



2025 Mid-Term Monetary Policy Review Analysis



FBC Holdings Limited
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Introduction

- On 07 August 2025, the Reserve Bank of Zimbabwe presented the 2025 Mid-Term Monetary Policy Statement themed “Walking The Talk and Staying The Course”.

Disclaimer

- This analytical report has been prepared solely for informational and educational purposes in relation to the 2025 Mid-Term Monetary Policy Statement.
- While every effort has been made to ensure accuracy of the information and interpretations provided, no representation or warranty, express or implied, is made as to the completeness, reliability or accuracy of the contents. Any errors or omissions are unintended. The authors/analysts accept no responsibility for any loss or damage arising from reliance on this analysis.

Scope and Limitations:

- The analysis presented in this report is based on the information available up to the date of publication. Any subsequent developments or modifications to the policy may not be reflected in this document.
- The findings and recommendations are contingent upon the accuracy and completeness of the data as well as information used in the analysis. Any changes or inaccuracies in the underlying data may affect the validity of the conclusions drawn.

Assumptions

- The analysis involves certain assumptions about the interpretation and implementation of the policy. Any deviation from these assumptions may alter the outcomes outlined in this report. The report assumes that the proposals will be implemented as stated. Any amendments or revisions may impact the accuracy of the analysis.

External factors

- External factors including, but not limited to economic conditions, geopolitical events and unforeseen circumstances, may influence the outcomes presented in this report. The report does not account for events beyond the control of the organisation (“FBCH”), which may impact the overall success or effectiveness of the policy.

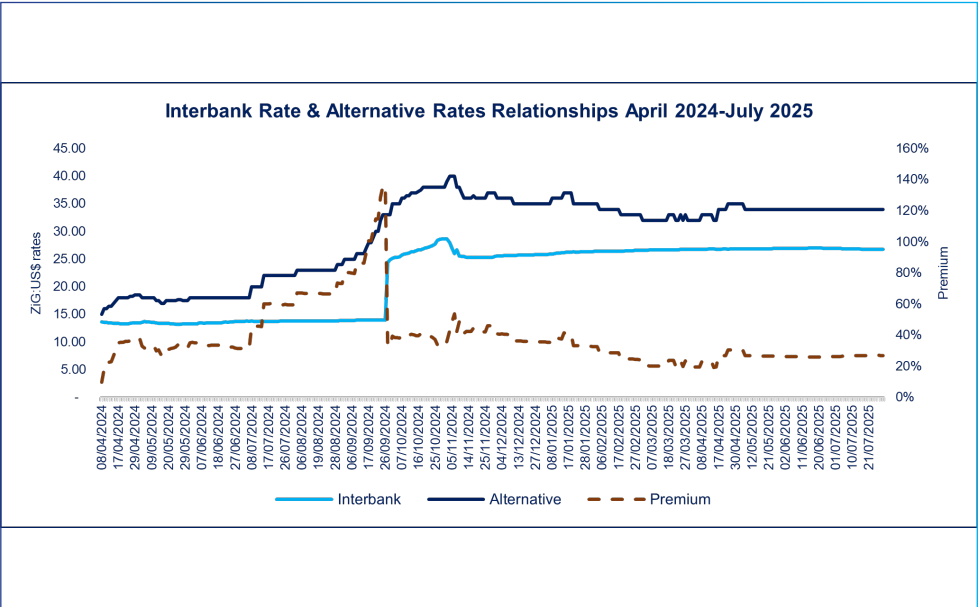
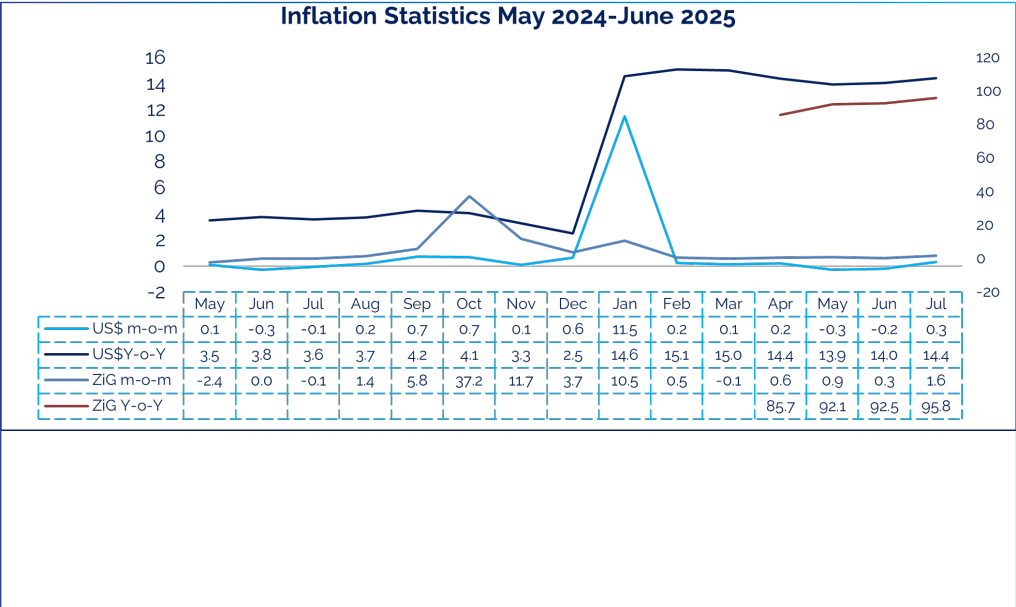
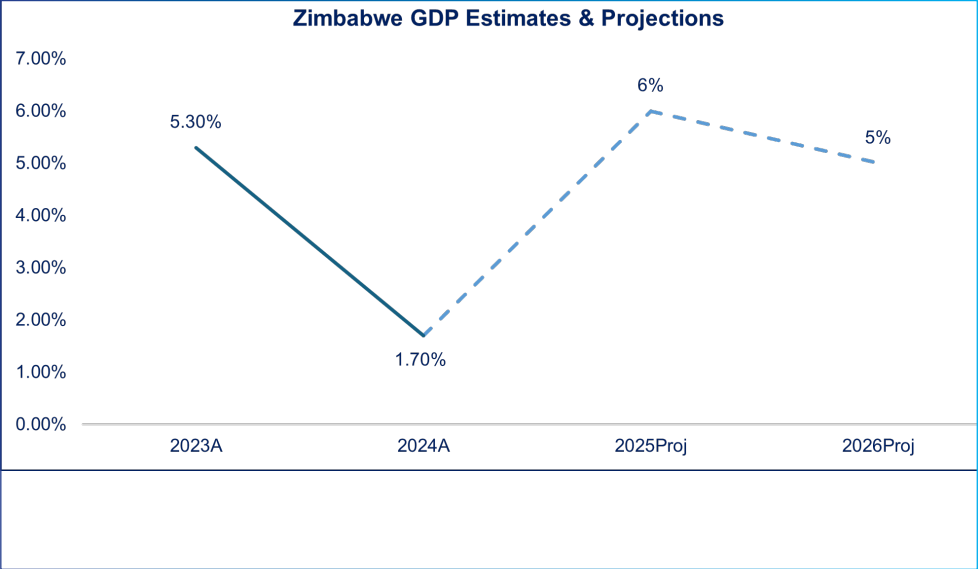
Future Changes:

