RESERVE BANK OF ZIMBABWE

PRESS STATEMENT

RESOLUTIONS OF THE MONETARY POLICY COMMITTEE MEETING HELD ON 29 APRIL 2022

The Monetary Policy Committee (MPC) of the Reserve Bank of Zimbabwe (the Bank) met on 29 April 2022 to discuss the recent macroeconomic and financial developments and their impact on the economy. The Committee noted with concern the recent uptick in month-on-month inflation, from 7.7% in March to 15.5% in April 2022, and the increase in annual inflation from 72.7% in March to 96.4% in April 2022. The increase in inflation was as a result of a combination of global shocks and the pass-through effects of the recent exchange rate depreciation on the parallel market, with a significant proportion of the inflationary pressures emanating from the impact of the on-going Russia-Ukraine conflict.

The Committee noted with satisfaction that the economic fundamentals have remained strong to support a stable exchange rate as evidenced by a favourable current account balance, positive growth of the real sector, public works undertaken by Government, fiscal sustainability and a tight monetary policy stance. The positive trend in foreign currency generation has seen the country realising US$2.4 billion in foreign currency receipts during the first quarter of 2022, an increase of 15.9% compared to foreign currency received during the same period in 2021. The foreign currency receipts were against foreign payments of US$1.8 billion, leaving a surplus position of US$1.9 billion in foreign currency accounts and national reserves. Money supply has also remained largely under control, with reserve money remaining stable at levels of around ZW$28 billion for the past six months, while annual growth in broad money fell from 384% in March 2021 to 151% in March 2022.

The existence of strong economic fundamentals suggests that the recent exchange rate shocks are a manifestation of negative sentiments or perceptions attributable to people's past experiences with hyperinflation and inevitable losses incurred during currency reforms. The Committee further noted that the erosion of people's savings due to inflation compelled them to try and avoid similar losses by holding the US dollar as a store of value.

The Committee, therefore, welcomed the decision by Government to come up with measures to enhance confidence in the economy, deal with market indiscipline and increase the demand for the local currency, which measures will go a long way in buttressing the current tight monetary policy stance, restoring confidence in the economy, taming market indiscipline, stabilising inflation and exchange rates and creating a conducive environment to support the envisaged economic growth rate of 5.5% in 2022.

In view of the foregoing developments, the Committee resolved to maintain the *status quo* in respect of the monetary policy decisions taken on 1 April 2022 as follows:

(i) Maintaining the Bank Policy Rate at 80% and the Medium-Term Bank Accommodation Facility Interest Rate at 50%;

(ii) Maintaining the minimum deposit rates for ZW$ savings and time deposits at 12.5% and 25% per annum, respectively;

(iii) Maintaining the quarterly reserve money growth target at 5% for the quarter ending June 2022; and

(iv) Maintaining the foreign payment transactions limit on the willing-buyer-willing-seller foreign currency trading arrangement for banks *and bureaux de change* at US$1 000 and allowing the Bank to increase the limit as conditions permit.

John P Mangudya
Governor
3 May 2022