	5%	2.09%	2.17%	2.02%	3.19%	3.37%
Prudential Liquidity Ratio	30%	60.53%	61.95%	59.52%	57.53%	58.84%

Source: RBZ (2024)

Banking Sector Capitalization

93. As at 31 December 18 out of 19 banking institutions reported core capital above the minimum regulatory capital requirement, as shown in Table 6.

Table 6: Reported Core Capital as at 31 December 2024[3]

Banking Institution	Reported Core Capital (ZiG)	US$ Equivalent (US$1: ZiG25.7985)	Minimum Regulatory Capital (US$)
CBZ Bank	6,156,382,138	238,633,336	US$30 million
Stanbic Bank	4,023,534,494	155,960,016	US$30 million
CABS	2,854,303,566	110,638,353	US$30 million
Ecobank Zimbabwe	2,648,821,301	102,673,461	US$30 million
ZB Bank	2,449,978,912	94,965,944	US$30 million
NMB Bank	1,943,473,064	75,332,793	US$30 million
Metbank Limited	1,924,919,838	74,613,634	US$30 million
FBC Bank	1,745,333,597	67,652,522	US$30 million
First Capital Bank	1,357,182,533	52,607,032	US$30 million
Nedbank Zimbabwe	1,306,855,641	50,656,264	US$30 million
AFC Commercial Bank	1,078,490,497	41,804,387	US$30 million
BancABC	1,041,825,905	40,383,196	US$30 million
Steward Bank	1,007,043,489	39,034,962	US$30 million
POSB	908,886,348	35,230,201	US$20 million*
FBC Crown	869,026,103	33,685,140	US$30 million
National Building Society	836,964,199	32,442,359	US$20 million
FBC Building Society	607,551,645	23,549,883	US$20 million
ZB Building Society	539,165,566	20,899,105	US$20 million

Source: RBZ (2024)

[3] *POSB, which is established in terms of the POSB Act [Chapter 24:10] does not have minimum capital requirements. The institution however benchmarks with tier II banking institutions that have a capital requirement of ZiG equivalent US$20 million.

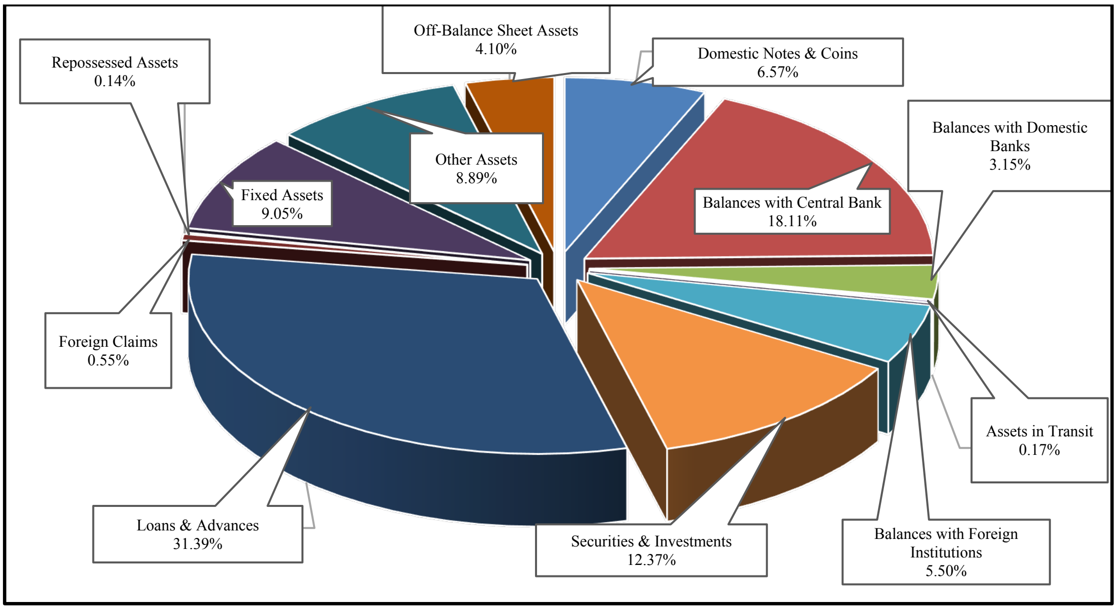
94. Time Bank, with a reported core capital of equivalent to US$4.52 million as at 31 December 2024, was authorised to commence limited commercial banking activities (without taking deposits) in August 2022.

95. The Reserve Bank will leverage on the external audit reports in verification of the declared capital positions submitted by banking institutions.

Banking Sector Asset Structure

96. Total banking sector assets increased from ZiG77.55 billion as at 30 June 2024 to ZiG161.39 billion as at 31 December 2024. The asset mix remained skewed towards loans & advances, which accounted for 31.39% of total banking sector assets as at 31 December 2024 compared to 32.25% in June 2024, as shown in Figure 24.

Figure 24: Asset Mix as at 31 December 2024



Source: Reserve Bank of Zimbabwe, 2024

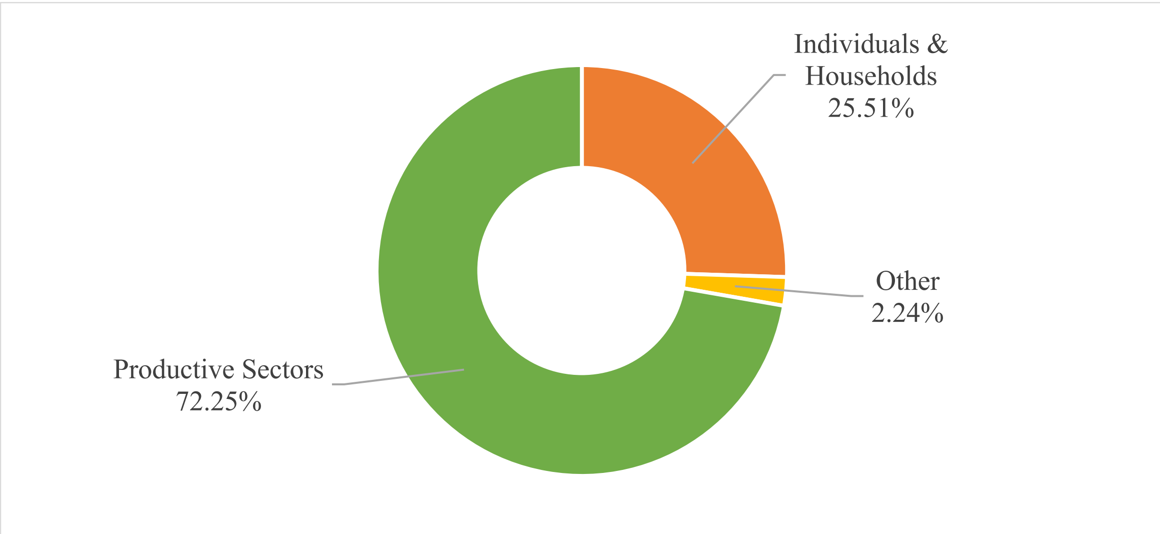
Banking Sector Loans and Advances

97. As at 31 December 2024, aggregate banking sector loans and advances amounted to ZiG55.93 billion, representing a 102% increase from ZiG27.45 billion reported as at 30 June 2024. The increase was largely attributed to the revaluation of foreign

currency denominated loans, which accounted for 88.17% of the banking sector aggregate loans. As at 20 January 2025, the loans and advances amounted to ZiG50.33 billion.

98. The banking sector continued to support the funding requirements of the productive sectors of the economy as evidenced by loans to the productive sectors, which constituted 72.25% of total loans as at 31 December 2024. Figure 25 shows the sectoral distribution of loans as at 31 December 2024.

Figure 25: Sectoral Distribution of Loans as at 31 December 2024



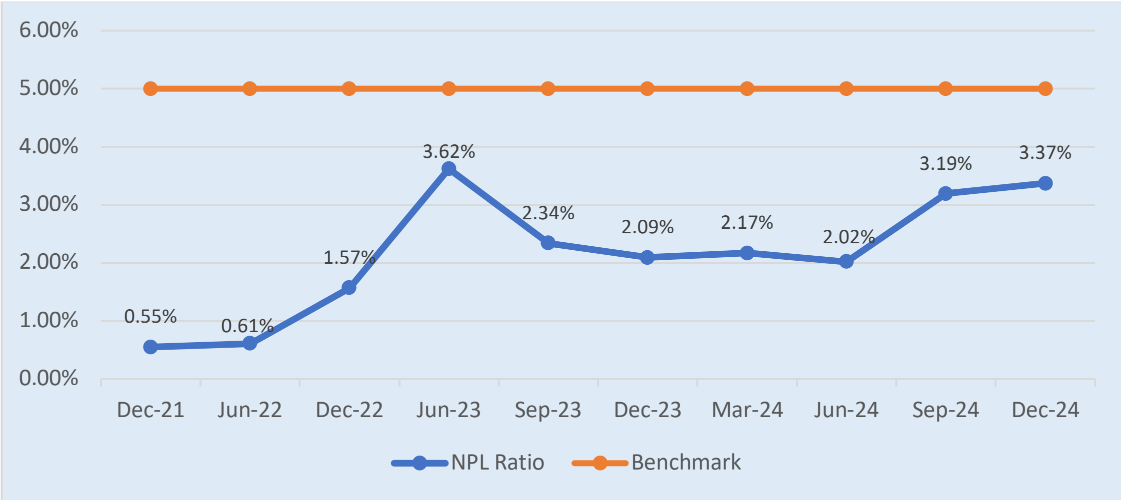
Source: Reserve Bank of Zimbabwe, 2024

99. Lending to productive sectors namely agriculture and manufacturing, accounted for 14.72%, and14.94%, of total loans, respectively.

Asset Quality

100. Banking sector asset quality remained satisfactory. As at 31 December 2024, the sector reported an aggregate non-performing loans to total loans ratio (NPL) of 3.37%, compared to 2.02% as at 30 June 2024. The ratio was within the internationally acceptable threshold of 5%. Figure 26 shows the trend in the level of NPLs from 31 December 2021 to 31 December 2024.