- The policy landscape is dynamic and changes may occur in response to feedback, public opinion, or evolving circumstances. Future modifications to the policy may necessitate a re-evaluation of the conclusions presented in this report.

Expertise and Consultation:

- The insights and commentary provided in this analysis are based on the professional expertise of the authors and their interpretation of the 2025 Mid-Term Monetary Policy Statement and related official documents.
- While the analysis draws on recognised economic and financial principles, it is offered strictly for informational and consultative purposes. The authors and affiliated entities do not assume responsibility for the outcomes of any decisions made solely on the basis of this analysis.
- Readers, policymakers, investors and other stakeholders are strongly encouraged to seek independent professional advice tailored to their specific circumstances before acting on any of the observations, projections or recommendations contained herein.
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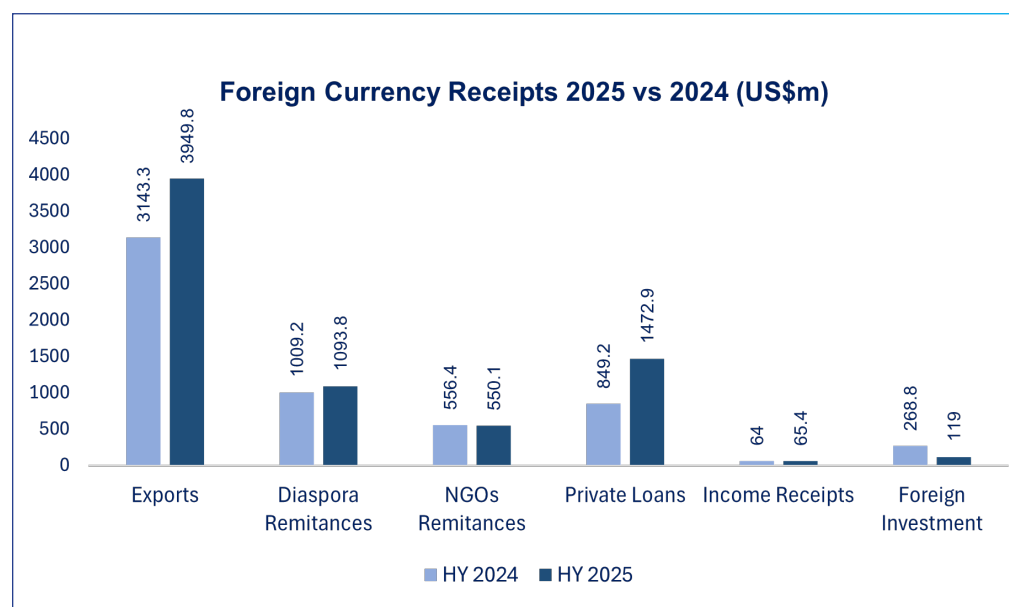
Economic Dashboard



