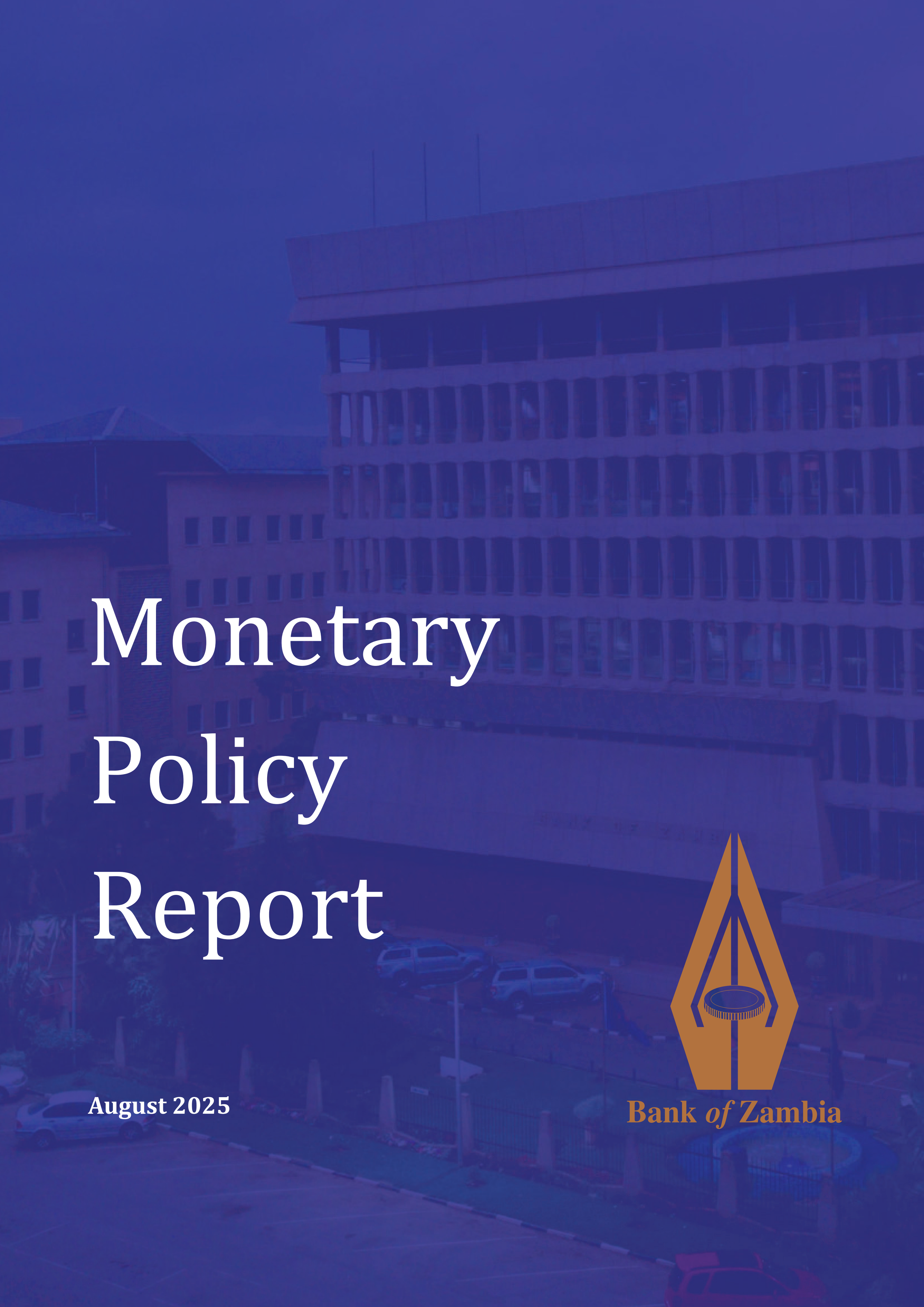

Monetary Policy Report

August 2025

Bank of Zambia

Bank *of* Zambia

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This *Monetary Policy Report* (MPR) is published pursuant to Section 29(2) of the Bank of Zambia Act, 2022.

The MPR was approved by the Monetary Policy Committee (MPC) on August 12, 2025 and contains information available as of August 12, 2025.

Composition of the Monetary Policy Committee constituted pursuant to Section 28(1) of the Bank of Zambia Act, 2022:

1. Governor – Chairperson (Dr Denny H. Kalyalya);
2. Deputy Governor responsible for operations/Vice Chairperson (Dr Francis Chipimo);
3. Deputy Governor responsible for administration (Mrs Rekha C. Mhango);
4. Bank of Zambia senior management staff responsible for research (Dr Jonathan M. Chipili);
5. Bank of Zambia senior management staff responsible for monetary policy operations (Mr Isaac Muhanga);
6. Bank of Zambia senior management staff responsible for financial stability (Mr Goodson Kataya);
7. External Member appointed by the Bank of Zambia Board (Professor Munacinga C. Simatele); and
8. External Member appointed by the Bank of Zambia Board (Mr Alex Chakufyali).

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Preface

In line with Article 213(2) (b) of the Constitution of Zambia (Amendment) Act, 2016, the Bank of Zambia determines monetary policy. The nine-member Monetary Policy Committee (MPC) formulates monetary policy to achieve and maintain price stability in line with section 27(2) of the Bank of Zambia Act, 2022. The Committee meets every second month of the quarter in February, May, August and November to decide on the monetary policy stance. In doing so, the Committee reviews macroeconomic developments in the previous quarter and prospects for inflation over the forecast horizon currently eight quarters ahead. This information is published in the Monetary Policy Report (MPR) to strengthen transparency and accountability of the MPC.

The stance of monetary policy is reflected in changes to the Policy Rate introduced in April 2012. This is guided by inflation outcomes, forecasts from inflation models and identified risks, including those associated with growth and financial stability. The MPC relies on a forward-looking monetary policy framework anchored on the Policy Rate as a key signal for the policy stance. The Policy Rate aims to provide a credible and stable anchor to financial market participants in setting their own interest rates as well as guides the Bank in its implementation of monetary policy. The Bank may use non-price (quantitative) monetary policy instruments, such as, the statutory reserve ratio in its conduct of monetary policy.

The Bank influences the overnight interbank rate (operating target) which in turn impacts on inflation through changes in market interest rates transmitted via the expectations, exchange rate and/or credit channels. To effectively manage the overnight interbank rate, the Bank conducts open market operations to either supply or withdraw liquidity from the banking system to keep the overnight interbank rate within the corridor of +/- 1 percentage points around the Policy Rate. There are, however, exceptional circumstances where the interbank rate may be allowed to drift outside the Policy Rate Corridor.

The monetary policy decision is publicly announced in the Monetary Policy Committee Statement issued via a press release a day after each quarterly MPC meeting. The MPR is published soon after the MPC Meeting. This is intended to provide detailed information used by the MPC in arriving at a Policy Rate decision.

Executive Summary

Inflation has been on a downward trend since March 2025. It declined to 14.1 percent in June from 16.5 percent in March. In July, this trend continued, with inflation dropping to 13.0 percent. The key drivers for this outturn were improved supply of maize, lower fuel prices, and the appreciation of the Kwacha against major currencies.

Over the forecast horizon, the declining trend in inflation is expected to continue. Inflation is projected to fall into the 6–8 percent target band in the first quarter of 2026, earlier than projected in May 2025. The updated forecast points to inflation averaging 13.3 percent in 2025 compared to the previous 13.8 percent. In 2026, inflation is expected to average 7.7 percent and to be sustained within the target band over the first half of 2027. The key drivers of the lower inflation forecast are lagged effects of the appreciated exchange rate as well as lower food and energy prices. The improved inflation outlook also reflects past monetary policy measures as well as structural and fiscal policy reforms.

Preliminary estimates point to a rebound in real GDP growth in the second quarter based on the recovery in tourist arrivals and electricity generation. Business conditions are reported to have improved on the back of sustained increase in new orders as a result of stronger demand and appreciation of the exchange rate. Growth prospects remain bright over the medium-term, mostly underpinned by mining, transport and storage, as well as wholesale and retail trade.

The growth in credit slowed down in the second quarter on account of reduced demand for Government securities. This affected the growth in money supply.

The current account deficit narrowed slightly owing to lower retained earnings by foreign owned firms. For 2025 as a whole, the current account deficit is now projected to expand on account of higher demand for imports of capital and intermediate goods, particularly by the mining sector, as well as the widening of the primary income account deficit. However, in 2026, a surplus is projected on account of higher copper export earnings and improved non-traditional exports.

Preliminary data point to a lower fiscal deficit than expected in the second quarter mostly due to significantly lower-than-planned spending on capital projects. The medium-term trend remains downward as fiscal consolidation gains are safeguarded through expenditure rationalisation and enhanced domestic revenue mobilisation.

The Monetary Policy Committee decided to maintain the Monetary Policy Rate at 14.5 percent. The Committee noted that inflation was still well above the 6-8 percent target band, and at the same time, uncertainties associated with global trade policies and persistent geopolitical tensions remained. The decision would also allow for the consolidation of the gains that have been made so far on inflation.


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1. Macroeconomic Outlook

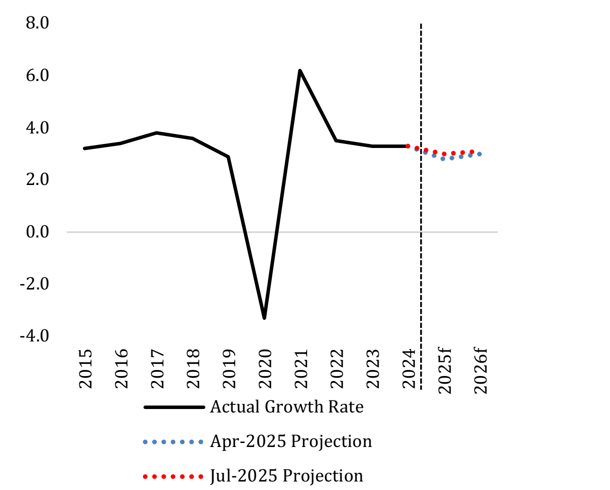
- *Global growth upgraded on easing trade tensions, moderating global inflation, weaker US dollar and stronger-than-expected global demand.*
- *Copper prices to rise on enhanced investments in power intensive technologies.*
- *Crude oil prices to decline owing to concerns about oversupply largely by OPEC+ amid weak global oil demand.*
- *Current account balance to turn positive due to projected higher copper export earnings.*
- *Medium-term domestic real GDP growth prospects remain positive.*
- *Cash fiscal deficit to continue trending downward on strong expenditure rationalisation and continued domestic revenue mobilisation.*
- *Inflation outlook more optimistic due to lagged effects of appreciated exchange rate and expected lower food and fuel prices.*

1.1 External Sector Outlook

... global growth improves

Global growth projections for 2025 and 2026 have been raised by 0.2 percentage points and 0.1 percentage points to 3.0 percent and 3.1 percent, respectively[1] (Figure 1).

