A Socioeconomic Justice Analysis of the 2025 Monetary Policy Statement (MPS)

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The 2025 Monetary Policy Statement (MPS) reflects the Reserve Bank of Zimbabwe's (RBZ) focus on inflation control, exchange rate stability, and economic growth within a tight monetary policy framework. Below is a detailed analysis of the key aspects of the policy and its implications.

1. Macroeconomic Context	Key Macroeconomic Projections	Key Implications
• The policy comes at a time when inflation and exchange rate stability have improved, following strict monetary measures in late 2024. • The ZiG currency (introduced in April 2024) remains central to the policy, supported by forex interventions and gold-backed reserves.	• GDP Growth: 6% in 2025 (up from 2% in 2024). • Inflation Target: Monthly inflation to average below 3%, with annual inflation at 20-30% by year-end. • Current Account Surplus: Expected to rise to US$611.6 million in 2025, driven by exports and diaspora remittances. • Gold Reserves: Targeting 40 tonnes in 2025 (up from 36 tonnes in 2024).	This suggests improving economic fundamentals, but risks remain—especially the sustainability of inflation control given external shocks, climate risks and demand for foreign currency.

2. Exchange Rate & Foreign Currency Management	Key Measures	Key Implications
• The Willing-Buyer, Willing-Seller (WBWS) foreign exchange market remains the main price discovery mechanism for the exchange rate. The RBZ has pursued greater flexibility and strategic interventions, reducing volatility.	• Exporters' Forex Retention Reduced: From 75% to 70%, increasing the surrender portion to the RBZ. • Forex Trading Limits Removed: No more US$500,000 weekly cap on interbank forex access. • US Dollar Denominated Deposit Facility (USDDDF): Allows exporters to hold surrendered forex in a USD facility.	• The reduction in exporters' forex retention increases the central bank's reserves but may negatively impact exporters' liquidity thereby discouraging investment in the export sector, as investors may view the policy as unfavorable. Additionally, exporters may become less competitive not just in the global market, but also in Zimbabwe as they will have less foreign currency to invest in their businesses. • Removing forex trading limits is a positive move toward a more market-driven exchange rate, but confidence in the WBWS system must improve for it to function effectively.

3. Interest Rates & Inflation Control	Key Measures:	Key Implications
• The RBZ maintains a tight monetary stance to keep inflation in check while balancing economic growth.	• Bank Policy Rate Maintained at 35% – ensures a tight monetary stance. • Minimum Deposit Interest Rates Increased: ZiG Savings: Raised from 3.5% to 5%. • USD Savings: Raised from 1% to 2.5%. • Continued Reserve Accumulation: Over US$550 million in reserves to back the ZiG. • Aiming for regional benchmarks in months of import cover.	• The high policy rate (35%) discourages borrowing, which helps control inflation but may slow private sector investment. • In an economy with a large informal sector, high interest rates may drive more economic activity underground, reducing tax revenues and increasing inequality. • Higher deposit interest rates could encourage savings and financial inclusion, but the impact on credit availability remains uncertain.

4. Liquidity & Financial Sector Policies	Key Measures	Key Implications
• The RBZ introduced new measures to ease liquidity constraints while maintaining tight money supply growth.	• Targeted Finance Facility (TFF): Allows banks to lend to productive sectors and retailers without expanding money supply. • Interbank Market Revamp: Encouraging banks to trade among themselves, reducing reliance on the RBZ for liquidity. • Statutory Reserve Ratios Unchanged: 30% for demand deposits. 15% for savings and fixed deposits.	• TFF can ease liquidity constraints for key sectors, but its success depends on transparency and access to forex. • The interbank market needs confidence - RBZ must ensure banks trust each other to trade forex efficiently.

5. Banking, Financial Inclusion & Digital Payments	Key Measures:	Key Implications
• RBZ continues banking sector reforms to improve inclusion, reduce transaction costs, and increase digital payment adoption.	• Mandatory POS Machines for All Businesses: • Banks must provide POS machines to business accounts. • Dormant POS machines to be reported to RBZ. • No Bank Charges on Accounts Below US$100. • Microfinance Sector Regulation: Increased scrutiny to prevent predatory lending. • Crackdown on Informal Cash Hoarding: Investigations into shadow banking and misuse of safe deposit boxes.	• Improved digital payment access could help formalize the economy and increase tax revenue, but compliance enforcement will be critical. • Microfinance sector risks remain—tighter regulation could reduce credit access for small businesses. • Reduced transaction costs and bank charges could deepen financial inclusion and encourage e-commerce. However, this requires other financial sector reforms such as reducing the number of unbanked citizens.

6. Fiscal & Monetary Policy Coordination	Key Measures	Key Implications
• RBZ aligns with National Development Strategy 2 (NDS2) and Vision 2030, ensuring fiscal and monetary cohesion	• Mandatory ZiG Reporting: All companies must use ZiG as the reporting currency. • Aligning Bank Charges with Public Concerns: Working with banks to reduce excessive fees. • Encouraging Trade & Investment: • Streamlining foreign exchange processes for trade. • Enhancing cross-border capital flow monitoring.	• Mandatory ZiG reporting aims to boost confidence in the currency, but businesses may struggle with dual-currency operations. • Trade facilitation reforms are positive, but Zimbabwe still faces investment climate challenges. • Monitoring capital flows could potentially curb illicit financial flows, however, this is contingent on effective and strict implementation.

