



2023 ANNUAL REPORT





Vision

To be a credible, transformative and responsive central bank that contributes to the economic development of Zimbabwe.

Mission

To achieve and maintain price and financial system stability to foster sustainable and inclusive economic development.

Values

Accountability
Transparency
Integrity
Efficiency
Teamwork



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FOREWORD

This report highlights the activities taken by the Reserve Bank of Zimbabwe (the Reserve Bank) in fulfilling its lawful responsibility of promoting and sustaining price and financial system stability. The report covers the year 2023 and as such also contains the Bank's audited financial statements for the year ending 31 December 2023.

The Reserve Bank's approach and policy imperatives were shaped by both global and domestic economic and financial developments. Global economic activity slowed down from 3.5% in 2022, to 3.2% in 2023, as central banks in advanced economies kept monetary conditions tight amid persistent inflationary pressures. In addition, the geo-political tensions in Eastern Europe and the Middle East had adverse effects on global trade and supply chains, especially for food and energy. Major economies, such as China recorded lower than expected growth while the United States' annual growth remained steady.



The slowdown in global economic growth hurt the country's mineral exports, especially platinum group metals (PGMs) and lithium which recorded both price and volume declines in 2023. Gold, on the other hand remained buoyant driven by its demand as a safe-haven owing to the ongoing conflicts in Eastern Europe and the Middle East. The positive development on the price of gold counterbalanced declines in other export categories. This notwithstanding, the external sector remained resilient in 2023 with total foreign currency receipts in 2023 amounting to US\$11.0 billion and the balance of payments in surplus of US\$133.9 million.

The domestic economy continued to show resilience in a shock-prone global economy with growth estimated at 5.5% in 2023. The agricultural sector recorded a bumper harvest during the year. Industry undertook some significant retooling while the mining sector recorded significant investment inflows particularly into lithium. The tourism sector continued to recover from the low performance during the COVID-19 pandemic.

In pursuit of its price and financial system stability mandates, the Reserve Bank through the Monetary Policy Committee reviewed the monetary policy stance in line with exchange rate and inflation developments in the economy. The Bank implemented a tight monetary policy stance in 2023 to curtail inflationary and exchange rate pressures that prevailed during much of the year. As a result, annual inflation declined during the year from 53.0% in January 2023 to 26.5% in December 2023. The average inflation during the year was 29.8%.

The Bank further liberalized the foreign exchange market from June 2023, through the introduction of the wholesale foreign exchange auction, which operated on a willing buyer willing seller basis. This arrangement cemented the wholesale auction system as a market-based dependable source of foreign currency in the country. The wholesale market cumulatively allotted US\$464.9 million in 2023 and was the main driver for manufacturing sector retooling during the year. The Medium-Term Bank Accommodation window (MBA) played a crucial role in supporting lending to productive sectors thereby underwriting the country's growth prospects.

The banking sector continued to remain safe and sound during the year as reflected by adequate bank capital levels, low non-performing loans, and profitability. The developments fostered confidence in the banking sector which, witnessed growth in foreign currency deposits that reached US\$2.4 billion in 2023. In the wider financial sector and payment system, the Bank continued to implement best practices in regulatory standards and financial stability practices. As such, the National Payment Systems was resilient and recorded a total up time of 95% during 2023.

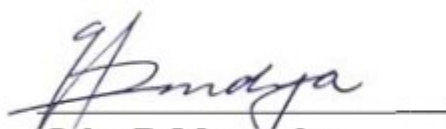
Financial innovation, particularly digital financial services have been a catalyst for massive improvement in financial inclusion in the country which continues to be priority area for the Bank as articulated in the Financial Inclusion Strategy II. In this regard, the Bank carried out awareness programmes on digital financial services (DFS) across all the country's 10 provinces. The campaigns covered the opportunities and risks of DFS and sought to ascertain the challenges that are faced by communities with respect to access and usage of digital financial services.

In addition, to promoting responsible innovation in the financial sector, the Bank accelerated its efforts to tackle emerging risks, particularly those related to climate change and the transition to carbon neutrality. In this regard, the Bank formulated forward guidance for the banking sector in terms of the Climate Risk Management Guideline introduced in April 2023. The efforts were complemented by the implementation of the Sustainability Standards Certification Initiative (SSCI) for thirteen banking institutions in the country. On top of that, the Reserve Bank joined the Network for Greening the Financial System (NGFS) during the year as part of its efforts to incorporate climate-related issues in its monetary policy objectives.

In overall terms, the Bank made important strides in 2023 in pursuit of its legal mandate for price and financial system stability which saw an overall decline in consumer price inflation, liberalisation of the foreign exchange market, ongoing participation in international fora and the various initiatives to promote financial innovation, inclusion, and stability.

I would like to take this opportunity to express my sincere gratitude to the Board of Directors, Monetary Policy Committee members, Management and Staff of the Bank for their unwavering support during the term I served as Governor of the Reserve Bank of Zimbabwe. To our vast community of stakeholders in the economy, including Government, financial sector players and regulators, industry and commerce and international community amongst others, I would like to extend my appreciation for their contribution towards the Bank's pursuit in efforts to achieve its mandates.

I thank you.



John P. Mangudya
Governor

2023 BOARD OF THE RESERVE BANK OF ZIMBABWE

The following were members of the Reserve Bank's Board of Directors in 2023:

Dr. J. P. Mangudya	Governor & Chairman
Mrs. M. Dzumbunu	Deputy Chairperson
Dr. J. T. Chipika	Deputy Governor
Dr. I. Matshe	Deputy Governor
Mr. E. I. Manikai	Non-Executive Director
Mrs. E. Fundira	Non-Executive Director
Dr. C. M. Fundanga	Non-Executive Director
Prof. J. Parwada	Non-Executive Director
Ms. B. Muswaka	Non-Executive Director
Mr. C. Mphambela	Ministry of Finance & Economic Development Representative

The Bank's Board of Directors is appointed in terms of the Act [*Chapter 22:15*]. The current Board had its tenure of office renewed with effect from the 7th of September 2023 for a second and final second term of office of four years. One of the members, Mr. Clive Mphambela, was subsequently appointed Permanent Secretary to the Ministry of Veterans of the Liberation Struggle Affairs and ceased to be a member of the Board in line with section 23 (2) of the Act.

In compliance with section 29A of the enabling legislation, the Bank had in place the obligatory Audit & Oversight Committee during the course of 2023. The Bank also had in place the following essential Board Committees:

- i. The Banking Sector Stability Committee, and
- ii. The Human Resources & Governance Committee.

The Board and Board Committees assembled for their scheduled meetings in person or through virtual platforms as indicated below:

- a) The Board met quarterly on 29 March 2023, 28 June 2023, 27 September 2023, and 6 December 2023.
- b) Board Committees met as follows:

- i. **The Audit and Oversight Committee** met on 22 March 2023, 21 June 2023, 20 September 2023, and 29 November 2023;
- ii. **The Banking Sector Stability Committee** met on 15 March 2023, 14 June 2023, 13 September 2023, and 22 November 2023; and
- iii. **The Human Resources and Governance Committee** met on 16 March 2023, 15 June 2023, 14 September 2023, and 23 November 2023.

Reserve Bank of Zimbabwe

Board of Directors



Dr. J. P. Mangudya
Governor & Chairman



Mrs. M. Dzumbunu
Deputy Chairperson



Dr. J. T. Chipika
Deputy Governor



Dr. I. Matshe
Deputy Governor



Mr. E. I. Manikai
Non-Executive Director



Mrs. E. Fundira
Non-Executive Director



Dr. C. M. Fundanga
Non-Executive Director



Prof. J. Parwada
Non-Executive Director



Ms. B. Muswaka
Non-Executive Director



Mr. C. Mphambela
**Ministry of Finance &
Economic Development
Representative**

MONETARY POLICY COMMITTEE (MPC)

The Monetary Policy Committee comprised of the following members in 2023:

Dr. J. P. Mangudya	Governor & Chairman
Dr. J. T. Chipika	Deputy Governor
Dr. I. Matshe	Deputy Governor
Prof. A. Chakravarti	Member
Mrs. M. Dzumbunu	Member
Dr. C. C. Jinya	Member
Prof. D. Makina	Member
Prof. A. Makochekeanwa	Member
Mr. P. E. Gwanyanya	Member

The MPC met as scheduled on 30 January 2023, 24 March 2023, 26 June 2023, 22 September 2023, and 1 December 2023. Resolutions made by the MPC were timeously communicated to the market through the print media and the Bank's website.

Reserve Bank of Zimbabwe

Monetary Policy Committee MPC



Dr. J. P. Mangudya
Governor & Chairman



Dr. J. T. Chipika
Deputy Governor



Dr. I. Matshe
Deputy Governor



Mrs. M. Dzumbunu
Member



Dr. C. C. Jinya
Member



Prof. A. Chakravarti
Member



Prof. D. Makina
Member



Prof. A. Makochehanwa
Member



Mr. P. E. Gwanyanya
Member

EXECUTIVE COMMITTEE (EXCO)

The EXCO was made up of the following members in 2023: -

Dr. J. P. Mangudya	Governor & Board Chairman
Dr. J. T. Chipika	Deputy Governor
Dr. I. Matshe	Deputy Governor
Mr. A. Saburi	Director, Financial Markets
Dr. N. Mupunga	Director, Economic Research & Policy
Mr. C. Chiketa	Director, Human Resources & Administration
Ms. T. Hungwe	Director, Finance
Mr. F. Masendu	Director, Exchange Control
Mr. P. T. Madamombe	Director, Bank Supervision
Mrs. V. Sithole	Bank Secretary & Director for General Counsel & Corporate Affairs

Reserve Bank of Zimbabwe Executive Committee EXCO



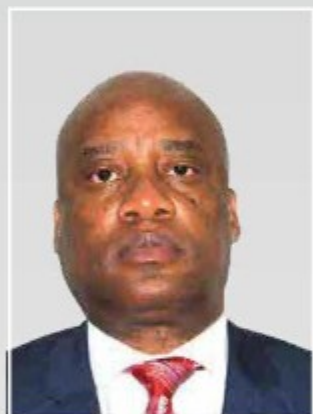
**Dr. J. P. Mangudya
Governor & Chairman**



**Dr. J. T. Chipika
Deputy Governor**



**Dr. I. Matshe
Deputy Governor**



**Mr. A. Saburi
Director,
Financial Markets**



**Dr. N. Mupunga
Director, Economic
Research & Policy**



**Mr. C. Chiketa
Director, Human Resources
& Administration**



**Ms. T. Hungwe
Director, Finance**



**Mr. F. Masendu
Director, Exchange Control**



**Mr. P. T. Madamombe
Director, Bank Supervision**



**Mrs. V. Sithole
Bank Secretary & Director ,
General Counsel & Corporate Affairs**

STATEMENT ON CORPORATE GOVERNANCE

The Bank's operations continued to be guided by the existing enabling legal framework during the course of 2023. Good corporate governance remained pivotal in the overall management of the Bank as evidenced by the existence of functional Board of Directors, Board Committees, Monetary Policy Committee (MPC) and Executive Committee (EXCO) of Senior Management in line with the Reserve Bank of Zimbabwe Act [Chapter 22:15].

The Bank diligently observed all other laws impacting on its operations and ensured that stakeholders and the general public are adequately informed on developments in the economy. This was achieved through prompt publication of necessary information through the media, circulars, notifications, guidance, and updates. The Bank continued to ensure that its internal corporate governance procedures and methods adequately enabled it to operate professionally, credibly, transparently, and competently.

In the spirit of inculcating a culture of good corporate governance in the banking sector, the Bank continued to enhance its efforts towards building up credible and effective corporate governance structures and systems at all commercial banks and financial institutions under its regulation.

LEGISLATION

During the year being reported on, there was only one legal instrument promulgated which modified the borrowing powers of the Bank by limiting them to borrowing foreign currency only on behalf of the Minister of Finance, Economic Development, and Investment Promotion. This was the Presidential Powers (Temporary Measures) (Amendment of the Reserve Bank of Zimbabwe Act) Regulations, Statutory Instrument 108 of 2023.

The following statutory instruments, whose citations are self-explanatory, which were promulgated during 2023 required the Bank, through its Exchange Control departments, to monitor and ensure compliance by individuals and institutions:

- a) *Exchange Control (Payment of Electricity and Related Services in Foreign Currency by Exporters and Partial Exporters) (Amendment) Order, Statutory Instrument 9 of 2023.*
- b) *Exchange Control (General) (Amendment) Order, Statutory Instrument 20A of 2023* – The instrument prescribed the amount of currency that a traveller is allowed to export on person or in baggage or to possess whilst in the departure lounge or at a port of exit without seeking prior Exchange Control approval.
- c) *Exchange Control (Control of Payments) (Charge on Specified Outbound Foreign Currency Payments), Regulations, Statutory Instrument 107 of 2023.*
- d) *Exchange Control (Special Provisions for Securities Listed on the Victoria Falls Stock Exchange) (Amendment) Regulations, Statutory Instrument, 113 of 2023.*

LITIGATION

The Reserve Bank was involved in the following litigation that could have a significant impact on its operations:

- (a) The case which commenced in 2018 in which a Plaintiff was alleging that the Bank was negligent in that it did not disclose to the general public that a banking institution was a troubled institution leaving him to deal with institution which caused him to suffer financial losses was decided in the Bank's favour in October 2023. The Plaintiff was suing the Bank for damages to the tune of US\$19.5 million plus interest and costs of the suit.

The following appeals in labour related cases remained outstanding during the course of the year:

- (a) An appeal involving security guards employed on fixed contracts between 2007 and April 2011, who are seeking to be declared permanent employees of the Bank; and
- (b) An appeal by a Senior Economist who leaked a confidential document and was dismissed after a disciplinary hearing.

STAFF WELLNESS

The Bank ensured that the Staff clinic within the Bank premises is well manned and adequately stocked with basic medication for minor and recurrent illnesses.

Through its Safety Health Environment and Quality (SHEQ) policy the Bank consistently continued to raise Staff awareness in, among other things, general health issues, good eating habits, importance of exercising, emotional intelligence, non-communicable diseases, and environmental safety. The Bank set aside the 3rd and the 4th of October 2023 for free eyesight screening for Staff in collaboration with Spec Savers Opticians. Members of Staff resoundingly responded to the invitation.