Figure 1: Global GDP Growth Projection (annual, percent)



Source: IMF WEO, July 2025; Bank of Zambia Compilations

The modest upgrade largely reflects easing trade tensions between the US and its major trading partners[2], moderating global inflation, a weaker US dollar, stronger-than-expected demand due to the frontloading of orders ahead of anticipated steep US tariffs, and fiscal expansion in some major economies. Nonetheless, downside risks still linger, notably from elevated policy uncertainty and the possible resurgence of higher US tariffs that could constrain growth, dampen investment and in turn global economic activity. The rise in geopolitical tensions may disrupt global supply chains, trigger a spike in commodity prices and subsequently reduce growth. Other risks relate to mounting fiscal deficits that could push up long-term interest rates, tighten global financial conditions and prompt central banks to adopt a more restrictive monetary policy stance.

... economic activity in major trading partner countries to rebound

A marginal rebound in growth in Zambia's major trading partners over the 2025–2026 period is now projected (Table 1 and Figure 2).

Table 1: Changes in GDP-9 Index and Country Contributions, 2023 – 2026[3]

	Weight	2023	2024p	2025f	2026f
GDP-9 Index (percent change) – May 2025		2.14	1.67	4.02	3.55
GDP-9 Index (percent change) –Aug 2025		2.14	1.67	4.19	3.92
Country Contributions to the Change in GDP-9 Index					
China	0.49	1.10	0.60	1.87	1.74
DRC	0.30	0.69	0.27	1.05	0.97
South Africa	0.12	0.25	0.30	0.60	0.56
Singapore	0.00	-0.06	0.26	0.23	0.22
UK	0.07	0.16	0.02	0.20	0.18
UAE	0.00	-0.02	0.09	0.08	0.08
Tanzania	0.00	0.04	0.02	0.07	0.06
Malawi	0.02	-0.02	0.07	0.06	0.06
Hong Kong	0.00	0.00	0.04	0.04	0.04

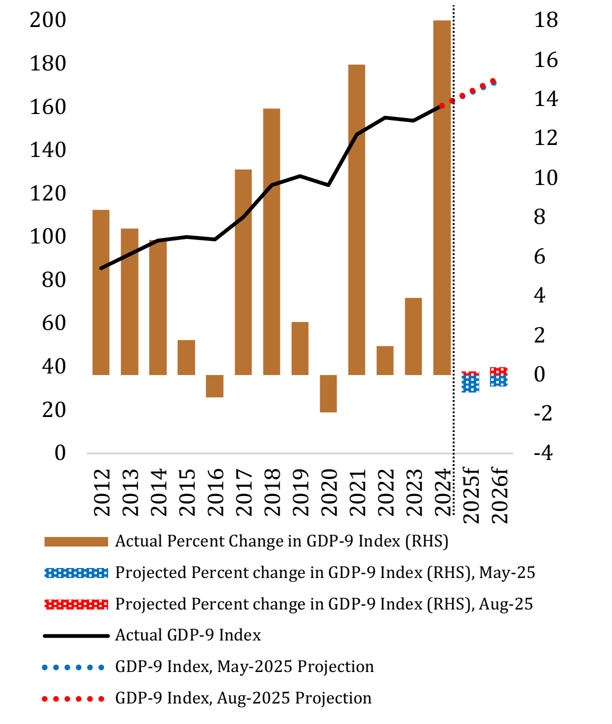
Source: Bank of Zambia Staff Calculations
DRC = Democratic Republic of the Congo, UK = United Kingdom, UAE = United Arab Emirates
p = preliminary, f = forecast

[1]IMF *World Economic Outlook* (WEO), July 2025:https://www.imf.org/en/Publications/WEO/Issues/2025/07/29/world-economic-outlook-update-july-2025

[2]The risk of a global trade war has eased since April after the US significantly lowered tariffs mainly on China and finalised trade deals with the EU and Japan. The IMF reports that the effective US tariff rate fell to 17.3 percent in July from a projected 24.4 in April, helping to bolster global trade and economic resilience.

[3]The data reported in the May 2025 Monetary Policy Report has been revised to reflect recently released GDP numbers.

Figure 2: Changes in GDP-9 Index



Source: Bank of Zambia

The positive outlook largely reflects the upward revision of growth projections for China and UK[4] (Table 2).

Table 2: Trading Partner Growth Rates (percent), 2022-2025

	Weight	2023	2024	2025	2026
China	0.5	5.4	5.0	4.8	4.2
DRC	0.3	8.5	6.5	4.7	5.2
South Africa	0.1	0.7	0.6	1.0	1.3
Singapore	0.0	1.8	4.4	2.0	1.9
UK	0.1	0.4	1.1	1.2	1.4
UAE	0.0	3.6	3.8	4.0	5.0
Tanzania	0.0	5.1	5.4	6.0	6.3
Malawi	0.0	1.9	1.8	3.5	4.3
Hong Kong	0.0	3.2	2.5	1.5	1.9

Source: IMF WEO, July update 2025 and Bank of Zambia Compilations.

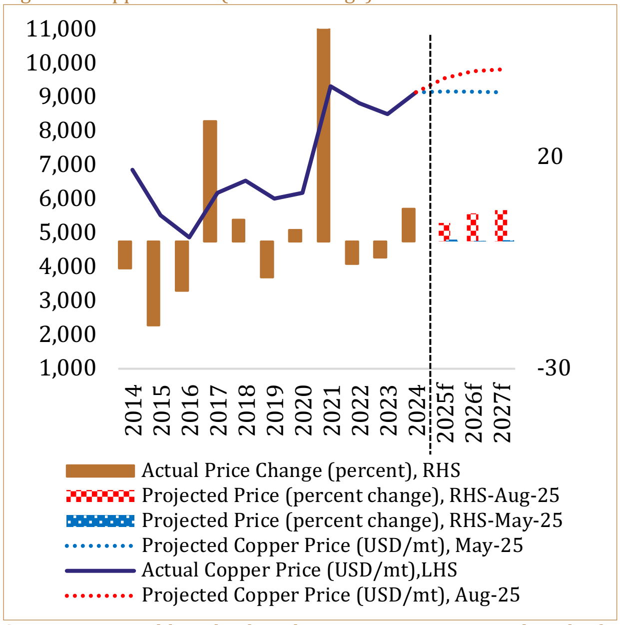
Lower effective US tariffs, stronger policy support[5], and spillovers from better-than-expected economic activity recorded during the first half of 2025 are expected to drive growth in China. For the UK, growth is expected to benefit from monetary policy easing and rising consumer confidence. Increased government spending, particularly on infrastructure, along with the implementation of structural reforms is expected to address current challenges and support productivity and long-term growth.

The risks to the growth outlook remain tilted to the downside, particularly the escalation in trade tensions between the US and China. This could adversely affect growth in the latter and in turn weigh on global commodity prices and demand.

... copper prices to rise markedly

Compared to the projection in May, copper prices are now projected to rise over the 2025-27 period: 4.3 percent to USD9,553.50 per metric tonne in 2025, 6.6 percent to USD9,762.00 per metric tonne in 2026 and further by 7.3 percent to USD9,811.88 per metric tonne in 2027 (Figure 3).

Figure 3: Copper Prices (annual average)



Source: IMF, World Bank, Bloomberg, Reuters Futures and Bank of Zambia Compilations.

The buoyant outlook for copper prices is based on strong demand due to growing investments in the production of power-intensive technologies, such as, electric vehicles and renewable energy systems (solar and wind), including the construction of electric grids and data centres[6] to power artificial intelligence and cloud computing applications. The provision of additional stimulus by China[7], prospects of sustained accommodative monetary policy in advanced economies, and the anticipated higher government

[4] The IMF upgraded China's growth projection by 0.8 percentage points for 2025 to 4.8 percent and by 0.2 percentage points for 2026 to 4.2 percent relative to the April forecast. Similarly, the UK's 2025 growth forecast was raised to 1.2 percent from 1.1 percent, making it the third fastest-growing G7 economy behind the US and Canada. However, the growth forecast for 2026 remains unchanged at 1.4 percent.

[5] https://www.chinadaily.com.cn/a/202508/04/WS688f8954a310c0209d01abc7.html

[6] Copper demand is set to rise significantly due to the anticipated expansion of digital infrastructure, particularly AI-driven data centres that rely heavily on copper for power distribution, cooling systems and internal connectivity to support massive global data generation and consumption: https://www.datacenterknowledge.com/data-center-construction/data-center-construction-boom-10-gw-of-new-capacity-set-for-2025

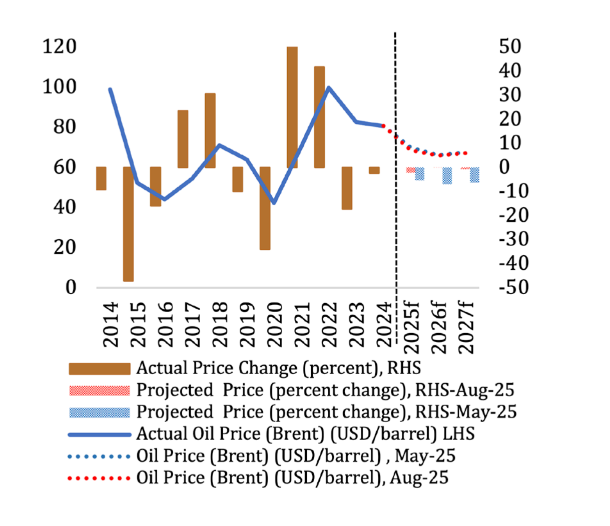
[7] The Chinese Government has committed to implementing more proactive monetary and fiscal measures to boost domestic consumption, stabilise the property sector and promote industrial and economic growth that could strengthen demand for copper: https://edition.cnn.com/2024/12/09/economy/china-economy-stimulus-intl/index.html https://tradingeconomics.com/china/industrial-production/news/471377

spending on infrastructure and defense[8], mostly in Europe, are likely to provide additional support to copper prices. Further, optimism over a potential trade deal between the US and major trading partners may support global economic growth and in turn boost demand for copper.

... downward trend in crude oil, wheat and maize prices to persist

Crude oil prices are projected to decline further, albeit moderately, reaching USD68.62 per barrel in 2025, USD66.03 per barrel in 2026 and USD67.10 per barrel in 2027 (Figure 4). This is 2.1 percent, 0.1 percent and 0.7 percent, respectively lower than the May projection.

Figure 4: Crude oil Prices (annual average)



Source: World Bank, Bloomberg, Reuters Futures and Bank of Zambia Compilation.

Growing concerns about oversupply on account of OPEC+ policy shift to ramp up production[9] and the resumption of exports by Iraq from the Kurdistan Region[10] largely underlie the expected decline in oil prices. This coincides with weak global oil demand forecast by the International Energy Agency (IEA)[11]. In addition, easing geopolitical tensions in the Middle East[12]and a surge in global electrification of road transport[13] are expected to dampen prices for crude oil over the forecast horizon.