Figure 26: Trend in Non- Performing Loans

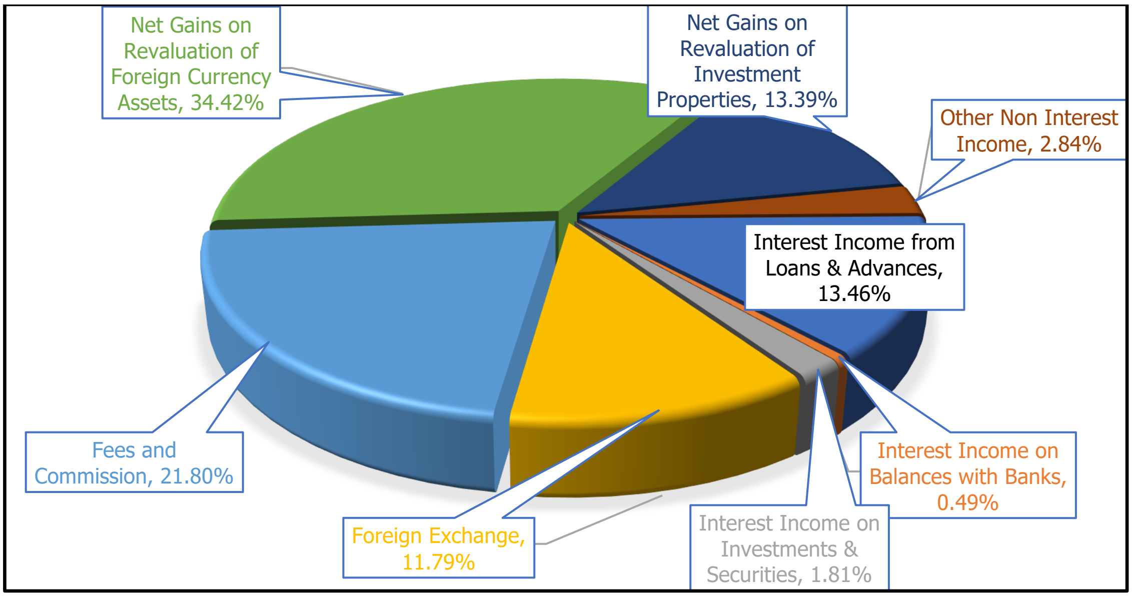


Source: Reserve Bank of Zimbabwe 2024

Banking Sector Profitability

101. Banking sector aggregate profit amounted to ZiG26.68 billion (US$1.03 billion) for the year ended 31 December 2024, representing a 6.95% increase from US$944.37 million reported in the corresponding period in 2023. The income mix for the sector is depicted in the Figure 27.

Figure 27: Banking Sector Income Mix as at 31 December 2024



Source: Reserve Bank of Zimbabwe 2024

102. The return on assets and return on equity ratios were 24.72% and 65.62% as at 31 December 2024, compared to 23.97% and 68.99% as at 31 December 2023, respectively.

Banking Sector Deposits and Liquidity

103. As at 31 December 2024 all banking institutions reported prudential liquidity ratios which exceeded the regulatory minimum of 30%. The banking sector's average prudential liquidity ratio was 58.84%. This notwithstanding, limited trading on the interbank market, resulted in temporary liquidity shocks for some banking institutions, underscoring the need for effective liquidity risk management.

104. Total banking sector deposits continued on an upward trajectory, increasing from ZiG43.60 billion reported as at 30 June 2024 to ZiG89.07 billion as at 31 December 2024, mainly driven by translation of foreign currency denominated deposits due to exchange rate movements. Foreign currency deposits accounted for 86.17% of total deposits as at 31 December 2024. As at 20 January total deposits amounted to ZiG86.75 billion.

Banking Sector Developments

Use of Artificial Intelligence in the Banking Sector

105. The role of Artificial Intelligence (AI) in banking is expected to continue growing in the years to come. Against this background, the Reserve Bank will continue to monitor and assess the use of AI based applications.

106. In the second half of 2024, the Bank conducted a survey to assess the financial services sector's adoption, application, and readiness for AI. Preliminary survey results depicted a growing AI maturity, with many institutions establishing foundational risk management and reporting systems, notably automated report

generation and real-time compliance tracking. Advanced tools, like predictive compliance modelling and NPL for regulatory analysis, remain largely unadopted.

107. Overall, the banking and microfinance sectors are in the early stages of AI governance, underscoring the need for clear, comprehensive AI strategies and policies to guide its use in financial services.

Cyber Resilience

108. In 2024, the Reserve Bank conducted a cyber resilience assessment for the banking and microfinance sectors to evaluate readiness against cyber threats. The assessment indicated satisfactory cyber maturity across most institutions, with well-established risk management systems safeguarding critical data and supporting effective threat detection and response.

109. The survey noted that the majority of institutions have developed cyber resilience strategies, while the rest are in the process of developing cyber resilience strategies. It was also noted that the majority of the financial institutions are carrying out cyber awareness programs.

110. The Reserve Bank will continue monitoring sector resilience and share specific reports with the market to encourage adherence to best practices.

Sustainable Banking Practices

111. In light of the growing frequency and severity of climate-related events, including droughts, floods, wildfires, and heatwaves, there is an increasing demand for banking institutions to effectively manage financial risks while playing an active role in promoting adoption of sustainable banking practices.

112. Against this background, the Reserve Bank continues to work closely with financial institutions towards creating strong, resilient, and inclusive financial institutions that contribute meaningfully to sustainable economic development.

113. As at 31 December 2024, 15 out of 19 banking institutions, two (2) development finance institutions and one (1) deposit-taking microfinance institution were undergoing the Sustainability Standards Certification Initiative (SSCI) program being spearheaded by European Organisation for Sustainable Development (EOSD). As such, banking institutions are at various stages of implementing the modules under the SSCI certification program.

114. The Reserve Bank conducted a survey in December 2024 to assess progress by banking institutions integrating sustainability issues into their business strategies, governance and internal control systems.

115. The survey revealed that 56% of the banking institutions had successfully integrated sustainability into their business models and had board members with relevant expertise in sustainability, climate risk, or environmental, social, and governance (ESG) issues.

116. In addition, 32% of the banking institutions reported to have board approved sustainable finance policies or frameworks in place, while some of the institutions have sustainability related matters covered in other existing policies.

Performance of the Microfinance Sector

117. The microfinance sector continues to play a critical role in promoting financial inclusion, improvement of livelihoods and contributing to sustainable economic growth.

118. The key performance indicators for microfinance sector (deposit-taking and credit-only microfinance institutions) over the period 31 December 2023 to 31 December 2024 is indicated in Table 7.

Table 7: Microfinance Key Performance Indicators

Indicator	Dec 2023	Mar 2024	Jun 2024	Sept 2024	Dec 2024
Total Loans	ZW$741.61b	ZW$2.76tn	ZiG2.14b	ZiG4,43b	ZiG4.94b
Total Assets	ZW$1.29tn	ZW$4.80tn	ZiG3.49b	ZiG7.37b	ZiG8.30b
Total Equity	ZW$337.18b	ZW$1.56tn	ZiG1.20b	ZiG2.36bn	ZiG2.52b
Net Profit	ZW$221.92b	ZW$652.28b	ZiG358.57m	ZiG681.96m	ZiG939.95m
Total Deposits	ZW$110.16b	ZW$551.78b	ZiG432.02m	ZiG978.51m	ZiG1.35b
Average Operational Self-Sufficiency (OSS)	184.46%	173.00%	182.36%	192.13%	183.32%
Portfolio at Risk (PaR>30 days)[4]	11.29%	10.63%	10.88%	9.93%	11.40%
Number of Outstanding Loans	361,684	420,055	563,521	786,706	931,665
Number of Active Loan Clients	334,396	362,415	401,964	549,413	531,691
Number of Female Borrowers	153,754	155,465	176,502	247,401	255,350
Loans to Female Borrowers	ZW$293.32b	ZW$2.84tn	ZiG664.68m	ZiG1.52 bn	ZiG1.75b
Number of Branches and Agencies	1,152	1,224	1,343	3,106	2,991

Source: Reserve Bank of Zimbabwe 2024

Microfinance Sector Capitalization

119. As at 31 December 2024, the microfinance sector registered an aggregate equity of ZiG2.52 billion, up from ZiG1.20 billion as at 30 June 2024.

120. Of the eight (8) operating DTMFIs, four (4) were non-compliant with the new minimum capital requirement of US$5 million for deposit-taking microfinance institutions.

[4] *Portfolio at Risk [30] days-The value of all loans outstanding that have one or more instalments of principal past due more than [30] days. This includes the entire unpaid principal balance, including both the past due and future instalments, but not accrued interest. It also includes loans that have been restructured or rescheduled.*

121. Table 8 shows the capital levels for the operational DTMFIs as at 31 December 2024.

Table 8: DTMFIs Sub-sector Deposits and Liquidity

Institution	**Core Capital 31.12.2024 (ZiG million)**	**Core Capital 31.12.2024 (US$ million) ***
African Century Limited	256.04	9.92
Innbucks MicroBank	230.01	8.92
Success Microfinance Bank	176.92	6.86
Mukuru Financial Services	128.99	5.00
GetBucks Microfinance Bank	85.46	3.31
EmpowerBank Limited	24.34	0.94
Zimbabwe Women's Microfinance Bank	34.62	1.34
Lion Microfinance Bank	25.95	1.01
Total	**962.34**	**37.30**

Source: Reserve Bank of Zimbabwe 2024

122. The DTMFIs subsector recorded an increase in deposits from ZiG432.02 million as at 30 June 2024 to ZiG1.35 billion as at 31 December 2024, largely driven by foreign currency deposits which accounted for 98% of the total microfinance deposits.

123. As at 31 December 2024, all DTMFIs reported prudential liquidity ratios above the prudential minimum threshold of 30%.

FINANCIAL INCLUSION

124. The Reserve Bank continues to spearhead the implementation of the National Financial Inclusion Strategy (NFIS) II, through partnerships and collaborations with key stakeholders and implementing partners, to ensure an inclusive financial sector in Zimbabwe.

