



Insurance & Pensions Symposium

The **Big 5 ZiG** Upgraded
Banknote Series

Macroeconomic Stability and Long-Term Investment:

Aligning Monetary Policy with the Needs of Insurance & Pension Funds

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1. Introduction

OVERVIEW

This Monetary Policy Statement comes at a time when the economy has achieved the following:

- 1 Annual inflation significantly declined from 95.8% in Jul 2025 to single digit levels starting Jan 2026 at 4.1%.**
- 2 Exchange rate has stabilised since Sept 2024 and parallel market premium has been contained – below 20%**
- 3 Sustained build-up of reserves from 0.18 months in April 2024 to 1.5 months of import cover as at 31 Dec 2025**
- 4 Reserve money fully-backed & money supply growth contained at inflation-neutral and growth enhancing levels**
- 5 Robust foreign currency (FX) generation capacity through FX administration and accounting**
- 6 Sustained Demand for ZiG as evidenced by an increase in ZiG usage to about 35 – 40% of total NPS transactions**
- 7 Sustained Banking Sector Stability and Financial Inclusion**
- 8 Enhance collaboration between fiscal and monetary policies and Enhanced monetary policy communication**

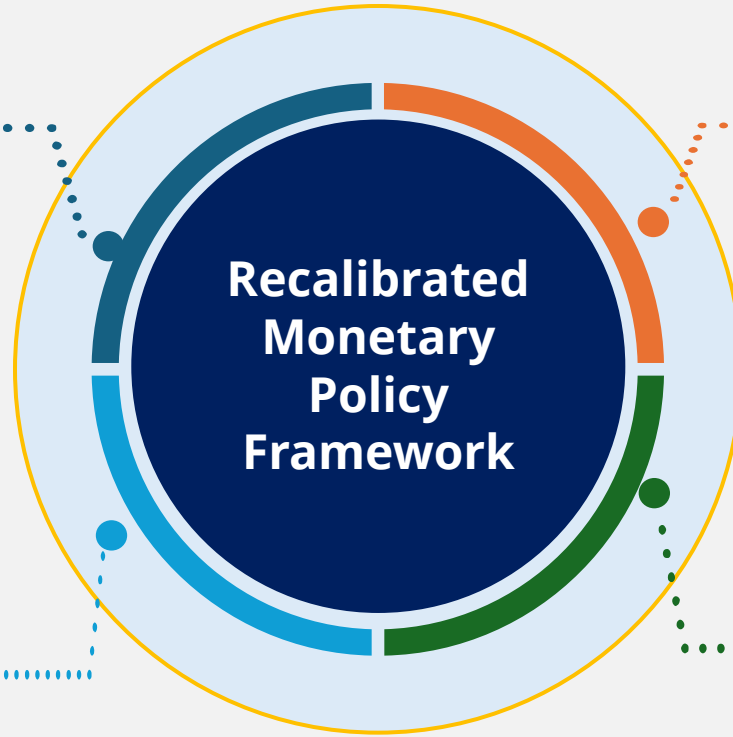
THE RECALIBRATED MONETARY POLICY FRAMEWORK HAS GONE A LONG WAY IN MEETING THE OBJECTIVES THAT WERE SET IN APRIL 2024, WHICH INCLUDE:

i. CURRENCY STABILITY

A solid and stable national currency.

iv. MACROECONOMIC STABILITY

A stable and sustainable macro economy as enshrined in Vision 2030 and the First National Development Strategy (NDS 1).




ii. STABLE EXCHANGE RATE

A stable and sustainable exchange rate.

