



DEEPENING DOMESTIC CURRENCY USAGE TO CONSOLIDATE PRICE AND EXCHANGE RATE STABILITY.
(Highlights, Analysis, and Implications)

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Highlights, Analysis and Implications

1. INTRODUCTION

- 1.1. The 2026 Monetary Policy Statement is introduced against a backdrop of relative stability, building on the foundational measures implemented in 2024 and refined in 2025. The primary objective remains the consolidation of currency and price stability, with a heightened focus on anchoring long-term expectations and deepening the structural reforms necessary for sustainable economic growth.
- 1.2. To achieve these goals, the Reserve Bank is focused on
 - Maintaining a tight monetary policy stance to firmly anchor inflation expectations.
 - Deepening the financial system through new tools and enhanced market mechanisms.
 - Promoting financial inclusion and fair pricing to build public trust in the financial sector and the ZiG.

2. HIGHLIGHTS, ANALYSIS, AND IMPLICATIONS

MEASURES / HIGHLIGHTS	COMMENT (Analysis and Implications)
<p>a. Launch and introduction of the upgraded Big 5 zig banknote series, which are more presentable and durable</p>	<ul style="list-style-type: none"> • This is like the 2016 Bond Notes introduction but now backed by gold reserves. The notes are allegedly more durable, acceptable and expected to improve credibility while reducing counterfeit risk. • History shows that new notes alone do not create lasting stability — their impact depends on the policy package (reserves, money supply control, fiscal discipline) and how the rollout is managed. Higher denominations make hoarding easier and reduce bulk for informal transfers. If the RBZ pairs higher denominations with credible backing and active liquidity management, the net effect should be positive or neutral for inflation and financial stability; if not, the risk of renewed distrust and price pressures rises. • Inflation & velocity: More high value notes can raise perceived liquidity and spending capacity of economic agents. Minimal inflationary effect if RBZ sterilises liquidity and maintains tight stance; larger risk if fiscal or monetary loosening follows.

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	<ul style="list-style-type: none"> • Monetary policy transmission: Central bank can use issuance as part of broader liquidity management. Short term impact will be neutral if accompanied by sterilisation tools (e.g. term deposits, reserve management). In the long term, Positive if integrated with indirect instruments (ZIGDTDF) to control money supply. • Bank operations & logistics: Banks must update ATMs, counting machines, and security protocols. Creates a logistical task for swapping old and soiled notes, as well as managing public communications. • Operational cost for updating systems and training staff on handling the new notes and coins.
<p>b. Single-digit annual inflation achieved for the first time in over 3 decades (4.1% in January 2026)</p> <p>Low and stable monthly inflation averaging 0.4% in 2025 and ~0.0% in January 2026.</p>	<ul style="list-style-type: none"> • A historic milestone, breaking a cycle of hyperinflation (2008) and chronic instability that wiped out savings and trust in the local unit. • Boosts confidence in long-term local currency lending and borrowing. Reduces the need for inflation-indexed pricing, allowing for more predictable financial planning. • Allows Banks to price loans and financial products with greater certainty. • Can attract long-term savers back to ZiG products, increasing the low-cost deposit base. • Reduces credit risk from business failure due to price instability. • Low and stable inflation mimics the USD-driven stability of 2009–2012 but now achieved with local currency. • Enables banks to offer more attractive and stable local currency savings and investment products, possibly reversing dollarization of deposits in the long term. • Stable inflation protects the real value of Financial Institutions capital base held in ZiG. However, caution is to be exercised in accumulating zig assets while stability proves to be enduring.

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<p>c. Sustained exchange rate stability, ranging between 25-27 per US\$ in 2025. Parallel premium <20%.</p>	<ul style="list-style-type: none"> Historically, the parallel market premium often exceeded 50-100%. Containing it below 20% represents a major victory for formal channels. Stability mirrors the USD peg years. Reduces currency risk for banks and non-bank financial institutions' balance sheets. Encourages businesses to transact through formal banking channels rather than the parallel market. Banks' treasury departments face reduced exchange rate volatility risk. Increased formal transaction flows could boost Banks' transaction fees and income.
<p>d. Prudent money supply management featured by contained reserve money growth within targets.</p>	<ul style="list-style-type: none"> A direct reversal of the policies that led to the 2008 hyperinflation, where money was printed rampantly for quasi-fiscal activities, and contrasts with 2019 cash shortages, liquidity is now relatively balanced. Signals a predictable environment for bank liquidity and ensures smooth interbank operations. Allows banks to manage their reserves and lend without fear of sudden currency devaluation. Enhances Financial Institutions' ability to conduct accurate liquidity forecasting and reduces the risk of non-performing loans (NPLs) caused by sudden economic contractions/shocks.
<p>e. Liquidity has been within Optimal Liquidity Levels (OLL) throughout 2025.</p>	<ul style="list-style-type: none"> Indicates the central bank has moved from reactive crisis management to proactive, rules-based liquidity control. Prevents windows of extreme cash shortages or surpluses, stabilizing overnight lending rates between banks. Improves earnings stability from interbank lending. Reduces reliance on the central bank's discount window, lowering funding costs.
<p>f. Sustained foreign currency receipts, up 21.8% to US\$16.2bn in 2025.</p>	<ul style="list-style-type: none"> A significant recovery from near-zero net reserves in early 2024 (~0.18 months), rebuilding the country's external buffer, mimicking the US\$16.2bn inflows during the 2011 mining boom. Provides the forex liquidity needed for a smooth interbank market, allowing financial institutions to service clients' trade finance needs efficiently.