Financial Inclusion Governance Structures

125. Zimbabwe adopted a consultative Governance and Coordination model comprising the National Financial Inclusion Steering Committee, National Financial Inclusion Technical Committee, National Financial Inclusion Secretariat and Thematic Working Groups.

126. The operational financial inclusion governance structures which are critical to the effective implementation and stakeholder buy-in of financial inclusion strategies will commence in 2025.

Monitoring & Evaluation Framework Training

127. A comprehensive and robust financial inclusion data base, disaggregated by gender, age, disability and geographic area, is critical in informing financial inclusion initiatives and interventions. In this regard, the Financial Inclusion Monitoring and Evaluation Framework (M&E) has been finalised, with the financial inclusion dashboard that now includes disaggregated financial inclusion data on all targeted segments.

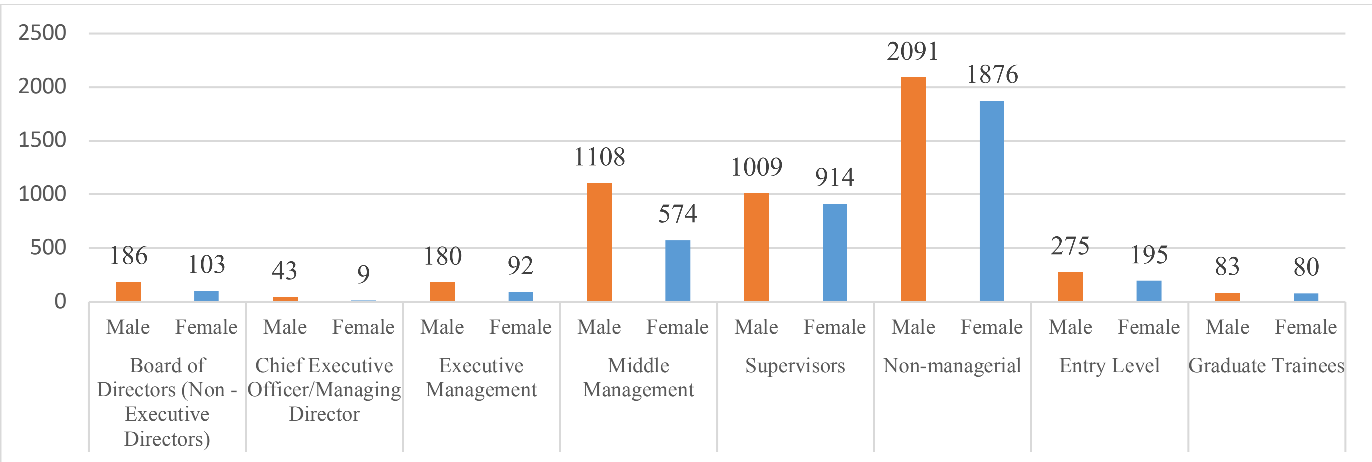
128. The financial inclusion dashboard will be used to monitor progress with regards to the effectiveness of the various financial inclusion initiatives on the level of uptake and usage of financial services by the marginalised and underserved target groups.

Survey on Women Participation in Decision Making

129. The Reserve Bank continues to promote gender diversity as part of women empowerment programs. In pursuit of fulfilment of the Maya Declaration and the Denarau Action Plan to promote gender equality and women empowerment, the Reserve Bank carried out a survey in 2024 to ascertain the proportion of women in decision making positions within banking and microfinance institutions.

130. The results of the survey conducted point to low level of women in decision-making levels in the banking and microfinance sectors. Results for 51 financial institutions that responded to the survey are shown in Figure 28.

Figure 28: Survey Results on Gender Diversity in the Financial Sector



Source: Reserve Bank of Zimbabwe 2024

131. Under-representation of women in decision-making roles has the potential to limit diverse perspectives and innovative financial solutions to challenges faced by women.

132. Against this background, banks, deposit-taking and credit-only microfinance institutions are encouraged to take steps to ensure gender diversity.

Savings and Credit Cooperative Society (SACCOS)

133. SACCOs are critical in facilitating financial inclusion and inculcating a savings culture at grassroots level.

134. Given the importance of SACCOs and the potential impact on financial stability, the availability of data is essential for enhanced oversight in the sector. In this regard, the Reserve Bank will continue to collaborate with the relevant stakeholders.

Financial Inclusion of Forcibly Displaced Persons (FDPS)

135. In line with developments in other jurisdictions, plans are underway to incorporate forcibly displaced persons as part of the target segments in the National Financial Inclusion Strategy.

Financial Inclusion Indicators

136. Table 9 highlights key Financial Inclusion Indicators.

Table 9: Financial Inclusion Indicators

Indicator	Sept 23	Dec 23	Mar 24	June 24	Sept24	Dec 24
Number of Loans to MSMEs	9,467	8,307	8,237	8,660	7,861	11,927
Value of loans to MSMEs	ZW$387.13bn	ZW$583.75bn	ZW$1,71tn	ZiG1.55bn	ZiG 3.24bn	ZiG 5,45bn
Average loans to MSMEs as % of total bank loans	3.87	4.96	3.73	5.25	7.55	7.53
Number of Loans to Women	200,894	185,326	190,501	189,763	204,560	319,634
Value of Loans to Women	ZW$448.39bn	ZW$912.75bn	ZW$3.04tn	ZiG2.38bn	ZiG4.22bn	ZiG 4.90bn
Average loans to women as a % of total bank loans	4.48	7.76	6.62	8.05	9.86	6.77
Number of Loans to Youth	65,587	57,216	58,636	52,392	61,968	73,770
Value of Loans to Youth	ZW$329.79bn	ZW$370.51bn	ZW$1.41tn	ZiG1.19bn	ZiG2.89bn	ZiG2.76bn
Average loans to the youth as a % of total bank loans	3.29	3.15	3.08	4.03	6.75	3.81
Total number of Active Bank Accounts (Million)	8.02	7.69	7.02	6.62	7.29	7.53
Number of Low-Cost Bank Accounts (Million)	3.5	3.75	3.63	3.82	3.38	3.37

Source: Reserve Bank of Zimbabwe, 2025

137. The on-going implementation of the National Financial Inclusion Strategy II continues to witness significant inroads into the financial inclusion of the marginalised target groups namely the micro, small and medium enterprises, women and youth as reflected by the financial inclusion indicators during the period from September 2023 to December 2024.

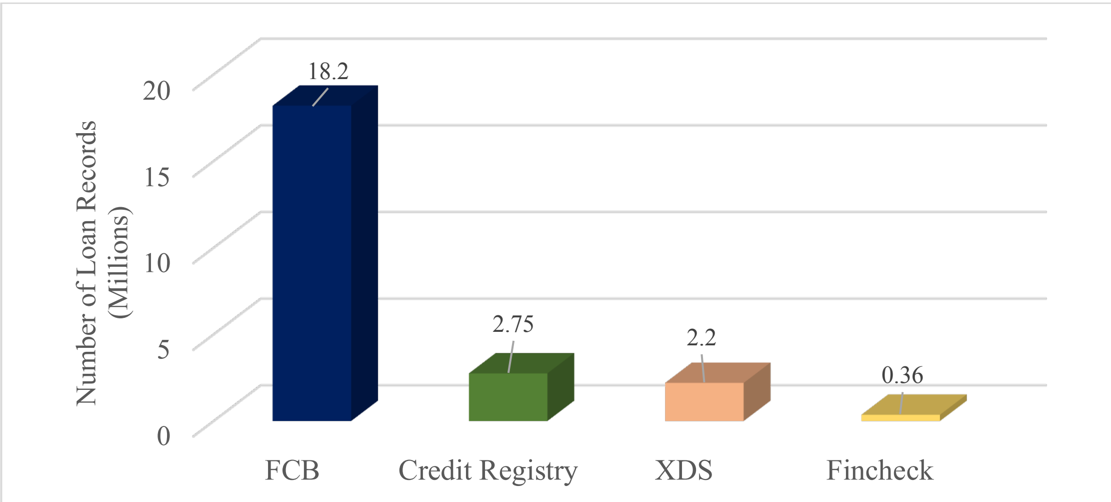
CREDIT INFRASTRUCTURE

Credit Registry

138. Financial institutions and other stakeholders continued to utilise the Credit Registry and private credit bureaus during the year to December 2024. The credit information sharing environment facilitates effective credit risk management and decision-making which ultimately fosters financial inclusion and promote financial stability.

139. As at 31 December 2024, all the credit reporting institutions maintained 23.51 million searchable records. The distribution of credit records by institution is shown in Figure 29.

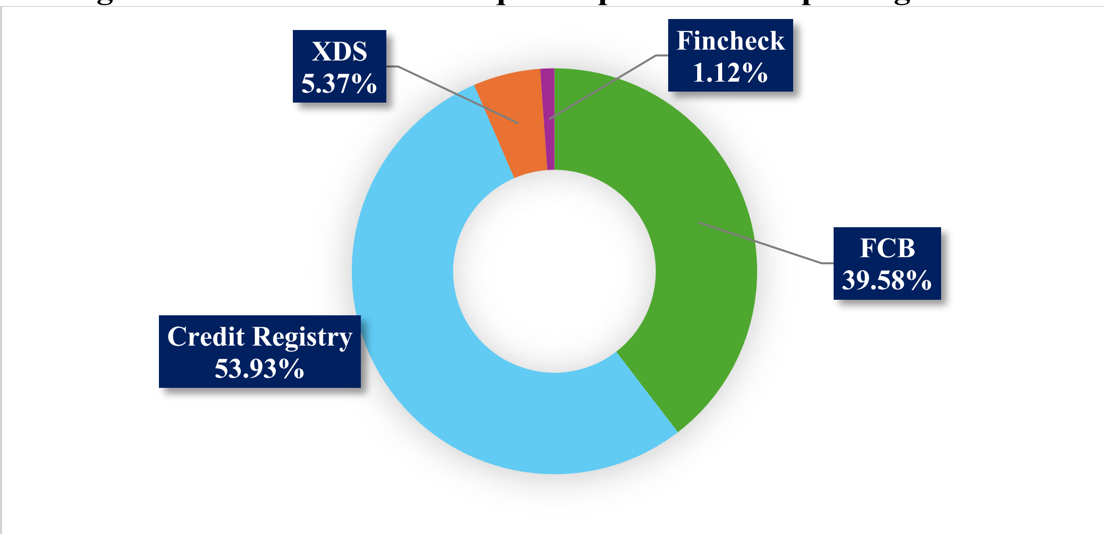
Figure 29: Cumulative Loan Records per Credit Reporting Institution