General Overview

Currency and Price Stability Reaffirmed

- The Mid-Term Monetary Policy Statement reaffirms the RBZ's commitment to entrenching price, currency and exchange rate stability, following the introduction of the ZiG currency in April 2024.
- The policy framework has succeeded in stabilising inflation and the exchange rate, underpinned by tight control of money supply and enhanced market-based foreign exchange mechanisms.
- Inflationary pressures have receded, with monthly ZiG inflation averaging 0.6% between February and July 2025. Annual inflation however, remains elevated at 95.8% due to base effects. The RBZ expects annual inflation to decline to around 30% by year-end.
- Foreign currency inflows for January–June 2025 rose by 23.1% to US\$7.3 billion, supporting a relatively stable ZiG/US\$ exchange rate and enabling the accumulation of foreign reserves to over US\$730 million—up from US\$285 million in April 2024. Concurrently, the use of ZiG in transactions has increased, now accounting for over 40% of electronic payments



Banks Shift to Core Income

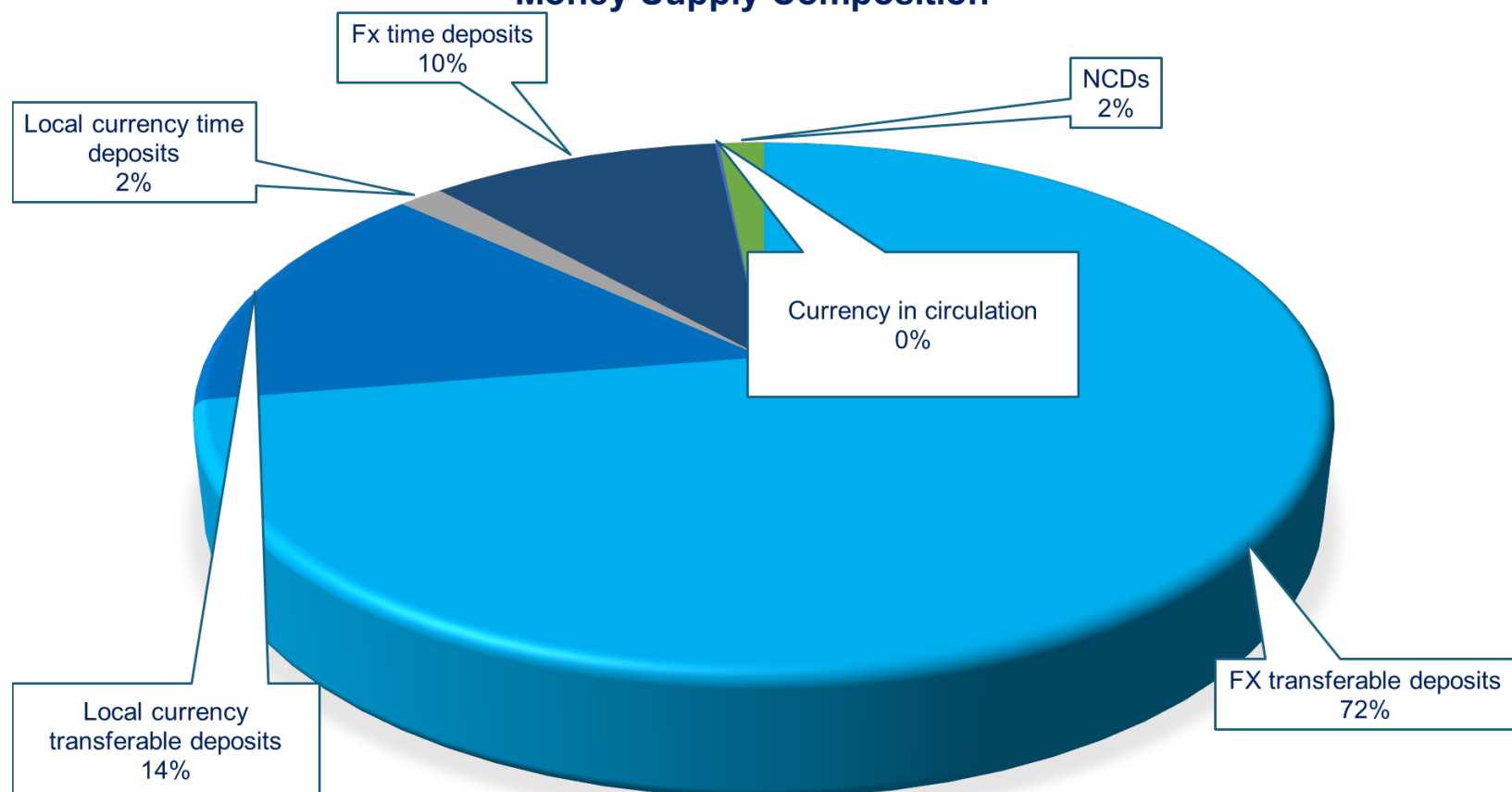
- Zimbabwe's banking sector remained profitable in the first half of 2025, although net profit declined sharply from ZiG10.4 billion (US\$760 million) in 2024 to ZiG5.0 billion (US\$184 million), reflecting a shift away from volatile re-valuation, monetary and translation gains.
- Income from re-valuations, previously accounting for over 53% of total earnings, fell to zero in the first half of 2025, replaced by core revenue streams such as interest on loans (31.91%); and fees and commissions (45.37%).
- Profitability margins narrowed as measured by ROA (4.4%) and ROE (12.8%).
- Earnings are now based more on sustainable economic activities and anchored on real intermediation.
- Reflecting the effectiveness of the current monetary policy regime, this earnings structure indicates a more stable operating environment—more predictable and better aligned with sound banking practices.