iii. POLICY CREDIBILITY

Robust policy credibility and restoration of market confidence

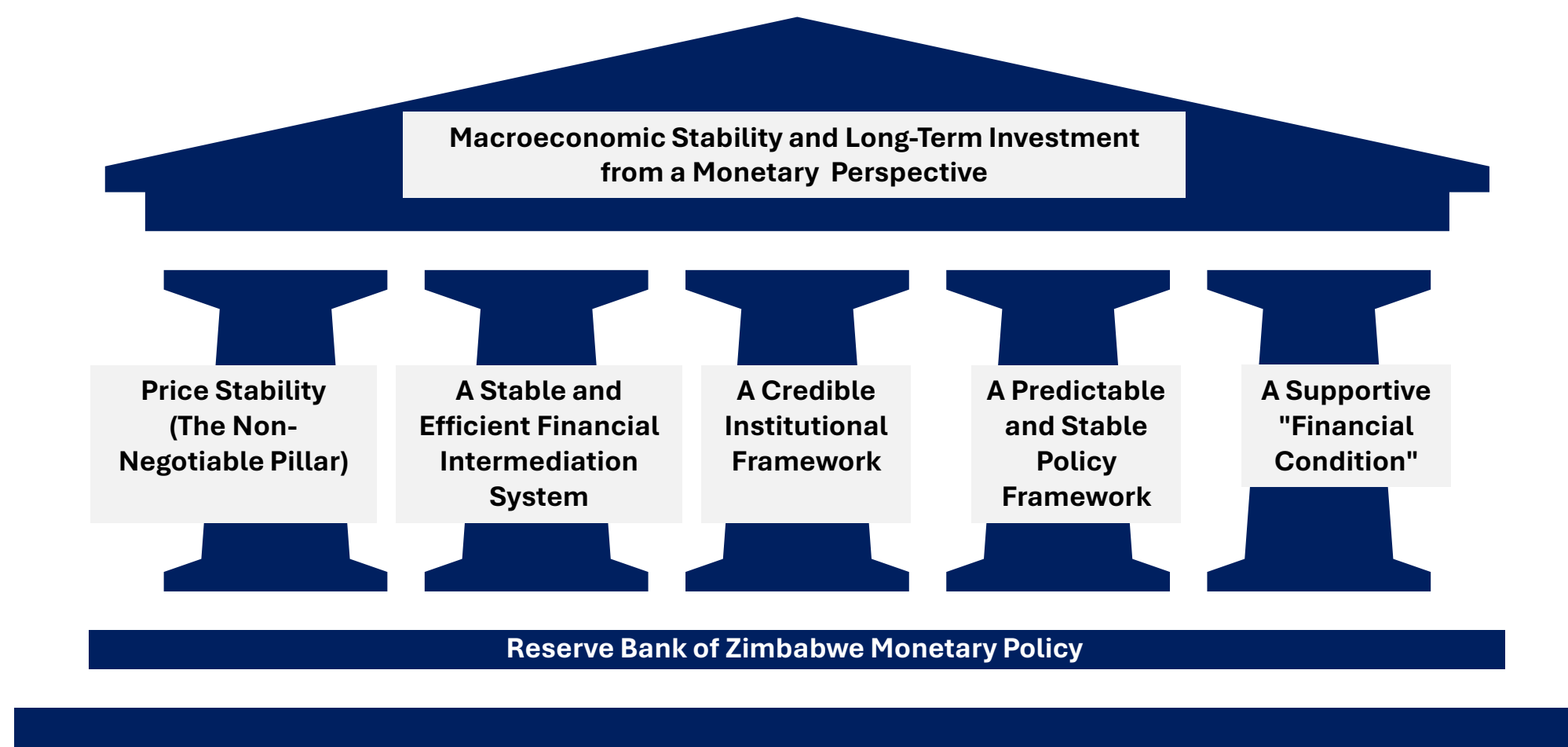
- ❖ The Reserve Bank adopted a hybrid monetary policy framework, with reserve money as the operational target and the exchange rate as the intermediate target.
- ❖ This recalibrated monetary policy framework has served the country very well in effectively restoring price, currency and exchange rate stability.



2. Pillars for Long-Term Investment from a Monetary Policy Perspective



IN THE CONTEXT OF LONG-TERM INVESTMENT, THE CURRENT MONETARY POLICY PRONOUNCEMENT SUPPORTS THE CAPITAL MARKET THROUGH THE FOLLOWING PILLARS:



FIVE PILLARS FOR LONG-TERM INVESTMENT:

Anchored by RBZ
Monetary Policy

Pillar	Implication
1. Price Stability	Reduces transactional markups that fuel inflationary pressures
2. Efficient Financial Intermediation	Removes friction, encouraging use of formal banking channels
3. Credible Institutions	Demonstrates regulatory predictability and fairness
4. Predictable Policy Framework	Establishes clear, stable rules for financial sector pricing
5. Supportive Financial Conditions	Lowers the cost of accessing and deploying capital

PILLAR 1: PRICE STABILITY



The Bank committed to durable macro-economic stability characterized by low and stable inflation at single-digit levels (February 2026 Inflation at 3.8%).