Source: Reserve Bank of Zimbabwe, 2025

140. In addition, the distribution of inquiries across credit reporting institutions is illustrated in the Figure 30.

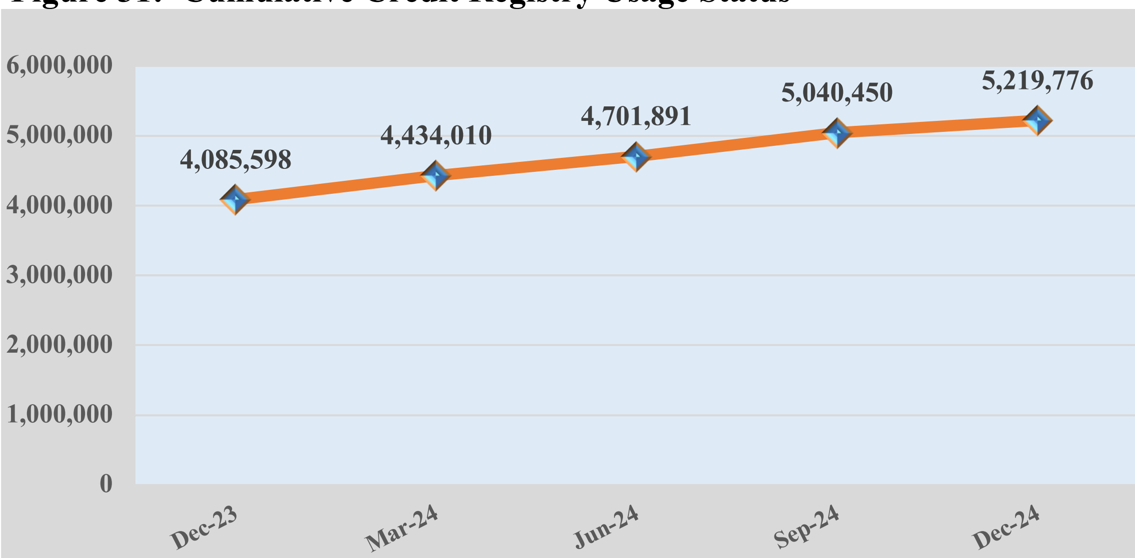
Figure 30: Distribution of Inquiries per Credit Reporting Institution



Source: Reserve Bank of Zimbabwe 2024

141. As at 31 December 2024, statistics from the Credit Registry reveal a 27.76% increase in cumulative inquiries, rising from 4,085,598 on 31 December 2023, as shown in Figure 31.

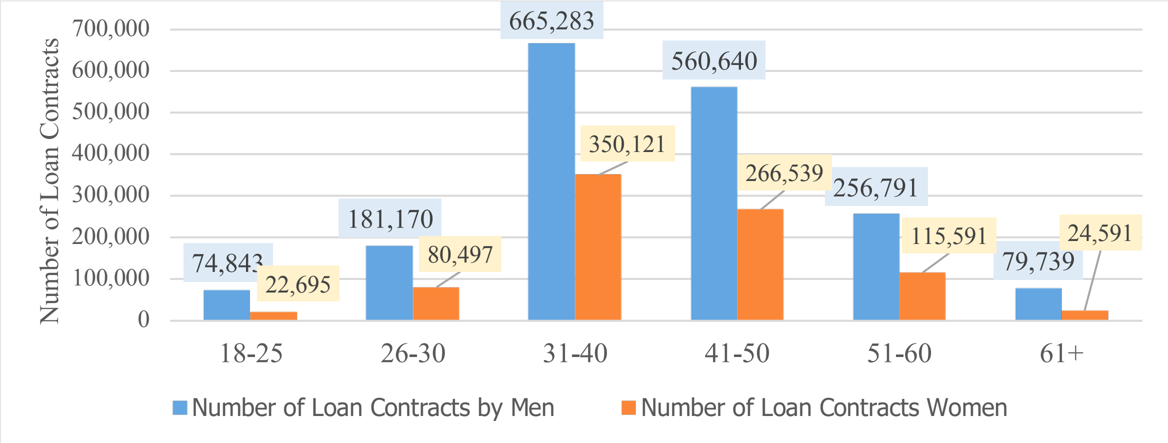
Figure 31: Cumulative Credit Registry Usage Status



Source: Reserve Bank of Zimbabwe, 2024

142. |Figure 32 shows the distribution of loans to individual borrowers by age and gender in the Credit Registry database as at 31 December 2024.

Figure 32: Distribution of Loans Age & Gender

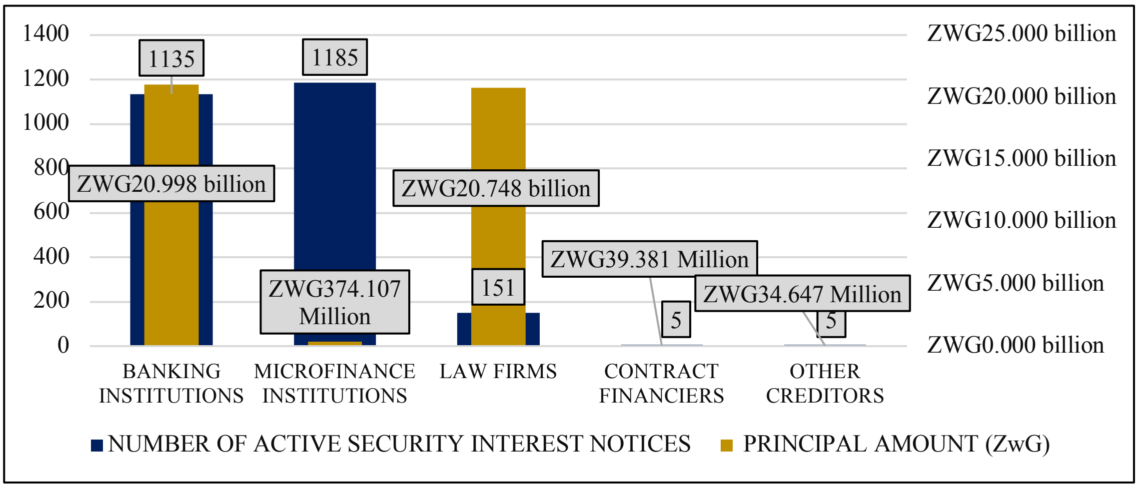


Source: Reserve Bank of Zimbabwe, 2024

Collateral Registry

143. As at 31 December 2024, there were 2,481 active registrations in the Collateral Registry with a total principal value of ZiG42.19 billion. Microfinance institutions were the major users of the Collateral Registry with 1,185 registrations, followed by banks with 1,135 entries. In terms of value of movable collateral, banking institutions recorded a total of ZiG20.99 billion, while law firms registered a total value of ZiG20.75 billion on behalf of clients, as shown in Figure 33.

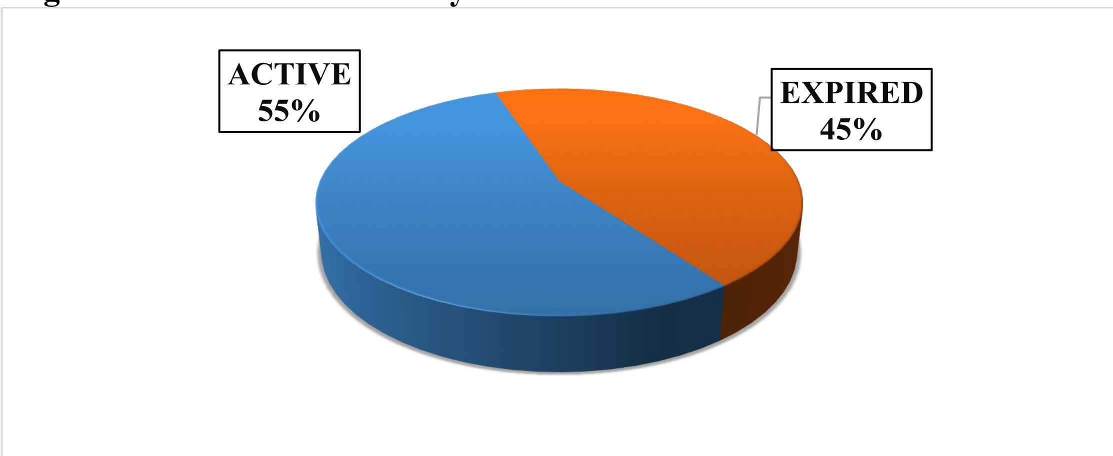
Figure 33: Value of Registered Securities as at 31 December 2024



Source: Reserve Bank of Zimbabwe, 2024

144. The Collateral Registry recorded a cumulative 4,516 security interest notices in movable assets since commencement in November 2022, comprising 2,481 (55%) active security interest notices, and 2,035 (45%) expired registrations as shown in Figure 34.

