

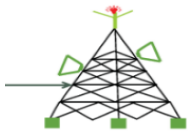


Please address all correspondence
 to the Chief Executive Officer

ECONOMIC REVIEW

August 2025

Power supply situation worsens



ZWD depreciates on the parallel market



2024 Midterm Monetary Policy Review



Economic Growth Proj:	2%
Inflation June	
M-o-m (ZiG)	0.4
M-o-m (Weighted)	0.4
M-o-m (USD)	0.16
Y-o-y (USD)	3.74
Exchange rate June 24(ZiG/USD)	
Interbank	13.85
Parallel	24

Global growth remains sluggish

During the period under review, global economic growth remained sluggish due to geopolitical tensions, inflationary pressures, and rising interest rates. Key economies like the US and China saw slowed growth, while emerging markets struggled with capital outflows and currency depreciations. Global uncertainty continues to affect trade and investment flows.

Mixed trends in commodity markets

During the month under review, commodity markets showed mixed trends. Precious metals, particularly gold, continued on an upward trend reaching US\$ 2,470 per ounce, on safe haven demand amidst economic uncertainty. Platinum prices fell by 3%, averaging around US\$ 945 per ounce in August 2024 due to decreased automotive industry demand and a shift towards electric vehicles. Lithium prices dropped by 8% in August 2024, marking the lowest price in over 3 years as global supply surged by over 50% in 2024. Meanwhile, energy prices remained volatile due to fluctuating demand and geopolitical tensions in key producing regions. In the outlook, commodity prices are expected to remain predominantly subdued for the rest of the year.

Commodities	July-24	Aug-24	% Change
Nickel(\$/MT)	16,335	▼16,292	-0.3%
Gold (\$/troy oz)	2,398	▲2,470	3%
Platinum (\$/troy oz)	979	▼945	-3%
Palladium (\$/troy oz)	911	▲930	2%
Rhodium (\$/troy oz)	4,625	▲4,681	1%
Coal(\$/MT)	132	▲145	10%
Lithium (\$/MT)	11,492	▼10,600	-8%
Crude oil	83	▼78	-6%

Source: Trading Economics, Kitco, Pinksheet

Gold deliveries surge

During the period under review, gold deliveries to Fidelity Gold Refinery surged by 37% to 3,400 kg, compared to 2,480 kg in the same period last year. The increase was

particularly notable among small-scale producers, who delivered 2,373 kg in August 2024, up from 1,379 kg during the same period last year. This surge can be attributed to attractive gold prices, prompting producers to ramp up production. However, on a month-on-month basis, deliveries in August were down by 3%.

	Aug-23	Jul-24	Aug-24	y-o-y % Change
Large Scale Producers (Kg)	1,101	1,152	1,027	-7%
Small Scale Producers (Kg)	1,379	2,343	2,374	72%
Total (Kg)	2,480	3,495	3,400	37%

Source: Ministry of Mines

Power supply situation worsens

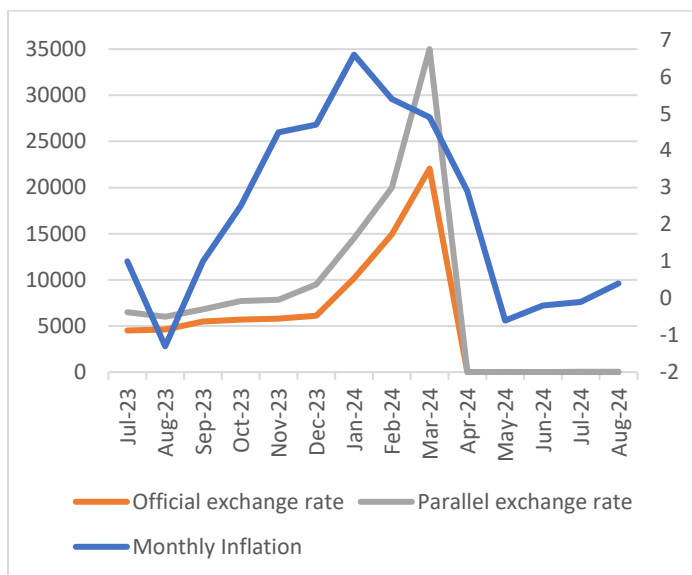
During the month under review, the power supply situation worsened, due to declining water levels at Kariba and frequent breakdowns at Hwange Power Station caused by aging infrastructure. Electricity generation during the month under review averaged 1,361MW against a peak demand of 1,800 MW. Meanwhile, the Zimbabwe Electricity Transmission and Distribution Company (ZETDC) has announced that all customers, including mines, should transition to a pre-paid billing system by 1 October 2021 to improve energy management, enhance competitiveness, and enable more efficient load curtailment. The power supply outlook is expected to remain constrained throughout the rest of 2024.