STAFF RECREATION

In terms of the Bank's sports policy, sporting clubs within the Bank trained during the course of the year and competitively participated the 2023 Inter-Central Bank Games hosted by the Bank of Botswana in Gaborone, from the 7 to 10 April 2023 and by the Reserve Bank of Malawi in Lilongwe, from the 13 to 18 September 2023. The Malawi games ran parallel with the local interbank games and the Bank managed to field teams in both games. The number of medals achieved by the various disciplines demonstrated a high level of Staff wellness and fitness.

LABOUR RELATIONS

Labour relations within the Bank were cordial throughout the year. The Works' Council, which comprise of workers representatives and Senior Management Representatives, met thrice on 26 January 2023, 7 July 2023, and 25 September 2023. Deliberations during the Works Council meetings were very affable, and all issues raised were amicably resolved.

1 DEVELOPMENTS IN THE GLOBAL ECONOMY

1. Global growth is estimated to have slowed down from 3.5 percent in 2022 to 3.2 percent in 2023 and is projected to remain at 3.2 percent in 2024. The estimated growth is below the historical (2000–19) average of 3.8 percent, reflecting global restrictive monetary policies, withdrawal of fiscal support, as well as low underlying productivity growth. The slowdown in growth was more pronounced in the advanced economies than in emerging market and developing economies.
2. Growth in advanced economies slowed from 2.6 percent in 2022 to 1.6 percent in 2023. Advanced economies are expected to see growth decline slightly in 2024. Recovery is anticipated for the Euro area, from low growth in 2023 and a moderation of growth in the United States.
3. Emerging market and developing economies are expected to experience stable growth in 2024, with regional differences. Growth in Sub-Saharan Africa slowed from 4% in 2022 to 3.3% in 2023 and is expected to recover to 3.8% in 2024.

Table 1: Revised Global Economic Growth Rates & Outlook

Region/Country	2022	2023	2024proj
World Output	3.5	3.1	3.1
Advanced Economies	2.6	1.6	1.5
USA	2.1	2.1	1.7
Euro-Area	3.3	0.5	0.9
United Kingdom	4.1	0.5	1.6
Emerging Markets & Developing Economies	4.1	4.1	4.1
Emerging and Developing Asia	4.5	5.4	5.2
China	3.0	5.2	4.6
India	7.2	6.7	6.5
Emerging and Developing Europe	0.8	2.7	2.8
Russia	4.7	-2.2	0.3
Sub Saharan Africa	4.0	3.3	3.8
Nigeria	3.3	2.8	3.0
South Africa	1.9	0.6	1.0

Source: IMF World Economic Outlook (WEO): January 2024 Update

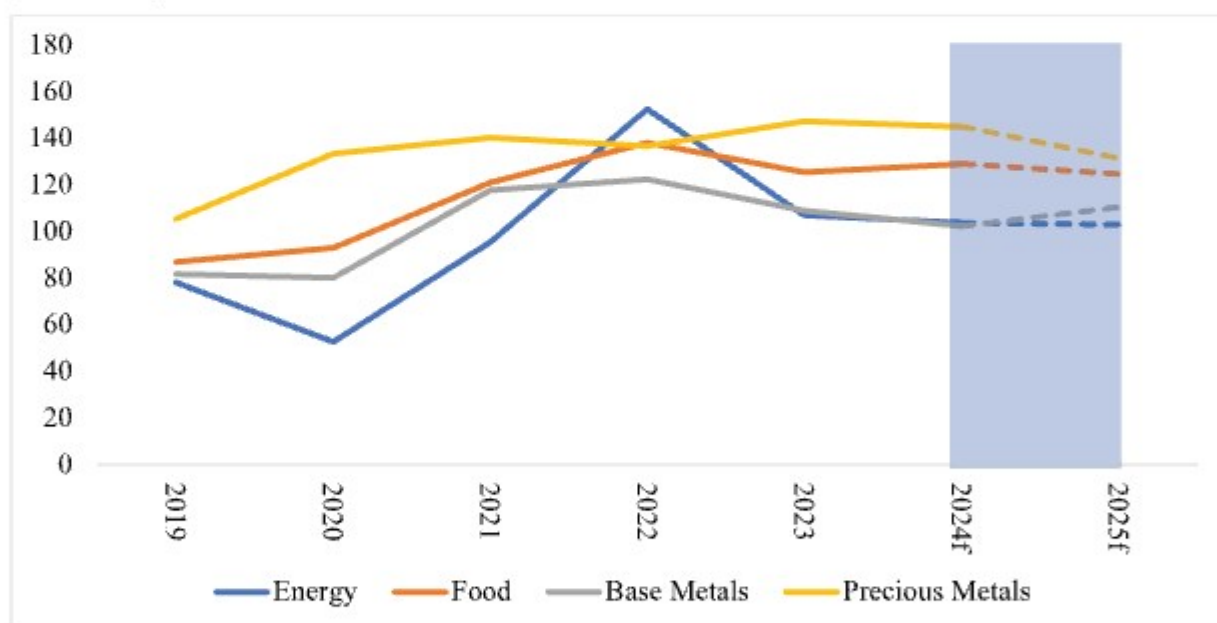
4. Global inflation fell faster than expected in most regions, amid unwinding supply-side constraints and restrictive monetary policy. Global headline inflation is

expected to fall to 5.9 percent in 2024 from 6.8 percent in 2023, due to tighter monetary policy, coupled with low international commodity prices.

International Commodity Price Developments

5. International commodity prices receded in 2023 as global economic growth slowed, especially in advanced economies, including United States, Japan, and the Euro area. In 2023, economic uncertainty, elevated inflation in most economies, and rising geopolitical tensions boosted the safe-haven characteristic of gold as a long-term store of value.
6. PGMs prices declined amid growing concerns about the future demand for PGMs as the electrical vehicle market takes off. Figure 1 shows developments in major commodity price indices for 2019 to 2025.

Figure 1: International Commodity Price Indices Development and outlook: (2010=100)



Source: World Bank Commodity Markets 2023

7. Energy prices declined in 2023, due to weaker global demand and a positive supply outlook. Heightened oil supply growth in the US, Canada, and Brazil, offset the restrained supply by Russia and other OPEC countries.

8. Base metal prices decreased, attributable to high inventories, rising global supplies on account of the ramping up of production as well as slackening demand in China, the largest consumer of base metals.

International Financial Markets

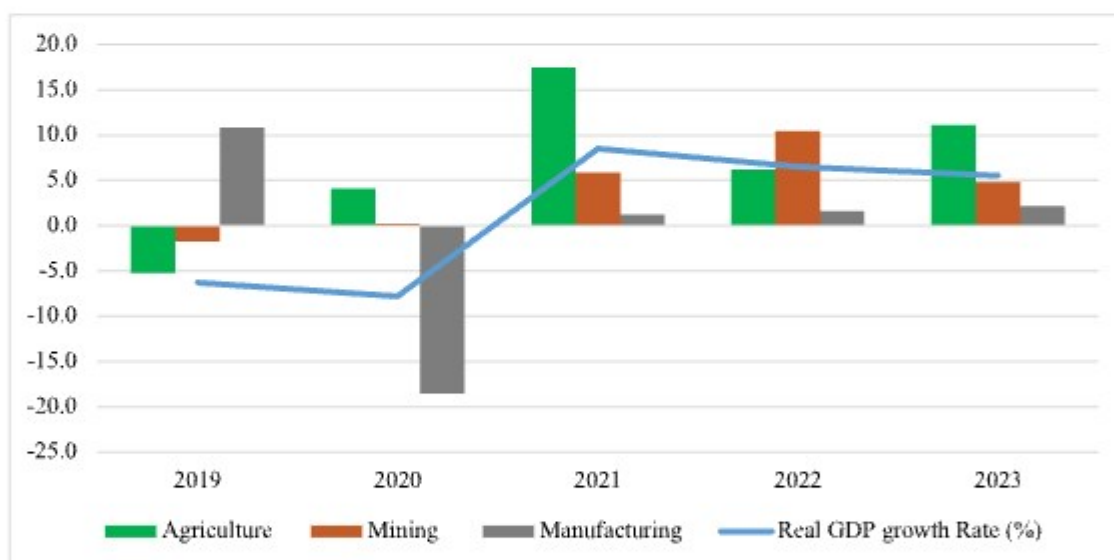
9. Inflation pressures, coupled with central banks' aggressive tightening of monetary policies, fears of a global recession, and geopolitical concerns linked to the Israel-Hamas conflict were some of the key drivers of international financial markets in 2023. While central banks across the globe continued to hike interest rates for the greater part of 2023, there was an increasing inclination to interest rates cut in the last quarter of 2023.
10. Global benchmark interest rates such as the Secured Overnight Financing Rate (SOFR), rose from 4.31% at the start of 2023 to end the year at 5.39% a marginal increase of 1.08% as compared to a 3.77% increase in 2022. Global interest rates, as well as, borrowing costs are expected to begin easing during the first quarter of 2024, as global central banks begin cutting interest rates.

2 DOMESTIC MACRO-ECONOMIC DEVELOPMENTS

Real Sector Developments

11. The economy is estimated to have grown by 5.5% in 2023, on account of better-than-expected output in agriculture, in particular, tobacco, wheat and cotton. Underpinning the 2023 growth rate was favourable international commodity prices, normal to above normal rainfall, tight monetary and fiscal policies. The growth is estimated to have been sustained by mining, construction, and agriculture, as well as accommodation sectors. The trends in the real GDP growth rate and selected growth rates for the period from 2019 to 2023 are shown in Figure 2.

Figure 2: Trend in Real GDP and Selected Sectoral Growth Rates (%): 2018-2023



Source: ZIMSTAT, MOF, RBZ, 2023

Agriculture

12. The agriculture sector is estimated to have grown by 11.1% in 2023 up from the 6.2% registered in 2022. The remarkable growth is attributed to good performance in both the crops and livestock sub-sectors following the favourable 2022/23

rainfall season. Table 2 shows the estimated agriculture production trends from 2021 to 2023.

Table 2: Agriculture Production Trends (000s)

		2021	2022	2023
Agriculture Growth	<i>Wt.</i>	17.5	6.2	11.1
Tobacco (flue-cured)	<i>22.86</i>	211	213	297
Maize	<i>17.18</i>	1469	1557	2298
Beef	<i>3.79</i>	81	94	103
Cotton	<i>3.71</i>	125	56	90
Sugar cane	<i>7.45</i>	4350	4341	4653
Horticulture	<i>11.72</i>	99	99	106
Poultry and Ostriches	<i>1.03</i>	184	172	174
Groundnuts and roundnuts	<i>5.23</i>	121	128	163
Wheat	<i>12.39</i>	337	375	420
Dairy (m lt)	<i>1.92</i>	96	110	116
Soybeans	<i>1.85</i>	71	82	108
Tea	<i>1.90</i>	38.1	25	39
Pork	<i>0.26</i>	12.2	15	16
Wildlife and fisheries	<i>3.36</i>	28	30	30
Sorghum, rapoko and millet	<i>3.10</i>	183	194	161
Barley	<i>0.40</i>	40	39	42
Sheep and goats	<i>0.57</i>	5.2	5	9
Sunflower seeds	<i>0.18</i>	9.46	11	73
	<i>100</i>			

Source: ZIMSTAT, Ministry of Agriculture, Ministry of Finance and Economic Development and RBZ, 2023.

13. Combined summer cereal output increased significantly from about 1.751 million tonnes in the previous season to about 2.46 million tonnes in 2023, thereby exceeding national cereal demand estimated at 2.30 million tonnes. Winter wheat output also increased from 375 000 tonnes in 2022 to an estimated 42 000 tonnes in 2023, on the back of adequate financial support, inputs, water, and electricity throughout the production season.

14. Tobacco output increased to a record 297 million kilograms in 2023, up from 212.7 million kilograms in 2022. The increase in output was attributable to increased hectareage planted and a longer rainfall season. By the end of the selling season tobacco sales were estimated at US\$897 million up from the US\$650.3 earned in the previous season.
15. Cotton output stood at 90 000 tonnes in 2023, up from 56,043 tonnes in 2022. The increase in output is partially attributed to the continued support under a government funded free input scheme, earmarked to resuscitate the cotton to clothing value chain.

Mining

16. Mining industry output registered strong growth across major minerals in 2023 when compared to output in 2022. Lithium, granite, PGMs (Platinum, palladium, Rhodium and Iridium), nickel, copper and coal recorded significant growth in 2023. Output for phosphate, gold and chrome, however declined in 2023 relative to 2022.