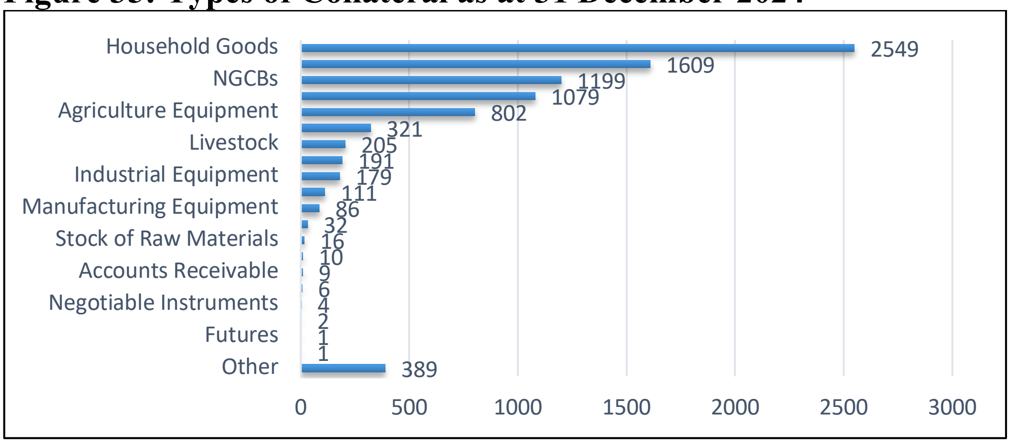
Figure 34: Number of Security Interest Notices



Source: Reserve Bank of Zimbabwe, 2025

145. Lending institutions continue to expand the types of movable assets which qualify as collateral. During the year to 31 December 2024 collateral included household goods, private vehicles, trucks, agricultural equipment and shares, as shown in Figure 35.

Figure 35: Types of Collateral as at 31 December 2024

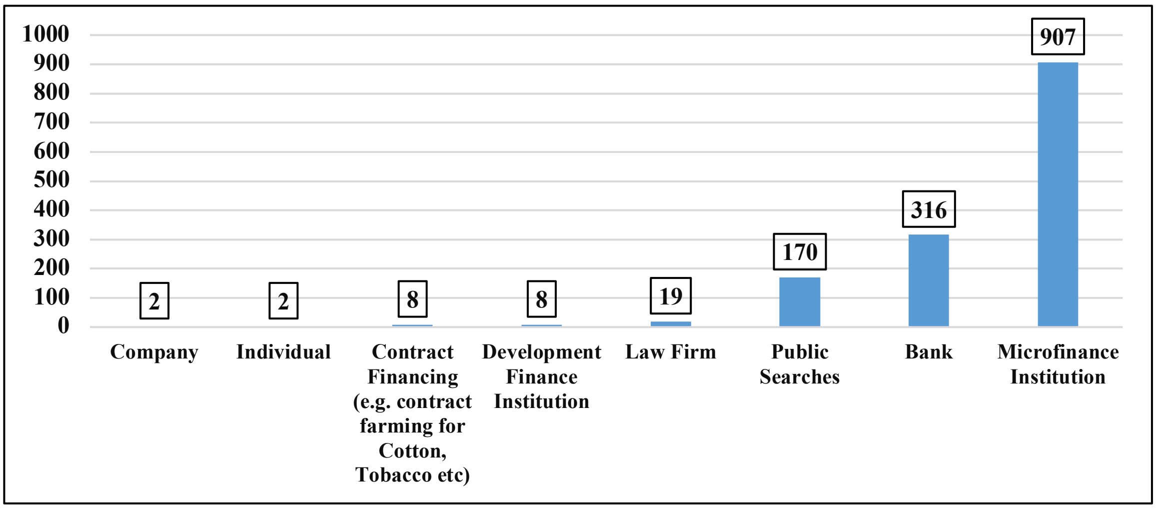


**Other includes motorcycles, trailers and other movable assets that are yet to be classified in the Collateral Registry system.*

Source: Reserve Bank of Zimbabwe, 2024

146. MFIs also registered the highest number of security interests searches as shown in Figure 36.

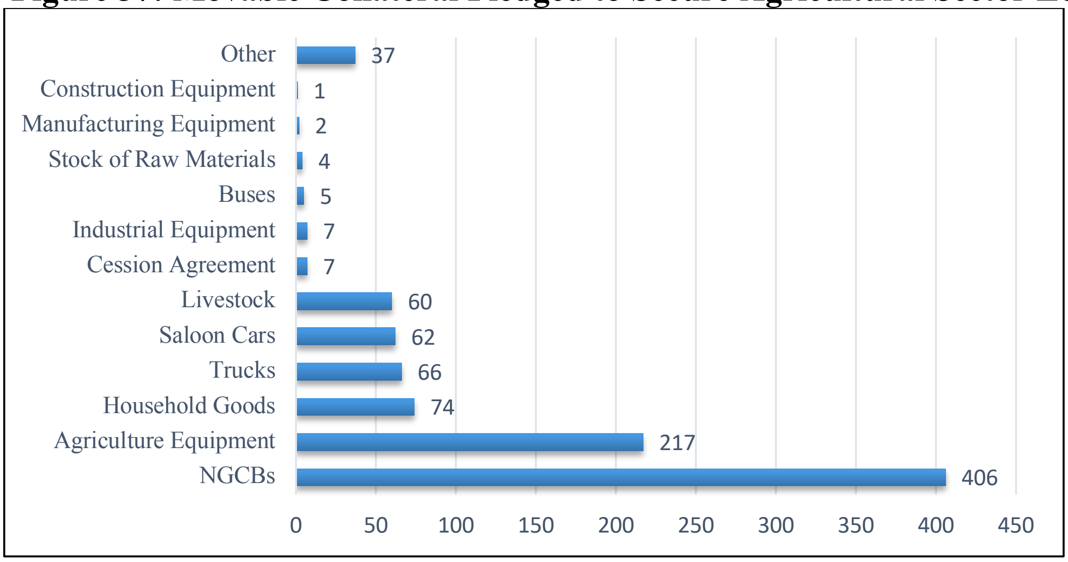
Figure 36: Searches by Client as at 31 December 2024



Source: Reserve Bank of Zimbabwe, 2025

147. Within the agricultural sector movable assets pledged to secure loans were dominated by Notarial General Covering Bonds (NGCBs) as at 31 December 2024, as shown in Figure 37.

Figure 37: Movable Collateral Pledged to Secure Agricultural Sector Loans

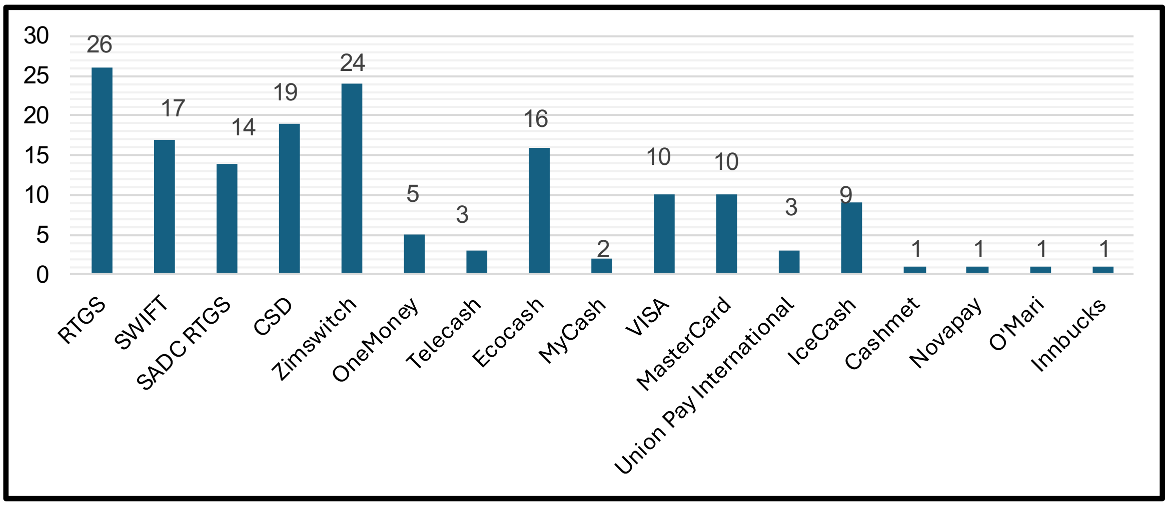


Source: Reserve Bank of Zimbabwe, 2024

NATIONAL PAYMENT SYSTEMS DEVELOPMENTS

148. During 2024, the payment system services sector demonstrated stability and safety, with steady transaction growth indicating a healthy financial environment. Figure 38 shows the payment system in Zimbabwe.

Figure 38: Payment Systems in Zimbabwe



Source: Reserve Bank of Zimbabwe, 2024

Real Time Gross Settlement System (RTGS)

149. The RTGS system was upgraded in November 2024, to ensure that the system complies with ISO (International Organization for Standardization) 20022 standards. This was aimed at enhancing the efficiency, security, and effectiveness of the system, ultimately benefiting financial institutions, customers and the economy.

150. During 2024 the values of transactions processed through the RTGS System were ZiG266.89 billion and US$29.02 billion, with volumes at 5.52 million and 5.83 million, respectively.