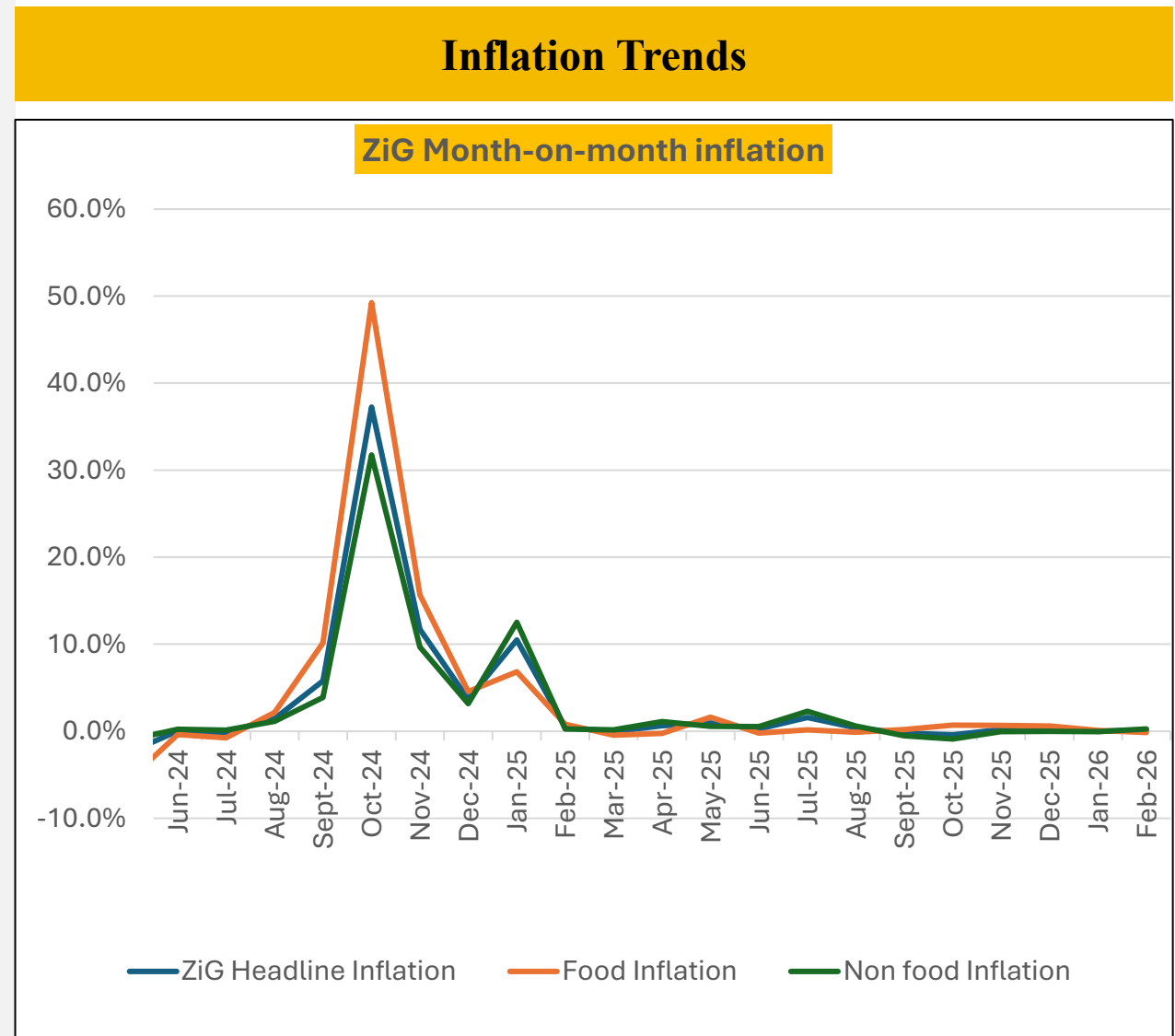
Stable exchange rate dynamics, with minimum over- or undervaluation of the ZiG (20% premium)



Increased demand for ZiG through recalibration of the percentage of Government taxes and broadening payment of public sector goods and services in local currency,

LOW AND STABLE MONTHLY INFLATION

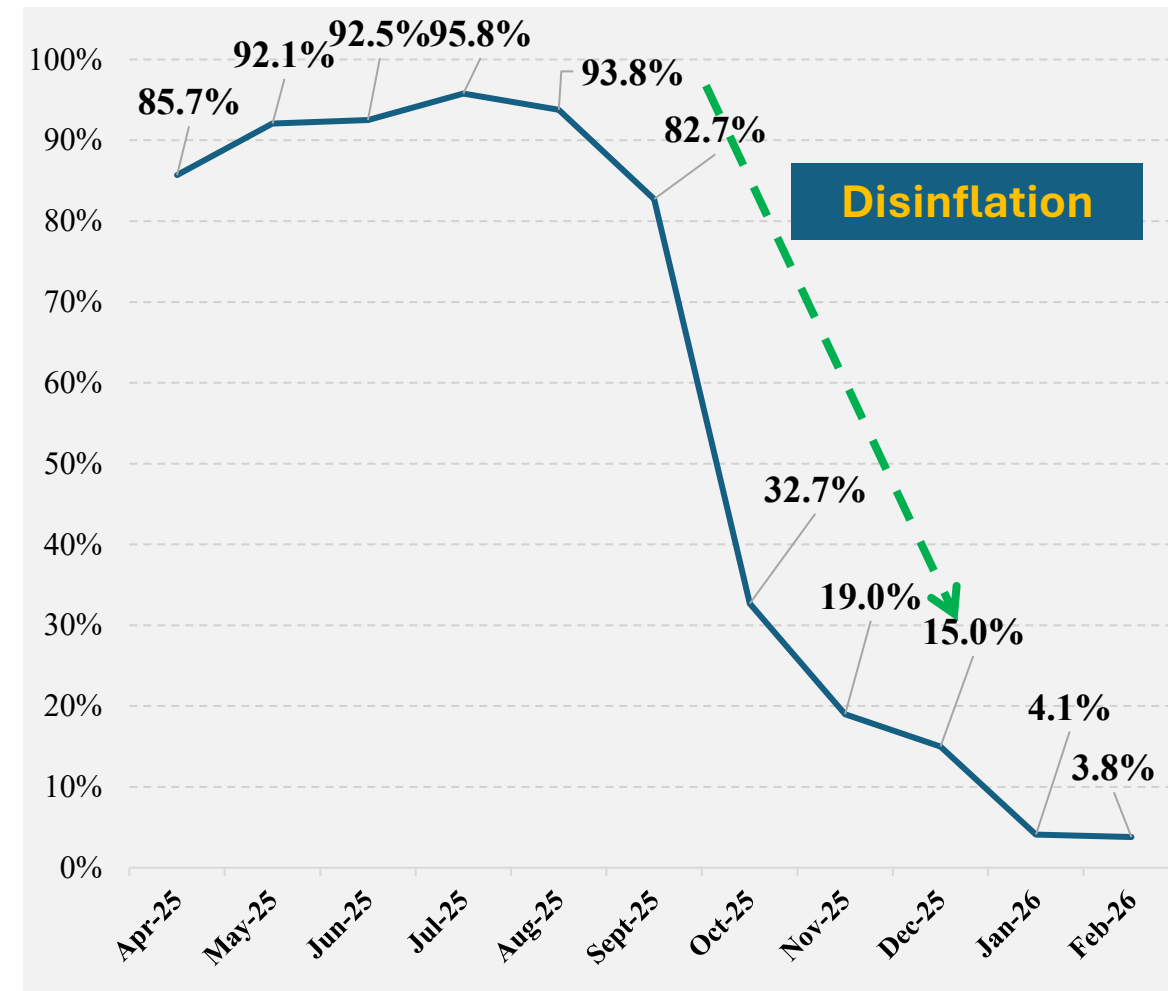
- The introduction of the structured currency (ZiG), provided a credible and transparent mechanism for currency management and inflation control.
- Month-on-month ZiG inflation averaged around 0.4% from February 2025 to December 2025 and declined to 0.14% in February 2026, reflecting enduring price stability.
- The sustained disinflation is supporting the maintenance of positive real interest rates, which are essential for value preservation, investment growth, and financial stability.