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	<ul style="list-style-type: none"> Enables Banks such as ZB to facilitate trade finance business and to offer more competitive forex products to corporate clients, enhancing customer retention.
<p>g. Adequate Foreign Reserve Cover for ZiG (US\$1.2bn) covers reserve money 6 times and doubles total ZiG deposits, providing 1.5 months import cover</p>	<ul style="list-style-type: none"> Unlike 2017–2019 thin reserves, now 6x cover, providing a tangible anchor for the ZiG. Massively reduces systemic currency risk. It assures banks that their ZiG liabilities are effectively backed by hard currency, encouraging them to lend in ZiG. Strengthens balance sheet resilience. Increases stakeholder confidence (shareholders, creditors) in the health of financial and non-financial institutions.
<p>h. Banking sector stability & financial inclusion characterised by low NPLs at 3.47% (benchmark 5%).</p>	<ul style="list-style-type: none"> A vast improvement from the crisis era (2008-2009) when NPLs spiralled above 20%, threatening the collapse of the entire banking system. Creates a resilient Banking system capable of absorbing shocks and lending to the economy. Attracts foreign investment lines. Asset quality remains key in ensuring the stability and sustainability of the financial sector. Having a strong asset quality base allows financial institutions to focus on growth and innovation rather than debt recovery and provisions.
<p>i. Robust national payment systems (NPS) with an average uptime >95% for RTGs and retail systems in 2025.</p>	<ul style="list-style-type: none"> Critical infrastructure improvement. In the past, system downtime fuelled the use of cash and the parallel market. Ensures digital transactions are reliable, reducing the economy's reliance on cash and increasing the velocity of money in the formal system. ZB can confidently promote its digital channels (mobile app, internet banking), knowing the backbone is stable.

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j. Foreign exchange market trading system development for authorised dealers.	<ul style="list-style-type: none"> • A move toward a transparent, market-driven rate, replacing the opaque administrative allocations of the past. This is building on the 2019 interbank forex reforms. • Enhances price discovery and efficiency. Dealers (banks) will have better tools to manage their FX positions and serve clients.
k. Targeted Finance Facility (TFF) retained and increased to ZiG1 billion to support productive sectors.	<ul style="list-style-type: none"> • Continuation of development finance by the central bank, a tool used in various forms since the 1980s, but now in a stable currency context. • The 2026 TFF (ZiG1 billion) is a continuation and expansion of the 2020 stimulus approach, but now larger and in a more stable macroeconomic environment. • Unlike 2020 (crisis response), the 2026 facility is growth-oriented, supporting agriculture, mining, and manufacturing as part of Zimbabwe’s economic transformation. • Such facilities generally stimulate credit growth. Provides cheap, targeted liquidity to banks for on lending to agriculture and manufacturing. • ZB can access these cheap funds to grow its loan book in the productive sectors and establish itself as a key financier of national economic development priorities. • For banks like ZB Financial Holdings, this means: Access to RBZ-backed liquidity for lending into productive sectors. Lower risk exposure since RBZ provides collateralized support. • Opportunity to expand SME and corporate lending portfolios aligned with national priorities. • This also provides as an opportunity for ZB Bank to implement SSCI targets.
l. Exporters' Foreign Currency Retention threshold maintained at 70% across all sectors. Small-scale miners who previously	<ul style="list-style-type: none"> • This is a continuation from 2021–2025 retention policies. • Ensures continued flow of FX through the banking system, supporting the interbank market and bank's FX deposit bases.