Access Devices and Points

151. All access devices, except for ATMs, recorded growth during the year 2024, as shown in Table 10.

Table 10: Payment Access Points and Devices as of December 2024

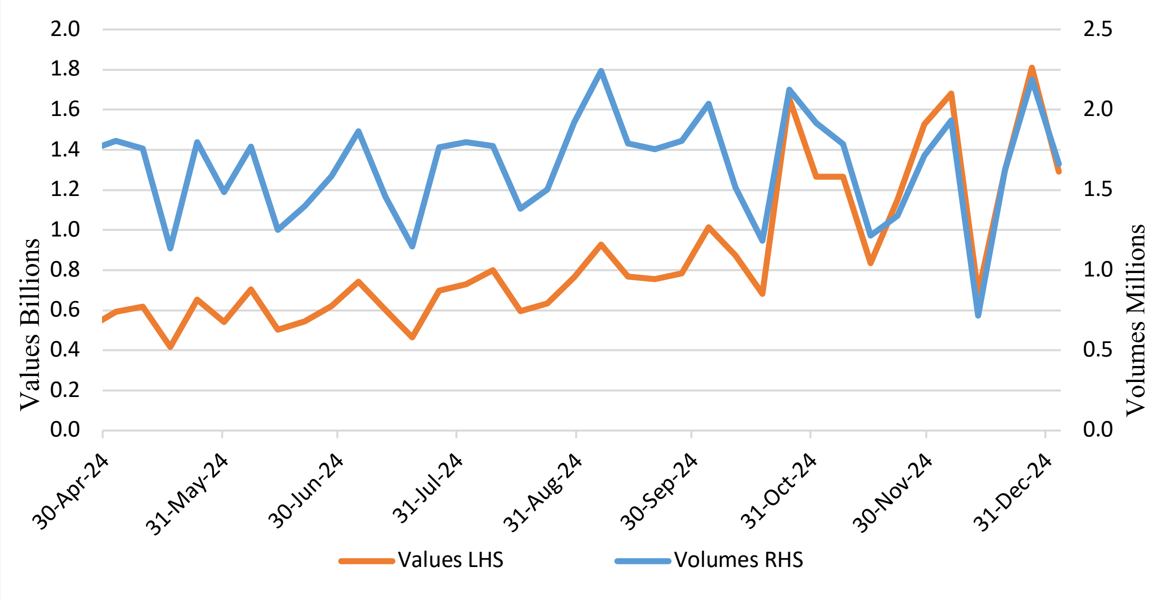
PAYMENTS SYSTEMS ACCESS POINTS						
	Jul-24	**Aug-24**	**Sep-24**	**Oct-24**	**Nov-24**	**Dec-24**
ATMs	416	422	402	406	407	407
POS	133,961	134,284	135,996	135,614	136,743	137,304
MPOS	28,390	28,390	28,397	28,374	28,355	28,354
PAYMENTS SYSTEMS ACCESS DEVICES						
Debit Cards	5,791,591	5,810,174	5,872,074	5,853,971	5,849,894	5,866,859
Credit Cards	19,010	19,477	19,540	19,967	20,075	20,111
Prepaid Cards	140,686	140,729	143,598	145,593	147,892	149,474
Mobile Money Subscribers	9,680,737	9,762,205	9,955,399	9,937,069	9,886,704	9,959,866
Internet Banking Subscribers	544,388	556,126	554,563	546,769	549,348	551,655

Source: Reserve Bank of Zimbabwe, 2024

Interoperability

152. The interoperability values for retail digital transactions reached the ZiG$1.8 billion mark in December 2024, a significant increase from less than ZiG200 million in June 2024, as shown in Figure 39.

Figure 39: Interoperability Transaction Values and Volumes (Apr- Dec 2024)



Source: Reserve Bank of Zimbabwe, 2025

SWIFT ISO 20022 Migration from MT Messages

153. The Banking community continued to work towards full compliance with SWIFT cross-border payment processes for the ISO 20022 program, after successfully implementing incoming and outgoing cross border payments and reporting plus (CBPR+).

Cybersecurity Management

154. To mitigate risks associated with cyber threats and technological disruptions, the Reserve Bank is strengthening the regulatory framework governing the National Payment Systems. Regular assessments of system resilience and the implementation of best practices in cybersecurity will continue to be prioritized.
155. All stakeholders in the financial services sector are expected to effectively collaborate, embrace the risk-based approach, and work towards ensuring the success of the related cyber control measures.

Anti-Money Laundering and Counter-Financing of Terrorism (AML-CFT)

156. The payments sector has maintained a strong commitment to adhering to Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) international standards and regulatory requirements. This is reflected through the strengthening of internal controls, compliance programs and risk management frameworks by payment service providers (PSPs).

Regional And International Developments

157. The Bank continued to collaborate with other Central Banks and international organizations to enhance cross-border payment systems and enforce international best practices in the market.

158. Local banks continued to integrate with the regional payment systems which include the Pan African Payment and Settlement System (PAPSS), COMESA's REPSS (Regional Payment and Settlement System) and SADC RTGS System.

SECTION SIX

MONETARY POLICY MEASURES

159. Price stability is the overriding objective of the Reserve Bank of Zimbabwe's Monetary policy framework. Accordingly, the policy measures implemented by the Reserve Bank during the last quarter of 2024 have resulted in the relative exchange rate and inflation stability in the economy. The gains made on the exchange rate and inflation front have laid a solid foundation for continued stability in the economy, going forward.

Monetary Policy Strategic Thrust

160. The Reserve Bank recently finalised its Strategy Plan (2025-2029), which has been reconfigured to focus exclusively on its core mandate of maintaining price and financial stability. This has been aligned to the "***Back-to-Basics"*** thrust of the Reserve Bank with a priority focus to balance "**Confidence-Trust-Credibility-Efficiency-Stability-Growth"** outcomes.

161. In this strategy, the Reserve Bank aims to further entrench sustained price, currency and exchange rate stability in the economy to consolidate the gains made on ZiG, thus far.

162. The key imperatives of the Monetary Policy Framework under the reconfigured Reserve Bank Strategy Plan, which benefited from extensive stakeholder consultations, include:-
    i. Optimal Money Supply Management;
    ii. Modernisation of monetary policy formulation, implementation, monitoring and impact evaluation;
    iii. Allowing greater flexibility and deepening of the interbank foreign exchange market;

iv. Accumulation of adequate foreign reserves to back ZiG and boost import cover;
v. Effective Monetary Policy communication and stakeholder engagement;
vi. Leveraging on fintechs, financial sector innovation and digitalisation;
vii. Strengthening financial sector stability through effective surveillance;
viii. Fostering sustainability in the financial sector;
ix. Entrenching financial inclusion; and
x. Effective coordination and congruence of monetary and fiscal policies, including prudent liquidity management.

Monetary Policy Framework (2025)

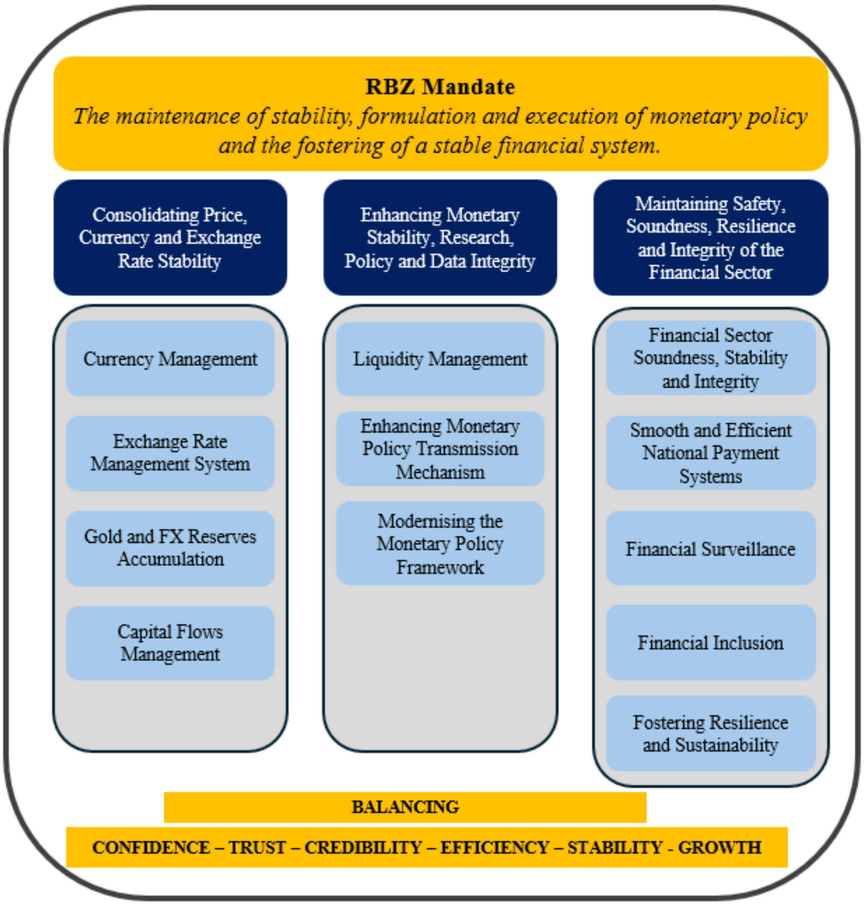
163. The Monetary Policy Framework for 2025 will be underpinned by three strategic pillars aligned to the RBZ Strategy Plan (2025-2029), namely:

(i) Consolidating Price, Currency and Exchange Rate Stability;

(ii) Enhancing Monetary Stability, Research, Policy and Data Integrity; and

(iii) Maintaining Safety, Soundness, Resilience and Integrity of the Financial Sector (see Figure 40).

Figure 40: Reserve Bank Monetary Policy Framework (2025)



164. The Reserve Bank will implement well sequenced monetary policy measures guided by the foregoing strategic pillars of the monetary policy strategy. The sequencing and timing of the monetary policies will be based on a continuous monitoring and assessment of domestic, monetary and financial conditions, as well as global economic conditions.

165. Consequently, the Reserve Bank will maintain a tight monetary policy stance and make appropriate reviews, consistent with inflation and exchange rate developments.

MONETARY POLICY MEASURES

166. In line with statutory requirements, this Monetary Policy Statement outlines policy measures for the ensuing six months. The monetary policy stance for the first half of 2025 will, therefore, be aimed at consolidating stability and supporting economic growth, premised on the following policy measures and considerations:

(a) Review of Exporters' Foreign Currency Retention Threshold

167. In order to guarantee continued stability in the interbank foreign exchange market through augmenting the supply of foreign currency, as well as building the critical foreign currency reserves needed to anchor the ZiG, the foreign currency retention level for exporters has been reduced from 75% to 70%, with immediate effect. This implies that the effective surrender portion of export proceeds has been increased from 25% to 30%.

168. This review is consistent with the increased use of ZiG in the economy. The additional 5% will ensure that exporters mobilise sufficient ZiG to meet local currency obligations and other expenses, including tax payments, going forward.

(b) Introducing a US Dollar Denominated Deposit Facility (USDDDF)

169. In order to ensure preservation of value, exporters with no immediate use of the ZiG equivalent of the additional 5% of the export surrender proceeds will have an option to invest the funds in a USDDDF at the Reserve Bank which they can withdraw in ZiG on demand, at the prevailing interbank exchange rate on the settlement date.