Table 3: Mineral Production Statistics: 2022-23

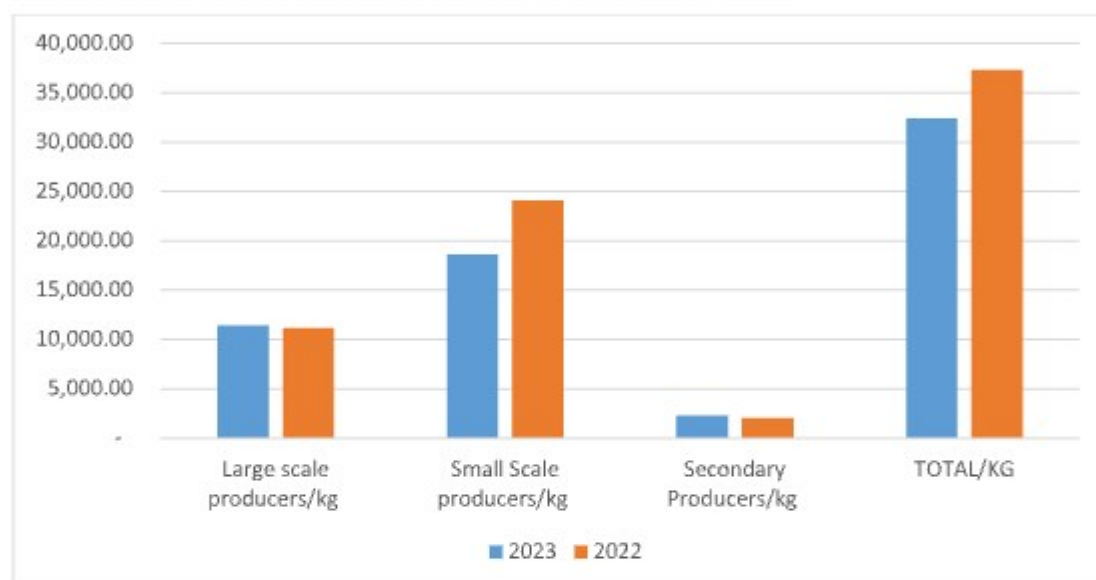
	2022	2023	Variance (%)
Gold (kgs)	37,265.24	32,391.25	-13%
Platinum (kgs)	16,459.88	19,180.20	17%
Palladium (kgs)	13,934.58	15,857.46	14%
Rhodium (kgs)	1,461.11	1,671.52	14%
Iridium (kgs)	601.20	959.08	60%
Diamonds (cts)	4,844,019.42	5,098,207.07	5%
Chrome (MT)	1,109,794.98	1,077,353.25	-3%
Nickel (MT)	14,259.73	17,784.12	25%
Copper (MT)	10,168.12	14,221.20	40%
Cobalt (MT)	211.24	385.90	83%
Coal (MT)	4,185,417.10	4,898,734.47	17%
Lithium (MT)	102,420.00	826,925.00	707%
Phosphate (T)	21,910.20	9,106.00	-58%

Source: Ministry of Mines and Mining Development, FGR, MMCZ, 2023

Gold

17. Gold output in 2023 declined by 13% from 37 265 kg in 2022 to 32 391 kg in 2023. Production was negatively affected by intermittent power outages as well as high electricity tariff. Artisanal and small-scale miners (ASM) accounted for 58% of the gold output. Large scale producers and secondary producers contributed 35% and 7%, respectively to the 2023 output, as shown in Figure 3.

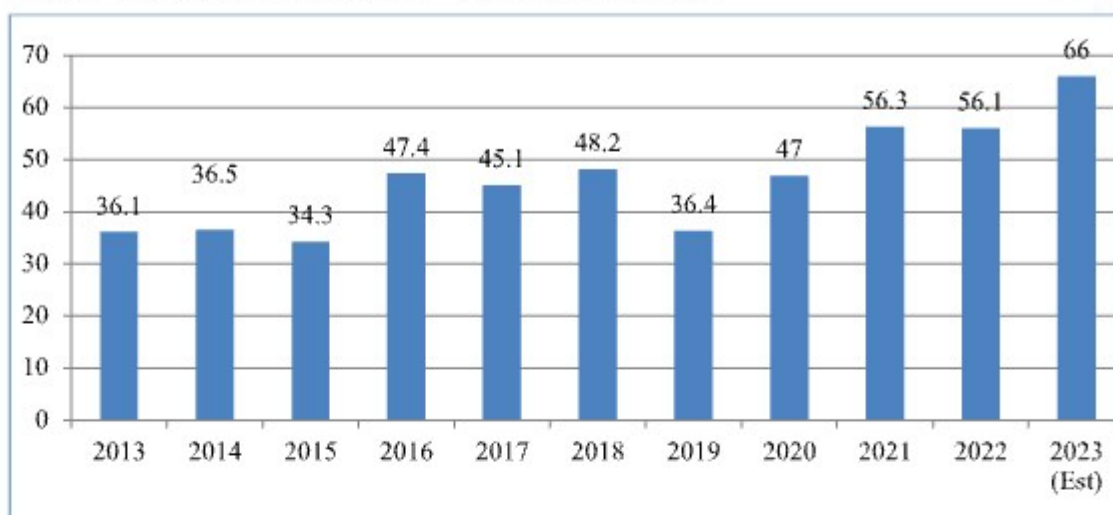
Figure 3: Developments in Gold Output in 2023 and 2022



Source: Ministry of Mines, FGR, 2023

Manufacturing

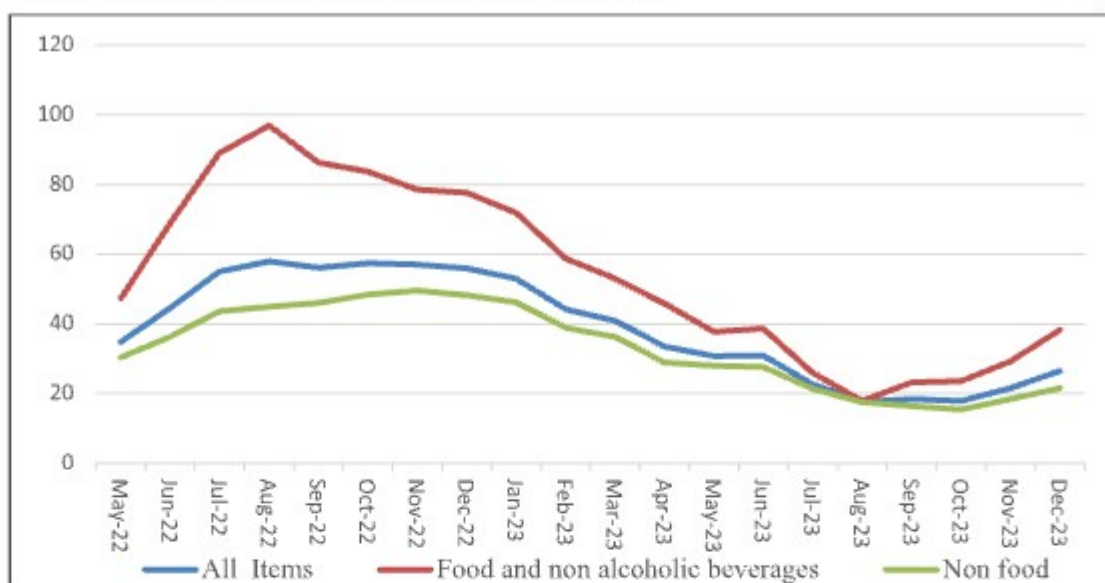
18. The manufacturing sector is estimated to have grown by 2.2% in 2023. Capacity Utilisation has been recording steady gains in volume since 2019, steadily increasing to levels of about 66%, as shown in Figure 4.

Figure 4: Manufacturing sector capacity utilisation.

Source: Confederation of Zimbabwe Industries, 2023

Inflation Developments

19. In line with a tight monetary policy stance adopted by the Bank from August 2022, annual headline inflation continued on the deceleration trend, from 53.03% in January 2023, to 17.66% in August 2023.
20. The trend in inflation, however, slowed down in the last quarter of 2023 resulting in annual inflation ending the year at 26.52%, driven by the increase in administered prices of electricity, telecommunications and the short supply of grain in October 2023. Figure 5 shows the trend of headline inflation from May 2022 to December 2023.

Figure 5: Annual Inflation Profile 2022-2023 (%)

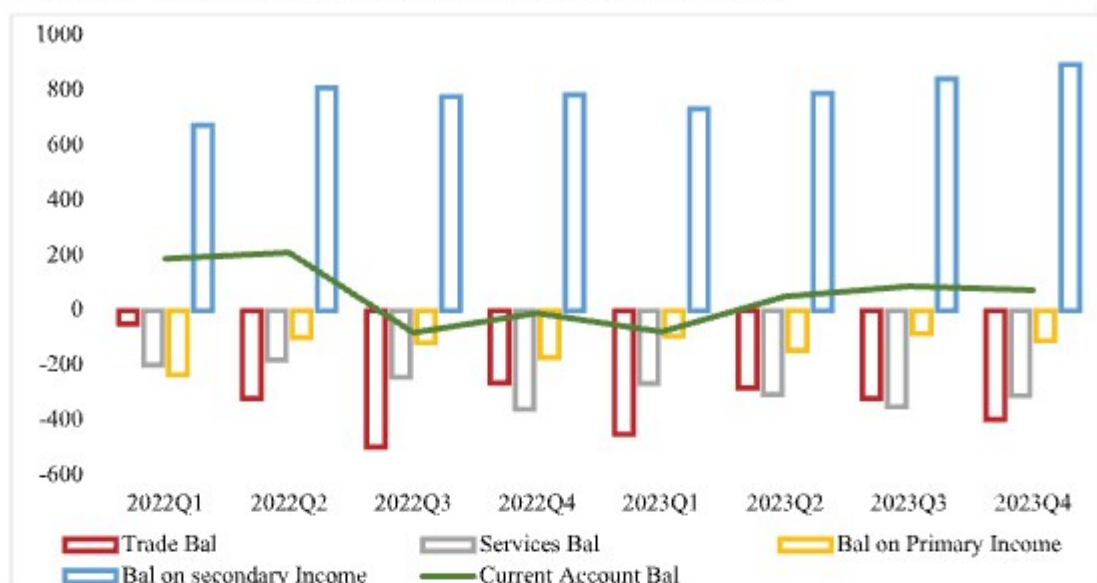
Source: Zimbabwe National Statistics Agency, 2023

Balance of Payments

21. The country's external sector remained relatively strong as evidenced by a surplus current account balance recorded in 2023. The sector benefited from resilient remittance inflows, coupled with marginal export growth.

Current Account Developments

22. The current account balance narrowed to a surplus of US\$133.9 million in 2023, from a surplus of US\$305.0 million recorded in 2022. This followed a more significant trade deficit, as imports grew at a faster pace than exports on account of weaker global prices for most commodities. The current account was further weighed down by services and primary income accounts that registered deficits. Nevertheless, secondary income flows demonstrated resilience.

Figure 6: Current Account Developments (US\$ millions)

Source: Zimstat and RBZ Estimates, 2022

Merchandise Exports

23. Merchandise exports marginally rose by 2.9%, from US\$7 000.2 million in 2022 to US\$7 203.5 million in 2023, largely driven by agricultural and manufactured exports.
24. Agriculture exports grew by 25.3%, from US\$1 067.4 million in 2022 to US\$1 338.0 million in 2023, mainly driven by the exceptional performance of tobacco, and crocodile hides. Tobacco exports increased by 27.8%, to US\$1 191.0 million in 2023, compared to US\$926.1 million in 2022. The increase in merchandise exports was, however, partially offset by subdued mineral exports.

Merchandise Imports

25. During 2023, merchandise imports rose by 6.5% to US\$8 656.4 million, from US\$8,131.8 million in 2022. The growth was driven by increased imports of fuel, machinery, electricity, and grain.

Remittances

26. Remittances rose from US\$1,970.6 million in 2022 to US\$2,162.4 million recorded in 2023, as the Zimbabwe diaspora continued to send money home for food, education, healthcare, and housing support. Major source markets included South Africa (31.6%), the United Kingdom (24.8%), the United States (9.96%), Australia (5.1%) and Canada (2.2%).

Capital and Financial Accounts Developments

27. The capital account balance largely remained in positive territory, as the country benefitted from the government's re-engagement initiative which has unlocked support from Development Partners across the world. In 2023, health, agriculture, governance, and energy were the major beneficiaries of grants received by the country.
28. The financial account registered a net borrowing position of US\$938.8 million, largely on account of non-debt creating inflows, notably the huge draw down on reserves and direct investment which outweighed outflows, during the year under review.
29. Net direct investment inflows stood at US\$557.9 million in 2023, an improvement from US\$336.8 million recorded in the previous year. The largest investments were in the resources sector, particularly for the expansion of existing operations and opening of new platinum mines, as well as the development of new lithium mines and processing plants.
30. Disbursements to Government in 2023 amounted to US\$409.0 million, comprising of US\$9 million disbursements from existing loan facilities (BADEA and OFID) and a new loan of US\$400 million from AFREXIMBANK.
31. In addition, State-Owned Enterprises (SOEs) received a total of US\$127.5 million towards the construction of the R. G. Mugabe International Airport (US\$26.8 million), Deka Pumping Station (US\$7.3 million) and NetOne Network Expansion Phase III (US\$43.7 million).

Supply and Demand for Foreign Currency

32. The country's foreign currency receipts¹ have remained high compared to historical averages, notwithstanding the marginal decline in 2023 compared to 2022. In 2023, foreign exchange inflows amounted to US\$10,995.8 million, 3.7% down from US\$11,414.4 million recorded in the previous year. Total foreign payments processed through banks increased by 8.5% to US\$9,325.0 million in 2023, from US\$ 8,591.0 million realised in 2022.

External Loans Approvals

33. Private sector offshore loans have been a major source of liquidity in the economy in the recent past, with proceeds being deployed towards working capital and retooling purposes. The total private sector loans approved in 2023 amounted to US\$1,715.3 million compared to US\$1,835.7 million in 2022. Loan disbursements for the agricultural sector were mainly for tobacco financing and were short term in nature. This sector was the largest beneficiary of private sector loans constituting about 64.3% of total loan approvals, followed by mining and manufacturing sectors at 12.6% and 7.8%, respectively, as shown in Table 4.

¹ Country total foreign currency receipts comprise of export earnings, international remittances and offshore loan and investment proceeds.