[8] The European Union plans to increase defense spending following doubts about the US commitment to NATO. In particular, the Government of Germany approved record spending on defense and infrastructure spending: https://www.dw.com/en/defense-infrastructure-germany-plans-record-investment/a-73196730

[9]https://www.bnnbloomberg.ca/investing/commodities/2025/07/21/global-oil-market-is-oversupplied-expert-expects-oil-prices-to-fall/

10https://www.arabnews.com/node/2608489/middle-east

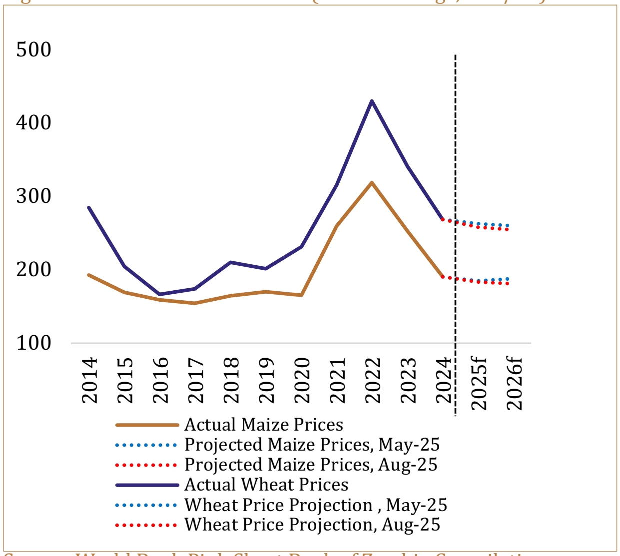
[11]The IEA has projected global oil supply significantly exceeding demand. It expects oil supply to increase by 2.1 million bpd in 2025 and by 1.3 million bpd in 2026. The Agency has meanwhile downgraded global oil demand growth forecast to just 700,000 bpd in 2025 and 720,000 bpd in 2026, the slowest growth rates since 2009.

[12]Geopolitical tensions in the Middle East eased after Israel and Iran reached a ceasefire agreement brokered by President Trump proposal that reduced the potential risk of supply disruptions.

[13]Electric Vehicle Outlook | Bloomberg NEF

Maize prices are projected to decline further to USD183.5 per metric tonne in 2025 and to USD181.0 per metric tonne in 2026 (Figure 5). Similarly, wheat prices are expected to reduce to USD258.0 per metric tonne in 2025, and moderate further to USD254.5 per metric tonne in 2026 (Figure 5).

Figure 5: Maize and Wheat Prices (annual average, USD/mt)



Source: World Bank Pink Sheet Bank of Zambia Compilation

The decline in both maize and wheat prices is based on the expected record-high production during the 2025/26 season[14], supported by favourable weather conditions and higher yields. Persistent concerns about the impact of trade tensions on global demand and strong efforts by China to boost domestic grain production is expected to dampen demand for both maize and wheat[15]. Additional pressure on wheat prices is expected from the removal of duty on exports by Russia aimed at boosting its competitiveness in the global market[16].

... current account deficit to reverse

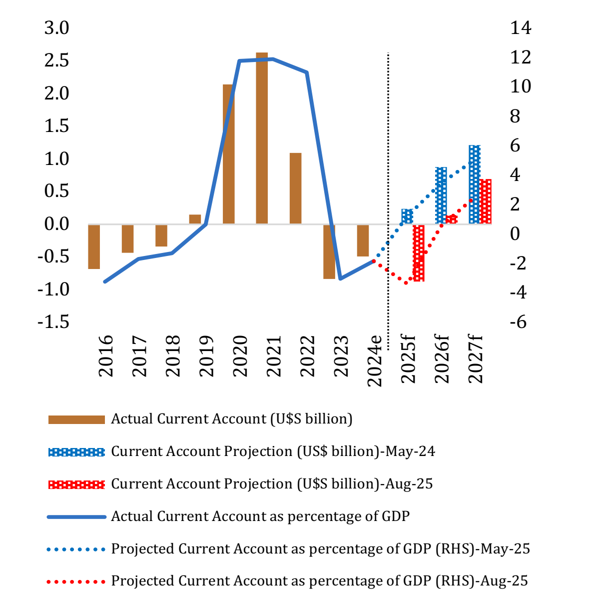
A *current account* deficit of USD0.9 billion (3.4 months of import cover) is now projected for 2025 in contrast to the surplus of USD0.3 billion (1.2 months of import cover) assumed in May (Figure 6). This is largely on account of the anticipated higher import demand for capital and intermediate goods, mostly by the mining sector, as well as the widening of the deficit on the *primary income* account due to rising profits for foreign-owned companies.

[14]https://apps.fas.usda.gov/psdonline/circulars/production.pdf and https://www.feedandgrain.com/business-markets/commodities/news/15746098/usda-projects-record-us-corn-crop-higher-exports-for-202526

[15]China has unveiled a 10-year plan to boost food security and agricultural competitiveness, targeting 700 million metric tonnes of grain output by 2027 through modernisation and rural revitalization:https://anselfarm.com/china-unveils-ambitious-10-year-plan-to-bolster-food-security-by-2035/

[16]Russia suspended wheat export duty effective July 9 to boost global competitiveness and increase exports: https://www.reuters.com/markets/europe/russia-orders-measures-boost-agriculture-exports-after-wheat-sales-fall-july-2025-07-10/

Figure 6: Current Account Projections



Source: Bank of Zambia

However, the current account is projected to recover to a surplus of USD0.1 billion in 2026 and strengthen to USD0.7 billion in 2027, supported by higher copper export earnings as mining companies ramp up production and prices remain relatively high. In addition, a recovery in NTEs following good rainfall during the 2024/25 farming season is expected to contribute to the turnaround in the *current account*.

1.2 Prospects for Domestic Economic Growth

… remain bright

The BoZ real GDP growth projection for the 2025-26 period has been raised further, albeit marginally, largely influenced by the pick-up in copper prices (Table 3 and Figure 7). Growth will average 5.6 percent, up from the 5.4 percent reported in May. However, FocusEconomics has maintained the 2025 forecast at 5.0 percent but marginally raised growth for 2026 to 5.0 percent from 4.8 percent (Table 3 and Figure 7).

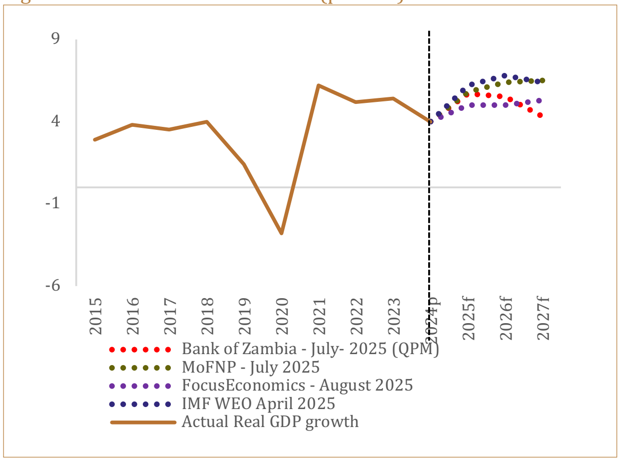
Table 3: Annual Real GDP Growth Projections (percent)

	2023	2024p	2025f	2026f
Bank of Zambia QPM				
BoZ July 2025	5.4	4.0	5.7	5.5
BoZ April 2025	5.4	4.0	5.6	5.2
Ministry of Finance and National Planning				
MoFNP July 2025	5.4	4.0	5.8	6.4
MoFNP January 2025	5.4	4.0	6.6	5.9
International Monetary Fund				
IMF Country Report July 2025	5.4	4.0	5.8	6.4
IMF WEO April 2025	5.4	4.0	6.2	6.8
IMF Mission 2024	5.4	1.2	6.2	6.6
FocusEconomics				
FocusEconomics August 2025*	5.4	4.0	5.0	5.0
FocusEconomics May 2025	5.4	4.0	5.0	4.8

Source: Bank of Zambia, Ministry of Finance and National Planning, IMF WEO, Focus Economics.

Note: p=preliminary estimate, f=forecast.

Figure 7: Annual Real GDP Growth (percent)

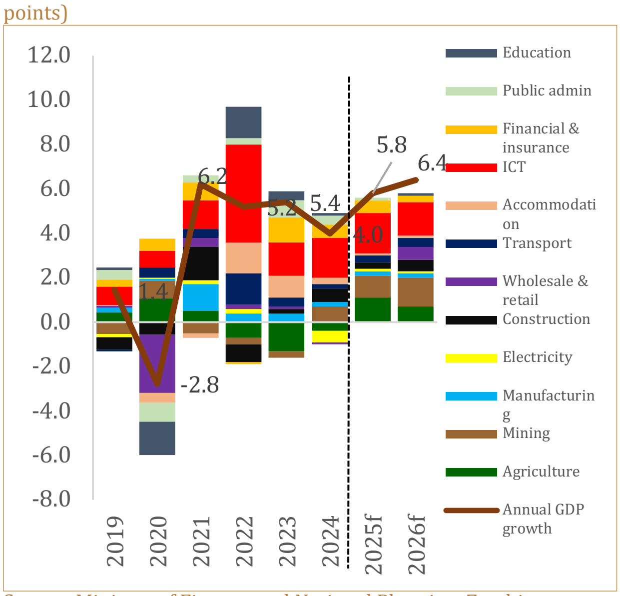


Source: Zambia Statistics Agency, Bank of Zambia (BoZ), Ministry of Finance and National Planning (MoFNP), IMF, Focus Economics.

Note: p=preliminary, f=forecast.

Unlike in May when both the Ministry of Finance and National Planning (MoFNP) and the International Monetary Fund (IMF) maintained real GDP projections for the 2025-2026 period, the current average forecasts indicate a slower growth path (Table 3, Figure 7 and Figure 8).

Figure 8: Sectoral Contribution to Real GDP Growth (percentage points)

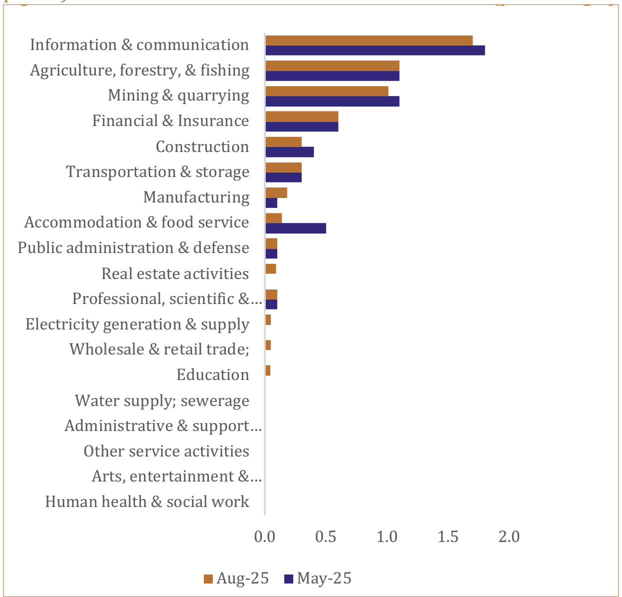


Source: Ministry of Finance and National Planning, Zambia Statistics Agency

Note: p=preliminary, f=forecast.

