Harare, Zimbabwe, June 27 (Infosplusgabon) - Zimbabwe government on Saturday took the unprecedented move to ban trading on the Zimbabwe Stock Exchange (ZSE) and all mobile money transactions to save the collapsing local currency, Zimbabwe dollar (ZWL).

Former finance minister and current Harare East Member of Parliament, Tendai Biti, described these measures as "madness" to Infosplusgabon and warned the move would have terrible consequences.

This is because the ZSE has a market capitalisation of ZWL228.87 billion (US$4 billion) and while the country had mobile money subscribers that totalled ZWL19,868,651,872 (US$346,445,542.66) as at the end of the first quarter.

Thus, mobile money firms and listed companies are set to be negatively affected leading to more economic ruin for Zimbabwe.

Biti said the best way to stabilise the ZWL would be to increase production that would lead to more exports and foreign currency that could be used to back the ZWL.

The former minister accused the ruling elite of being behind the depreciating ZWL, wherein politically connected people are taking foreign currency from the central bank at a low forex rate and reselling it at higher rate on the parallel market.

These persons then used the newly realized funds to buy foreign currency back from the central bank cheaply and repeat the whole process again making serious gains.

The government suspension is set to affect 57 actively listed firms on the ZSE and Zimbabwe's three mobile companies, namely, Econet Wireless Zimbabwe, NetOne and Telecel Zimbabwe.

Further, the country's 19 banking institutions will also be affected as most have been pushing activities to mobile based platforms in light of cash shortages.

The ban comes as the ZWL reached a new low in its continued depreciation by zooming past the ZWL100 threshold, against the greenback, on the parallel forex market to trade at US$1:ZWL105.

This comes at a time when the parallel forex market is being used as the main aggregator for pricing goods and services despite the official foreign currency rate of US$1:ZWL57,35.

With the country already in a recession, chances that the country will fall into a depression have now drastically increased should the ban hold even for a short while.

In February 2019, Reserve Bank of Zimbabwe (RBZ) deputy governor Jesimen Chiupika, during a Financial Inclusion Forum in Harare, revealed that as at the end of 2018 there were 6.73 million bank accounts in Zimbabwe.

Comparatively, the Postal and Telecommunications Regulatory Authority of Zimbabwe recorded the total number of active mobile money subscribers as 7,673,201 at the end of the first quarter.

So, with Zimbabwe's national statistics agency estimating in its 'Labour Force And Child Labour Survey 2019', released earlier this year, the country's population to be 14.2 million, of which 57 percent are aged 15 and older, more Zimbabweans prefer mobile money.

As a result of its lion's share of the market, EcoCash, dismissed the statement of the ban issued by Information, Publicity and Broadcasting Services Permanent Secretary, Ndabaningi Mangwana.

“EcoCash is regulated by the Reserve Bank of Zimbabwe and would naturally expect a directive of that nature and significance to be communicated by the Reserve Bank of Zimbabwe,” the company said.

“We urge all EcoCash users who exceed 10 million Zimbabweans (including inactive members), the majority of whom do not have bank accounts, to remain calm and to continue to do your lawful transactions as usual.”

The statement has set the stage for gruesome potential fight against the state at a time the latter is accused of having captured the judiciary.

“The ban will put a dent to our crippled economy and completely shut down the nation’s biggest e-commerce platform. The problem in Zimbabwe is not EcoCash or mobile money fraud, externalization or pure advanced airtime sales but the dysfunctional government policies in general and on the fiscal and monetary policies in particular,” Zimbabwe Information and Communication Technologies chairman Jacob Mutisi said.

“The time has come to call a spade a spade, the problem is not the black market or externalization that is to blame, it is the the de facto CEO of Zimbabwe which is now the Ministry of Finance and the central bank RBZ which is not operating Open Market Operation (OMO).”

He added: “OMO involve the purchase or sale of securities, such as Treasury Bills or Government bonds, by the Central Bank in order to influence the money supply. When the Bank sells (purchases) these securities to (from) a bank or an individual, money is withdrawn from (added to) the flow of money in the economy”.

Another consequence of the ban is on mobile banking.

This is because transactions processed through the National Payment System were ZWL84.57 billion (US$1.47 billion) as at the end of last year, with ZWL28.08 billion (US$490 million) being mobile and internet based transactions.

This translates to nearly ZWL80 million (US$1,4 million) in daily transactions.

The announced suspension on trading on the main bourse has also, for now, been dismissed by the ZSE.

“We haven’t had official communication from our regulator. We are regulated by the Securities Exchange Commission of Zimbabwe so I can’t comment until I have got the official communication. It will be easier for me to comment once I have that communication,” said ZSE chief executive officer (CEO) Justin Bgoni.

The reason the ban on trading is a shock is because the failing ZWL, behind the current hyperinflationary environment, had forced many companies to adopt equity strategies to preserve value.

Confederation of Zimbabwe Industries CEO Sekai Kuvarika said that should the ban stand, this would be a huge dent on confidence and the stabilisation that the market was desperate for.

“Any measures, reminiscent of past failure to save the ZWL, if not properly communicated and implemented, will send unintended signals to the market. As standard policy communication, these measures must be accompanied by assurances to the market. Otherwise this would seem like throwing away the baby with the bathwater,” she said.

“One would have thought they should target the culprits and deal with them than the blanket measure. This is because the move has negative effects on investors through liquidity lock up, loss of trading income and fees. It also affects pensioners’ investments on the bourse thus increasing insecurity levels in the economy.”

She added: “Implications on policy consistency and confidence is negative. It will affect both domestic and foreign investment in the economy. And bad timing at a time when companies are struggling with a high cost environment emanating from collapsed demand and high overheads due to the COVID-19 necessitated lockdown”.

Local stock broking firm, MMC Capital’s executive director Itai Chirume said the immediate effect for listed firms from the ban would be on liquidity that could cause massive defaults on their liabilities.

“If you have an equity strategy for the purposes of meeting specific liabilities it actually means that you are at risk of default on the liability side. So, on the one side you have a portfolio of equities and on the other side you have a portfolio of people that you owe money,” he said

“It could be pensioners, people who have purchased life assurance, it could be all sorts of liabilities. It actually means that you may now be faced with probability of defaults on the liabilities because you cannot access the liquidity on the equities for which is the reason why you would have set up that portfolio in the first place.”

Such a move to suspend trading on the ZSE and all mobile money transactions should have come from Finance minister Mthuli Ncube and RBZ governor John Mangudya, respectively.

However, their silence is telling considering both have been trying to promote cashless transactions with no indication that a ban would happen.

For example, Mangudya from a recent interview revealed how the bank was working on expanding existing digital platforms to allow people to transact without the need for money.

While Mangwana said government would put in place ‘prudent measures’ to contain the collateral damage of the ban on mobile money transactions and trading on the ZSE, the effectiveness of these measures remains to be seen.

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