Table 4: External Loan Approvals by Sector

Sector	2022		2023	
	Approved Amount (US\$ m)	Percentage Sectoral Contribution	Approved Amount (US\$ m)	Percentage Sectoral Contribution
Agriculture	979.4	53.4	1,102.8	64.3
Mining and Quarrying	418.5	22.8	216.6	12.6
Financial	238.0	13.0	89.1	5.2
Manufacturing	79.1	4.3	133.8	7.8
Services	61.6	3.4	117.7	6.9
Energy	32.2	1.8	2.4	0.1
Transport	16.6	0.9	14.1	0.8
Retail and Distribution	4.0	0.2	27.0	1.6
TOTAL	1,835.7	100	1,715.3	100

Source: Reserve Bank of Zimbabwe, 2022

3 BANKING SECTOR REGULATION AND SUPERVISION

Banking Sector and its Performance

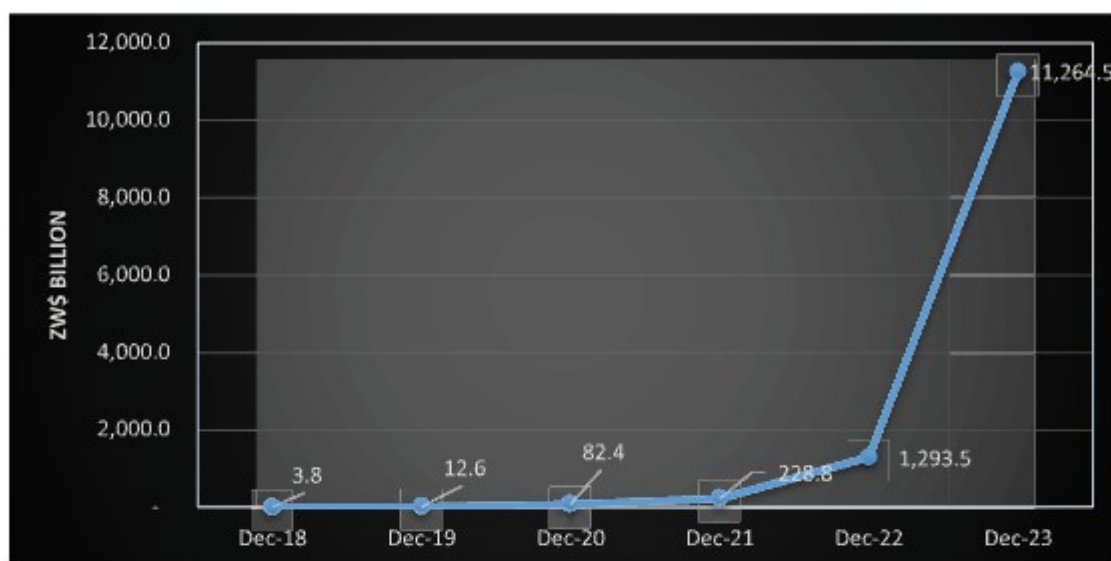
34. The banking sector continued to depict resilience against the background of a dynamic operating landscape. The resilience was underpinned by adequate capital and liquidity buffers, satisfactory asset quality on the back of a low non-performing loans ratio, and profitability. This was, in the main, attributable to sound risk management systems at banking institutions.

Capitalisation

35. All banking institutions were adequately capitalised, with banking sector average capital adequacy and tier 1 ratios of 37.21% and 25.64%, which were above the prescribed minimum of 12% and 8%, respectively, as at 31 December 2023.
36. Aggregate core capital increased by 506.08%, from ZW\$101.38 billion to ZW\$611.11 billion during the year ended 31 December 2022. The increase in core capital was mainly attributed to growth in retained earnings, which were driven by revaluation gains from investment properties, as well as translation gains from foreign currency denominated assets.
37. The deadline for compliance with the minimum capital requirements by non-compliant banks was extended by a further 12 months to 31 December 2023, to allow for completion of the recapitalisation processes.

Asset Quality

38. As at 31 December 2023, aggregate banking sector loans and advances amounted to ZW\$11.26 trillion, representing a 16.08% increase from ZW\$1.29 trillion reported as at 31 December 2022. The increase was largely attributed to the growth in foreign currency denominated loans, which accounted for 84.67% of the sector's total loans. Figure 7 shows the trend in banking sector loans and advances from 31 December 2018 to 31 December 2023.

Figure 7: Trend in Banking Sector Loans and Advances

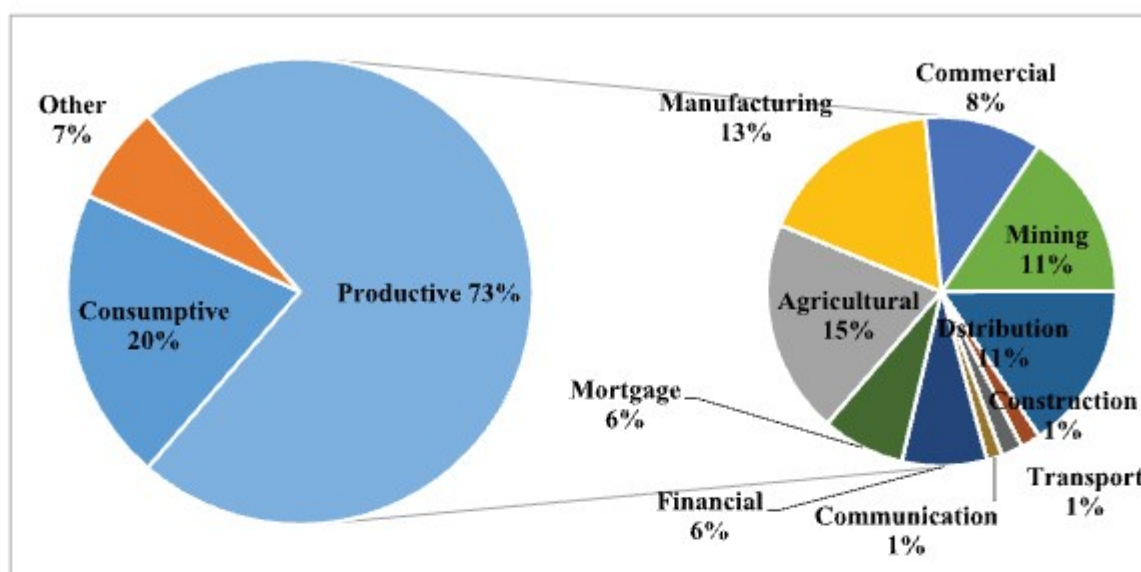
Source: Reserve Bank of Zimbabwe, 2023

39. Total loans to total deposits ratio decreased from 55.67% as at 31 December 2022 to 49.27% as at 31 December 2023, as shown in Figure 8.

Figure 8: Banking Sector Loans to Deposits Ratio (2019 -2023)

Source: Reserve Bank of Zimbabwe, 2023

40. Lending to the productive sectors of the economy decreased from 78.45% as at 31 December 2022, to 72.68% as at 31 December 2023. The sectorial distribution for loans and advances was as shown in Figure 9.

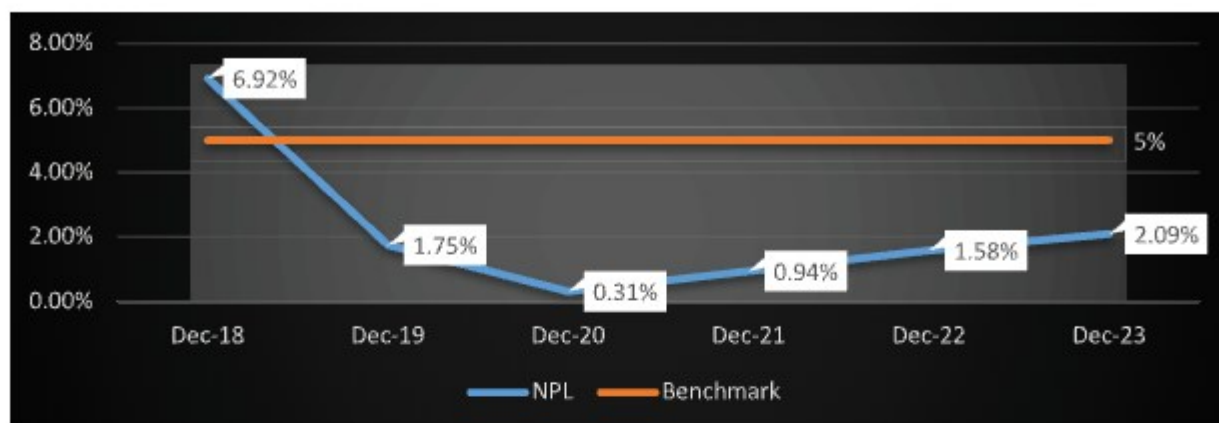
Figure 9: Sectorial Distribution – 31 December 2023

Source: Reserve Bank of Zimbabwe, 2023

Non-Performing Loans (NPLs)

41. The banking sector's loan portfolio quality remained satisfactory as reflected by the average non-performing loans (NPLs) to total loans ratio of 2.09% as at 31 December 2023, which was well below the international acceptable tolerance level of 5%. The trend in non-performing loans from 31 December 2018 to 31 December 2023 is shown in Figure 10.

Figure 10: Trend in Non-Performing Loans: 31 December 2018 – 31 December 2023

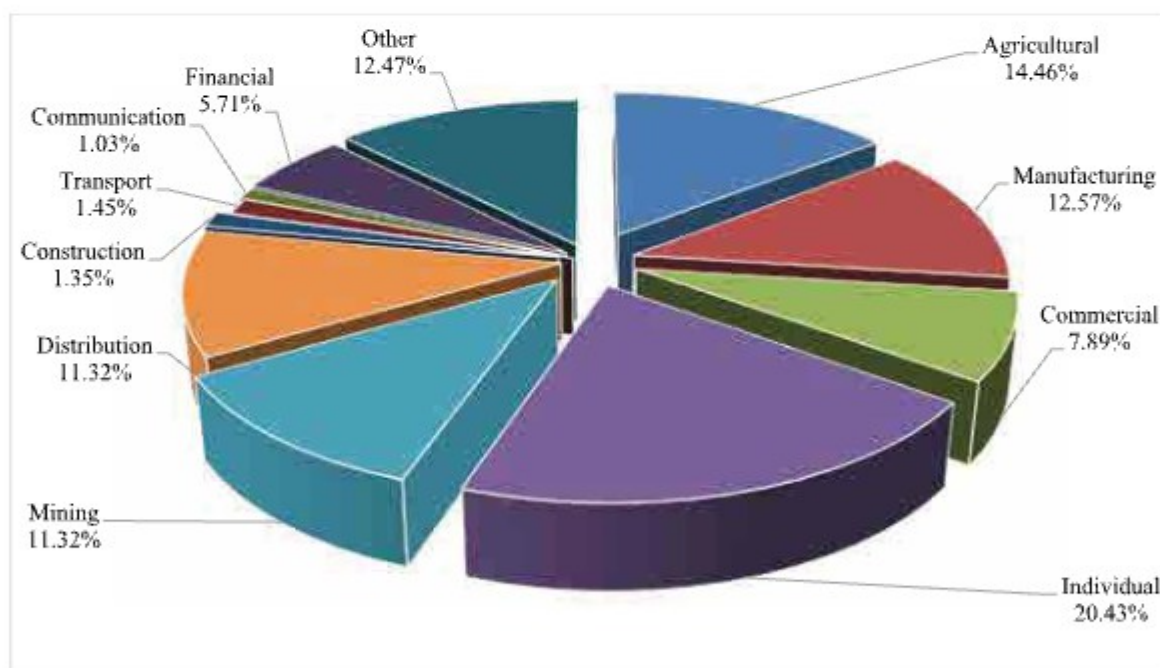


Source: Reserve Bank of Zimbabwe, 2023

Sectorial Distribution of NPLs

42. In terms of sectorial distribution, individuals (households) had the highest NPLs of 20.43% followed by agriculture (14.46%) and manufacturing (12.57%) as shown in Figure 11.

Figure 11: Sectorial Distribution of NPLs as at 31 December 2023

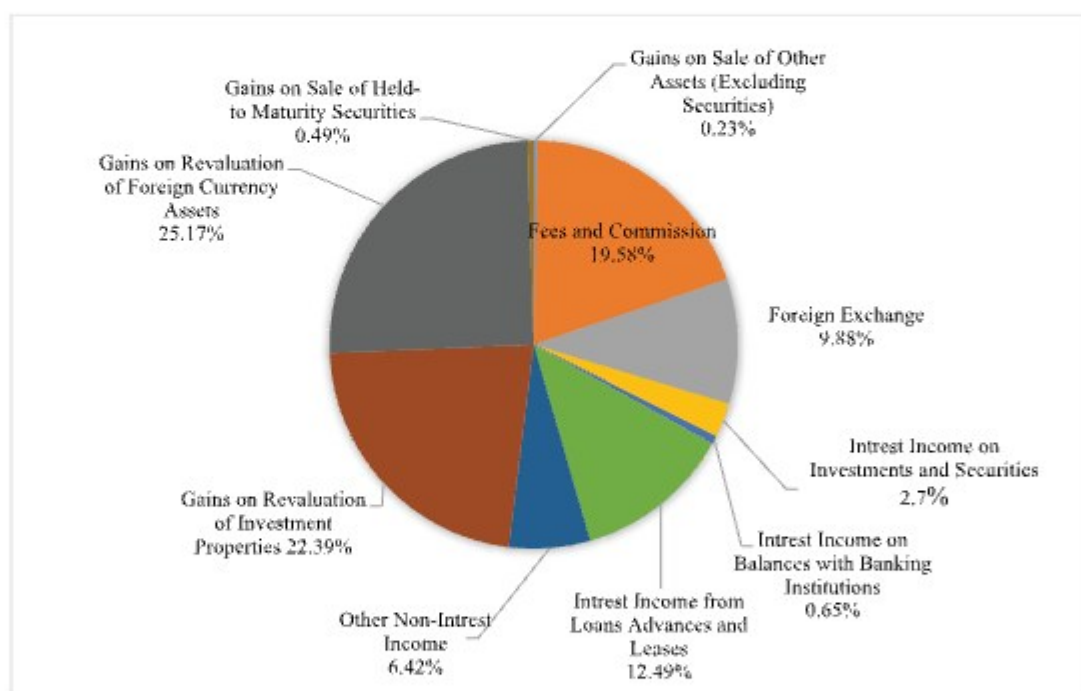


Source: Reserve Bank of Zimbabwe, 2023

Earnings Performance

43. The banking sector remained profitable, with all banking institutions recording profits for the review period. Aggregate profits of ZW\$5.77 trillion were reported for the year ended 31 December 2023, compared to ZW\$503.13 billion reported in the corresponding period in 2022.
44. The growth in banking sector income emanated from non-interest income (largely driven by revaluations of foreign currency assets as well as investment properties), which accounted for 84.27% of total income (ZW\$10.45 trillion) as at 31 December 2023. The income mix for the sector is depicted in Figure 12.

