



BANK OF ZAMBIA

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

October 31, 2003

CB Circular No: 17/2003

To: All Commercial Banks

STATUTORY RESERVE RATIO

Kindly refer to CB circular No. 21/2002 dated 13 December 2002.

The Bank of Zambia wishes to advise all commercial banks that with effect from October 31, 2003, the minimum statutory reserve ratio on both the Kwacha and foreign currency deposit liabilities to the public will be reduced by 3.5 percentage points to 14.0 percent from 17.5 percent.

The reduction is intended to improve availability of liquidity in the money market with a view to reduce the cost of funds to the borrowing public. The Bank of Zambia expects this action to serve as a signal to other stakeholders to follow suit in taking appropriate measures in their respective areas to bring about a general downward movement in the level of interest rates in the country to promote economic growth and development. In the case of commercial banks, it is expected that this move will enable them to extend credit to the productive sectors of the economy, such as, agriculture, manufacturing, tourism and mining at relatively lower cost.

Commercial banks are further advised that in terms of compliance, as regards the Weekly Return on Selected Assets and Liabilities, the revised statutory reserve ratio of 14.0 percent will be applied on the Wednesday position of October 22, 2003.

As stated previously, the Bank of Zambia will continue to monitor developments in the macroeconomic environment and stands ready to take other measures as deemed necessary.

Denny H Kalyalya (Dr.)
DEPUTY GOVERNOR - OPERATIONS

Cc Governor