(c) Refinement of the Foreign Exchange Management System

i. Clarification of the Interbank Foreign Exchange Trading Guidelines

170. In order to engender greater flexibility and deepen the foreign exchange market, while enhancing its efficiency and the price discovery mechanism, the Reserve Bank is further refining and clarifying the Interbank Foreign Exchange Trading Guidelines to Authorised Dealers, as follows:

- The 5% trading margin as communicated in the previous Interbank Foreign Exchange Trading Guidelines issued at the inception of the Willing-Buyer Willing-Seller Foreign Exchange Trading Arrangements on 3 May 2024, was only applicable for the determination of the starting exchange rate, following the introduction of the new currency, ZiG.
- Accordingly, Authorised Dealers are expected to on-sell foreign exchange purchased from willing sellers, including the Reserve Bank, at a margin consistent with international best practices.

ii. Removal of Limits on Foreign Exchange Trading

171. The limits on funds that can be accessed from the Foreign Exchange Interbank Market that had been set at US$500,000 and US$100,000 for Primary and Secondary users of foreign exchange, respectively, per week, per entity as stated in Section 3.1 of Exchange Control Circular 4 of 2022, have been **removed** with immediate effect.

172. The Reserve Bank will issue streamlined Foreign Exchange Interbank Market Guidelines to operationalise the refinements on the exchange rate management system and removal of foreign exchange trading limits.

iii. Review of Prepaid International Debit and Credit Cards Limit

173. In order to promote the use of the prepaid international debit and credit cards, the Reserve Bank has, with immediate effect, reviewed upwards the **annual** limit from

US$500,000 (Five hundred thousand United States Dollars) to US$1,000,000 (One million United States Dollars).

174. This review will also enhance the ease of doing business and reduce the use of foreign currency cash for cross-border transactions.

iv. Foreign Currency Exposure Limits

175. The single currency and the overall foreign exchange risk exposure limits are critical risk management tools for managing foreign exchange exposures of banks. These limits are prescribed under the Banking Regulations S. I. 205 of 2000 at 10% and 20% of net capital base, respectively.

176. However, as provided under the Banking Regulations, the Reserve Bank has been granting temporary exemptions on a case-by-case basis given the multicurrency framework and its impact on the banking institutions' balance sheets.

177. In order to allow ZiG to gain prominence in the multicurrency system and align with the prescribed foreign currency exposure limits under the Banking Regulations, the Reserve Bank will set upper limits to facilitate winding down, by banking institutions, that are currently over-exposed in foreign currency.

(d) Sustainable Accumulation of Gold and Foreign Currency Reserves

178. Since the introduction of ZiG in April 2024, the Reserve Bank embarked on a reserves accumulation strategy focused on ensuring that the ZiG component of reserve money is fully backed, at all times. The total holdings of gold and foreign currency reserves have increased by about 90%, from US$285 million in April 2024 to around US$550 million (ZiG14.3 billion) as at end of January 2025, thereby providing more than 3 times cover for reserve money of ZiG3.5 billion.

179. Consistent with its monetary policy objectives of ensuring currency and exchange rate stability, the Reserve Bank is committed to the continued accumulation of reserves to cover ZiG reserve money in the economy. The Reserve Bank will

leverage its foreign reserves build-up strategy on the anticipated increase in gold production (from 36 tonnes in 2024 to a projected 40 tonnes in 2025), through in-kind royalties, purchase of foreign exchange export surrender proceeds and from willing sellers of foreign exchange in the WBWS market.

180. The reserves accumulation strategy of the Reserve Bank in 2025, will therefore, shift focus towards building-up a buffer of usable official reserves to adequately cover ZiG and to meet regional benchmarks of months of import cover. The foreign reserves accumulation framework will be guided by the strategic intent to ensure an optimal and balanced portfolio mix between gold and foreign currency cash (liquidity management) to facilitate timely interventions in the foreign exchange market.

181. The Reserve Bank has, therefore, since May 2024 been building internal capacities and capabilities for the implementation of a robust and prudent reserve management strategy that will guarantee value preservation and sustainable growth in foreign currency reserves.

(e) Interest rates

i. Bank Policy Rate

182. The Bank Policy rate, which is currently at 35% per annum, is assessed to be appropriate to support the current tight monetary policy stance and the envisaged economic growth. As such, the policy rate will be maintained at the current level of 35% per annum and reviewed by the Monetary Policy Committee (MPC), from time to time, based on inflation developments and other market fundamentals.

ii. Minimum Deposit Interest Rates and Promotion of a Savings Culture

183. Considering recent stakeholder concerns and the need to reward depositors, the minimum interest rates for savings and time deposits in both ZiG and USD have been reviewed upwards, with immediate effect, as follows:

Currency/Term	Savings Deposit Rates		Time Deposit Rates	
	Old	**New**	Old	**New**
ZiG Deposits	3.5%	**5%**	5%	**7.5%**
USD Deposits	1%	**2.5%**	2.5%	**4%**

184. The Reserve Bank encourages banks to offer depositors more than the stipulated minimum deposit rates, to promote a banking and savings culture in the economy.

185. Depositors should take advantage of these interest rates to place their savings in these interest-bearing **savings and time** deposit accounts as opposed to non-interest-bearing **current** accounts. The Reserve Bank has engaged the Bankers Association of Zimbabwe (BAZ) to ensure that the banking system encourages their depositors to make use of these interest-bearing deposit accounts through awareness campaign programmes and promotions.

(f) Statutory Reserves

186. Statutory reserves were increased and standardised to 30% for demand deposits and 15% for savings and fixed deposits in both local and foreign currency. This adjustment has been key in sustaining the current tight liquidity in the economy, which has assisted in stabilising inflation and the exchange rate. The statutory reserve ratios, therefore, remain unchanged.

187. The Reserve Bank will review the statutory reserve requirements when appropriate, consistent with prevailing monetary and financial conditions.

(g) The Targeted Finance Facility (TFF) and Access to WBWS Interbank Foreign Exchange Market

188. In January 2025, the Reserve Bank introduced the Targeted Finance Facility (TFF) to enhance banks' support to productive sectors. The TFF is financed from the pool of banks' statutory reserves held at the Reserve Bank, implying that there is no new money created to finance it. The operational modalities of the TFF have already been issued to banks.

189. In order to address working capital challenges recently experienced by some wholesalers and retailers, the TFF has been extended to these critical sectors to enable them to restock.

190. To ensure the effectiveness of the TFF facility in supporting productive sectors, beneficiaries of the funds can access the WBWS Interbank Foreign Exchange Market to access the requisite foreign currency, upon submitting bonafide invoices to support their critical import requirements.

(h) Currency Management

191. Cognisant of the need to ensure the optimal distribution of ZiG notes in the economy, particularly for ease of access in the remote areas and to further entrench financial inclusion, the Reserve Bank is embarking on an intensive and extensive educational campaign programme and other initiatives, working with key stakeholders in the communities.

192. The Reserve Bank is also working on enhancing the quality and design of ZiG bank notes in line with international standards. The rollout of the improved high quality ZiG notes will be communicated in due course.

(i) Functional and Presentation Currency - Financial Reporting

193. Given the need to ensure comparability of financial statements, the Reserve Bank, following consultations with the Public Accountants and Auditors Board (PAAB),

requires that all entities adopt a common presentation currency, ZiG, for reporting purposes, with immediate effect, including for the 2024 audited financial statements. This requirement is consistent with the increase in the number and value of transactions settled in ZiG since its introduction on 5 April 2024.

194. Government and other regulatory bodies, such as the Zimbabwe Stock Exchange (ZSE), the Securities and Exchange Commission of Zimbabwe (SECZim) and the Insurance and Pension Commission (IPEC) will issue statements to enforce the new reporting requirements by all entities.

(j) Liquidity Management

195. The tight monetary policy stance of the Reserve Bank comes with inevitable liquidity squeeze, necessary to instil market discipline and curtail disruptive speculative behaviour in the economy. Excess liquidity in the money market always has a damaging effect and curtails the Central Bank's quest to maintain price, currency and exchange rate stability.

196. In view of the above, the Reserve Bank continues to closely monitor liquidity levels and developments, and to take necessary measures to ensure optimal liquidity and guarantee the smooth and efficient operation of the national payments system. The operational interventions by the Reserve Bank in the money market will always be guided by the need to balance stability and growth.

(k) Promoting Inter-Bank Market Trading

197. The Reserve Bank is concerned that trading on the inter-bank market has remained low, largely due to the evident market segmentation. Lack of trading on the inter-bank market necessitates the Reserve Bank to accommodate individual banks in short positions, as opposed to settling the net market position through the "Lender of Last Resort" window.

198. In this regard, following extensive consultations with the market, the Reserve Bank is working with the Bankers Association of Zimbabwe (BAZ) to resuscitate a vibrant inter-bank money market to enhance the monetary policy transmission channel in the economy. Banks are, therefore, encouraged to set counterparty limits among themselves that promote a vibrant and efficient inter-bank money market, which is vital for monetary policy effectiveness.

(l) Bank and Transaction Charges

199. Domestic stakeholders consulted by the Reserve Bank bemoaned the current high levels of bank charges obtaining in the banking sector. The Reserve Bank will continue to ensure that banks strictly adhere to a policy **compelling** them to exempt from bank charges, all accounts that maintain a balance below US$100 or its equivalent in ZiG. In addition, Point of Sale (POS) transactions for amounts less than US$5 or its equivalent in ZiG are also exempted from transaction charges, for both banking institutions and Payment System Providers (PSPs).

200. The Reserve Bank is also working with BAZ and PSPs to come up with mechanisms to minimise bank charges and encourage use of e-cash to promote ZiG. These mechanisms will be finalised and communicated before the end of the first half of 2025.

(m) Promoting Digital Payments and Use of Point of Sale (POS) Machines

201. In line with the policy stance to enhance digital transactions in the economy, Banks and Payments System Providers (PSPs) are directed with immediate effect to ensure that every business account (new and existing) is issued with a Point of Sale (POS) machine or any other approved digital mechanism which can facilitate transactions in both ZiG and USD. Any dormant POS machines or digital transactional gadgets should be reported to the Reserve Bank **Toll Free Hotline (0800 6009).**

202. To promote the use of normal banking channels on all domestic trading transactions, the Reserve Bank further advises all Local Authorities and other licencing entities to ensure that all applicants for trading licences (individuals or corporates) have a bank account and a functional POS machine at the point of licencing and/or renewal.