ATTAINMENT OF SINGLE DIGIT ANNUAL ZIG INFLATION

- On the back of low and stable monthly inflation, annual ZiG inflation has been trending downwards to single digits, from a peak of 95.8% in July 2025 to 3.8% in February 2026.
- **THIS IS A FIRST IN THE PAST 30 YEARS!!!!**
- The disinflationary path is expected to continue to single-digit levels in the first quarter of 2026. This development attest to well anchored inflation expectations.
- Notably, the sharp decline in annual inflation has resulted in positive real interest rates in the economy, important for preservation of value, promotion of investment and stability in the financial sector.

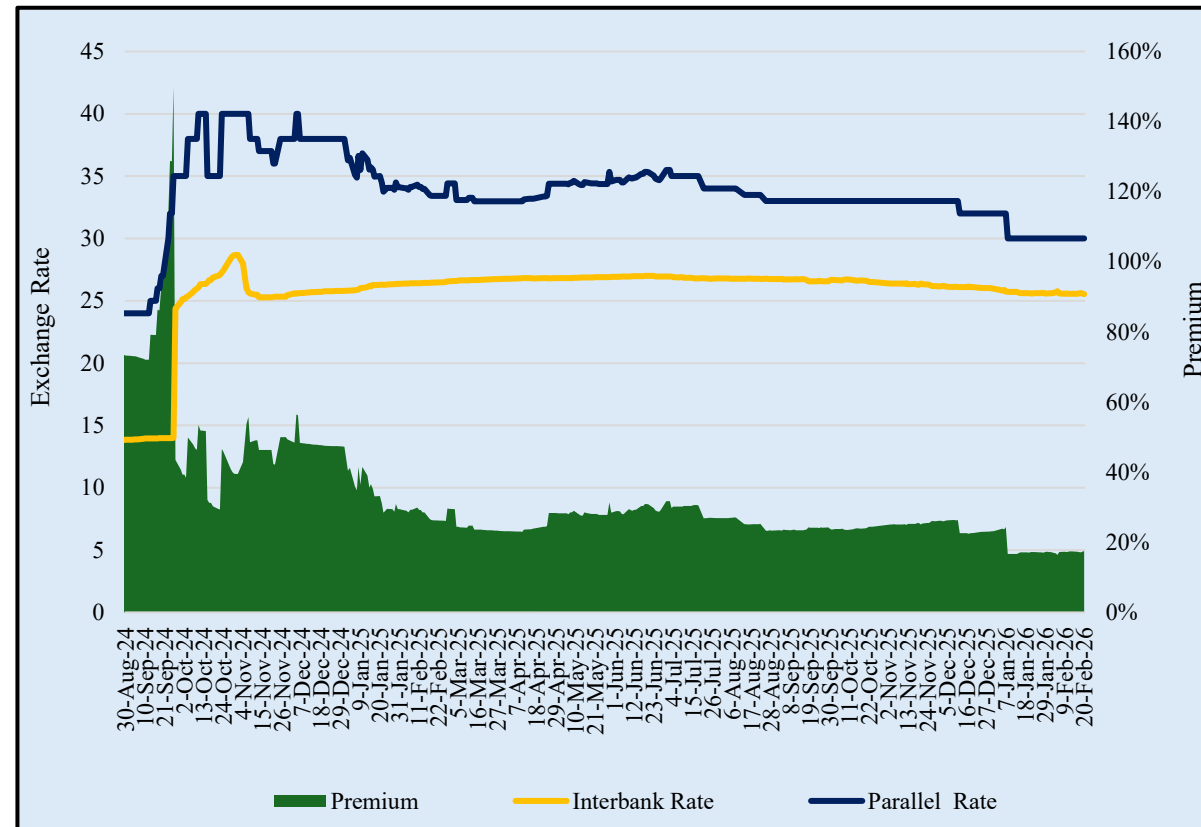
ZiG Annual Developments



STABLE EXCHANGE RATE DYNAMICS

- The sustained increase in foreign currency inflows has been critical to support greater exchange rate stability in the economy with the ZiG/US\$ exchange rate ranging 25-27 per US\$.
- Critically, the build up of reserves has also enabled the Reserve Bank to strategically intervene in foreign exchange market to tune of US\$1.34bn since April 2024 that way contributing to the smooth functioning of the foreign exchange market under the Willing-Buyer Willing-Seller (WBWS) arrangement.
- Both the parallel market and WBWS markets have stabilized, with the exchange rate premium falling to levels around 20%.

Exchange Rate (Aug 2024 to Dec 2025)



Stability since Oct
2024

Average for Jan
2025 ZiG25.74/US\$

Premium below
20%

PILLAR 2: A STABLE AND EFFICIENT FINANCIAL INTERMEDIATION SYSTEM



Reduce cash withdrawal charges for both banking halls and Automated Teller Machines (ATMs) to a maximum of 2% of the withdrawn amount for US\$ and ZiG cash withdrawals.



Reduce the Point of Sale (POS) charges to a maximum of 1.5% of the transaction amount for both local and international cards, capped at US\$20 or the ZiG equivalent.



Remove account balance inquiry charges on all banking and mobile banking platforms for both ZiG and US\$.



Remove fees on cash deposits for both ZiG and US\$.



Fees for issuance of new and replacement of bank cards shall not exceed cost recovery levels. summarise the above to 40% size

ACHIEVEMENTS ON THE ROAD TO MONOCURRENCY

Low and stable inflation, single digit inflation of 3,8% realized in February 2026.

Over US\$1.2 billion in reserves as at Dec 2025 equivalent to 1.5 months import cover.

All requirement of Bonafide FX payments have been met underpinned by 21.6% increase in FX receipts.

Stable exchange rate oscillating around ZiG 25-27 per US\$

Govt reduced IMTT on ZiG to 1.5% form 2% and introduced IMTT redate for corporates critical to reduce transaction costs for ZiG

The NPS continues to be robust and efficient, supporting both retail and wholesale transactions in the economy

The banking sector is safe and sound and resilient with sufficient capital buffer and NPLs at 3.47% below the international benchmark of 5%

Efforts by the treasury to live within its means is giving room for monetary policy to pursue price stability and stable inflation environment

Since 2024, significant progress was made towards achieving critical CPs for the effective transition to the exclusive use of the local currency for domestic transactions. Meeting the CPs, will be critical for creating a conducive environment for lasting stability, certainty, and predictability in financial and monetary affairs in the economy.

Conditions Precedent (CPs)

- The transition is *not date-based* but is dependent on the achievement of the following Conditions Precedent:

1 Durable macro-economic stability characterized by low and stable inflation at single-digit levels

2 Adequate foreign currency reserves of at least 3-6 months of imports cover, in the medium to long-term

3 An efficient foreign exchange management system that eliminates foreign exchange market segmentation and promotes ease of access to foreign currency by importers and for other bona fide requirements

4 Stable exchange rate dynamics, with minimum over- or undervaluation of the ZiG

5 Increased demand for ZiG through recalibration of the percentage of Government taxes and broadening payment of public sector goods and services in local currency,

6 Financial sector stability

7 Efficient and secure National Payments System, to promote ease of payment in ZiG locally

8 Fiscal and monetary policy cohesion, with low and sustainable National Budget deficits

PILLAR 3: CREDIBLE INSTITUTIONAL FRAMEWORK



Introducing the ZiGDTDF, which is essentially a fixed-term instrument, with maturity initially ranging from 90 days to effectively mop up excess structural liquidity.



To improve the efficiency of the interbank foreign exchange market under WBWS, the Reserve Bank is developing a new foreign exchange digital trading platform for authorised dealers.



Conditions Precedent (CPs) for the Exclusive Use of ZiG instead of hard time setting to promote long term investment.