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retained all their forex earnings are now mandated to surrender 10%.	<ul style="list-style-type: none"> The retention mechanism is also aiding in building national Forex reserves and going a long way in stabilising the local currency.
m. Bank Policy Rate Maintained at 35%.	<ul style="list-style-type: none"> A very high nominal rate, reflecting the need to maintain a tight anti-inflationary stance, similar to the early 2000s but in a different macroeconomic context. This is a continuity of the 2022–2023 tight monetary policy stance, fostering credibility and reliability. Recourse to the RBZ remains relatively unfavourable for banks in dire positions, thus constrained credit creation. Lending remains costly, discouraging speculation.
n. Statutory reserve requirements are maintained at 15% for savings and fixed deposits and 30% for demand and call deposits for both ZiG and USD.	<ul style="list-style-type: none"> High requirements act as a compulsory savings buffer for banks, a tool used aggressively post-2009 to rebuild confidence and control money supply. Limits the money multiplier effect, controlling inflation. Ensures banks hold significant high-quality liquid assets. Locks up a portion of Bank's deposits as non-interest-bearing reserves with the RBZ, increasing the cost of funding. However, it provides a strong liquidity buffer for stability.
o. Minimum deposit interest rates have been maintained: savings (5% ZiG, 2.5% USD); Time (7.5% ZiG, 4% USD).	<ul style="list-style-type: none"> A form of interest rate control designed to protect depositors and incentivize ZiG savings, a rarity in the recent era of negative real rates. Higher ZiG deposit rates encourage a shift from USD to ZiG deposits/savings, changing the currency mix of bank balance sheets. Presents an opportunity to attract new ZiG savers.
p. ZiG denominated term deposit facility (ZiGDtDF) introduced to	<ul style="list-style-type: none"> Quite similar to the 2019 NNCDs, but now ZiG-specific. Provides a new, safe, interest-bearing instrument for banks to manage their excess ZiG liquidity, aiding in yield curve development. Provides indirect monetary control.

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manage ZiG liquidity and move towards indirect monetary policy.	<ul style="list-style-type: none"> ZB, like other financial institutions, now have a new tool for managing daily liquidity. Can earn interest on surplus ZiG rather than leaving it idle, optimizing balance sheet efficiency.
q. Upward revision of cash withdrawal limit: Individual limits up to ZiG10,000/week; Corporate up to ZiG100,000/week.	<ul style="list-style-type: none"> Like 2018 relaxations, which, to some extent, contributed to liquidity growth and subsequent macroeconomic instability. Promoting the use of paper money reduces the significance of the digital banking drive. Improves cash access for businesses. Improves customer experience for those needing large amounts of cash for legitimate purposes. Operational impact: Banks must update ATM and teller limits, adjust cash logistics, and reconfigure core banking parameters to reflect the new weekly/monthly caps. Liquidity management: Higher corporate withdrawal ceilings increase intraday cash demand for some institutions; treasury desks should revise cash forecasts. Tighten intraday liquidity forecasting and increase ATM/branch cash buffers for the new limits. Use RBZ instruments (ZIGDTDF, interbank placements) to sterilize any excess ZiG liquidity quickly. Inflation expectations: There is risk of localized price pressures if public/ economic agents misinterpret limit adjustments as loosening of policy. Need for proactive client communications and scenario stress testing from a bank perspective. Operational and compliance: Increased cash flows raise AML/KYC monitoring needs. Banks need to strengthen transaction monitoring and cash-handling controls.
r. Upward Revision of Transaction Limits for mobile money and ZIPIT to support wider use of ZiG.	<ul style="list-style-type: none"> Complements and carries over from 2020 mobile money reforms. Drives digital transaction growth by increasing the volume and value of transactions processed through bank switches and mobile money platforms.

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	<ul style="list-style-type: none"> Increased transaction volumes and values will complicate settlements and strain banking infrastructure, requiring banks to invest in scalable technology to manage the pressure. Digital channels become more competitive. There is potential for increased revenue from digital transaction fees as volumes grow. Exchange rate and expectations channel: if the public misreads higher limits as monetary loosening, inflation expectations could edge up and feed price setting; this is a behavioural risk rather than an automatic outcome. With more value transacted electronically, uptime and throughput SLAs for RTGS, switches, and mobile platforms become more critical.
<p>s. Progress on Conditions Precedent for Transition to Mono-Currency</p>	<ul style="list-style-type: none"> Lays out a long-term vision to end the multi-currency regime, a system adopted back in 2019 as a crisis response as a way to restore power in . This roadmap provides policy certainty. Provides a clear long-term planning horizon. Banks must strategize for a future where the ZiG is the sole legal tender. Allows Financial institutions to strategically plan its product development, capital allocation, and digital infrastructure for a mono-currency future, gaining first-mover advantage.
<p>t. Capping of Point of Sale (POS) Charges at 1.5% (max US\$20/ZiG equivalent), with no minimum fee.</p>	<ul style="list-style-type: none"> Reduces a traditional barrier to plastic and digital payments. In the past, high POS fees pushed merchants and customers toward cash. Encourages the use of POS terminals, reducing cash handling costs for the entire system. Pressure on merchant service providers to be efficient.