(n) Discriminatory Pricing Practices in Telecommunications

203. The Reserve Bank has received complaints from stakeholders during the consultative meetings alleging that some mobile money operators are applying discriminatory pricing practices against ZiG in preference for USD transactions. For instance, promotions for internet data packages are only available in US dollars and not in ZiG.

204. The Reserve Bank has since engaged the regulatory authority, Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ), and the Telecommunications Operators Association of Zimbabwe (TOAZ). The Reserve Bank, through the Financial Intelligence Unit (FIU) will continue to monitor adherence to this requirement by TOAZ members.

205. The industry players have agreed to rationalise their pricing structures. This will allow their customers to purchase internet data packages using their currency of choice.

(o) Capital Flows Management – Trade and Investment Facilitation

206. The management of capital flows is considered an important part of the macroprudential policy toolkit for developing countries, which remains instrumental in offsetting systemic risk externalities.

207. Consistent with SADC's capital flows management framework, currently under implementation in the Committee of Central Bank Governors (CCBG) grouping, a modern framework of administration of foreign currency flows has been adopted to protect and safeguard regional economies from macro-financial instability.

208. In this regard, and in line with regional standards, the Reserve Bank, as part of its reorientation of the strategic thrust, has, therefore, created new structures that ensure: -

i. Macro-prudential management of cross-border capital flows that encourage companies to grow globally from a domestic base, and facilitate trade (exports and imports) and investment (debt and equity);
ii. Effective risk-based surveillance of cross-border capital flows;
iii. Robust cross-border reporting systems to effectively track foreign currency flows; and
iv. Simplification of foreign exchange transactions administration for ease of doing cross-border trading and investment.

(p) Other Monetary Policy Support Measures

i. Sustainable Banking Practices

209. The Reserve Bank has positively noted that banking institutions are at various stages of integrating sustainability considerations into their overall business strategies and Board Governance systems.

210. As a way to enhance effectiveness of the processes, all banking institutions are required to nominate suitably qualified and/or experienced Board Sustainability Champions and advise the Reserve Bank by 31 March 2025.

ii. Climate Risk Management

211. The Reserve Bank continues to focus on potential risks to financial stability from climate change. In this regard, and in line with requirements stipulated in the Climate Risk Management Guideline 01-2023/BSD, banking institutions are required to submit to the Reserve Bank their institutional climate risk profiles as at 31 December 2024, by 31 March 2025. The risk profiles should clearly indicate sectoral and portfolio exposures to climate risks.

iii. Cyber Resilience in the Banking and Microfinance Sectors

212. The increasing sophistication of cyber threats poses significant risks to the financial sector, making cyber resilience critical for maintaining public trust, protecting sensitive data, and ensuring uninterrupted financial services. Accordingly, the Reserve Bank places greater emphasis on strengthening sector-wide frameworks to address these risks and ensure financial system stability.

213. In order to enhance cybersecurity, all banking and deposit-taking microfinance institutions are required to conduct annual cybersecurity audits. The audit reports must be shared with the Reserve Bank at the same time they are submitted to the Board's Audit Committee.

iv. Risk Management Framework for Artificial Intelligence

214. The Reserve Bank acknowledges the transformative potential of Artificial Intelligence (AI) in enhancing efficiency, decision-making, and customer service in the financial sector. However, the Reserve Bank also recognizes various risks associated with the use of AI.

215. In this regard, financial institutions are required to put in place robust risk management systems, taking into account issues of data security, ethical concerns and operational vulnerabilities.

216. Similarly, the Reserve Bank has embarked on a financial innovation, fintechs and digitalisation strategy, to enhance operational efficiency, robust risk management and keep abreast with global technological developments.

v. Lending Practices of Microfinance Institutions

217. Following extensive stakeholder consultations, the Reserve Bank has received complaints on predatory lending practices by some microfinance institutions, in violation of the Microfinance Act [Chapter 24:30] and Consumer Protection Framework No. 1-2017/BSD. The complaints include unethical and

unprofessional loan collection methodologies, over-deductions on customers' salaries and illegal disposal of collateral.

218. Against this background, the Reserve Bank is intensifying its surveillance of microfinance institutions to ensure compliance with the Microfinance Act and Consumer Protection Framework. Appropriate supervisory actions will be instituted against non-compliant institutions. The Reserve Bank will provide a report back to stakeholders in the Mid-term Monetary Policy Statement in August 2025.

vi. Promoting Financial Inclusion in Remote and Under-served Communities

219. The Reserve Bank remains committed to the fostering of financial inclusion and allowing wider access to financial services, including ZiG to remote and under-served communities, including designated growth points.

220. To promote widespread establishment of *bureaux de change* operators in remote and under-served communities, the Reserve Bank has, with immediate effect, exempted licencing fees for opening of branches in these areas.

vii. Taking of Deposits by Unlicensed Entities

221. The Reserve Bank has noted with concern that some members of the public continue to place deposits with institutions and individuals that are not authorised to take deposits, including credit-only microfinance institutions, under the guise of "high returns on investments".

222. Members of the public are advised that only registered banking and deposit-taking microfinance institutions (microfinance banks) are authorised to mobilise deposits from the public. For the avoidance of doubt, credit-only microfinance institutions are not authorised to take deposits. A list of registered deposit-taking microfinance institutions is available on the Reserve Bank website (www.rbz.co.zw).

223. The Reserve Bank will take appropriate supervisory action, including cancellation of the registration certificate, in terms of the Microfinance Act, against non-compliant credit-only microfinance institutions that take deposits.

224. Members of the public are, therefore, warned against facilitating illegal deposit-taking by entities that are not authorised to take deposits as they risk losing their funds with no recourse to the Reserve Bank.

viii. Abuse of safe deposit boxes to by-pass formal banking channels

225. The Reserve Bank has noted with concern the increasing abuse of safe deposit boxes and the proliferation of "shadow banks". It has been observed that some businesses are not banking all or most of their cash receipts and are, instead, keeping such cash in safe deposit boxes held with financial institutions and security companies.

226. This trend is not only a violation of the Bank Use Promotion and Suppression of Money Laundering Act [Chapter 24:24] which requires businesses to bank all their cash receipts, but it also promotes tax evasion and money laundering.

227. The Reserve Bank is working with the Financial Intelligence Unit and other Law Enforcement Agencies to curtail such practices and encourage the use of normal banking channels, in line with the Bank Use Promotion and Suppression of Money Laundering Act [Chapter 24:24].

(q) Fiscal and Monetary Policy Complementarity

228. It is essential that there is complementarity and cohesion between fiscal and monetary policies. This Monetary Policy Statement is, accordingly, aligned with the following key imperatives highlighted in the 2025 National Budget and anticipated to be critical anchors to the National Development Strategy 2 (NDS2), and Vision 2030:

a. **Price Stability:** The Reserve Bank will use available monetary policy tools as enunciated in this Monetary Policy Statement to anchor price stability.

b. **Exchange Rate Stability:** This Monetary Policy Statement has amplified measures to enhance the efficiency of the willing-buyer willing-seller foreign exchange rate system, in order to promote price discovery.

c. **Maintenance of tight monetary policy:** The Reserve Bank is committed to a tight monetary policy stance.

d. **Bank charges:** In collaboration with banks, the Reserve Bank will continue to explore ways to reduce transaction costs in the banking sector to address public concerns on high bank charges.

e. **Financial Inclusion:** The Reserve Bank is working with banks and non-banking institutions to facilitate the continued development of tailor-made products and services for the unbanked segment of the population.

f. **Economic Growth:** The measures contained in this Monetary Policy Statement are aligned to the achievement of the envisaged 6% economic growth for 2025.

SECTION SEVEN

ECONOMIC OUTLOOK

229. The monetary policy measures outlined above are expected to anchor inflation and exchange rate expectations and support the envisaged growth of 6% in 2025. The implementation of these measures will be sustained to create a track record of sound monetary policy performance, critical for fostering Central Bank policy credibility. At the same time, the favourable economic growth for 2025 will benefit from the anticipated recovery in agriculture and the power sector.

Inflation Outlook

230. The commitment by the Reserve Bank to pursue optimal monetary policies through prudent reserve money targeting and strategic interventions in the foreign exchange market will stabilise the exchange rate, which is a key driver of price dynamics in a multi-currency environment. As such, the inflation trajectory is expected to continue on a downward trend, with month-on-month inflation projected to average below 3% in 2025, consistent with exchange rate stability.

231. Given the base effects caused by the spike in monthly inflation in October 2024, annual inflation is expected to be elevated from April 2025 to September 2025 before significantly moderating to end the year between 20-30%.

Balance of Payments Outlook

232. The country’s current account balance is expected to further improve from a surplus of US$501.2 million in 2024 to a surplus of US$611.6 million in 2025 reflecting anticipated stronger export performance and continued robust personal transfers inflows (remittances).

SECTION EIGHT

CONCLUSION

233. The Reserve Bank remains firmly committed to maintaining price stability experienced since April 2024, through prudent monetary policy actions. The measures announced in this Monetary Policy Statement will consolidate these gains and address emerging risks to the outlook. Going forward, the overriding objective of the monetary policy is to continue engendering confidence in the local currency, through policy consistency, to foster sustainable macroeconomic stability.

234. The Reserve Bank will also continue to strike a delicate balance between its inflation reduction objective and supporting robust economic growth, in view of the trade-off between the two objectives. In this regard, the Reserve Bank will prudently calibrate the liquidity conditions in the market to curb speculative activities.

KEY MESSAGE

The Reserve Bank will continue walking the talk in implementing policies that promote price, currency and exchange rate stability; and will maintain the tight monetary policy stance with the overarching objective to foster Central Bank policy consistency and credibility.

- The measures announced in this Monetary Policy consolidate the gains of ZiG to date and address potential risks over the outlook period.

- The Reserve Bank will, thus continue to maintain a delicate balance between its inflation reduction objective and supporting robust economic growth.

- The Monetary Authorities will carefully manage liquidity conditions in the market to curb speculative activities while ensuring that the economy continues to grow at the envisaged 6% for 2025.

I Thank You

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GOVERNOR