PRESS STATEMENT

RESOLUTIONS OF THE MONETARY POLICY COMMITTEE MEETING HELD ON 22 MAY 2020

The Monetary Policy Committee of the Reserve Bank of Zimbabwe (the Committee) met on 22 May 2020 and considered a wide range of issues currently confronting the Zimbabwean economy.

The Committee welcomed the Bank's decision to introduce higher-denominated banknotes to the market through normal banking channels that are money supply neutral but urged the Bank to enhance the process of dealing with and replacing soiled and damaged notes in circulation.

The Committee noted and appreciated the new cash withdrawal limit of ZW$1000 per week and that approved cash withdrawals of above ZW$1000 by business entities would need to be closely monitored to eliminate abuse.

The Committee expressed serious concern over the continued deterioration in the exchange rates that were widely being used by the private sector. The Committee welcomed action taken by the Bank to curb speculative trading in foreign exchange using electronic banking platforms. It was resolved that a formal market-based system of foreign exchange trading will be put in place. To ensure that foreign currency trades were monitored in real time, the Committee urged the Bank to expedite the implementation of the electronic foreign exchange trading system for compulsory use by *bureaux de change*. The Committee also urged more active application of the Open Market Operations (OMO) Bills to deal with any identified excess liquidity balances in the market.

As part of efforts to assist in the recovery and growth of the productive sectors of the economy and to help with post Covid-19 recovery, it was resolved that there was need to release more financial resources for the productive sectors of the economy by banks. To assist that process, the Committee resolved to reduce the statutory reserve ratio from the current 4.5% to 2.5% with effect from 8 June 2020.

The Committee also resolved to reinstate, with effect from 1 July 2020, the 30-day limit of liquidating surplus foreign exchange receipts from exports in order to ensure that more foreign exchange was released onto the market.

John P Mangudya
Governor

8 June 2020