



## PRESS STATEMENT

### INTERVENTIONS IN RESPONSE TO THE FINANCIAL VULNERABILITIES CAUSED BY THE COVID-19 PANDEMIC

Pursuant to His Excellency, the President's 23 March 2020 Address to the Nation on additional measures to mitigate the devastating impact of COVID-19 on the Zimbabwean society and the economy, Government, through the Reserve Bank of Zimbabwe ( the Bank ), would like to advise the public that it is making it easier for the transacting public to conduct business during this difficult period by making available an option to use free funds to pay for goods and services chargeable in local currency. This intervention takes into account the country's limited access to foreign finance, which is adversely affecting the country's balance of payments position.

The dispensation to use free funds will not only make payment for goods and services easier but will also promote social distancing as banks will be able to provide digital financial services to their customers that include producers of gold, tobacco and cotton and recipients of diaspora remittances. Digital financial transactions will go a long way in enhancing confidence in the economy and assisting banks to play a critical role as systemic stabilisers of the economy during these unprecedented times.

Related to the above measures, Government, through the Bank, has suspended the managed floating exchange rate system to provide for greater certainty in the pricing of goods and services in the economy. In its place, the Bank has, with immediate effect, adopted a fixed exchange rate system at the current interbank level of ZW\$25 to the US\$. This measure will be reviewed when markets stabilise from the effects of COVID-19.

Further, the Monetary Policy Committee (MPC) of the Bank at its meeting of 24 March 2020, resolved to respond to the needs of the economy in the wake of COVID-19 through the following:

1. Increasing the Medium Term Bank Accommodation Facility for supporting productive sector activities by an additional ZW\$1 billion to ZW\$2.5 billion. The additional amount will be targeted at financing the 2020 winter wheat planting programme;
2. Reducing the Statutory Reserve Ratio from 5% to 4.5% in order to free some funds to the banks to enhance their lending activities;
3. Reducing the Bank's Policy rate from 35% to 25% with the expectation that banks will also follow suit and adjust their lending rates to meet the requirements of their customers that are being adversely affected by the pandemic; and
4. The issuance of the Open Market Operations (OMO) Corporate Bills to enhance the monetary targeting framework that is necessary to support the exchange rate and to stabilise prices in the economy.

The Bank also agreed with the banking sector to suspend increases in charges related to the provision of all electronic payments during these trying times. Similarly, the Bank is also engaging the mobile network providers to ensure that their mobile banking charges are reduced in order to promote electronic banking which is in line with social distancing.

Whilst the legal instrument to bring the above measures into effect is being finalised, the Bank urges the transacting public and producers of gold, tobacco and cotton to fully embrace electronic payment platforms as we fight the spread of COVID-19.

**J P Mangudya**  
Governor

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