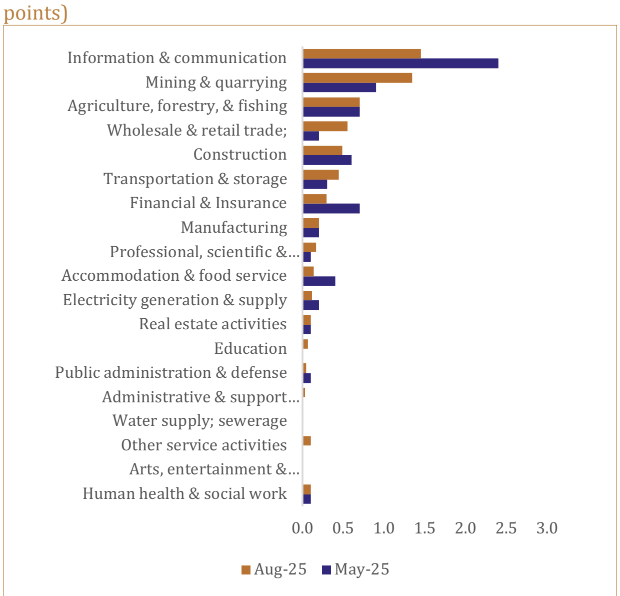
As shown in Figures 9 and 10, MoFNP and IMF revisions mostly reflect moderations in information and communication (ICT), construction as well as accommodation and food services sectors in 2025. The higher growth projections for 2026 are supported by mining, transport and storage, as well as wholesale and retail trade.

Figure 9: Sectoral Contribution to GDP Growth 2025 (percentage points)



Source: Ministry of Finance and National Planning, Bank of Zambia Staff Computations

Figure 10: Sectoral Contribution to GDP Growth 2026 (percentage points)



Source: Ministry of Finance and National Planning, Bank of Zambia Staff Computations

The ICT sector is expected to lead in terms of contribution to growth in both 2025 and 2026. Mining, transport as well as wholesale and retail trade sectors are also expected to support growth.

Compared to May, the balance of risks to the growth outlook has slightly improved and remains skewed to the downside.

The downside risks are predominantly external. As presented in the ***May 2025 Monetary Policy Report***, trade protectionist policies continue to present elevated global economic uncertainty. This has the potential to weigh on global economic activity by weakening foreign demand and in turn constrain domestic demand. In particular, the 50 percent tariff on copper, which came into effect on August 1, 2025, could negatively impact copper export earnings. In addition, the withdrawal of aid to developing countries by the United States and United Kingdom, including support for national budgets, could tighten fiscal space and limit public investments[17]. This poses risks to sectors like construction, education and health, heavily reliant on Government spending. Climate change also remains a significant threat to growth prospects, particularly to rain-fed agriculture and hydropower generation.

On the upside, the bumper harvest of 3.7 million metric tonnes of maize during the 2024/25 farming season and increased competition in the petroleum subsector could have a positive spillover effect on the economy. In the energy sector, the planned USD1.1 billion crude oil refinery and energy complex in Ndola presents a significant boost to economic activity. Once operational, the facility—set to commence construction in the third quarter of this year and completion targeted for 2026—is expected to meet the entire domestic fuel demand, reduce import costs and potentially support fuel exports to neighbouring countries[18].

Further, the growth outlook could be bolstered by positive developments related to improved credit rating and further progress on external debt resolution, milestones that signal enhanced creditworthiness and a more stable macroeconomic environment[19]. These conditions are expected to stimulate increased private sector activity and drive economic expansion beyond the current projections.

1.3 Fiscal Outlook

... still positive

The fiscal deficit is projected to trend downward over the medium-term as fiscal consolidation gains are safeguarded through expenditure rationalisation and enhanced domestic revenue mobilisation. However, the extreme uncertainty arising from unpredictable changes in trade policy of the US remains a major risk since the May 2025 MPC Meeting.

The risks to the fiscal outlook presented in the ***2024 Fiscal Risk Statement*** are still valid and an updated statement is expected to be published alongside the 2026 National Budget Speech later in the year.

[17]On February 27, the UK Government announced intentions to slash foreign aid spending by 40 percent, from 0.5 percent of gross national income to 0.3 percent, to increase defence spending to 2.5 percent after pressure from the US.

[18]The new crude oil refinery is expected to be significantly more advanced and efficient than the now-defunct Indeni Petroleum Refinery. With a planned processing capacity of approximately 60,000 barrels of crude oil per day, it is designed to meet national fuel demand and potentially support future exports (**Reuters**)

[19] On April 16, Moody's upgrade of Zambia's credit rating laid the foundation for improved investor confidence potentially lowering borrowing costs and attracting higher foreign direct investment.

1.4 Inflation Outlook: Third Quarter 2025 – Second Quarter 2027

... more optimistic

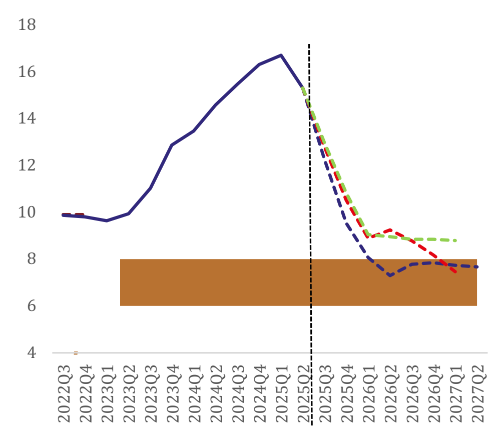
Inflation is now projected to decline faster than reported in May, fall into the 6–8 percent target band in the first quarter of 2026, and be sustained within the band under a no-policy change or passive scenario (Table 4 and Figure 11).

Table 4 : Baseline Inflation Projection (average percent)

	2025	2026	2027H1
Aug-25 Baseline	13.4	7.6	7.7
May-25 Baseline	13.9	8.9	n/a
May-25 MPC Forecast	13.8	8.8	n/a

Source: Bank of Zambia Staff Forecasts

Figure 11 : Inflation Profiles (percent)



Source: Bank of Zambia Staff Forecasts and Zambia Statistics Agency

The lagged effects of an appreciated exchange rate as well as lower food and energy prices are the key drivers of the anticipated faster deceleration in inflation.

The underlying assumptions are summarised in Table 5.

Table 5 : Key Assumptions Underlying Baseline Inflation Projection (Mostly Exogenous)

Variable	2025f	2026f	2027f
Average inflation-US (percent)	3.0 (2.4)	2.4 (2.3)	2.1 (n/a)
Federal funds rate (percent)	3.9 (3.9)	3.6 (3.4)	3.4 (n/a)
Treasury bill rate-US (percent)	4.1 (4.1)	3.4 (3.6)	3.0 (n/a)
Treasury bill rate - Zambia (percent)	11.50 (11.00)	11.50 (11.00)	11.50 (n/a)
Average inflation - South Africa (percent)	3.2 (3.6)	4.2 (4.5)	4.4 (n/a)
Producer price index-South Africa	175.03 (176.2)	182.51 (184.1)	188.65 (n/a)
Average copper price/ton (USD)	9,553.50 (9,163.45)	9,762.00 (9,157.26)	9,811.88 (n/a)
Average crude oil price/barrel (USD)	68.62 (70.12)	66.03 (66.06)	67.10 (n/a)
Reserve money growth (percent)*	11.61 (1.95)	-1.41 (-1.54)	-3.83 (n/a)
Fiscal deficit**	1.20 (1.19)	1.05 (1.19)	1.03 (n/a)
Monetary Policy Rate (percent)-Zambia	14.5 (14.5)	14.5 (14.5)	14.5 (n/a)
World food price index	107.7 (107.7)	106.8 (106.8)	106.8 (n/a)
Maize grain price-Zambia (K/50Kg)	240.00 (380.0)	240.00 (380.0)	240.00 (n/a)
Diesel price-Zambia (K/litre)	25.64 (27.38)	25.64 (27.38)	25.64 (n/a)

Source: IMF, World Bank, Bloomberg, FocusEconomics Consensus, Reuters, Congressional Budget Office, US Federal Reserve, South African Reserve Bank, Bank of Zambia

Note: the numbers in parenthesis ( ) represent projections in the previous forecasting period.

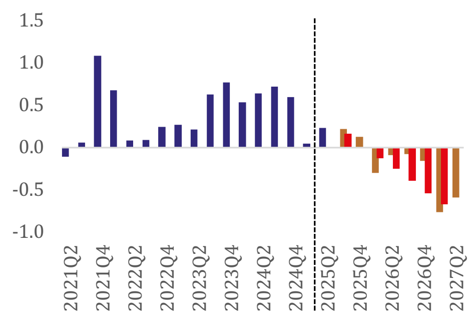
*Refer to reserve money computation in Table 3.

**Computed as a ratio of expenditure (excluding amortisation) over revenue. A value in excess of 1 implies a deficit.

f = forecast

Global demand, proxied by the US output gap, picked up in the second quarter (Figure 12). This is attributed to the uptick in consumer spending and decline in imports as the rush to stockpile in the first quarter to beat the 90-day tariff moratorium initially scheduled to end on July 8 but further extended to August 12 slowed down.

Figure 12 : Global (US) Output Gap[20]



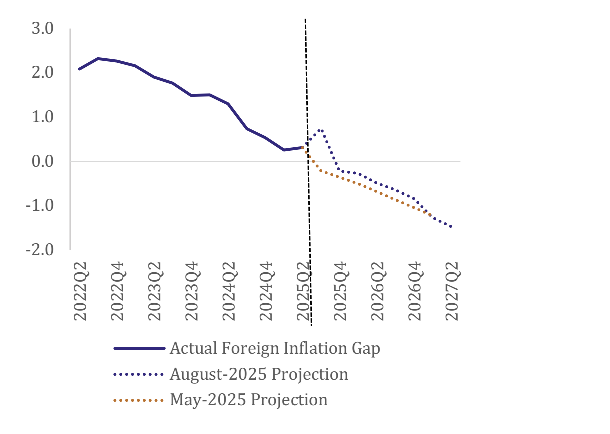
Source: Bank of Zambia Staff Computations

[20]The global or foreign output gap is the difference between observed and potential US GDP. A negative foreign output gap implies slack in demand while a positive gap reflects excess demand.

Growth in the US is projected to expand, particularly in the early part of the forecast horizon, as tariff rates settle at lower levels than announced in April. However, in the latter part of the forecast period, growth is projected to slowdown and fall below potential. The likely drag on consumption and investment, owing to the higher-than-desired inflation, may weigh on growth.