PILLAR 4: A PREDICTABLE AND STABLE POLICY FRAMEWORK

- Zimbabwe and the International Monetary Fund (IMF) have reached a Staff-Level agreement on economic policies and reforms to be monitored under a 10-month Staff Monitored Program (SMP). Under the SMP, the Reserve Bank and IMF also agreed on:
 - Reserve accumulation path that is consistent with the Reserve Bank's goal of building adequate external reserve buffers.
 - Continued prudent monetary policy management with zero deficit financing to Government to contain monetary growth and rein-in inflation.
 - Strict adherence to set reserve money targets consistent with the objective of maintaining single digit inflation.

WHAT BUSINESS MUST PREPARE FOR





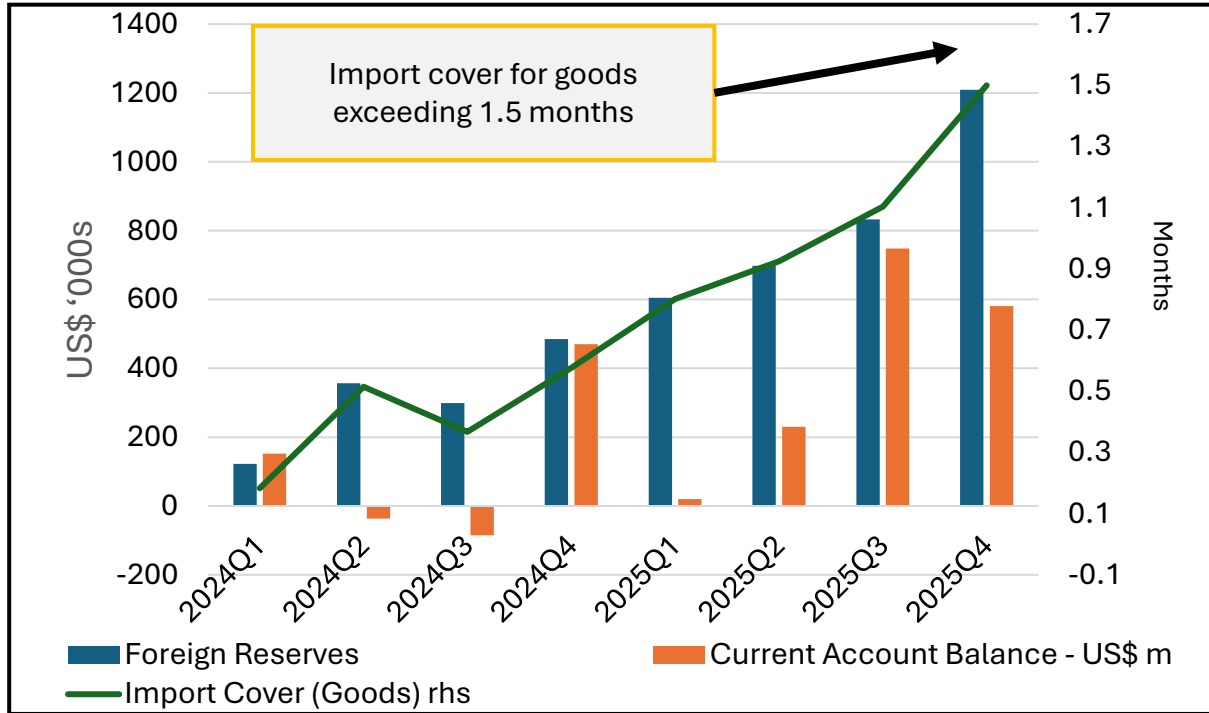
PILLAR 5: A SUPPORTIVE "FINANCIAL CONDITION"

- The Reserve Bank maintained the Bank Policy Rate at 35% to avoid premature easing of monetary policy. A gradual, cautious, stepwise policy adjustment path will be adopted, given the low and delicate inflation environment.
- Considering the high Targeted Finance Facility utilization in 2025, the Reserve Bank is extending the facility under the same terms and conditions and will avail an additional ZiG600 million under the TFF in 2026, making a total of ZiG1.2 billion available to productive sectors.