Banks' Shift To Core Income in 2025	HY 2024	HY 2025
Revaluation gains on investment property	25.19%	0%
Translation gains on foreign currency assets	28.01%	0%
Fees & commissions	17.74%	45.37%
Foreign exchange trading	13.08%	9.01%
Interest income on loans & advances	10.44%	31.91%
Interest income on balances with other banks	0.51%	0.98%
Interest income on investments & securities	1.47%	3.27%
Other non-interest income	3.56%	9.46%
Total	100.00%	100.00%

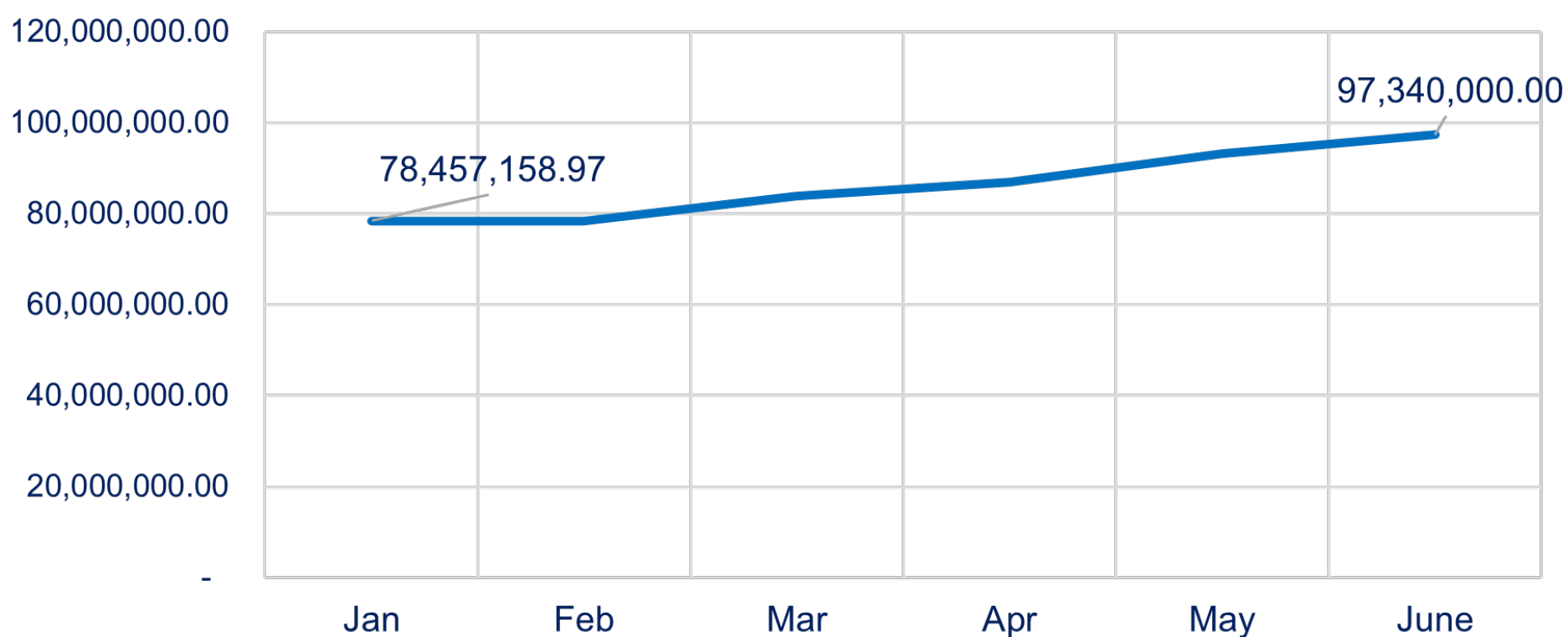
Money Supply Dynamics

- The Monetary Policy Statement reveals a nuanced picture of money supply developments in the economy, reflecting ongoing shifts in currency usage amid the broader de-dollarisation roadmap targeted for 2031.
- As of June 2025, total broad money stood at ZiG97.34 billion, representing a 16.14% increase from December 2024. This growth was primarily driven by foreign currency deposits, which rose by 18.85% to ZiG70.47 billion (approximately US\$2.6 billion), now accounting for over 72% of the total money supply, compared to 14.45% held in local currency deposits.
- Local currency time and negotiable deposits account for only about 3% of the total, while cash in circulation stands at just 0.13%. This composition underscores a heavily dollarised financial system, with the foreign currency component continuing to dominate both transactional and savings behaviour.
- While the Reserve Bank of Zimbabwe has managed to restrain reserve
- money growth, recording a decline of 1.3% in June 2025 due to tightened liquidity measures through Non-Negotiable Certificates of Deposit (NNCDs), the monetary system remains skewed towards the US dollar.
- This trend, although reflecting confidence in stable foreign currency-backed deposits, has prompted the Reserve Bank of Zimbabwe to assure the market that it will ensure business continuity and certainty during the transition towards a mono-currency system. The de-dollarisation framework is set to be crystallised in the National Development Strategy 2 (NDS2).
- The increased use of ZiG in both digital and cash transactions, rising from 26% in April 2024 to over 40% in June 2025, is a positive development. This trend should be reinforced by broader complementary confidence-building reforms, macroeconomic stability and policy consistency, all of which will be critical in shifting both business and consumer preferences towards the domestic currency over the medium to long term.