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	<ul style="list-style-type: none"> Banks’ merchant services face a direct revenue cap. However, increased POS usage could drive volume growth, partially offsetting the lower margin.
<p>u. Fees for account balance inquiries on all platforms are removed.</p>	<ul style="list-style-type: none"> Previously, high fees for basic services discouraged account usage and financial inclusion. However, it is a consumer-friendly move that may increase customer stickiness. Banks have lost a revenue stream. However, this may improve customer satisfaction and potentially improve retention and loyalty.
<p>v. Removal of Cash Deposit Fees</p>	<ul style="list-style-type: none"> Deposit fees discouraged the use of the formal banking system for savings, pushing cash into the informal/parallel sector. This should see an inflow of cash deposits as the cost barrier is removed.
<p>w. Capping of Card Issuance Fees</p>	<ul style="list-style-type: none"> Previously, card fees were a significant profit centre, often exceeding the actual cost of production, limiting access to digital payment tools. Shifts card issuance from a profit centre to a cost-recovery utility. Banks must streamline card production and distribution. Banks must re-evaluate pricing model for cards. This reduces direct revenue but can drive higher card adoption and usage, leading to more transaction fee income (from POS swipes) to compensate. <p><i>The RBZ directive to reduce or remove charges is pro consumer and will accelerate digital adoption and deposit formalisation. For banks it is a near term revenue shock but a medium-term opportunity to grow low-cost deposits, expand transaction volumes, and deepen customer relationships. ZB Financial Holdings should act fast to stabilise margins through product innovation, operational efficiency, and an aggressive merchant and deposit acquisition strategy while strengthening liquidity and compliance controls.</i></p>

3. ECONOMIC OUTLOOK

3.1. Economic Growth

- Zimbabwe is projected to achieve economic growth of at least 5% in 2026.
- Key Drivers of Growth:
 - Continued strong commodity prices, especially for gold and Platinum Group Metals (PGMs).
 - A positive contribution from the agriculture sector, despite mid-season dry spells.
 - A low and stable inflationary environment, which provides solid foundations for growth.
- ✓ *The projected growth signals economic expansion, creating potential opportunities for investment and increased economic activity. Businesses should position themselves to capitalize on growth sectors like mining and agriculture, while preparing for increased consumer demand.*

3.2. Inflation Stability

- Annual inflation for the ZiG is projected to remain low and stable, within single-digit levels throughout 2026.
- Month-on-month inflation is projected to remain below 1%.
- ✓ *Implication: Sustained single-digit inflation will preserve consumer purchasing power and create predictable cost structures for businesses. Firms can implement fixed-medium-term pricing strategies and reduce costly inflation-hedging practices, allowing focus on core operational efficiency.*

3.3. Currency Stability

- The exchange rate is expected to remain stable.
- The parallel market premium is expected to narrow to levels below 20% in 2026.
- The Reserve Bank will continue a prudent monetary policy stance to safeguard the gains in price, currency, and exchange rate stability.
- ✓ *A stable exchange rate with a narrowing parallel premium reduces transaction costs and eliminates the uncertainty that previously hampered business planning. Businesses should progressively transition from multi-currency operations to ZiG-based accounting and treasury management, capturing the benefits of reduced currency risk.*

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3.4. External Sector

- The current account balance is expected to maintain a surplus of more than US\$2.5 billion in 2026.
- The surplus will be supported by increased foreign currency inflows from improvements in merchandise exports and remittances.
- ✓ *A consistent current account surplus strengthens the nation's external position and ensures continued foreign currency availability. Export-oriented businesses should leverage improved foreign currency inflows to finance capital goods imports and expand operations.*

3.5. Financial Sector

- The financial sector is expected to continue demonstrating resilience underpinned by robust supervisory and regulatory frameworks that ensure prudential soundness.
- ✓ *A resilient financial sector underpinned by strong regulation ensures safe intermediation and protects depositors' funds. Investors and depositors can confidently utilize formal financial channels, while banks may have the capacity to increase lending to productive sectors.*

3.6. Monetary Policy and ZiG Adoption

- Continued complementarity between monetary and fiscal policy is seen as vital to entrench macroeconomic stability.
- The Reserve Bank will pursue deliberate efforts to promote the demand for the local currency (ZiG) as the country transitions to its exclusive use.
- The proportion of local currency transactions in the economy will gradually increase. This will be complemented by the deepening of the foreign exchange market to support the convertibility and availability of ZiG for all bona fide foreign payments.
- The introduction of the new "BiG 5 ZiG Banknote Series" is expected to enhance trust, confidence, and credibility in the local currency, as well as improve transactional convenience to deepen domestic currency usage.
- ✓ *The deliberate transition to exclusive ZiG usage will gradually reshape the transaction landscape, requiring all economic agents to adapt to a mono-currency environment. Businesses should accelerate systems alignment to ZiG, develop local currency pricing models, and prepare for increased electronic transactions as the forex market deepens.*

THE END