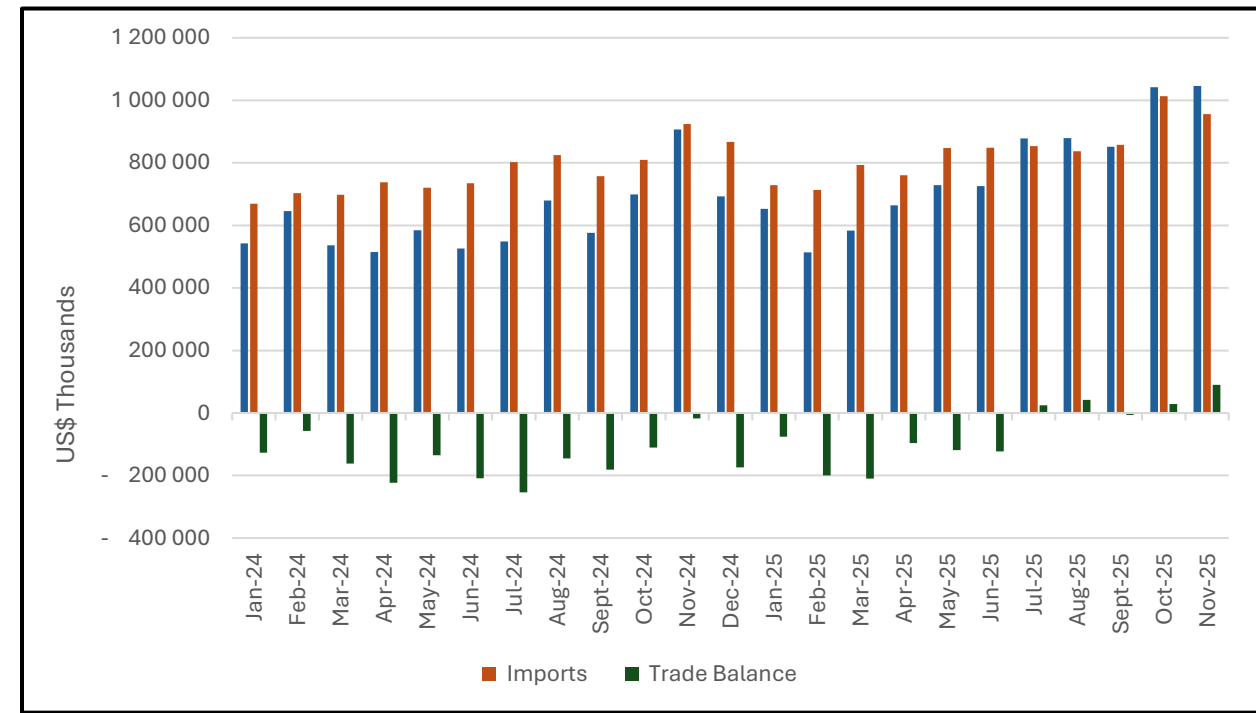
TRENDS IN FOREIGN RESERVES, IMPORT COVER AND THE CURRENT ACCOUNT BALANCE

Current Account, Foreign Reserves, Import Cover and Dynamics



Source: Reserve Bank of Zimbabwe and ZIMSTAT, 2026

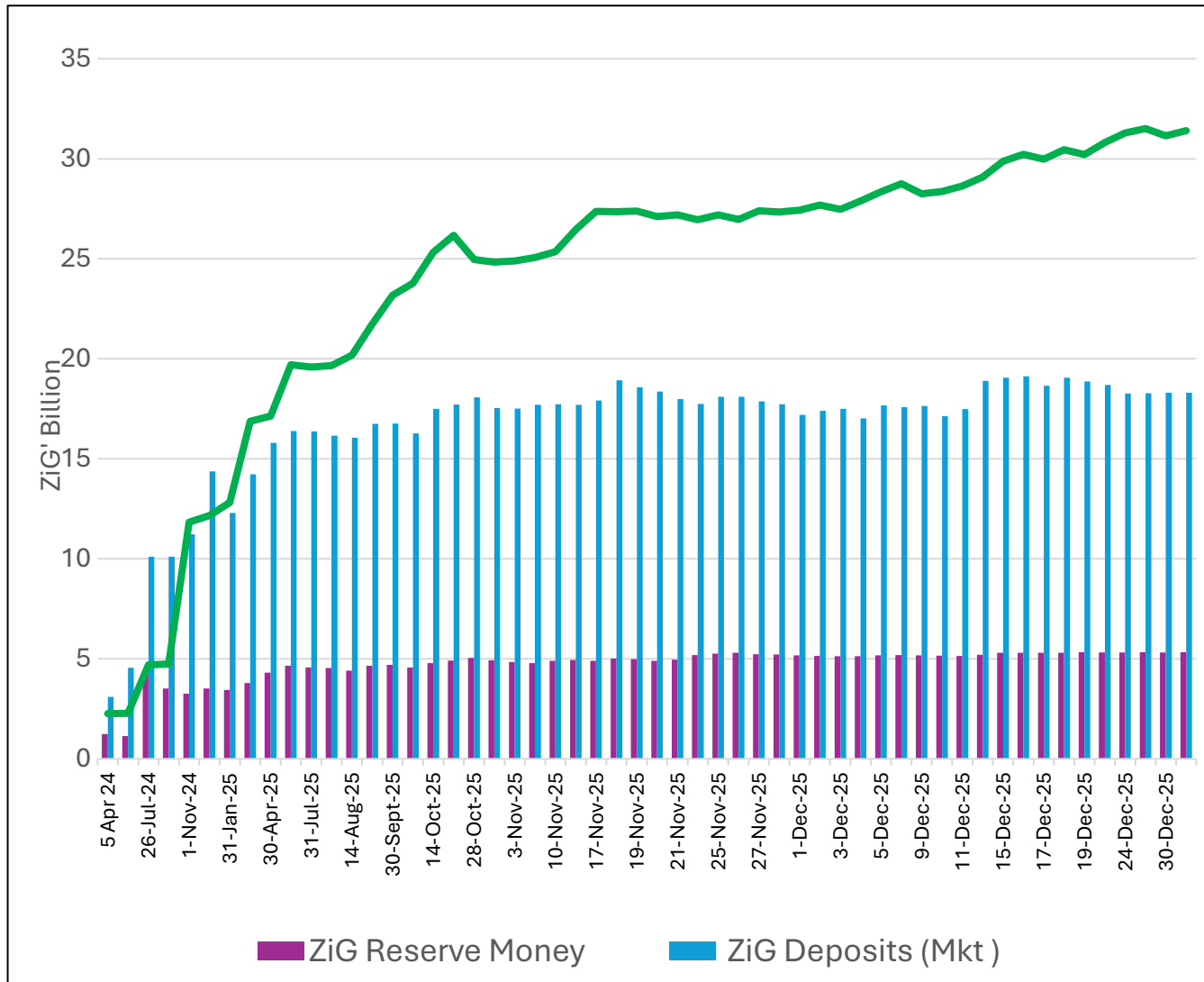
Exports, Imports and Trade Balance Dynamics