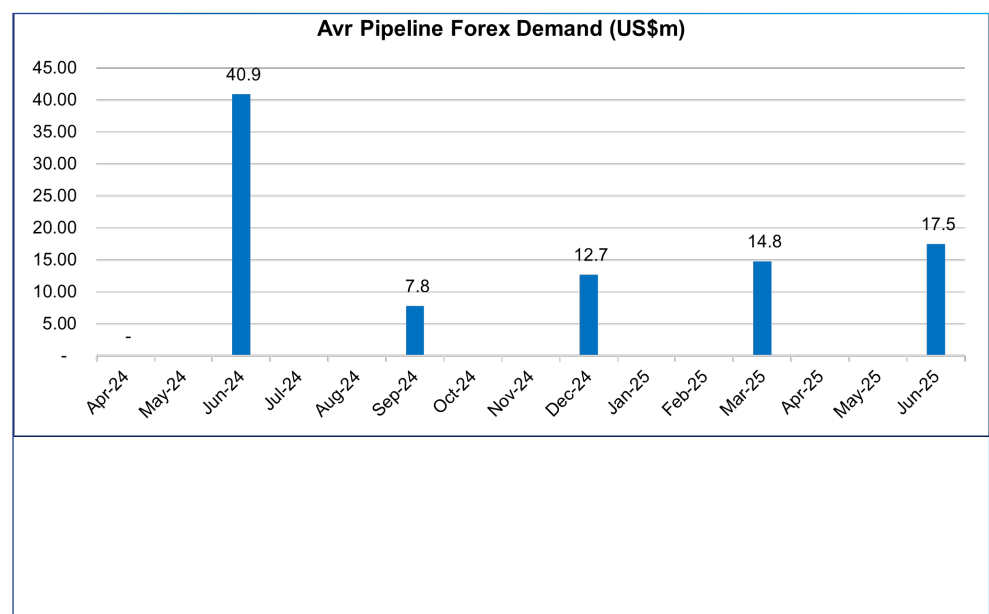
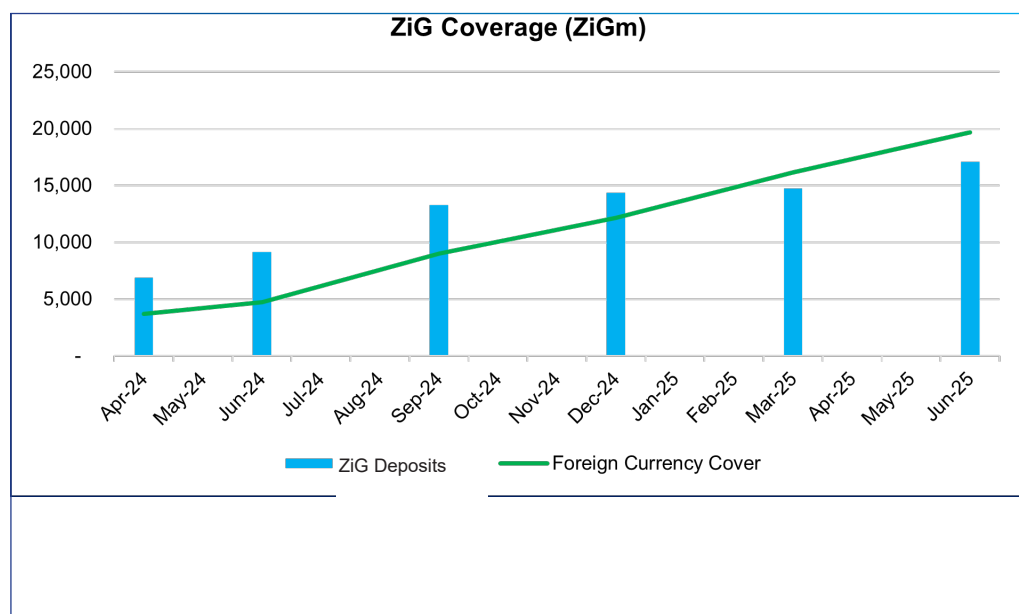