While the policy seeks stability, growth, and credibility, significant risks remain:

- Foreign Currency Liquidity Constraints: Reducing forex retention for exporters may discourage production.
- Inflation Pressures: Despite tight policies, price shocks remain a risk, especially if ZiG demand weakens.
- Market Confidence in WBWS Forex System: Lack of trust in exchange rate management could increase parallel market activity.
- Sustainability of Tight Monetary Policy: Maintaining high interest rates could slow private-sector expansion.
- Financial Sector Reform Implementation: Ensuring banking sector compliance with digital payment and lending reforms can potentially provide extra protection for borrowers while deepening financial inclusion, improving e-commerce, and increasing tax revenue.
- Shifting geopolitical and economic shocks: The shifting global geopolitical landscape has significant implications for Zimbabwe's economy, given its reliance on external trade, investment, and international financial relations. Risks triggered by global financial tightening, debt distress, and geopolitical tensions remain significant

Critical Red flags:

❌ Heavy reliance on RBZ forex interventions—long-term sustainability is uncertain.
❌ Private sector concerns over forex access—exporters may resist lower retention levels.
❌ Policy implementation gaps—especially in interbank forex trading and digital payments adoption.

From a social and economic justice standpoint, the 2025 MPS has implications for citizens, businesses, and vulnerable communities. While the RBZ emphasizes stability and economic growth, the policy raises economic inclusion, equity, and transparency concerns. Below are key recommendations, focusing on ensuring that the monetary policy works for all Zimbabweans, not just the elites and financial institutions.

1. Strengthening Transparency & Public Accountability

Key Concern	Recommendations
• The Willing-Buyer, Willing-Seller (WBWS) forex market remains opaque, allowing elite capture and arbitrage. • RBZ forex interventions lack transparency, resulting in allocations to different sectors remaining unclear • Gold reserves accumulation lacks accountability, with weak oversight on mining royalties and reserves management.	✅ RBZ must publish detailed, real-time forex market data, including transaction volumes, exchange rates, and beneficiaries. ✅ Independent audits of RBZ's gold reserves and forex interventions should be conducted, with findings made public. ✅ Strengthen oversight of mining sector royalties, ensuring they benefit public services and social programs rather than elite accumulation.

2. Prioritizing Pro-Poor Monetary Policies

Key Concern	Recommendations
• Tight monetary policy (high interest rates, high forex surrender requirements) disproportionately hurts small businesses, farmers, and informal sector workers. • Increased forex surrender requirements for exporters (70%) could reduce job creation in key sectors like agriculture and manufacturing. • Microfinance institutions exploit borrowers through high-interest predatory lending.	✅ Special low-interest credit facilities should be created for small-scale farmers, SMEs, and informal traders to ensure access to affordable finance. ✅ RBZ must strengthen consumer protection laws to prevent predatory lending by microfinance institutions. ✅ A differentiated forex retention structure should be introduced—small-scale exporters (e.g., artisanal miners, agro-producers) should keep at least 80% of forex earnings, while large corporates contribute more to reserves.

3. Addressing Structural Inflation & Food Security Risks

Key Concern	Recommendations
• Tight money supply control does not address cost-push inflation, which is driven by factors like fuel prices, food shortages, and external shocks. • Small-scale farmers and rural communities are vulnerable to price fluctuations, especially for imported essentials. • RBZ reserves strategy is biased toward gold, while ignoring food security reserves.	✅ Introduce a "People's Food Security Reserve"—a national food buffer stock financed by a portion of RBZ's forex reserves, ensuring affordable maize, wheat, and other staples. ✅ Government must subsidize smallholder farmers by reducing input costs (fertilizers, seeds) instead of focusing only on exchange rate stability. ✅ A people-centred and inclusive reserve system should include food and essential commodities, not just gold and forex.

4. Ensuring Equitable Forex Access & Protecting Workers' Wages

Key Concern	Recommendations
• Forex access is biased toward large corporations and banks, while ordinary citizens struggle to access forex for basic needs (healthcare, education, remittances). • Workers' wages are vulnerable to ZiG devaluation, as most wages are paid in ZiG while prices of goods/services remain indexed in USD. • RBZ interventions mostly benefit financial elites, while workers and pensioners lose purchasing power.	✅ RBZ should introduce a "People's Forex Window"—a transparent, fair system where ordinary citizens can access forex at WBWS rates, not just banks and businesses. ✅ Worker's wages should be protected—introduce a Cost-of-Living Index (CLI) to ensure wages adjust in line with inflation and exchange rate shifts. ✅ RBZ must cap service fees on forex remittances to ensure diaspora remittances benefit families, not just banks.

5. Promoting Policy Coherence Between Monetary & Fiscal Policy

Key Concern	Recommendations
• RBZ's tight monetary stance contradicts government's expansionary fiscal spending, especially on infrastructure projects. • No clear link between RBZ's monetary policy and government's debt management strategy—risking more inflationary pressures if government borrowing increases.	✅ RBZ and Treasury must align policies - government should not borrow excessively while RBZ is trying to control money supply. ✅ A clear national debt strategy is needed, ensuring debt transparency and accountability to prevent inflationary financing. ✅ A Parliamentary Oversight Committee on Monetary Policy should be established to ensure RBZ policies align with broader national interests.

Toward a Just & Inclusive Monetary Policy

The 2025 Monetary Policy Statement presents a structured and disciplined approach to inflation control, exchange rate stability, and economic growth. However, its success depends on market confidence, private-sector cooperation, and effective implementation. The 2025 MPS prioritizes stability but overlooks economic justice for workers, SMEs, and vulnerable communities. ZIMCODD advocates for a pro-poor, transparent, and inclusive monetary system that:

✔ Protects ordinary citizens from inflation and financial exclusion.
✔ Ensures fair access to forex, banking, and credit facilities.
✔ Links monetary policy to broader socio-economic justice goals (healthcare, education, food security).
✔ Holds RBZ and financial elites accountable for resource allocation and wealth distribution.