



UPDATE ON RESERVE MONEY

AS AT 16TH OCTOBER 2020

RESERVE MONEY

1. Reserve money for the week ending 16 October 2020 increased by ZW\$2.2 billion, to ZW\$17.6 billion. The increase reflects a rise in banking sector deposits at the Reserve Bank by ZW\$2.1 billion and an increase in statutory reserves by ZW\$0.1 billion.
2. The increase in banks' liquidity at RBZ was largely attributable to the decline of Government deposits at RBZ by ZW\$1.4 billion as Government was paying salaries to its employees. A reduction in Government deposits at RBZ represents an injection of liquidity in the banking sector whilst an increase of deposits represents withdrawal of money from the banks.
3. The balance of ZW\$700 million increase in reserve money was due to the purchase of foreign exchange by the RBZ through banks for purposes of funding the foreign exchange auction. Purchases of foreign currency by RBZ increase liquidity in the market whilst the sale of foreign currency by RBZ withdraws liquidity from the market.

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

								PRELIMINARY ESTIMATES		
	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Week Ending 25 Sept-20	Week Ending 9 Oct-20	Week Ending 16 Oct-20
Currency Issued by RBZ	1.22	1.31	1.34	1.46	1.67	1.90	2.06	2.12	2.21	2.14
Banking Sector Deposits at RBZ	7.09	8.79	10.20	12.08	10.42	11.46	10.06	12.47	13.09	15.34
Statutory (Required) Reserves	1.08	1.21	1.21	1.39	0.89	1.05	1.24	1.34	1.38	1.49

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	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Week Ending 25 Sept-20	Week Ending 9 Oct-20	Week Ending 16 Oct-20
<i>Banks' RTGS Liquidity</i>	6.01	7.58	8.90	10.70	9.53	10.41	8.83	11.13	11.71	13.85
Other Deposits	1.08	1.61	0.92	0.28	0.58	2.79	0.26	0.40	0.08	0.08
Reserve Money	9.38	11.71	12.46	13.82	12.65	16.15	12.38	14.99	15.38	17.55
Memorandum Items										
Currency Issued/Reserve Money Ratio (%)	13.0	11.2	10.8	10.5	13.2	11.8	16.6	14.1	14.4	12.18
Currency in Circulation /Deposits Ratio (%)	2.5	2.2	2.0	1.9	1.2	0.9	0.7	1.4	1.3	1.3
Monthly Change in RTGS Balances (%)	-3.3	26.3	18.5	19.0	-10.9	-9.2	-15.2	9.4	13.2	18.3
Monthly Change in Reserve Money (%)	1.4	24.8	6.5	10.9	-8.4	27.6	-23.3	5.8	7.6	14.1
Government Deposits at RBZ (Stock)	3.35	2.85	2.97	2.09	7.46	6.02	9.52	7.94	8.45	7.08
Monthly Inflation (%)	13.5	26.6	17.6	15.1	31.7	35.5	1.4	-0.5	N/A	N/A
Inter-Bank Exchange Rate	17.95	25.00	25.00	25.00	57.36	76.76	83.40	81.50	81.35	81.35