Foreign inflation, proxied by changes in US personal consumption expenditures (PCE), increased to 2.9 percent in June from 2.4 percent in March as tariffs began to slowly work through the economy. Relative to the May forecast, the current projection is slightly higher owing to heightened risks from uncertainty induced by the shift in global trade policies and escalating geopolitical tensions. This suggests that foreign inflation could take longer to reach the medium-term target than forecast at the beginning of the year. In view of this, a wider inflation gap is projected (Figure 13).

Figure 13 : Foreign (US Personal Consumption Expenditure Inflation Gap[21]

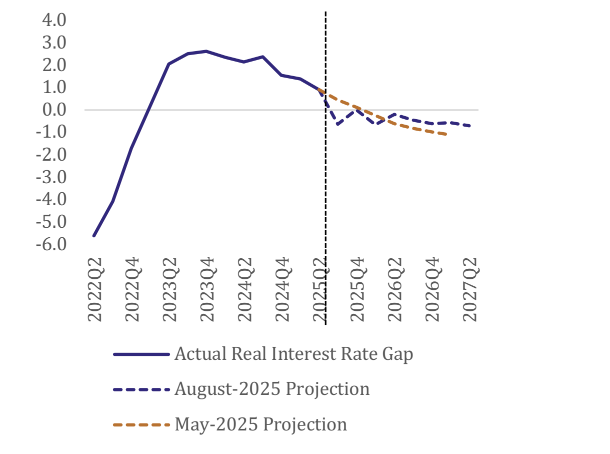


Source: Bank of Zambia staff computations

In the second quarter, the monetary policy stance taken by central banks across major economies varied (refer to subsection 2.2 for more details). For instance, the US Federal Reserve maintained the federal funds rate (proxy for foreign interest rates) in the 4.25-4.50 percent range. This was mostly motivated by higher-than-desired inflation and uncertainty linked to tariffs. As a result, the real positive foreign interest rate gap narrowed further (Figure 14).

Over the medium-term, prospects for monetary policy easing by the Federal Reserve remain uncertain due to the risk of rising price pressures from US trade policies. In view of this, the negative foreign interest rate gap is projected to moderate throughout the forecast horizon (Figure 14).

Figure 14 : Real Foreign Interest Rate Gap[22]



Source: Bank of Zambia Staff Computations

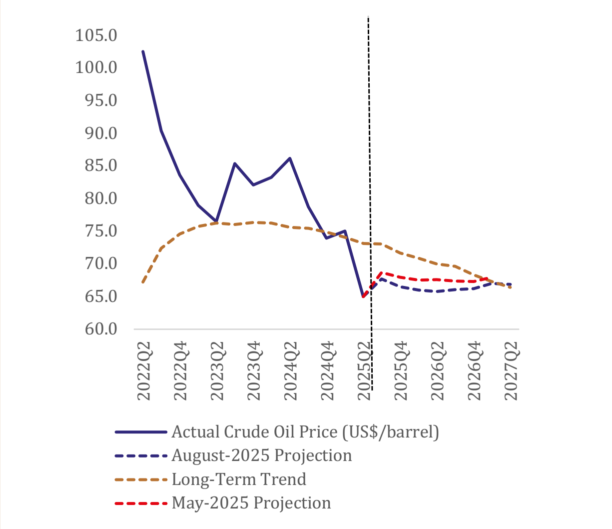
Annual inflation in South Africa reduced marginally in the second quarter to 2.9 percent from 3.0 percent in the first quarter. This was largely on account of lower fuel prices and a stable rand exchange rate. In the medium-term, inflation is forecast to move up to the mid-point of the 3-6 percent target band on account of base effects and the 12.7 percent increase in electricity tariffs that came into effect on July 1. However, the current projection is lower than the forecast reported in May. This is largely due to the scrapping of plans to raise value added tax, a stronger rand and lower world oil prices.

Crude oil prices fell in the second quarter owing to weak demand and rising supply as OPEC+ started to unwind production cuts in April (Figure 15). Over the forecast horizon, crude oil prices are projected to be lower than reported in May (Table 5 and Figure 15). This reflects the impact of a ceasefire between Israel and Iran, decision by OPEC+ to increase supply and weaker global demand. Nonetheless, the outlook remains susceptible to renewed geopolitical disruptions in the Middle East.

[21]Foreign inflation gap is the difference between observed and target US inflation. A negative foreign inflation gap implies inflation falling below the target while a positive gap reflects higher actual inflation than the target.

[22] This is the difference between the prevailing foreign interest rate and long-run equilibrium real interest rate. In the QPM, foreign real interest rates are important for determining the risk premium. A rising foreign real interest rate gap signifies increases in the risk premium, which implies a depreciation in the nomimal exchange rate. Like the foreign output gap, the foreign real interest rate gap is also exogenously determined and taken as given in the model.

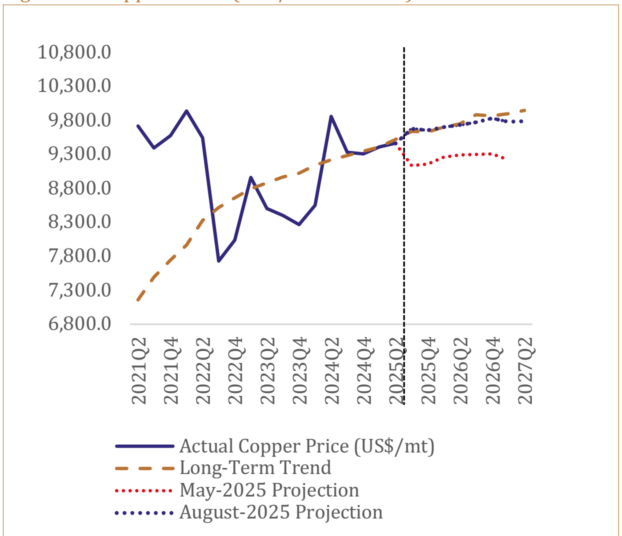
Figure 15 : Crude Oil Prices (USD/barrel)



Source: Bank of Zambia Staff Computations

Copper prices, however, increased further in the second quarter on account of the looming threat of US tariffs, which caused drawdowns in warehouses around the globe as traders sought to move as much of the physical metal to the US as possible (Figure 16). The reduction in inventories at London Metal Exchange warehouses, as they hit a near 2-year low, also contributed to the rise in copper prices. Relative to the May projection, copper prices over the next eight quarters are higher and close to the long-term trend (Table 5 and Figure 16). This is mostly underpinned by the global green transition agenda and supportive infrastructure for artificial intelligence technology (refer to subsection 1.1).

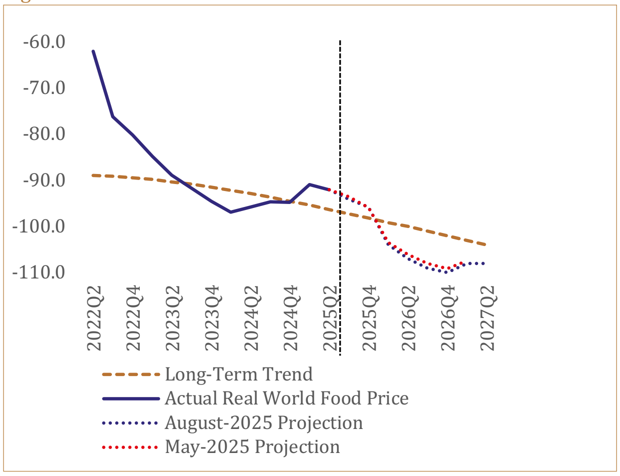
Figure 16: Copper Prices (USD/metric tonne)



Source: Bank of Zambia Staff Computations

World food prices declined in the second quarter mostly on account of rising seasonal supply of cereals (maize), particularly in Argentina and Brazil, on intensified competition across major exporters (Figure 17). The decline is also attributed to lower prices of vegetable oils. The current outlook for world food prices remains broadly unchanged from the May forecast.

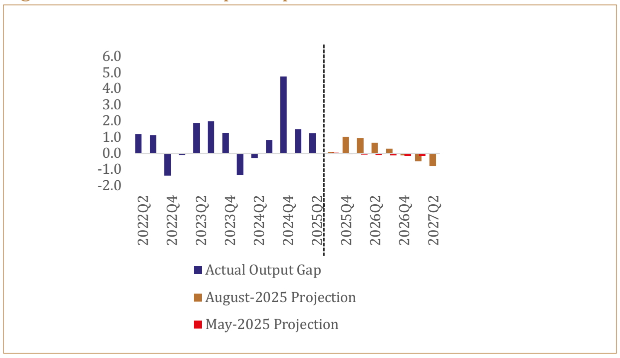
Figure 17: Real World Food Prices



Source: Bank of Zambia Staff Computations

The domestic output gap is estimated to be positive in the second quarter largely on account of favourable terms of trade owing to higher copper prices (Figure 18). In the medium-term, the output gap is projected to remain positive, particularly in the earlier part of the forecast horizon, largely due to the lagged effects of the GDP growth recorded in the last quarter of 2024 and the anticipated strong performance in 2025. The output gap is projected to moderate and eventually turn negative in the latter part of the forecast horizon on anticipated lower real fiscal expenditures, relatively tight monetary conditions, and moderation in the terms of trade.

Figure 18: Domestic Output Gap[23]

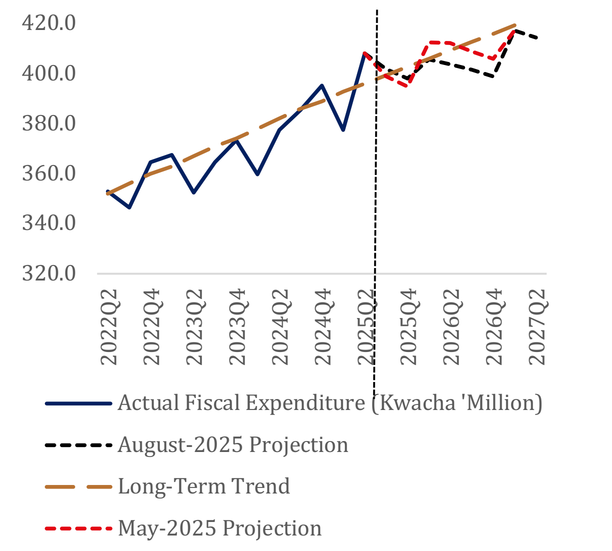


Source: Bank of Zambia Staff Computations

The projected path for fiscal deficits over the medium-term is broadly lower than the May forecast despite the inclusion of the K33.6 billion supplementary estimate of expenditure for 2025 (Table 5). Based on the *2025 National Budget Speech* and *2026-2028 Medium-Term Budget Plan*, real fiscal expenditures are forecast to remain close to the long-term trend for most part of the forecast horizon (Figure 19).