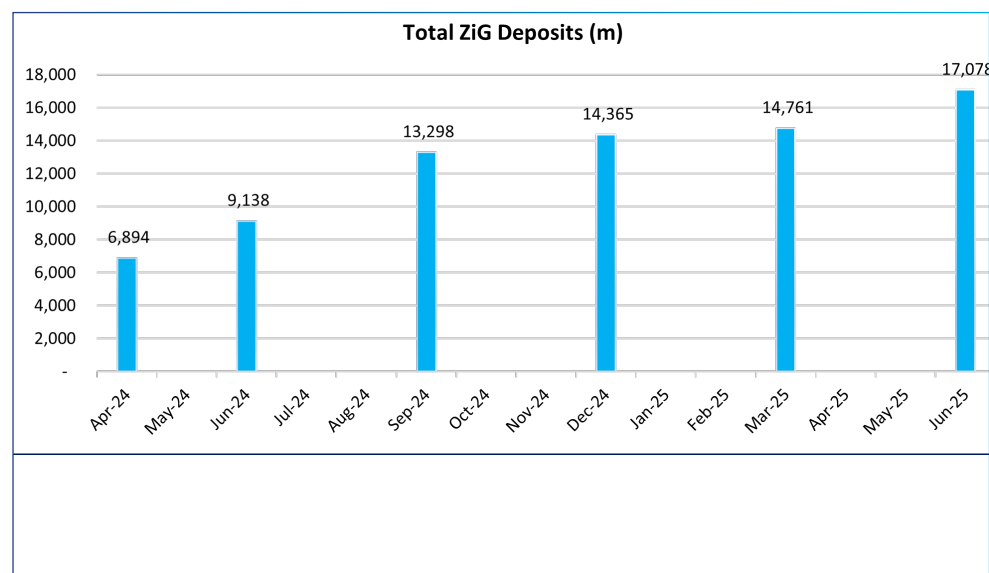
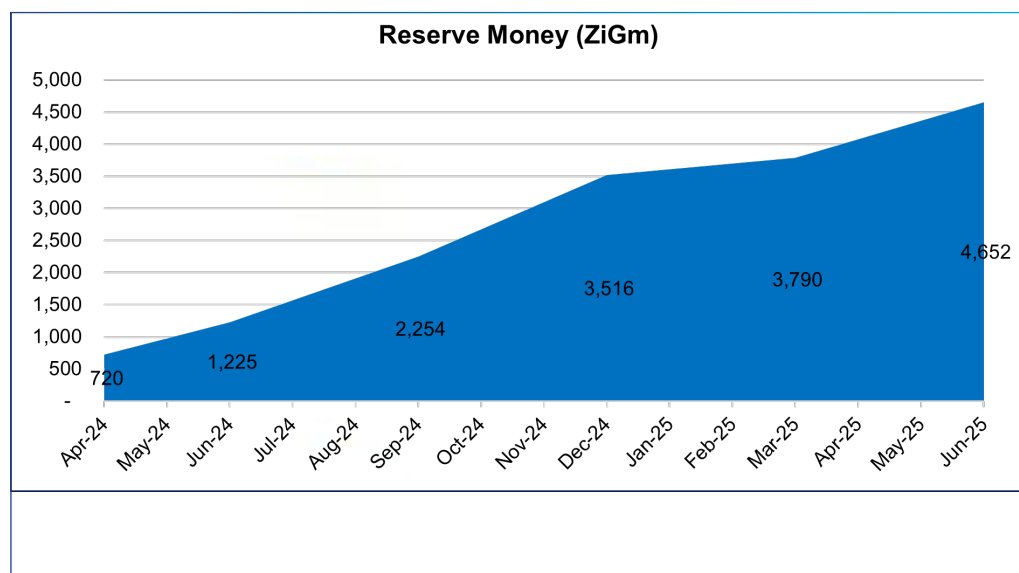
Money Supply Composition