Figure 12: Income Mix for 2023



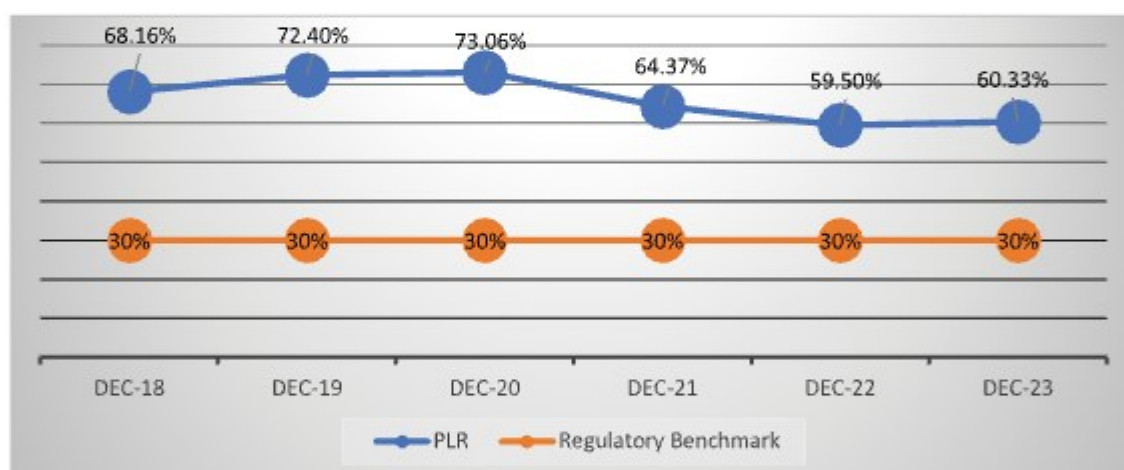
Source: Reserve Bank of Zimbabwe, 2023

45. Banking sector profitability as measured by the return on assets and return on equity ratios improved from 17.43% and 54.33% as at 31 December 2022, to 23.97% and 68.99%, respectively as at 31 December 2023.

Liquidity and Funds Management

46. The upward trajectory in total banking sector deposits continued from ZW\$2.29 trillion to ZW\$19.47 trillion during the year ended 31 December 2023. Foreign currency denominated deposits accounted for 77.09% of total deposits as at 31 December 2023.
47. The banking sector's average prudential liquidity ratio was 60.33% as at 31 December 2023 as banking institutions continued to maintain robust liquidity positions on the back of cautious lending strategies as part of credit risk management. The trend in the liquidity ratio is shown in Figure 13.

Figure 13: Prudential Liquidity Ratio Trend (%)



Source: Reserve Bank of Zimbabwe, 2023

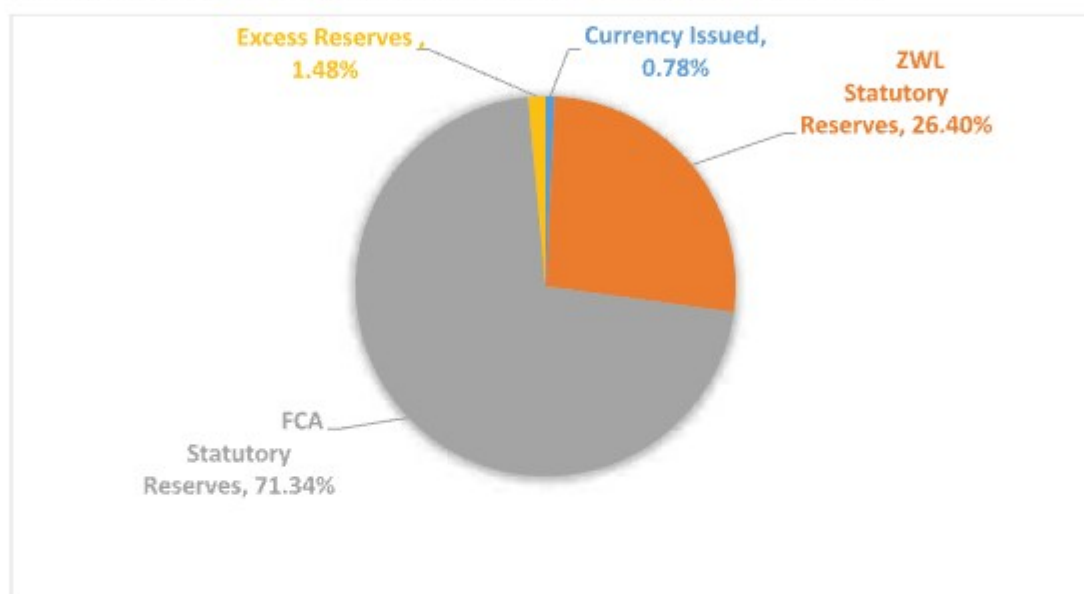
3.2 Money and Capital Markets Developments

Reserve Money Developments

48. In 2023, the Bank continued on a tight monetary policy trajectory as reflected by an upward revision of statutory reserve requirements. Additionally, the Bank policy rate increased from 140% to 150% in June 2023 and subsequently reduced to 130% in December 2023. The MBA lending facility rate increased to 75% as at December 2023 from 70% in January 2023.

49. Resultantly, the increase in reserve money stock from ZW\$104.04 billion in December 2022 to ZW\$2 021.22 billion in December 2023, was largely driven by increases in both local and foreign currency statutory reserves.
50. Statutory reserves largely dominated reserve money stock by more than 95%, which reflected withdrawal of liquidity from the market, as shown in Figure 14.

Figure 14: Components of Reserve Money as at December 2023



Source: Reserve Bank of Zimbabwe, 2023

Local Currency Statutory Reserves

51. The statutory reserves ratio was increased in June 2023, from 10% to 15% for demand and call deposits, whilst the ratio for time deposits was maintained at 5%. The statutory reserves ratios remain unchanged from thereon.
52. Statutory reserves exhibited an upward trend, increasing by more than 888.74% from ZW\$56.77 billion in January 2023 to ZW\$561.34 billion in December 2023. The rise in statutory reserves was mainly driven by increased credit creation by banks and an increase in Government expenditures and foreign exchange purchases.

Figure 15: Daily Statutory Reserves Returns (ZW\$ millions)

Source: Reserve Bank of Zimbabwe, 2023

Foreign Currency Statutory Reserves

53. The Bank standardized statutory reserve requirements on domestic and foreign currency at 15% for demand and call deposits, and 5% for time deposits, with effect from September 2023. As a result, foreign currency statutory reserve balances increased during the review period as highlighted in Table 5.

Table 5: Foreign Currency Statutory Reserves Balances

CURRENCY	Jan-2023	Dec-2023	Change
USD	69,627,782.76	226,875,414.25	226%
ZAR	44,843,303.94	137,487,901.13	207%
BWP	274,708.24	980,096.93	257%
EUR	208,396.15	1,137,758.21	446%

Source: Reserve Bank of Zimbabwe, 2023

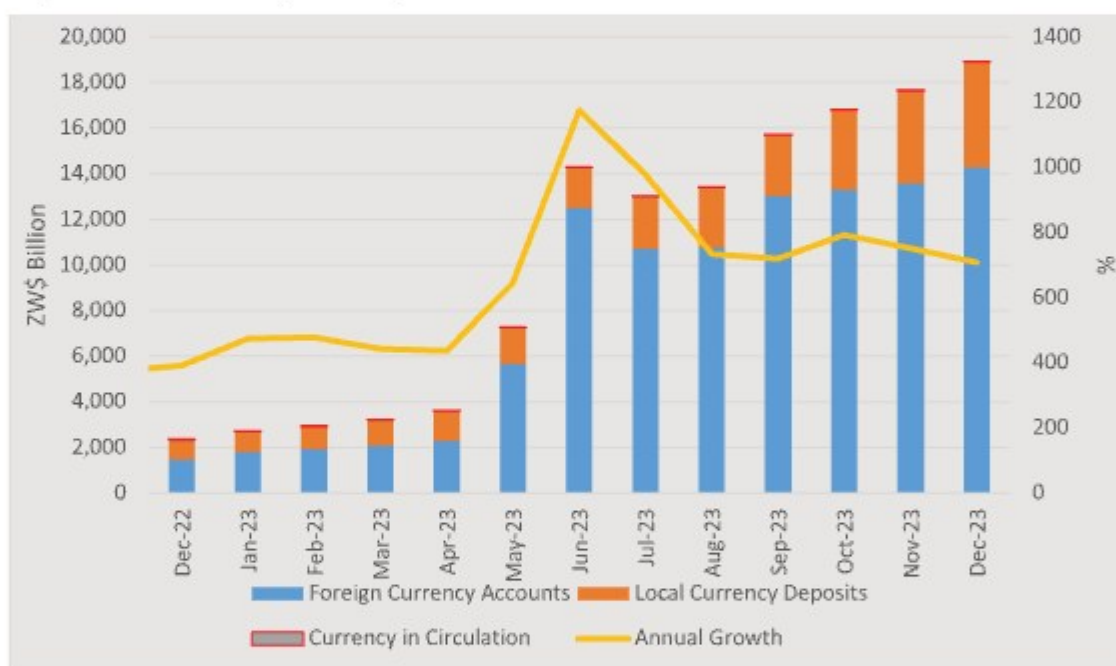
Broad Money Developments

54. Broad money (M3) stock stood at ZW\$18 914.58 billion in 2023, an increase of 708.93% from ZW\$2 338.23 billion recorded in 2022. The year-on-year growth in M3 largely reflected a nominal increase of 884.97% in foreign currency deposits, from ZW\$1 449.40 billion to ZW\$14 276.21 billion, mainly due to

exchange rate depreciation. The official exchange rate moved from ZW\$684.33 per US\$1 at the end of 2022 to ZW\$6 104.72 per US\$1 at the end of the year 2023.

55. The local currency component of broad money grew by 421.85%, from ZW\$888.83 billion in 2022 to ZW\$4 638.37 billion in 2023.
56. Foreign currency deposits accounted for the largest share of broad money, at 70.83%; followed by local currency transferable deposits, 22.07%; time deposits, 6.18%; negotiable certificates of deposits, 0.23%; and currency in circulation, 0.07%. Figure 16 shows monetary developments for the period December 2022 to December 2023.

Figure 16: Monetary Developments



Source: Reserve Bank of Zimbabwe, 2023

Domestic credit

57. Domestic credit registered a year-on-year increase of 790.66%, from ZW\$1 887.87 billion in December 2022 to ZW\$16 814.57 billion in December 2023. The growth largely reflected annual increases of 914.07% and 908.65% in credit to private sector and net claims on Government, respectively. The increase in

claims on the Government, partly, reflected the accounting treatment of the drawdowns by Government of the IMF's Special Drawing Rights (SDRs).

58. Credit to the private sector amounted to ZW\$11 037.28 billion in 2023, an increase of 914.07%, from ZW\$1 088.41 billion in 2022. The increase in credit to the private sector reflected growth in both local currency and foreign currency-denominated loans. Credit to the private sector was mainly channelled to households, manufacturing, and agriculture which received 25.91%, 15.64%, and 14.34% of the total credit, respectively. The mining and distribution sectors received 12.73% and 11.36% of the total private sector credit, respectively.

Money Market Liquidity

59. The Bank maintained a tight monetary policy stance over the year 2023. The money market liquidity limit was reviewed in July 2023, from ZW\$100.0 million to ZW\$30.0 billion, to address the increased market liquidity demands.

Open Market Operations

60. The Bank continued with the issuance of NNCDs to mop excess liquidity from the market. Outstanding NNCDs as of 31 December 2023 stood at ZW\$836.0 billion, compared to ZW\$230.5 billion as of 31 December 2022. Banks were allowed to liquidate NNCDs to meet their daily liquidity requirements.

Gold Coins

61. The Bank continued to sell gold coins to the market as a store of value and alternative monetary policy instrument in 2023. Cumulatively, the Bank sold 38,775 gold coins of different denominations at a total value of about ZW\$55 billion and US\$0.8 million. The bulk of gold coins, 78% were bought by corporates while individuals account for the 22%.

Table 6: Gold Coins Sales-as of 31 December 2023

Details	Sales 2022	Sales in 2023	Cumulative Sales
One Oz Gold Coin	15,341	6,096	21,437
½ Oz Gold Coins	2,450	3,114	5,564
¼ Oz Gold Coin	2,692	2,976	5,668
1/10 Oz Gold Coin	3,885	2,221	6,106
Total	24,368	14,407	38,775

Source: Reserve Bank of Zimbabwe, 2023

62. While the gold coins have a vesting period of 180 days, investors seem to prefer to hold their coins rather than redeem them. Only a total of 1,441 gold coins (about 4% of all coins qualifying for redemption) have been redeemed, with all the redeemed coins being resold to the market as of 31 December 2023.
63. The Bank will continue to avail gold coins on a demand basis as it seeks to promote a savings culture and provide alternative investment instruments to the public.

Gold-Backed Digital Tokens

64. The Bank introduced Gold-Backed Digital Tokens (GBDT), in May 2023 to complement gold coins as a store of value and alternative monetary policy instrument. The GBDT which are sold in units equivalent to a milligram of gold have been well received by the market. The gold tokens which also have a vesting period of 180 days are used for transactional purposes.
65. A cumulative total of 447,626,824 units of gold tokens (about 447.62 kgs) have been purchased valued at ZW\$100.9 billion and US\$20,689.86.

Table 7: Gold Tokens Issuances-as of 31 December 2023

Date	Bids	Units Sold (mg)	ZW\$ Sales Value	US\$ Sales Value
May-23	348	266,967,413	30,640,507,714.07	3,155
Jun-23	212	54,652,930	18,580,144,742.54	4,560
Jul-23	30	3,404,181	1,274,507,245.42	80
Aug-23	29	5,038,032	1,636,676,380.76	3,200
Sep-23	29	20,127,868	7,821,883,466.68	8,517
Oct-23	49	23,579,941	9,842,487,408.28	310.00
Nov-23	35	22,921,827	8,423,667,169.62	201.94
Dec-23	44	50,934,632	22,708,413,949	665.92
Total	756	447,626,824	100,928,288,075.91	20,689.86

Source: Reserve Bank of Zimbabwe, 2023

66. A total of 40,682,707 units of Gold Backed Digital Tokens (about 13% of all tokens qualifying for redemptions) were redeemed by customers, at a total value of US\$2.4 million and ZW\$553.1 million as of 31 December 2023.

RBZ Collateral Bills (RBZCB)

67. The Bank introduced the issuance of RBZCBs to mop excess liquidity injected into the market through foreign currency structures. The outstanding RBZCBs amounted to ZW\$472.0 billion as of 31 December 2023.