[23]The domestic output gap is the deviation of aggregate demand from its potential. Negative output gap implies slack in demand while positive output gap implies excess demand. The output gap is endogenously determined by expectations, monetary conditions, foreign demand, terms of trade and fiscal policy.

Figure 19: Real Fiscal Expenditure



Source: Bank of Zambia Staff Computations

Monetary conditions[24] *tightened in the second quarter following the appreciation of the exchange rate*[25]*.*

Reserve money is projected to grow by 11.6 percent in 2025 but contract by 1.4 percent in 2026 and further by 3.8 percent in 2027 (Table 5). The positive growth in 2025 is underpinned by net Government spending while the contraction in 2026 and 2027 is due to expected net foreign exchange and Government securities sales.

In this forecasting cycle, maize grain prices are lower than assumed in May (Table 5). The current market price of K240 per 50kg bag is assumed compared to the May forecast of K380. This price is held constant in each quarter during the entire forecast period.

Overall, despite heightened risks associated with shifting global policies, external initial conditions (proxied by global demand, inflation, interest rates and commodity prices) have broadly remained favourable. Domestic initial conditions have continued to improve and are supportive of the current lower inflation projection.

Assessment of Risks to the Inflation Outlook

The recent developments in the global and domestic environment have introduced additional dimensions to some of the risks identified in May. They include the following:

a) Weaker global growth prospects amid elevated trade policy uncertainty. Global trade policy uncertainty has intensified in view of the potential escalation of tariffs. In early July, the US administration issued formal letters to several major trading partners indicating intention to introduce new and higher tariffs. These included a 50 percent tariff on copper imports along with additional duties on industrial machinery, metals and selected consumer goods should negotiations fail to reach agreement by August 2025[26]. Although these measures remain conditional, the announcement has increased the risk of renewed protectionism and greater volatility in global commodity and financial markets that could push domestic inflation up through various channels.

Firstly, if implemented, the tariffs could weigh on global trade flows and dampen growth in key industrial economies, such as, China and Brazil. For Zambia, this may lead to lower demand for copper and reduced export earnings. In turn, this could place pressure on the exchange rate to depreciate and, therefore, slow the current disinflation process.

Secondly, the increase in global tariffs on tradable intermediate goods may push up international prices of fertilisers, fuel and other capital goods. Given Zambia's reliance on such imports across several sectors, any sustained rise in input costs could lead to broader inflationary pressures in the domestic economy.

Thirdly, trade related price shocks could keep inflation elevated in advanced economies, posing a risk to the projected easing of global monetary policy. This may exert pressure on currencies in emerging and developing economies, including the Kwacha, to depreciate.

Finally, prolonged trade tensions and resulting uncertainty may increase global financial market volatility and affect investor sentiments. This could weigh on capital flows to frontier markets, impact commodity prices and reinforce external sector risks to the inflation outlook;

b) Persistent geopolitical tensions and crude oil market volatility. Although a ceasefire between Israel and Iran was declared in late June, tensions in the broader Middle East remain high. Continued military activity in the Gulf region has kept markets wary of potential disruptions to oil shipments through the Strait of Hormuz—an artery for nearly one-fifth of global seaborne oil flows. As a result, oil prices have remained somewhat elevated with analysts flagging upside risks in the event of further escalation. This could trigger renewed price spikes, raise the country's

[24] Real monetary conditions are measured by the monetary conditions index, computed as a weighted average of real interst rate and real exchange rate gaps based on the calibrations of the QPM. Positive values imply tight monetary conditions—constrain aggregate demand—while negative values imply loose monetary conditions—boosts aggregate demand.

[25] Quarter-on-quarter, the Kwacha appreciated against the US dollar by 14.4 percent in 2025Q2 compared to a depreciation of 4.0 percent in 2025Q1.

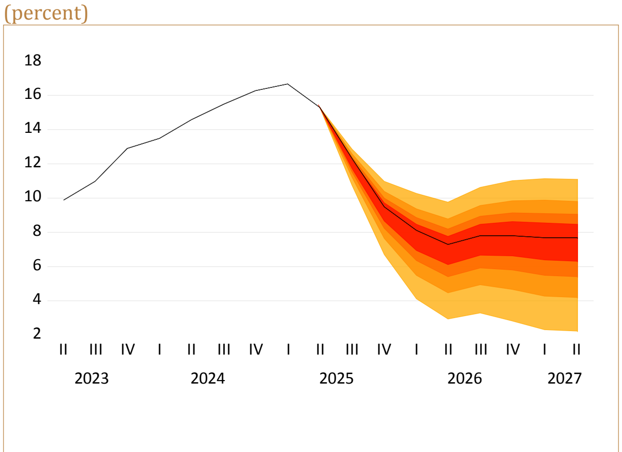
[26]On August 1, the US imposed new tariffs on 69 countries, including Brazil, Canada and India. Tariffs range from 10 percent to 50 percent on selected imports and became effective on August 7, 2025 in the absence of new trade agreements. So far, agreements have been reached with Japan and the EU under which imports will be subjected to a reduced tariff of 15 percent, avoiding the 30 percent import charges initially threatened by the US.

fuel import bill and increase second-round pressures on transport and production costs; and

c) Unfavourable weather pattern. The inflation outlook continues to depend on stable domestic food supply conditions, particularly for maize, which remains a key determinant of food inflation. However, should rainfall be below average or poorly distributed, maize production could fall short of expectations, placing upward pressure on domestic food prices and potentially delay the convergence of inflation towards the 6–8 percent target band.

Overall, downside risks to the inflation outlook appear more pronounced as illustrated in the fan chart (Figure 20). This suggests a greater likelihood of inflation outcomes falling below the baseline.

Figure 20: Inflation – Actual and Projected: 2023 Q3 – 2027 Q2 (percent)



Source: Bank of Zambia and Zambia Statistics Agency

Table 6: Range of Possible Inflation Outcomes and Associated Probabilities

Range of Possible Inflation Outcomes (percent)	Probability (percent)
6.1 – 12.3	30
5.4 – 12.4	50
4.2 – 12.6	70
2.2 – 12.9	90

Source: Bank of Zambia

1.5 Monetary Policy Decisions

... policy rate maintained at 14.5 percent

At its August 11-12, 2025 Meeting, the Monetary Policy Committee decided to maintain the Monetary Policy Rate at 14.5 percent.

Since March 2025, inflation had been on a downward trend. It declined to 14.1 percent in June from 16.5 percent in March. In July, this trend continued, with inflation dropping to 13.0 percent. The key drivers for this outturn were improved supply of maize, lower fuel prices, and the appreciation of the Kwacha against major currencies.

The declining trend in inflation was expected to continue over the next eight quarters. It was projected to fall into the 6–8 percent target band in the first quarter of 2026, earlier than projected in May 2025. The updated forecast pointed to inflation averaging 13.3 percent in 2025 compared to the previous 13.8 percent. In 2026, inflation was expected to average 7.7 percent and sustained in the first half of 2027. The key drivers of the lower inflation forecast were lagged effects of the appreciated exchange rate as well as lower food and energy prices. The improved inflation outlook also reflected past monetary policy measures as well as structural and fiscal policy reforms.

The Committee assessed that the risks to the inflation outlook remained tilted to the downside. In addition, further progress on external debt restructuring was expected to enhance relatively stable macroeconomic conditions and strengthen the inflation outlook.

These positive developments notwithstanding, inflation was still well above the 6-8 percent target band. In addition, while market expectations of inflation had moderated, they were still quite elevated relative to the target band. There were also lingering uncertainties associated with the evolving global trade policies and persistent geopolitical tensions. The Committee, therefore, decided to maintain the Policy Rate at 14.5 percent. The decision would also allow for consolidation of the gains that had been made so far on inflation.

2. Current Economic Developments

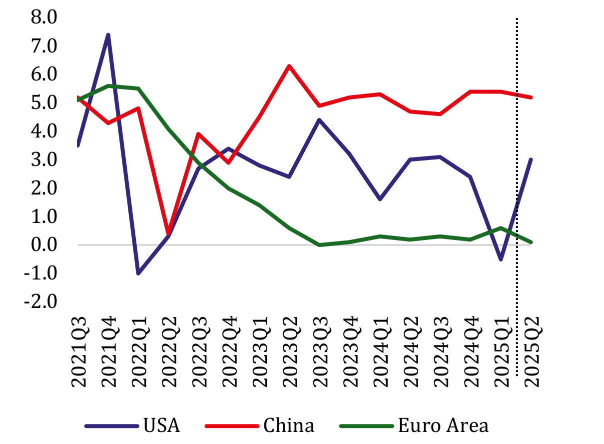
- *Growth stronger-than-expected in China and the US but slows down in the euro area.*
- *Current account deficit narrows on lower retained earnings by foreign-owned firms.*
- *Domestic credit growth slows down on reduced demand for Government securities and leads to reduction in money supply growth.*
- *Economic activity expands further on recovery in tourist arrivals and electricity generation.*
- *Budget fiscal deficit lower-than-expected on lower expenditure on capital projects.*
- *Inflation slows down on improved supply of maize, lower fuel prices and exchange rate appreciation.*

2.1 External Sector

... real GDP growth in major economies mixed

In the second quarter, real GDP growth was stronger-than-expected in China and the US but slowed down in the euro area (Figure 21).

Figure 21: Real GDP Growth (year-on-year, percent)



Source: Federal Reserve Bank of St. Louis, National Bureau of Statistics & Eurostat, and Bank of Zambia Staff Compilations

The increase in consumer spending and sharp decline in imports accounted for the robust recovery in US real GDP growth to 3.0 percent from a contraction of 0.5 percent in the first quarter[27]. In China, growth was broadly steady, around 5.0 percent, supported by a surge in exports as firms frontloaded shipments in anticipation of higher US tariffs before August 12 when the 90-day tariff moratorium was expected to expire. This was in addition to the rollout of targeted policy measures[28] and strong growth in industrial output[29]. Growth in the euro area remained sluggish, with real GDP slowing to 0.1 percent in the second quarter from 0.6 percent in the previous quarter mainly due to the contraction in Germany and Italy[30]. Weaker growth in the services sector and persistent uncertainty over US trade tariffs weighed on consumer and business confidence.

... economic activity in major trading countries picks up

Preliminary data points to a pick-up in economic activity in Zambia's major trading partners in the second quarter. This is reflected in a higher GDP-9 Index of 3.4 percent (Table 7 and Figure 22).