M3 Money Jan-May 2025

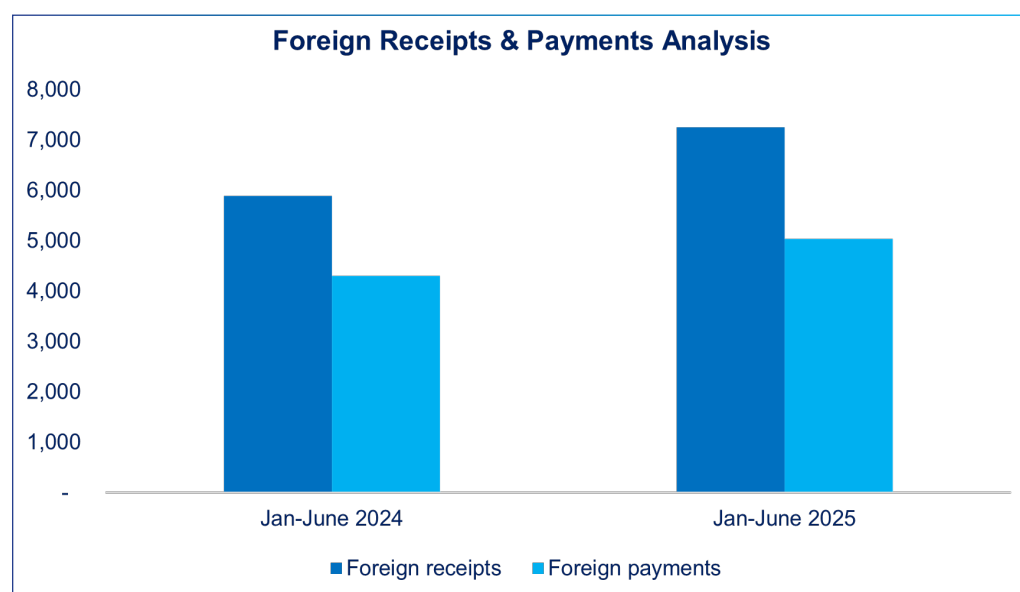
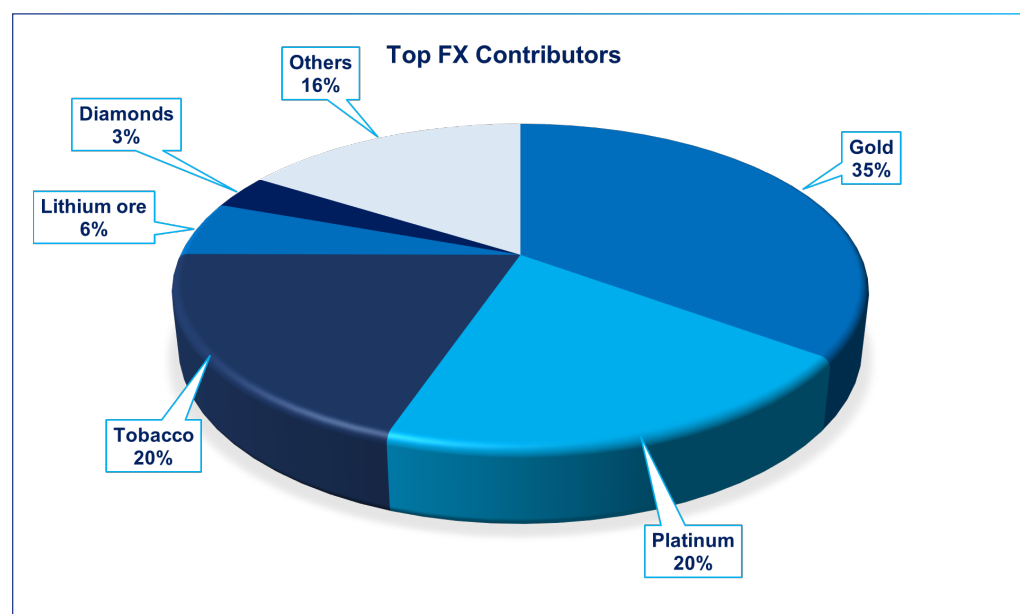


