



PRESS STATEMENT

OUTCOME OF THE MEETING BETWEEN THE RESERVE BANK OF ZIMBABWE AND CAPTAINS OF INDUSTRY AND COMMERCE ON MEASURES TO ADDRESS THE VOLATILITY OF THE PARALLEL MARKET EXCHANGE RATES.

The Reserve Bank of Zimbabwe (the Bank), together with the Ministries of Finance and Economic Development and Industry and Commerce, met with leaders of the Zimbabwe business community on 11 October 2021 to deliberate and find solutions to the volatility of the parallel market exchange rates which adversely affects economic growth by creating business uncertainty as well as increasing domestic prices.

The parties unanimously agreed that whilst macroeconomic fundamentals were sound to support exchange rate stability, immediate measures were necessary to contain the movement of the parallel exchange rates. It was noted that the recent volatility in the parallel exchange rates was due to behavioural factors. In order to address these negative behavioural traits, it was agreed that a holistic and collaborative approach was required. In that regard, Government, the Bank and the business community made firm pledges and commitments as follows:

Government

Government affirmed its commitment to continue supporting the foreign exchange auction as a dependable and transparent source of foreign currency in the country.

Reserve Bank of Zimbabwe

The Bank undertook to:

- i. continue tightening money supply under its conservative monetary targeting framework to ensure that money supply would not be a source of exchange rate destabilisation;
- ii. accelerate implementation of special attractive money market instruments including exchange rate linked instruments as an alternative investment avenue for local currency to the holding of USD;
- iii. review bank policy rates to curb speculative borrowing;
- iv. refine and streamline the foreign exchange auction system to ensure that it continues to play its price discovery role in the foreign exchange market; and
- v. deal with the funding backlog of foreign exchange allotments and take appropriate measures to ensure that the backlog does not recur.

Bankers Association of Zimbabwe (BAZ)

BAZ committed to: -

- i. ensuring that all bids submitted to the foreign exchange auction are authentic;
- ii. ensuring continued due diligence on all their customers and applications for foreign exchange;
- iii. refraining from facilitating parallel market transactions through matching;
- iv. improving efficiency in facilitation of Letters of Credit;
- v. enhancing reporting of suspicious transactions;
- vi. promptly implementing regulatory directives on freezing of bank accounts for participants in illicit foreign currency transactions;
- vii. promoting confidence in the banking sector by clearing the foreign currency backlog promptly; and
- viii. improving oversight on bank overdrafts to ensure that broad money is kept under check.

Retailers Associations

The Retailers Associations requested Government to level the playing field in their respective operating environments by attending to: -

- i. the menace of foreign currency traders milling outside and around shops and trading areas;
- ii. identifying and bringing to book funders of foreign currency traders; and
- iii. dealing with informal traders operating without licences and sometimes outside legal or policy parameters.

The retailers noted the need to adhere to expected commitments to implementing provisions of Statutory Instrument 127 of 2021 with emphasis on three focus areas as follows:

- i. Abuse of auction rules and funds from auction allotments;
- ii. Exchange rate manipulation or currency attacks; and
- iii. Non-compliance with the Bank Use Promotion Act.

The Bank also advised the retailers to take note of the following: -

- i. Discounts could be extended to customers in the normal course of business as long as they are reasonable and in line with best practice; and
- ii. Entities using the official exchange in their pricing system may apply a tolerance premium of up to 10% in line with the operations of bureaux de change.

Manufacturing Sector

The manufacturing sector undertook to ensure responsible pricing and to comply with the three focal areas under the SI 127 of 2020 highlighted above.

On their part, Government and the Bank pledged to continue supporting the manufacturing sector by levelling the playing field to ensure that exporters obtain a fair value of their export earnings.

CONCLUSION

All the parties underscored the need to maintain the macroeconomic stability momentum experienced in the last 12 months.

The Bank, on its part, undertook to continuously monitor monetary and foreign exchange developments to ensure that the exchange rate remained stable.



John P. Mangudya

Governor

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