Table 7: Preliminary year-on-year Changes in GDP-9 Index and Country Contributions, 2024-25[31]

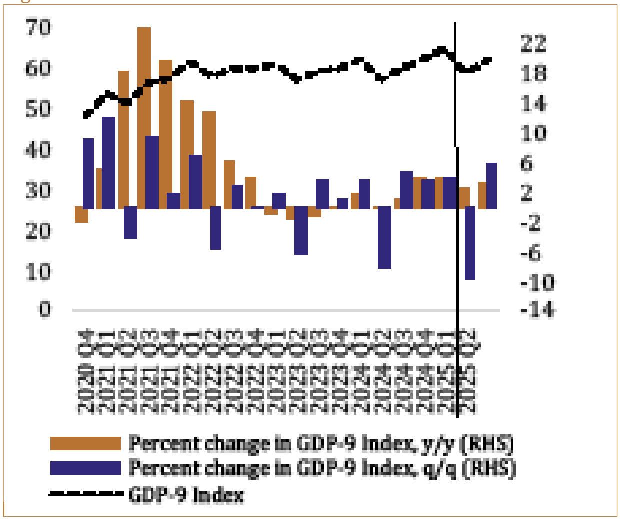
	Weight	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2
GDP-9 Index (percent Change)		1.29	3.97	4.17	2.57	3.40
Contribution to the GDP-9 Index Change						
China	0.5	0.58	1.75	1.84	1.14	1.51
DRC	0.3	0.33	0.98	1.03	0.64	0.85
South Africa	0.1	0.18	0.57	0.60	0.37	0.49
UK	0.1	0.06	0.18	0.19	0.12	0.16
Singapore	0.0	0.07	0.23	0.24	0.15	0.19
UAE	0.0	0.02	0.08	0.08	0.05	0.06
Tanzania	0.0	0.02	0.06	0.07	0.04	0.06
Malawi	0.0	0.02	0.07	0.07	0.04	0.05
Hong Kong	0.0	0.01	0.04	0.04	0.03	0.03

Source: Bank of Zambia Staff Calculations
DRC=The Democratic Republic of the Congo, S/Africa=Republic of South Africa, UAE= United Arab Emirates

[27]Imports fell significantly by 30.3 percent as businesses cut back after front-loading in the first quarter to avoid tariffs, narrowing the trade deficit and adding 4.99 points to GDP. Consumer spending, key driver of growth, rose 1.2 percent, due to car purchases and a strong labour market:https://www.bea.gov/news/2025/gross-domestic-product-2nd-quarter-2025-advance-estimate
[28]https://merics.org/en/tracker/solid-gdp-growth-q2-masks-chinas-challenges
[29] https://tradingeconomics.com/china/industrial-production

[30]The German economy contracted by 0.1 percent in the second quarter, weighed down by weaker investment in machinery and construction. Similarly, Italy's economy shrank by 0.1 percent mainly due to weak domestic demand and declining industrial activity.
[31]The data reported in the May 2025 Monetary Policy Report have been revised to reflect recently released GDP numbers and growth rates released by the IMF.

Figure 22: GDP-9 Index



Source: Bank of Zambia Compilation

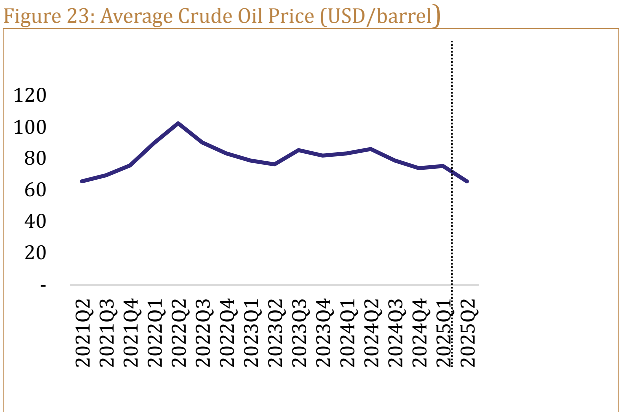
While all major trading partner countries recorded growth, economic activity was stronger in China, DRC and South Africa (Table 7).

For the DRC, sustained mining production, falling inflation[32] and lower interest rates, coupled with easing tensions in the eastern region, supported economic activity. In South Africa, the expansion in economic activity reflected the positive impact of stable electricity supply, subdued inflation[33], lower interest rates and withdrawals under the Two-Pot Retirement System.

... crude oil, maize and wheat prices decline

Crude oil prices registered a steep decline of 12.8 percent to USD65.67 per barrel in the second quarter (Figure 23).

Figure 23: Average Crude Oil Price (USD/barrel)

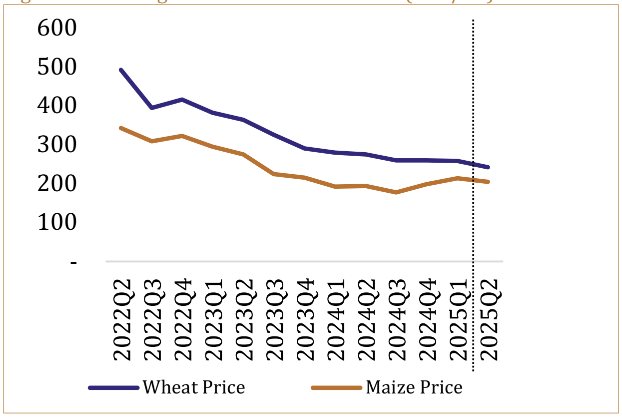


Source: World Bank Pink Sheet and Bank of Zambia Staff Compilations

Increased global supply due to larger-than-expected production boost by OPEC+[34] and a record output by the US[35] amid weaker global demand, particularly by China, were the key drivers of lower oil prices. The de-escalation of geopolitical tensions in the Middle East following a ceasefire[36] exerted additional downward pressure on oil prices and shipping costs.

Maize and wheat prices fell by 4.3 percent and 6.1 percent to USD204.98 per metric tonne and USD242.21 per metric tonne, respectively (Figure 24). This was mainly on account of weak global demand, coupled with ample supply by major producers besides conducive weather conditions.

Figure 24: Average Maize and Wheat Prices (USD/mt)

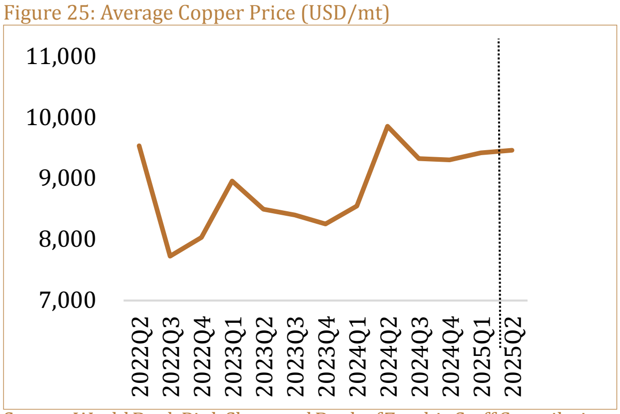


Source: World Bank Pink Sheet Data and Bank of Zambia Staff Compilations

... but copper prices rise further

Copper prices maintained an upward trend, rising, albeit marginally, by 0.5 percent to USD9,469.72 per metric tonne (Figure 25).

Figure 25: Average Copper Price (USD/mt)



Source: World Bank Pink Sheet and Bank of Zambia Staff Compilations

[32]Inflation in the DRC returned to single digits in April 2025 for the first time since July 2022: 11.7 percent at end-2024 from 23.8 percent at end-2023 and further to 8.5 percent by end-June 2025: https://www.imf.org/en/News/Articles/2025/07/02/pr-25238-democratic-republic-of-the-congo-imf-completes-the-1st-rev-under-ecf-arrang

[33]The South African Reserve Bank cut interest rates by a further 25 basis points in June, bringing the cumulative reduction to 100 basis points so far in 2025.

[34]https://oilprice.com/Latest-Energy-News/World-News/OPEC-Considers-Another-Big-Oil-Production-Hike-in-July.html

[35]https://boereport.com/2025/06/30/us-crude-oil-output-hit-record-in-april-eia-data-shows/

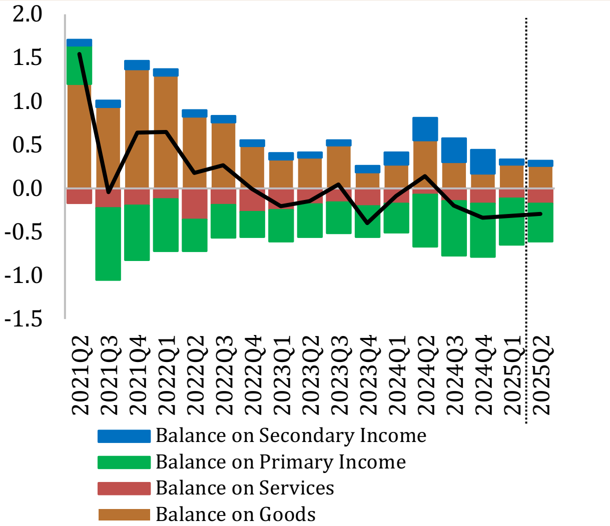
[36]https://oilprice.com/Latest-Energy-News/World-News/Oil-Prices-Tumble-on-Iran-Israel-Ceasefire.html https://edition.cnn.com/world/live-news/israel-iran-conflict-us-trump-06-24-25-intl-hnk

Underlying the rise in copper prices was mainly a weaker US dollar and robust US import demand driven by sustained frontloading of shipments by traders seeking to avoid potential steep US import tariffs. This triggered a significant decline in inventory at the London Metal Exchange and Shanghai Futures Exchange[37]. In addition, production disruptions at major mines in the DRC, Chile and Peru raised concerns about tight global supply, further pushing prices up. Easing trade tension between the US and China[38] and the recovery of global manufacturing activity[39] provided additional support to copper prices.

... current account deficit narrows slightly

Preliminary data indicate that the *current account* deficit narrowed slightly in the second quarter to USD291.1 million (4.1 percent of GDP) from USD312.0 million (4.4 percent of GDP) in the first quarter[40] (Figure 26).

Figure 26: Current Account (USD billion)

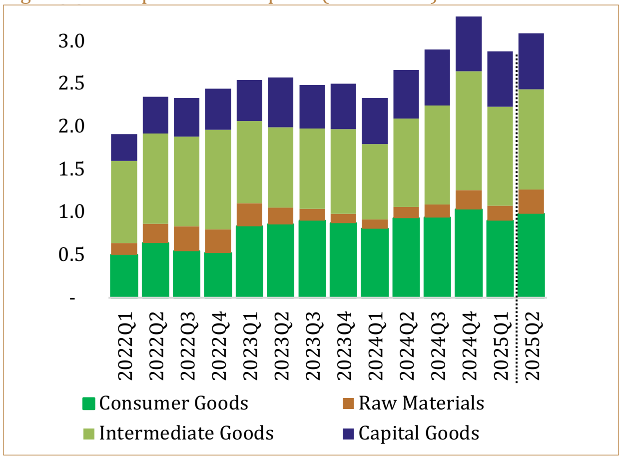


Source: Bank of Zambia

The modest improvement in the *current account* was mainly driven by the reduction in the *primary income* deficit to USD0.4 billion from USD0.5 billion, underpinned by lower retained earnings as profitability of foreign-owned companies reduced.

The positive *balance on goods* reduced slightly by 5.4 percent to USD0.3 billion as imports increased at a faster pace than exports (Figure 26). Imports grew by 7.2 percent to USD2.8 billion on account of increased demand for consumer goods and raw materials, mainly food items, motor vehicles, ores slags, chemicals, iron and steel, as well as plastic and rubber products, mostly attributed to the appreciation of the Kwacha against the US dollar (Figure 27).