Monetary Statistics Dashboard



External Sector Developments

- The external sector developments indicate a relatively strong performance that supports Zimbabwe's broader macroeconomic stability and bolsters prospects for de-dollarisation ahead of the target date.
- Foreign currency receipts from January to June 2025 reached US\$7.3 billion, a 23.1% increase from US\$5.9 billion in the same period in 2024. The largest contributor was export proceeds, accounting for 54.5% (US\$3.95 billion), followed by private loan inflows (20.3%) and diaspora remittances (15.1%).
- Foreign investment inflows declined sharply by 55.7%. The rise in export receipts and personal remittances however, has helped sustain a current account surplus which is narrowing due to increasing income and services outflows.
- A robust external sector supports the accumulation of foreign currency reserves, which stood at over US\$730 million in June 2025, up from US\$285 million in April 2024. This provides a critical backing for the ZiG currency. Sustained surpluses and reserve accumulation enhance the central bank's capacity and confidence to manage exchange rate stability and support the local currency.
- The de-dollarisation roadmap should be supported by a robust import substitution framework to reduce pressure on foreign currency reserves. For economic sustainability, external inflows must be channelled into strengthening domestic currency use, enhancing export competitiveness in non-traditional sectors and establishing credible local currency pricing mechanisms across both public and private sectors.
- The current performance provides a supportive platform, but further structural reforms and diversification are essential to reduce USD dependency by the target de-dollarisation date.



MPS Key Summary

Monetary Tool	Level	Action Taken	Objective
Bank Policy Rate	35%	Maintained	Curbing inflation and exchange rate pressures
Statutory Reserve Requirements (ZiG & USD)	30% for Demand Deposits 15% for Time Deposits	Maintained	Tightening liquidity and control money supply
Overnight Accommodation Rate	40%	Maintained	Controlling money supply
Targeted Finance Facility (TFF)	<ul style="list-style-type: none"> Disbursed ZiG420m Outstanding 350.4m 	Maintained <ul style="list-style-type: none"> Funded from banks' statutory reserves 	Supporting productive sector lending
Foreign Exchange Interventions	US\$448.9m	Maintained, Through WBWS	Enhancing market liquidity and stabilising exchange rate volatility
Reserve Accumulation Strategy	US\$731m vs US\$527m (Dec-25)	Maintained & Increasing	Support ZiG currency and exchange rate stability
Communication Strategy	Consistent	Maintained <ul style="list-style-type: none"> MPC – Quarterly Monetary Snapshots - Quarterly 	<ul style="list-style-type: none"> Enhance Transparency Confidence building Informed decision making



Our Diversified Group



The background is a solid blue gradient, transitioning from a darker blue on the left to a lighter blue on the right. Several thin, white, curved lines are scattered across the background, resembling parts of large circles or arcs. One large arc is on the left side, and another is in the top right corner.

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