Interbank Market and Overnight Accommodation

68. Interbank trading remains subdued as reflected by banks' excess account balances which remained entrenched in a few institutions that are unwilling to participate in the interbank market due to risk considerations.
69. There was little activity on the facility as banks relied on the liquidation of NNCDs to meet their liquidity demands. As a result, there were no outstanding Lender of last resort facility drawdowns as of 31 December 2023.

Central Bank Facilities

Medium Term Bank Accommodation Facility

70. The MBA Facility was introduced as a measure to promote production and productivity for import substitution, export, and employment creation. Banks access the facility for on-lending to the productivity sectors of the economy.
71. Outstanding balances as of 31 December 2023 are depicted in Table 8.

Table 8: Outstanding balances as at 31 December 2023

INSTITUTION	OUTSTANDING AMOUNT
AFC	38,000,000,000.00
NMB BANK LIMITED	12,000,000,000.00
METBANK	11,474,138,415.87
POSB	5,500,000,000.00
IDBZ	5,440,000,000.00
FIRST CAPITAL BANK (BARCLAYS)	3,436,430,000.00
SUCCESS MICROFINANCE BANK	2,500,000,000.00
ZIMBABWE WOMEN'S MICROFINANCE	2,000,000,000.00
EMPOWER BANK LIMITED	1,400,000,000.00
INNBUCKS	1,000,000,000.00
TOTAL	82,750,568,415.87

Source: Reserve Bank of Zimbabwe, 2023

72. Interest rates on the Medium-Term Accommodation Facility have been guided by macroeconomic conditions and the interest rate developments since its inception, as shown in Table 9.

Table 9: MBA Facility Interest Rates Developments

Interest Rates on The Facility	Dates Of Operation
15%	19 Dec.'19 – 30 April'20
10%	01 May'20 – 20 Aug.'20
25%	21 Aug.'20 – 18 Feb'21
30%	19 Feb'21 -27 Oct'21
40%	28 Oct'21 -31 Mar'22
50%	1 Apr'22 – 23 Jun'22
100%	24 Jun'22 – 1 Feb'23
75%	2 Feb'23 -27 Mar'23
70%	28 Mar'23 – 5 Jun'23
75%	6 Jun'23 to date

Source: Reserve Bank of Zimbabwe

Micro, Small and Medium Enterprises (MSMEs) Facility

73. The facility was introduced in June 2021 to support both Capex and working capital requirements for Micro, Small, and Medium Enterprises. Facilities are disbursed for tenors between 12 and 36 months.
74. The outstanding MSMEs drawdowns amounted to ZW\$5.6 billion as of 31 December 2023.

Government Securities

75. Government was increasingly less reliant on the issuance of securities via the auction system, due to limited appetite by investors during the review period. Given this, the Government mainly resorted to raising funds through private placements largely because of the low support for auctions.

Outstanding Domestic Debt Instruments

76. The stock of Government domestic debt, which stood at ZW\$104.75 billion in January 2023, increased to ZW\$516.35 billion by December 2023. The total outstanding ZW\$-denominated Government domestic debt instruments as of 29 December 2023, are shown in Table 10.

Table 10: Treasury Bills Composition

Institution	Cost (ZW\$m)	Maturity Value (ZW\$m)
Government Financing	248,388.97	320,274.95
Government Creditors	6,834.38	6,834.38
Government Debt	181,426.18	181,509.74
Government restructured debt	4,891.45	7,559.03
Capitalization	154.98	175.11
Total	441,695.96	516,353.21

Source: Reserve Bank of Zimbabwe, 2023

Outstanding US\$ Domestic Debt Instrument

77. Table 11 shows the annual maturity profile for US\$ Treasury bills up to the year 2033, with 2024 having a maturity value of US\$324.36 million.

Table 11: Outstanding US\$ Government Securities

Period	Principal US\$	Maturity Value US\$
2024	310,200,273.00	324,360,708.64
2025	206,491,314.00	226,542,441.81
2026	205,750,000.00	235,651,198.63
2027	213,750,000.00	255,211,369.86
2028	263,239,328.73	210,762,831.93
2029	245,000,000.00	317,697,260.28
2030	298,297,260.27	387,432,876.72
2031	335,000,000.00	468,546,575.35
2032	395,000,000.00	571,865,753.42
2033	471,143,398.00	706,079,950.45
Total	2,943,871,574.00	3,704,150,967.09

Source: Reserve Bank of Zimbabwe, 2023

Annual Maturity Profile

78. Table 12 shows the annual maturity profile for ZW\$ Treasury bills up to the year 2043, with 2024 having the largest maturity value of ZW\$501.18 billion.

Table 12: Outstanding Government Securities as at 31 December 2022

Period	Principal Amount (\$)	Interest Amount (\$)	Total (\$)
2024	429,356.56	71,821.22	501,177.78
2025	1,084.43	358.83	1,443.25
2026	460.89	205.53	666.42
2027	6,104.14	217.64	6,321.79
2028	517.40	253.31	770.71
2029	452.33	257.86	710.18
2030	732.92	277.15	1,010.07
2031	574.56	292.46	867.02
2032	774.12	308.96	1,083.08
2033	561.34	323.00	884.33
2034	541.72	338.83	880.55
2035	-	-	-
2037	178.52	-	178.52
2038	-	-	-
2039	178.52	-	178.52
2041	-	-	-
2042	178.52	-	178.52
2043	-	-	-
Grand Total	441,695.96	74,657.26	516,353.21

Source: Reserve Bank of Zimbabwe, 2023

Holder of Government Securities

79. The banking sector, including the Reserve Bank, remained the major holder of Government domestic debt at 96.51% of Government debt instruments in the market. Due to the inability to access external funding, the banking sector has largely remained the main source of Government funding.

Table 13: Government Securities Current Holdings

Holder of Securities	Amount	Proportion (%)
Commercial Banks	366,519.94	83.02%
Central Bank	30,150.22	6.83%
Building Society	29,405.64	6.66%
Pension Funds	10,893.36	2.47%
Government Agencies	4,113.22	0.93%
Insurance Companies	300.00	0.07%
Asset Management Companies	113.53	0.03%
Development Banks	0.05	0.00%
Total current holdings	441,495.96	100.00%

Source: Reserve Bank of Zimbabwe, 2023

3.3 Microfinance Lending and Portfolio Quality

80. The facility was introduced in June 2021 to support both Capex and working capital requirements for Micro, Small, and Medium Enterprises. Facilities are disbursed for tenors between 12 and 36 months.
81. The outstanding MSMEs drawdowns amounted to ZW\$5.6 billion as of 31 December 2023.

3.4 Legal and Regulatory Developments

Changes in Shareholding following Amendment of the Sovereign Wealth Fund of Zimbabwe Act [Chapter 22:20]

82. During the year, the Sovereign Wealth Fund of Zimbabwe Act was amended by establishment of a Fund, the Mutapa Investment Fund, which is a body corporate.
83. Certain shares held by Government of Zimbabwe in a number of companies including People's Own Savings Bank (POSB), Industrial Development Corporation of Zimbabwe and AFC Limited, were vested in the Mutapa Investment Fund.
84. In terms of the amendments, directors of the affected entities were required to effect changes to the companies' share registers to reflect the Mutapa Investment Fund as the holder of the shares.

Public Entities Corporate Governance Act [Chapter 10:31]

85. On 19 September 2023, Statutory Instrument 156 of 2023, Presidential Powers (Temporary Measures) (Investment Laws Amendment) Regulations, was gazetted.
86. The regulation amended some provisions of the Public Entities Corporate Governance Act [Chapter 10:31] to exempt all public entities registered as banking institutions under the Banking Act [Chapter 24:20] from the application of the Public Entities Corporate Governance Act although such entities are still obliged to comply with the National Code of Corporate Governance of Zimbabwe. In addition to these provisions, banking institutions are expected to comply with existing corporate governance regulations.

Cancellation of Licenses

87. During the year ended 31 December 2023, the Bank cancelled two (2) licences of banking. Tetrad Investment Bank Limited's merchant banking licence was cancelled with effect from 31 August 2023, in terms of section 15 of the Banking Act. The cancellation of the licence was at the banking institution's request in terms of section 14 (4) of the Banking Act.
88. Avis Bank Limited, which was issued with a merchant banking licence on 7 June 2022, failed to meet the licensing conditions including commencing banking operations within 12 months, as required in terms of the Banking Act.
89. Following due consultation with the Minister of Finance, Economic Development & Investment Promotion and the Deposit Protection Corporation, the Bank cancelled Avis Bank Limited effective 21 November 2023.

Collateral Registry

90. Throughout 2023, the sharing of credit information among lending institutions, facilitated by the Credit Registry and the private credit bureaus, remained instrumental in enhancing the efficiency of the credit market, promoting financial inclusion, and ensuring financial sector stability.
91. Financial institutions can now readily access comprehensive credit information from the databases of the Credit Registry and the credit bureaus as part of the credit screening and risk management strategies.
92. The Collateral Registry uptake and utilization continued on an upward trend following its official launch on 18 November 2022. By December 31, 2023, the Collateral Registry System had 57 registered institutional users comprising Banks, Microfinance Institutions, Developmental Institutions, Contract Financiers and Law Firms. There were 1204 Active registered security interests with a corresponding loan amount of ZW\$4.59 trillion.

Financial Literacy and Consumer Education

93. The main strategic vision of the National Financial Inclusion Strategy II, launched in 2022, is to promote increased usage of financial services. In this regard, and as part of the implementation of NFIS II, in 2023, focus was primarily on financial literacy with the view to facilitating acquisition of knowledge and skills that promote responsible financial behaviour and enable consumers to make informed financial decisions.
94. The Bank, in collaboration with other stakeholders conducted a number of financial literacy programs on various platforms including, schools, women group meetings and gatherings, churches, businesspeople forums, and communities in the rural areas.
95. In addition to financial literacy initiatives by the Bank, financial institutions were urged to adopt the 'finance plus' approach to the provision of financial services by combining financial services and products with non-financial services incorporating financial literacy programs.

Awareness Campaign

96. The Bank continued to strengthen the digital financial consumer protection issues related to the regulated payment systems. The efforts were aimed at promoting the rights, fairness, transparency, and interests of financial consumers in the digital financial services landscape.
97. The road shows and community engagements were targeted at remote rural areas and high-density residential areas where majority of the populace resides.
98. The roadshows and community engagements were a huge success judging by collective reports from the main education and awareness collaborators Consumer Council of Zimbabwe (CCZ), Consumer Protection Commission (CPC) and Post and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ).

Model Risk Management

99. In line with best practice, the Bank also issued a Model Risk Management Prudential Standard in July 2023 against the backdrop of increasing reliance by regulated institutions on modelling as their operations and activities become more complex and diverse. The Standard provides for sound development, implementation, and rigorous model validation as vital elements of model risk management.

Sustainability

100. There is increasing recognition globally that, adopting sustainability is not only a moral obligation but also a key strategic imperative for banks to thrive in an environment characterised by global shocks and uncertainty. In this regard, sustainability considerations are now at the top of the agenda for banking institutions as strong environmental, social and governance (ESG) performance is increasingly linked as a key performance indicator. The banking sector continues to make headway in integrating sustainability through the adoption of sustainable banking principles.
101. In addition, the Bank was accepted in the Network for Greening the Financial System in December 2023, and this is expected to create a valuable platform to interact with other supervisors across the globe in transitioning to a low carbon economy and strengthening climate and environmental risk management practices.

DIGITAL FINANCIAL SERVICES (DFS) LICENSING AND FINTECH

102. In line with the digital economy drive, payment services providers and banking institutions launched various new digital financial services products, including cardless withdrawal solutions and virtual VISA cards.

103. During the year, the Bank received forty-five (45) product applications from both financial institutions and other prospective payment system providers for licensing as illustrated in Table 14.

Table 14: Applications Status 2023

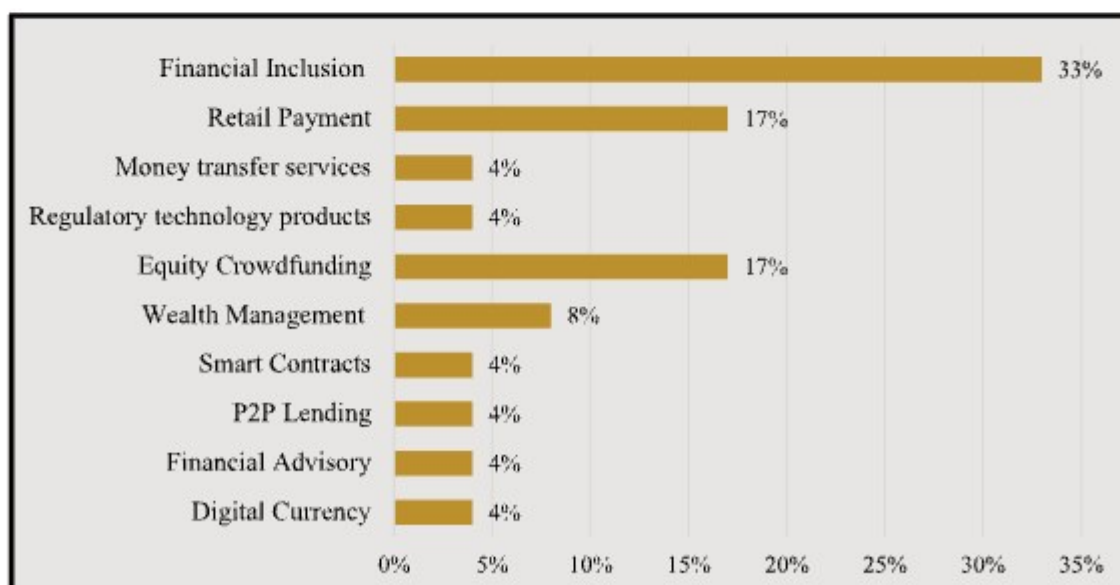
Payment Stream	Approved	Referred to other regulators	Guidance Offered	Rejected	Total
Applications	18	4	21	2	45

Source: Reserve Bank of Zimbabwe, 2023

Regulatory Sandbox

104. The Fintech Regulatory Sandbox platform continued to serve as a conduit for responsible innovation in the financial services sector.
105. Resultantly, the Bank has a dedicated approach to Fintech and innovation on the assessment of the Fintech ideas from market players to harness technology in the financial services landscape.
106. During the year, a total of twenty-three (23) applications were received for sandboxing with the cumulative number of users at 131 distributed as shown in Figure 17.

