



PRESS STATEMENT

RESOLUTIONS OF THE MONETARY POLICY COMMITTEE MEETING HELD ON 28 JUNE 2021

The Monetary Policy Committee (the Committee) of the Reserve Bank of Zimbabwe (the Bank) met on the 28th of June 2021 and deliberated on recent economic and financial developments and their implications on monetary policy.

The Committee noted with satisfaction the current macroeconomic stability and the strong positive growth trajectory that is underway, a position which has also been confirmed by the International Monetary Fund, the World Bank and the African Development Bank.

The Committee is pleased with the current disinflationary trajectory which has seen annual inflation further falling from 161.9% in May to 106.6% in June 2021. The Bank expects annual inflation to decline to 55% by end July 2021 and to below 25% by December 2021.

Against this background the Committee made the following resolutions to sustain the current inflation trajectory and support the envisaged robust economic growth for 2021 and beyond:-

- a. Maintaining the Bank policy rate at 40% and the interest rate on the Medium Term Accommodation Facility at 30% per annum;
- b. Further tightening monetary policy by reducing the reserve money growth target from 22.5% per quarter to 20% per quarter going forward, while continuing to review the reserve money growth target to achieve and maintain stability of inflation and the exchange rate in line with developments in other macroeconomic fundamentals; and
- c. Streamlining the Foreign Currency Auction System to reflect macroeconomic fundamentals and ensuring that the country's productive sector is given priority in terms of allotment.

The Committee is also pleased to note the continued increase in foreign currency deposits in the banking system, which currently stand at US\$1.3 billion. The Bank, in consultation with the Deposit Protection Board, is exploring mechanisms to protect foreign currency deposits. Consultations are also ongoing to encourage banks to leverage on the foreign currency deposits to enhance financial intermediation for the benefit of the economy.

A handwritten signature in black ink, appearing to read "John P Mangudya".

John P Mangudya
Governor

30 June 2021