Source	Installed capacity	Generated power
Hwange	1,520MW	1,099MW
Kariba	1,050MW	215MW
IPPs	n/a	47MW
Total		1,361MW

Source: ZETDC

Inflation pressures resurge

During the period under review, ZWD inflation surged to 1.4% from -0.1% in July 2024. This increase was due to the depreciation of the local currency on the parallel market, where premiums that were below 5% at the time of the introduction of ZiG in May 2024 had risen to an average of 70% by the end of August. The depreciation of the local currency on the parallel market was largely driven by excess liquidity injections into the market. The weighted month-on-month inflation increased to 0.4% from -0.1% in the previous month, reflecting that the bulk of transactions in the economy are being carried out in USD. Risks to the inflation outlook are on the downside, as parallel market premiums are expected to continue widening for the rest of the year.



Source: RBZ

Outcome of the 2024 Midterm Monetary Policy

The Governor, Dr J Mushayavanhu announced the 2024 Mid Term Monetary Policy Review Statement on 30 August 2024, with no major policy shift and reversals for the economy. The following are some of the highlights and measures announced by the Governor:

- **Monetary Policy Framework:** The Reserve Bank to continue using a hybrid monetary anchor, targeting the exchange rate and controlling reserve money growth to maintain stability.
- **Interbank Foreign Exchange Market:** The Reserve Bank to continue participating with 50% of the 25% export surrender to maintain market liquidity and flexibility.
- **Cash Availability:** The Reserve Bank is increasing cash circulation and injecting more small ZiG denominations to address change shortages. It will aim to improve cash distribution, especially in remote areas, and expand initiatives like Homelink Swipe for ZiG kiosks across the country.
- **Interest Rate Policy:** The Bank will maintain interest rates close to the benchmark set by the Monetary Policy Committee. Current rates include a 20% policy rate and an

interest rate corridor of 11-25%. The stance remains tight to ensure financial and price stability.

- **Statutory Reserves:** Statutory reserves for call and demand deposits are set at 15% (local currency) and 20% (foreign currency), while savings and time deposits for both currencies will remain at 5%.
- **Bank Charges:** The Reserve Bank has ensured banks exempt service charges for accounts with daily balances under US\$100. This exemption extends to MSMEs starting from 1 September 2024. Electronic transactions under US\$10 will also be exempt from charges to promote digital payments.
- **Enforcement of Pricing in ZiG;** The Reserve Bank reiterated that all domestic transactions must be settled in either ZiG or foreign currency under the country's multicurrency system.
- **Refinement of Non-Negotiable Certificates of Deposits (NNCDs):** Outstanding payments for the 25% export surrender and auction backlog have been restructured from NNCDs to tradable government bonds.
- **Liquidity Management:** The Reserve Bank to continue using NNCDs to manage liquidity and tighten liquidation rules to ensure monetary policy remains tight. No new issuances of Gold-Backed Digital Tokens (GBDT) or gold coins will occur, but existing ones can be redeemed.
- **Cyber Resilience:** Banks are required to fortify cybersecurity, enhance incident management frameworks, and submit updated protocols by 30 September 2024. Simulation test results must also be submitted.
- **AML/CFT/CPF Supervision:** Banks and microfinance institutions must strengthen their AML/CFT/CPF frameworks, focusing on collecting beneficial ownership data, enhancing transaction monitoring, and assessing risks associated with digital products.
- **Fiscal Policy Measure:** Fiscal policies support ZiG demand by allowing corporate income tax in both local and foreign currency (50:50 basis), requiring presumptive taxes in local currency, and allowing customs duty payments in local currency on select products.
- **Cash-Lite Support Measures**
The Reserve Bank supports the government's mandate for traders to have POS terminals to promote a cash-lite economy but will continue providing sufficient cash for transactions.
 - Bonus Tax Free Threshold adjusted to US\$700 or the local currency equivalent thereof at the time of remuneration.
 - A list of Government fees to be exclusively paid in local currency proposed.
 - Fuel imported under Removal in Transit (RIT), will be liable to duty at the Port of Entry, now liable to duty he measures takes effect from 1 August 2024.

Summing up

There is significant pressure on the exchange rate despite Government implementing stabilization measures. If the exchange rate and parallel market premiums are not managed, there is risk of exchange rate instability. Additional risks to economic the outlook also include fragile power and subdued commodity prices.