Figure 17: Distribution of Applications to Regulatory Sandbox as at 31 December 2023



Source: Reserve Bank of Zimbabwe, 2023

4 BANKING, CURRENCY AND PAYMENTS

107. During the year under review, the Bank continued to perform its functions of providing banking services to Government and commercial banks, overseeing the national payment systems and supplying notes and coins to the market.

Currency Services

108. The Bank issued ZW\$7.936 billion in mint bank notes and no coin into circulation during 2023.

Payment Systems

109. During the year under review, the National payment systems remained safe, sound and stable amid measures put in place by the Bank to safeguard the resilience of the banking community and financial market infrastructure.

Access Points and Devices

110. Active internet banking subscribers decreased by 31% to 430.82 thousand subscribers in 2023 from 628.48 thousand subscribers recorded in 2022. Point of Sale (POS) points increased by 2% from 135,198 in 2022 to 137,988 in 2023, as shown in Table 15.

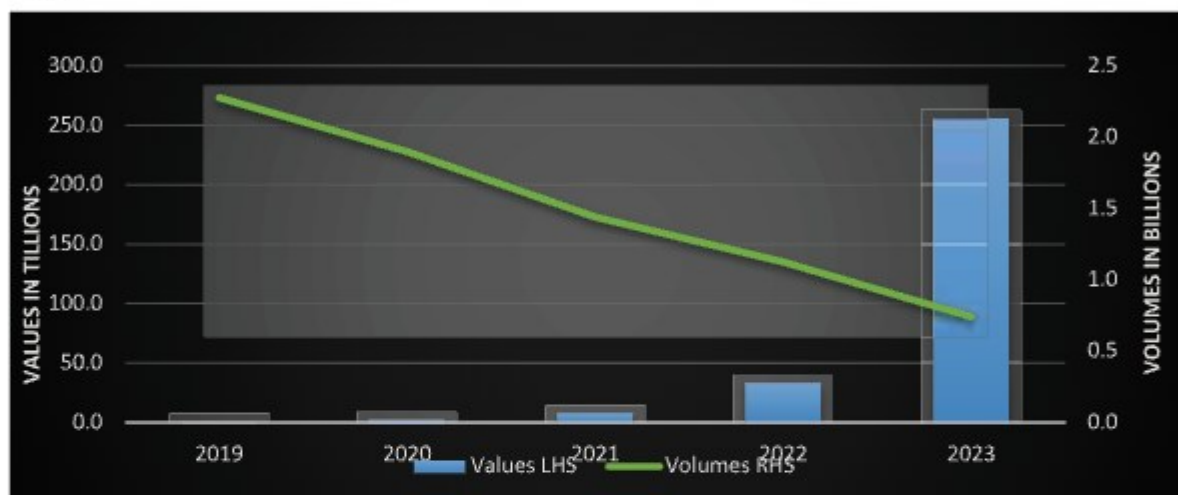
Table 15: Payment Access Points and Devices 2018- 2023

PAYMENT SYSTEMS ACCESS POINTS						
	2018	2019	2020	2021	2022	2023
ATMS	551	542	532	410	410	408
POS	99,935	121,413	125,277	138,210	135,198	137,988
PAYMENT SYSTEMS ACCESS DEVICES						
Debit Cards	4,734,299	5,625,031	5,675,458	6,323,462	5,559,944	5,728,857
Credit Cards	17,204	18,089	17,093	13,812	15,623	18,056
Prepaid Cards	88,406	99,278	124,210	145,614	133,119	172,992
Active Mobile Banking Subscribers	6,139,160	6,543,758	5,201,677	4,129,470	7,840,317	8,798,809
Active Internet Subscribers	353,103	415,901	447,033	607,246	628,478	430,819

Source: Reserve Bank of Zimbabwe, 2023

111. Digital payment systems transactions values continued on an upward trajectory increasing by 670% in 2023 to ZW\$255,920.83 from ZW\$33,244.49 recorded in 2022. The volume of transactions, however, declined by 35%, during the same period, as shown in Figure 18.

Figure 18: Digital Payment Systems Annual Values and Volumes 2019 to 2023



Source: Reserve Bank of Zimbabwe, 2023

Anti-Money Laundering and Counter Financing (AML-CFT) Supervision

112. The Bank continued to execute its delegated anti-money laundering role in the payment systems services sector. The process included monitoring activities of supervised institutions to ensure that they remain within the requirements of the regulatory framework, essentially enforcing compliance against the Financial Action Task Force recommendations and Money Laundering and Proceeds of Crime Act (9:24).

Society for Worldwide Interbank Financial Telecommunications (SWIFT)

113. The SWIFT Customer Security Controls Framework (CSCF) continued to be implemented composing of mandatory and advisory security controls for SWIFT users.
114. The CSCF Assessment status for Zimbabwean banks is shown in Table 16.

Table 16: CSCF Assessment Status as at 30 December 2023

Zimbabwean Banks	2022	Dec-23	Proportion
Fully Compliant	18	21	75%
Partially compliant	10	7	25%
Total	28	28	100%

Source: Reserve Bank of Zimbabwe, 2023

ISO 20022

115. The country's banking community adopted the payment ecosystem's new global messaging standard, which is the International Organization for Standardization (ISO 20022). To this end, the Bank ensured the banking community successfully migrated during the first quarter of 2023.

SADC Payment Systems

116. In 2023 the value of payments processed on the SADC-RTGS by Zimbabwean commercial banks increased by 38% to ZAR5.94 billion while the volume also fell by 17% to 4 355 when compared to 2022.

Pan African Payment and Settlement System ("PAPSS")

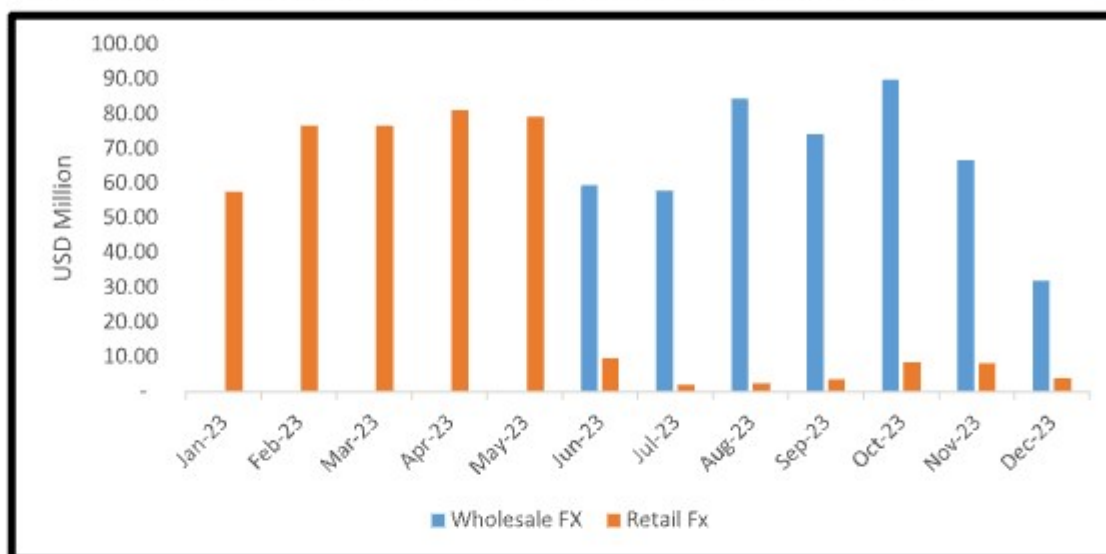
117. The Bank through the banking community is seized with the implementation modalities to introduce the PAPSS sponsored by the African Export and Import Bank (Afreximbank) which is meant to complement the existing cross border payment schemes currently in operation.
118. Most of the bank institutions have started the engagement processes to be part of PAPSS community and the Bank is kept informed on the progress.

Foreign Exchange Market

119. The Bank introduced the Wholesale foreign exchange auction system on 7 June 2023, which allowed for broader access to foreign exchange by economic agents and also enhanced the price discovery mechanism in the interbank foreign exchange market. The Wholesale foreign exchange auction system remained the

key source of foreign currency to the economy and fostered price stability in both the foreign exchange and goods markets.

120. Under the Wholesale auction system, authorised dealers submitted bids to source funds for on selling to their clients in line with existing auction regulations and rules. The average bids for all participating authorised dealers was US\$14.5 million, while the average allotments was US\$13.7 million per week.
121. The Bank held a total of thirty-four Wholesale auctions in 2023 and cumulatively allotted US\$464.9 million, since 7 June 2023, representing about 95.2% of total bids submitted as of 31 December 2023.
122. The Bank also merged the Main Auction and the Micro, Small, and Medium Enterprises Auction into the Retail auction in June 2023 to address foreign currency requirements by individuals and Micro, Small, and Medium Enterprises ranging from US\$1,500 to US\$50,000 per week. The Retail Auction was capped at a maximum amount of US\$5.0 million per week.
123. The Bank held a total of forty-eight Retail auctions in 2023 and allotted a cumulatively total of US\$410.2 million, representing about 70.2% of total bids submitted in 2023.
124. The distribution of foreign currency allotments in 2023 is shown in Figure 19.

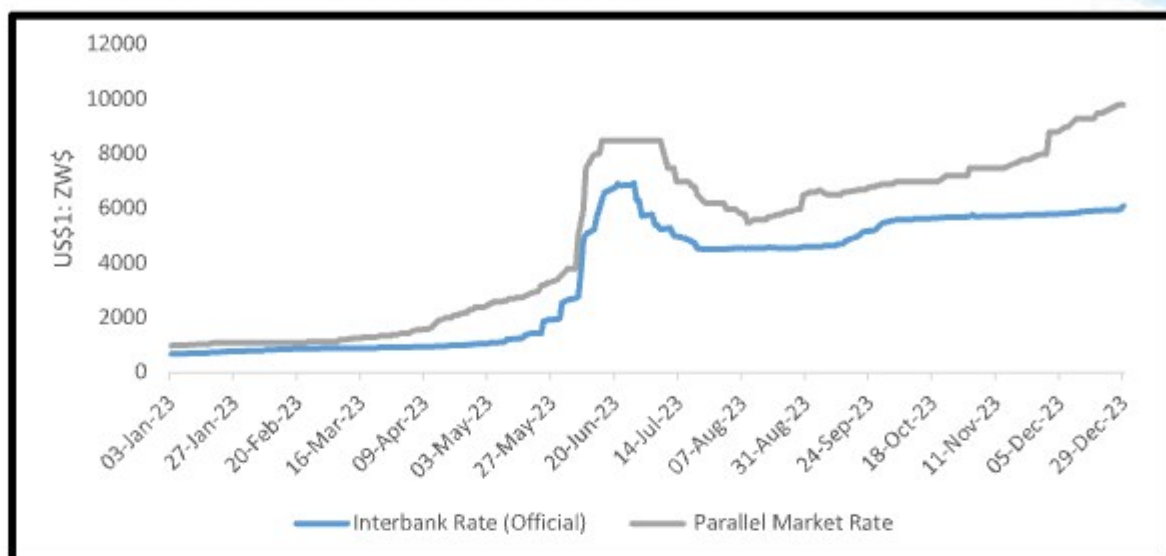
Figure 19: Foreign Exchange Auctions Allotments in 2023 (US\$m)

Source: Reserve Bank of Zimbabwe

125. To complement both the Wholesale and Retail foreign exchange auctions, the Bank availed a total of US\$20 million towards the Bureau de Changes facility in 2023. The foreign currency was meant to meet small payments for medicals, business travel, and education.

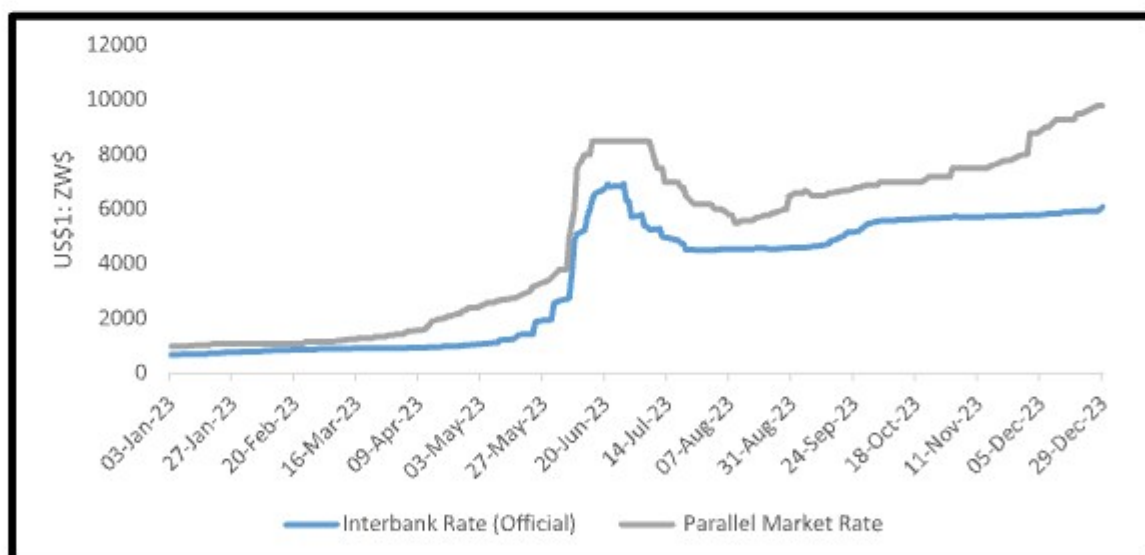
Exchange Rate Developments

126. The exchange rate was generally stable in the second half of 2023, largely reflecting the tight fiscal and monetary policy measures implemented by Government at the end of the first half. The local currency, which opened the year 2023 trading at US\$1:ZW\$687.28 depreciated by 89% to end the year at US\$1:ZW\$6,104.72, as shown in Figure 20.

Figure 20: Exchange Rate Developments in 2023

Source: Reserve Bank of Zimbabwe 2023, Market intelligence, 2023.