Source: ZIMSTAT, 2026

- The country's merchandise trade shows that the trade account has been largely in surplus during the second half of 2025.
- Reflecting the strong foreign currency receipts buoyed by strong gold and platinum prices, the country is expected to record a strong current account surplus of over US\$1.0 billion in 2025, which is a substantial leap from last year's US\$501 million.
- The increase in foreign currency inflows has contributed to the build-up of foreign currency reserves, which is crucial in sustaining exchange rate stability.
- The country's foreign currency reserves were about US\$1.2 billion as at end of December 2025 representing 1.5 months of import cover.

FULL BACKING OF ZIG RESERVE MONEY AND BANKING SECTOR DEPOSITS




- The Reserve Bank continued the accumulation of foreign currency reserves backing the ZiG during the fourth quarter of 2025.
- Foreign currency reserves have increased to US\$1.2 billion in December 2025, sufficient to cover about 6 times the stock of ZiG reserve money and about double the ZiG deposits.
- The build-up of foreign currency reserves is critical for the lasting stability of ZiG and attainment of CPs under the road map to mono-currency.

Foreign Reserves at about US\$1.2 billion

About 6 times cover of ZiG Reserve money

About 2 times cover of ZiG deposits



3. Aligning Monetary Policy with Insurance and Pensions Fund Needs



1. Price Stability: The Foundation for Value Preservation

The most fundamental alignment is the MPS's success in establishing price stability.

Value Preservation: By halting the chronic erosion of pension values, this stability allows trustees to forecast liabilities and asset growth with greater certainty for the first time in years .

This aligns perfectly with pension and insurance funds' primary duty: preserving the real value of members' contributions and future benefits.

2. Protection of US Dollar-Denominated Assets



A key concern for the pension industry has been the security of its significant US dollar-denominated holdings during the planned transition to a mono-currency.



Explicit Guarantee: The RBZ provided an explicit guarantee that the adoption of a mono-currency by 2030 will not result in the forced conversion or liquidation of foreign currency-denominated pension assets or US dollar-based equities (such as those on the Victoria Falls Stock Exchange).



This guarantee provides the policy certainty that long-term investors require to maintain their investment strategies.

3. Operational Cost Reductions Through Transaction Fee Reforms

Operational Cost Reductions
Through Transaction Fee Reforms

Lower Transaction Costs: The capping of POS charges at 1.5%, withdrawal charges at 2%, and the removal of cash deposit fees will result in significant savings for pension funds and pensioners who process a high volume of contributions and benefit payouts.

These lower costs encourage the use of formal banking channels, aligning with the broader goal of deepening financial inclusion.

4. High Positive Real Interest Rates: A Double-Edged Sword

High Positive Real Returns

Pension funds holding ZiG can earn attractive short-term returns. The high rate incentivizes savings and provides strong fixed-income yields

Negotiating Leverage

Because banks face lower statutory reserve requirements (15%) on time deposits, pension funds have leverage to negotiate premium yields on their short-term liquidity



4. Conclusion



CONCLUSION

- Monetary policy during 2025 demonstrated clear effectiveness, restored discipline, and measurable macroeconomic gains, particularly in inflation control and exchange rate stability.
- The prevailing macroeconomic stability during 2025 has been critical in supporting the robust growth estimated at over 6% in 2025. In 2026, monetary and financial conditions will be calibrated to underpin the envisage growth of upwards of 5%.
- ZiG inflation is projected to remain low and stable, with the current single digit levels expected to continue in 2026.
- Sustaining this trajectory in 2026 will require continuing to **walk the talk** in prudent money supply management, foreign currency reserve accumulation and strong fiscal and monetary policy complementarity.

Overall, the Reserve Bank will aim entrench macroeconomic stability in the short to medium term critical to achieve the Conditions Precedent for roadmap to mono-currency and attain the NDS 2 targets and objectives toward the realization of a *Prosperous and Empowered and Upper Middle-Income Society towards the realization of Vision 2030.*



Thank You

