



HIGHLIGHTS
OF THE 2022 MONETARY POLICY STATEMENT
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ZNCC National Office
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2022 MONETARY POLICY HIGHLIGHTS

The Reserve Bank of Zimbabwe Governor, Dr. J. P. Mangudya presented the 2022 Monetary Policy Statement which will be followed for the next 6 months. The Zimbabwe National Chamber of Commerce, building up to the Analysis and Review of the 2022 Monetary Policy Statement, presents the key highlights of the Statement.

THE BANK'S ASSESSMENT OF THE 2021 MONETARY POLICY PERFORMANCE

The 2021 monetary policy measures were aimed at restoring macroeconomic stability

Annual inflation declined from 348% in December 2020 to 60.7% in December 2021

Official exchange rate remained stable at about ZW\$85 per US\$1 for the greater part of 2021

Widening parallel market exchange rate premium in the last quarter of the year; ranging between 40% and 90%

Maintained the Bank policy rate at 60% during the 2021 last quarter and the Medium-Term Accommodation Facility was increased in October 2021 from 30% to 40%. The Medium-Term Accommodation Facility helped enhance productivity and ensure availability of goods in the economy

The statutory reserve ratio for demand and call deposits was increased from 5% to 10% to further tighten money supply. The ratio for time deposits was maintained at 2.5%. Statutory reserve balances rose from ZW\$9.58 billion as at 28 October 2021 to ZW\$20 billion as at 31 December 2021, a 108.77% increase

The Bank has conducted 77 Main and 71 SMEs Auctions since its inception in June 2020. US\$1.97 billion was allotted in 2021, representing 97% of the total bids submitted to the auction. The share of allotments of the SMEs Auction to total allotments grew from 8% in 2021 first quarter to 19% in 2021 fourth quarter. Marked increase in participants on the auction system from about 500 at the beginning of 2021 to reach a peak of just over 2000 by year-end

Zimbabwe recorded its highest ever foreign currency receipts of US\$9.7 billion in 2021, a 53.5% increase from 2020 attributable to increased international commodity prices, increased international remittances and gold incentives put in place by the Government

Foreign exchange traded outside the auction, excluding sales to bureaux de change, rose by 72% to US\$1.86 billion in 2021

The Bank arranged a US\$150 million Letter of Credit (LC) facility from the Afrieximbank to reduce pressure on the auction. Banks played a role in availing their clients with LCs and foreign currency advances from their positions to the tune of US\$375 million

NEW MONETARY POLICY MEASURES

The tight monetary targeting framework to remain in place to sustainably anchor inflation expectations and curtail the speculative demand for forex

- Downward review of the quarter-on-quarter reserve money growth target from 10% to 7.5% for the first half of 2022
- The revised reserve money growth in line with the envisaged growth of 5.5% for 2022

Continuation of the aggressive liquidity management policy by aligning Open Market Operations (OMOs) to liquidity injections by Government so as to avoid excess liquidity in the banking system emanating mainly from payments for infrastructural development projects

The bank policy rate and the Medium Term Accommodation Facility interest rate to be maintained at the current levels of 60% and 40%, respectively

Statutory reserve requirements for demand/call deposits and savings and time deposits maintained at current levels of 10% and 2.5% respectively to promote savings and time deposits

The Bank to continuously improve the efficiency of the foreign exchange auction system through:

- Allotment of foreign currency on the basis of available foreign exchange to ensure no allotment backlogs
- Timeous settlement of auction bid allotments within a period of two weeks
- Commercial banks to strictly adhere to and enforcement of the Know Your Customer (KYC) and Customer Due Diligence (CDD) principles and requirements

The Bank in liaison with the Government, to continuously promote the wider use of the Zimbabwean dollar

The multi-currency system currently in place is termed ideal for promoting growth and competitiveness for the local economy

Foreign exchange availability to fuel service stations designated by ZERA to sell in local currency to be increased

Deposit rates for savings and time deposits to be maintained at 10% and 20% respectively

Focus will be on building foreign exchange reserves to back-up for local currency by setting aside 5% of the foreign exchange available for the auction system

Upward review of the limit on mobile banking transactions:

- Person to business from ZW\$20 000 to ZW\$25 000 per transaction with a maximum limit of ZW\$100 000 per week
- Person to person from ZW\$5 000 to ZW\$10 000 per transaction with a limit of ZW\$70 000 per week
- Cash withdrawal limit revised upwards from ZW\$2 000 to ZW\$5 000 per week

The US\$50 facility has been refined to limit it only to the pensioners, senior citizens, people living with disability and those requiring forex for medical purposes

Export retention ratios reviewed as follows:

- Exporters in the manufacturing, horticulture and cross-border transport subsectors now eligible to retain 100% of the incremental portion of their export receipts
- Retention threshold has been increased for tobacco and cotton growers to 75% for the forthcoming marketing season
- Tourism and hospitality industry players to retain 100% of their foreign currency earnings
- Tobacco merchants to retain 80% of the incremental value addition repatriated into the country and 100% proceeds from local sales of tobacco through inter-merchant sales

Compliance deadline for banks and deposit taking microfinance institutions extended to 31 December 2022 for those who failed to meet the capitalization requirement by 31 December 2021

ECONOMIC AND INFLATION OUTLOOK

5.5% economic growth projection for 2022

Month-on-month inflation expected to be reduced to below 4% in the first quarter of 2022 and below 3% in the second half

Annual inflation rate targets by year end of between 25% and 35%

The rise in US inflation to result in tightening of global financial conditions

The business community is bullish about the economic prospects for 2022. Locally produced goods now constitute above 80% of retail sales in the country.