127. The premium between the parallel market rate and the official exchange rate which peaked at over 120% in May 2023, came down significantly to below 40% for the greater part of the second half of 2023. The premium, however, ended the year just over 60% in December 2023, as shown in Figure 21.

Figure 21: Exchange Rate Premium in 2023

Source: Reserve Bank of Zimbabwe 2023, Market intelligence, 2023.

128. The stability of the foreign exchange market remained central to the Bank's operational objectives as evidenced by its efforts to maintain a tight liquidity

framework. Developments on the exchange rate front during the last quarter of 2023 also mirrored the accumulation of the foreign exchange auction backlog at around US\$100 million.

Foreign Exchange Stabilization Facilities

129. The Bank mobilized about US\$900 million, including Letters of Credit from local, regional, and international partners to support the foreign exchange auction system as well as to meet the country's balance of payments requirements in 2023.
130. The issuances of letters of credit under the Bank facilities have continued to bridge the balance of payments gap for the country as they provided critical foreign currency liquidity to industry. Letters of credit worth about US\$90 million were issued under the Bank's facilities confirmed by Afreximbank and other correspondent banks in 2023.

5 STRATEGY AND RISK MANAGEMENT

131. The Bank remained resolutely focused in ensuring that inherent and emerging risks are proactively identified, monitored and managed within the Board approved risk tolerance thresholds.

Risk Governance

132. To ensure on-going effective management of risk, as well as ensure sound internal controls on an on-going basis, the Bank established the risk management oversight committees which include the Board Audit and Oversight Committee, Executive Committee and ICT Steering Committee.
133. The Climate Risk, Sustainability and Governance Management Committee was established in 2023, whose main mandate is to identify the key drivers and transmission channels of climate risk in the banking sector, evaluate the effects of climate risk on Monetary Policy, as well as create a roadmap for climate risk management. Engagements are on-going to ensure that the Bank is fully integrated into national climate risk mitigation and adaptation structures.
134. The Bank is a member of the SADC Committee of Central Bank Governors' Business Continuity Management Decision Makers (BCMDM) subcommittee of the ICT Committee. The aim of the subcommittee is to standardise the BCM arrangements of member central banks through adoption of international standards, including ISO 31000 (Risk Management), ISO 22301 (Business Continuity) and Business Continuity Institute's Good Practice Guidelines.
135. The Bank employs enterprise-wide risk management system, which is underpinned by a shared responsibility for managing risks between line departments, independent risk management, control functions and internal audit. Divisions are responsible for managing their own risk, while Risk Management Unit provides an oversight role.

136. Risk reporting is facilitated mainly by use of Divisions' Self-Risk Assessment Reports, Risk Appetite Matrices, Key Risk and Performance Indicators, among others.
137. During the year under review, the Bank's risk profile remained within the Board's risk tolerance levels, owing to strong risk management culture and on-going initiatives to enhance the internal control environment.

Risk Culture

138. In fostering risk culture, the Bank focused in cultivating a sense of openness regarding risk dialogue, where the objective is to iteratively strengthen the approach to managing the risk profile to safeguard the Bank's assets. The Bank had adopted an inclusive approach where at each level, employees of the Bank are expected to have an in-depth understanding of their departmental risk profiles and contribute to refining the articulation of any risks, to register new risks, and to suggest improvements to the internal control environment.
139. For the Bank, it means establishing a "risk mindset" across the entire organization, so that every function and employee has the tools and capabilities to detect and mitigate threats. To this end, staff training and awareness was provided on areas such as privacy and workplace health and safety. Further training is earmarked for the year 2024.

Business Continuity Management

140. Ensuring business continuity is a key priority for the Bank to ensure achievement of its strategic objectives. In this regard, business continuity arrangements will continue to be enhanced in the ensuing year, including full adoption of the requisite ISO standards for business continuity and on-going business continuity management tests and simulation exercises.
141. The Business Continuity Plan/Disaster Recovery Plans are documented procedures that guide the Bank to respond, recover, resume and restore continuity of mission critical processes in the event of an emergency or disruption. The plans are owned and maintained by the respective divisions across the Bank.

Cyber Resilience

142. The Bank's activities are highly dependent on information technology (IT) systems, and as such, on-going upgrading of the ICT infrastructure has ensured effective management of technology risk. In addition, protecting digital assets from cybersecurity threats is a priority for the Bank, alongside providing a high-quality IT service.
143. During the year under review, technology risk management focused largely on identification, protection, detection, responding and recovery functions. Technology risk management continued to evaluate the adequacy, effectiveness and appropriateness of controls and monitor the same at frequent intervals, while keeping the Board informed of the cyber threat landscape and major developments. Incident response reporting and remediation processes received due attention during the year under review while there are on-going initiatives for strengthening cyber resilience capabilities.
144. The Bank continued to receive independent assurance of its compliance with security strategies, including certification for the ISO 27001 global standard for Information Security Management.

Climate Risk Management

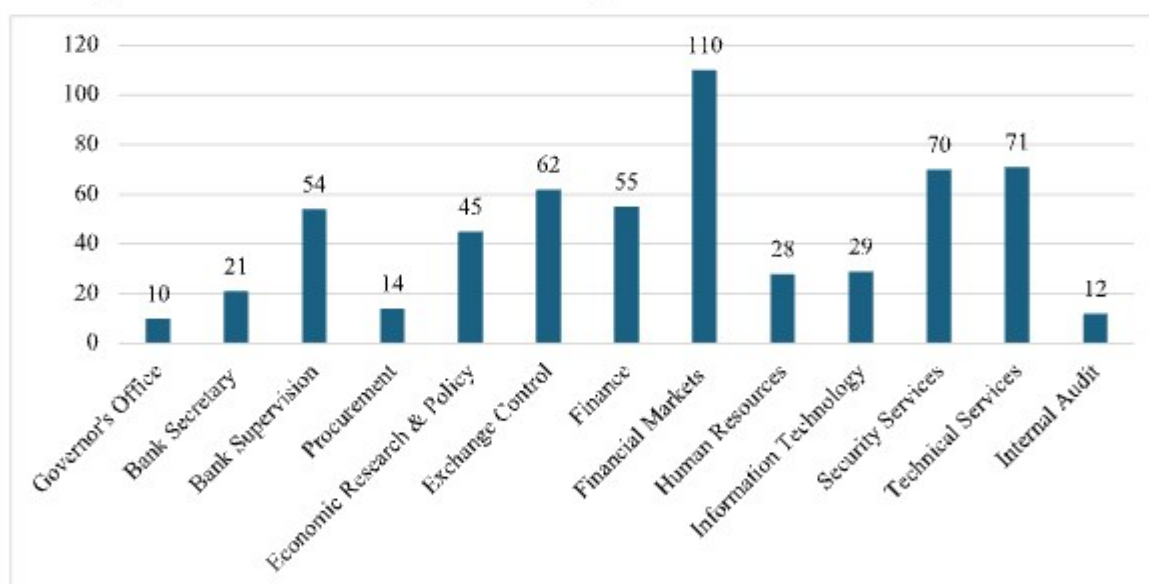
145. Cognizant that climate change may affect the achievement of price and financial system stability goals, the Bank is taking steps to ensure management of climate risk, including development of Guideline No. 01-2023/BSD: Climate Risk Management, in April 2023 to strengthen the resilience of the banking system to climate-related risks and support the national strategy on transitioning to a low carbon economy.
146. The Climate Risk Management Guideline provides guidance to regulated institutions on adoption of climate risk management principles that are in line with international best practice.

147. As part of increasing the Bank's visibility and strategic partnerships in regional and international Climate Change, Sustainability and Governance agendas, the Bank is spearheading the development of a Regional Supervisory Framework for Climate Related Financial Risks, under the auspices of SADC Committee of Central Banks.
148. The Bank has also taken the strategic decision to implement sustainability standards within the central bank working closely with European Organization for Sustainable Development.

6 HUMAN RESOURCES MANAGEMENT

149. The strategic mandate of the Bank to achieve price, exchange rate and financial system stability requires that a deliberate connection be made between the Corporate Strategy and the Human Resource Strategy.
150. In this regard, the Bank continued to focus on attracting, deploying, developing, and retaining talent for effective implementation of its strategy. The deployment of a compelling Employee Value Proposition (EVP) was instrumental in dictating the sequence the Bank experienced in driving employee experience over the year.
151. The Bank enjoyed cordial industrial relations climate throughout the year through engagements with staff representative structures and deploying leadership development.
152. The staff complement closed the year at 623 as at December 2023 as shown in Figure 22.

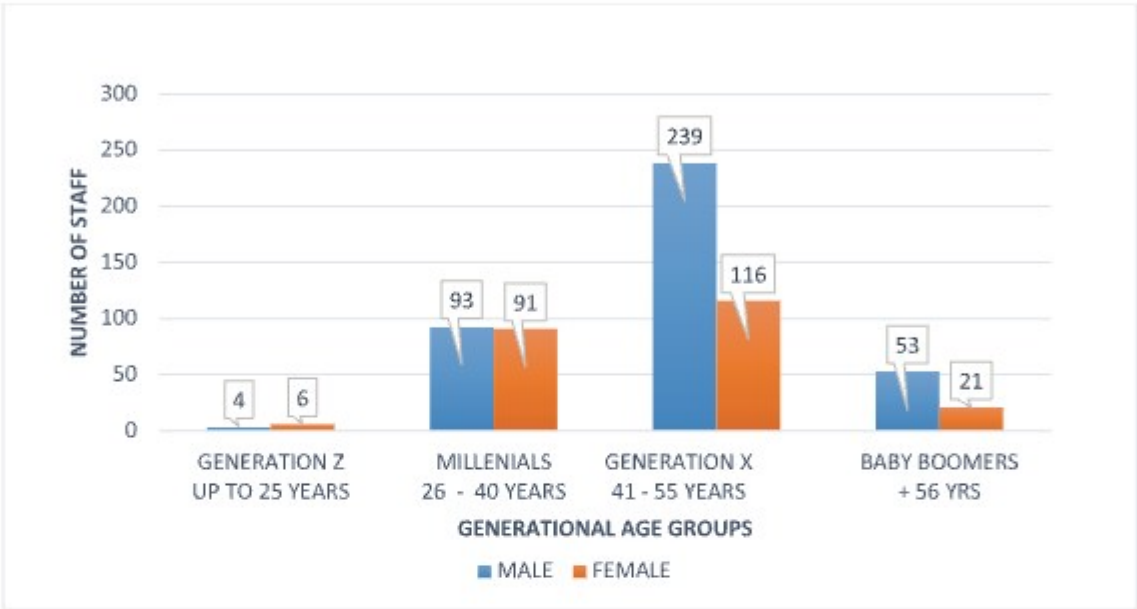
Figure 22: 2023 - Divisional Staff Complement



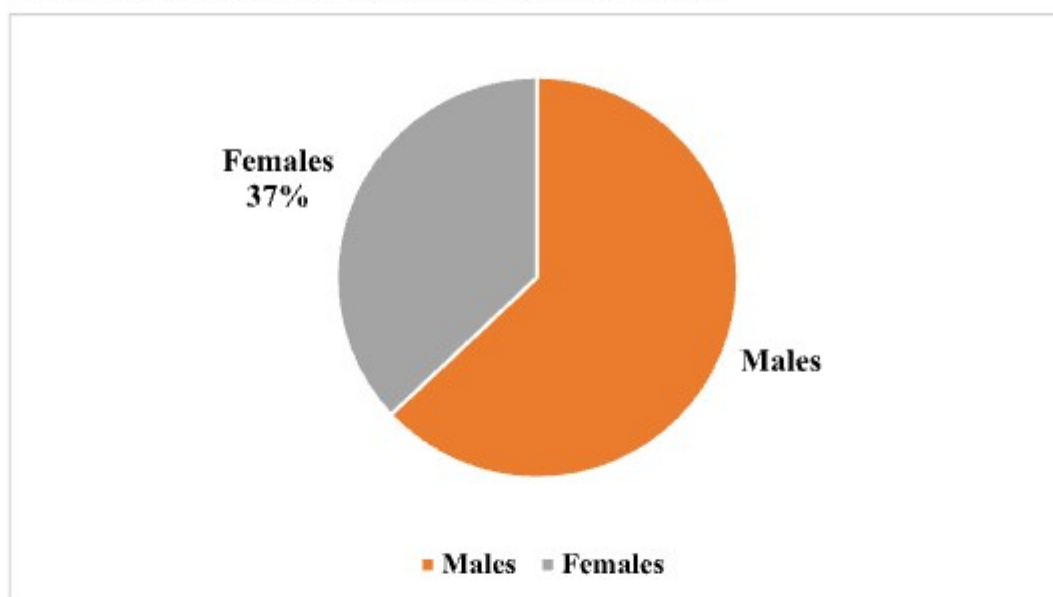
153. The Bank values diversity, equity, and inclusion both in its approach to the market and in its Human Resources approaches. The Bank runs a Graduate Development Program (GDP) to ensure that the generational profile of the Bank is balanced. The Bank takes a leaf from global research, hence, the employment structure is

driven by the growth in youth population which is estimated to reach 50% by 2100 through the Mastercard Foundation research. Figure 23 shows the generational age profile within the Bank.

Figure 23: Generational Age Profile as at December 2023



154. The Bank values diversity and its thrust is to ensure equity prevails and that it aligns to global governance best practices and promotes inclusion internally, which is part of its focus nationally. Thus, the profile of the Bank in terms of gender profile, as shown in Figure 24.

Figure 24: Staff Gender Profile as at December 2023

155. The annual staff turnover rate as of 31 December 2023 was 1.7%. Voluntary turnover rate inclusive of mutual terminations and resignations was about 1.2 % which is low when compared to the Chartered Institute of Personnel and Development (CIPD) global benchmark of 5% showing the retention strategies implemented by the Bank are yielding fruit.

Talent Development

156. Central Banking deploys a farming rather than hunting strategy of talent management which effectively means that there is a strong development focus. During the year 2023, the Bank continued to partner with global training institutions such as the IMF through its headquarter in Washington DC and its regional training institutes, Africa Training Institute (ATI) and AFRITAC South, World Bank and Federal Reserve Bank. Regionally, the Reserve Bank also partnered the following training institutions Macro-Economic Financial Management Institute (MEFMI) of Eastern and Southern Africa, COMESA Monetary Institute, and SADC.



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