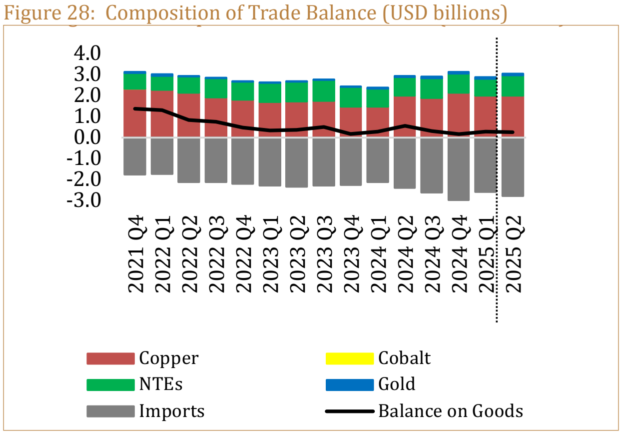
Figure 27: Composition of Imports (USD billion)



Source: Bank of Zambia

Exports grew by 6.0 percent to USD3.0 billion as both copper and non-traditional export earnings (NTEs) increased (Figure 28). Copper export earnings edged up marginally by 0.1 percent to USD2.0 billion, supported by higher realised prices[41]. NTEs grew by 19.4 percent to USD1.0 billion, with key contributions from electricity, burley tobacco, cane sugar, copper wire, maize, cement and lime, sulphur as well as iron and steel. This largely reflects the recovery in the production and export of agricultural-based products following improved rainfall during the 2024/25 farming season.

Figure 28: Composition of Trade Balance (USD billions)



Source: Bank of Zambia

2.2 Global Financial Conditions

... ease

A further cut in interest rates by central banks in

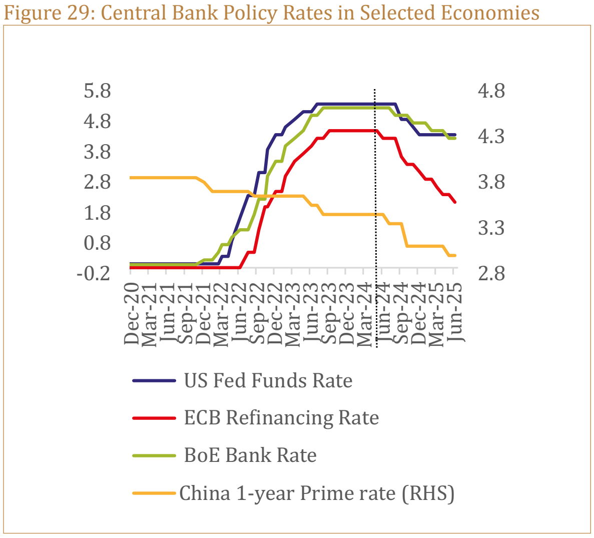
[37] https://www.reuters.com/markets/commodities/global-imbalances-grow-ever-more-copper-flows-us-2025-06-13/.
[38] https://www.mining.com/web/copper-prices-rise-amid-us-china-trade-truce/
[39] https://www.spglobal.com/marketintelligence/en/mi/research-analysis/manufacturing-pmi-pulls-back-into-expansion-in-june-but-concerns-persist-over-outlook-while-price-trends-diverge-Jul25.html
[40] The 2025Q1 current account was revised from a surplus to a deficit, due to higher-than-expected retained earnings by foreign-owned entities, largely mines and banks. Survey data revealed retained earnings of USD250 million from a preliminary estimate of USD90 million reported in May.

[41] In the second quarter, realised copper prices rose to USD9,467.10 per metric tonne from USD8,602.60 per metric tonne in the first quarter but the export volume declined to 203,977.80 metric tonnes from 211,212.10 metric tonnes.

most advanced economies[42] and a weaker US dollar contributed to the easing of global financial conditions in the second quarter.

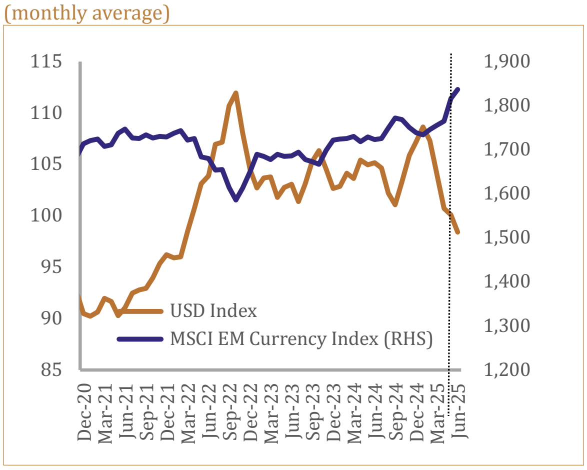
Central banks reduced interest rates as inflation continued to move towards the 2 percent target (Figure 29) while the US dollar weakness is mostly linked to unclear US trade policy and concerns about the **independence of the Federal Reserve** (Figure 30).

Figure 29: Central Bank Policy Rates in Selected Economies



Source: Reuters and Bank of Zambia Compilations

Figure 30: US Dollar and MSCI Emerging Market Currency Indices (monthly average)

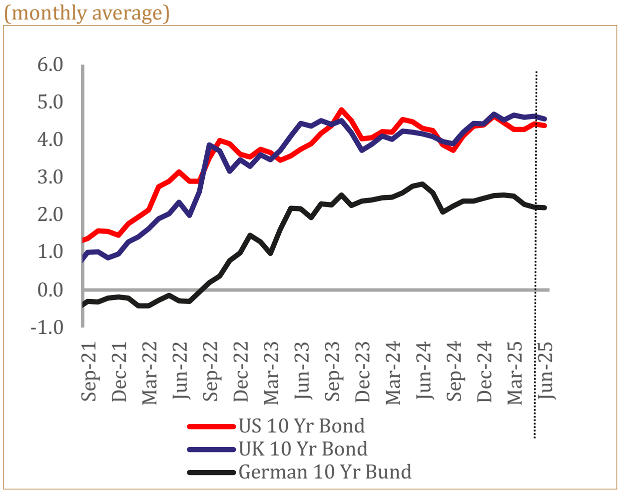


Source: Reuters and Bank of Zambia Compilations

However, the Federal Reserve Bank maintained the federal funds rate within the 4.25-4.50 percent range for the fourth consecutive time, partially motivated by uncertainty about the full extent of higher tariffs on US inflation and economic growth (Figure 29)[43].

The back-and-forth announcements of US[44] tariffs and the standoff in Congress regarding the passing of the budget dampened demand for US Government bonds. As a result, the US 10-year Treasury yield increased by 10 basis points to 4.38 percent in June (Figure 31). However, demand for Government bonds in Germany and the UK picked up in response to announcements by respective governments that they would increase public spending, particularly on defence. The 10-year German bund yield rate dropped 31 basis points to 2.19 percent while the UK 10-year gilt yield rate fell by 10 basis points to 4.55 percent (Figure 31).

Figure 31: US, UK and German 10-Year Benchmark Bond Yield Rates (monthly average)



Source: Reuters and Bank of Zambia Compilations

Stock market prices generally increased despite heightened volatility during the quarter. Driving this was the 90-day pause on reciprocal tariffs that triggered expectations of lower tariffs as trade negotiations between the US and other countries progressed. As a result, the S&P 500 and FTSE 100 indices gained 6.0 percent and 1.7 percent, respectively (Figure 32). However, the Euro Stoxx 50 declined by 3.4 percent after the US President suggested that tariffs on the European Union could increase to 50 percent if there was no progress in negotiating a trade deal with the bloc. The Shanghai Composite and Johannesburg All-Share Index rose by 0.5 percent and 8.0 percent, respectively, reflecting an upward trend in emerging market share prices[45].

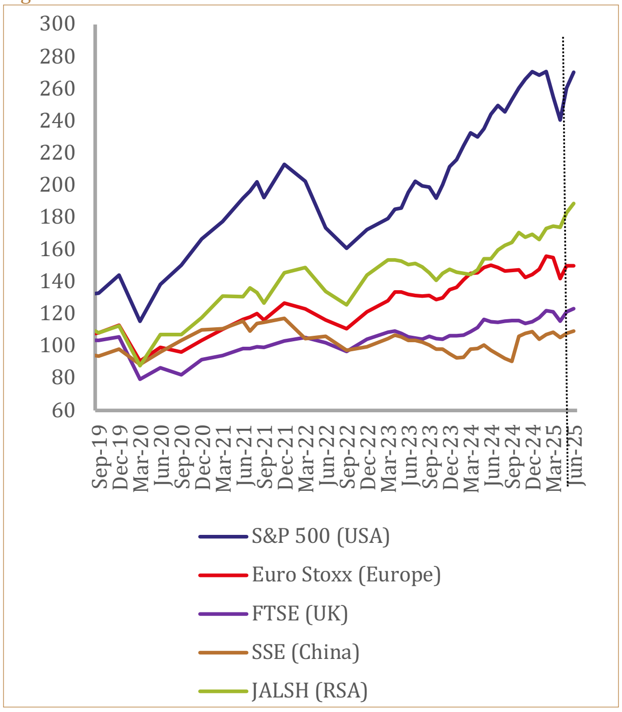
[42]In addition to the European Central Bank (ECB), the Bank of England (BOE) and People's Bank of China, central banks in Australia, Norway, Sweden, Switzerland and New Zealand cut interest rates during the quarter. The ECB lowered interest rates for the fourth time this year by 50 basis points, bringing the main refinancing rate to 2.15 percent as it aimed to bolster economic growth. The People's Bank of China (PBoC) cut the 1-year loan prime rate by 10 basis points to 3.0 percent in May to support the economy whose growth was threatened by US tariffs. The Bank of England reduced the Bank rate by 25 basis points to 4.25 percent in May after judging that progress on disinflation was continuing despite some spikes. Inflation in the UK rose to 3.6 percent in June from 2.6 percent in March on account of higher food and motor fuel prices. Of concern to the BoE was slowing growth amid loose labour market conditions.

[43]Recent data indicate that the impact of tariffs on US prices has begun to take effect as inflation rose to 2.7 percent in June from 2.4 percent in March.

[44]Policy shifts on US trade tariffs cemented uncertainties and intensified volatility in global financial markets. The announcement of reciprocal tariffs on most trading partner countries by the US on April 2 was the defining moment that set the tone for the rest of the quarter. With the US President calling the day of this announcement "Liberation Day", the tariffs also escalated the longstanding trade dispute between the US and China with the former imposing tariffs of 145 percent on the latter. China reciprocated with a 125 percent tariff on US goods. On April 9, the US Government announced a pause to tariffs on other countries to allow for negotiations.

[45]The MSCI Emerging Market Equities Index rose by 6.1 percent as

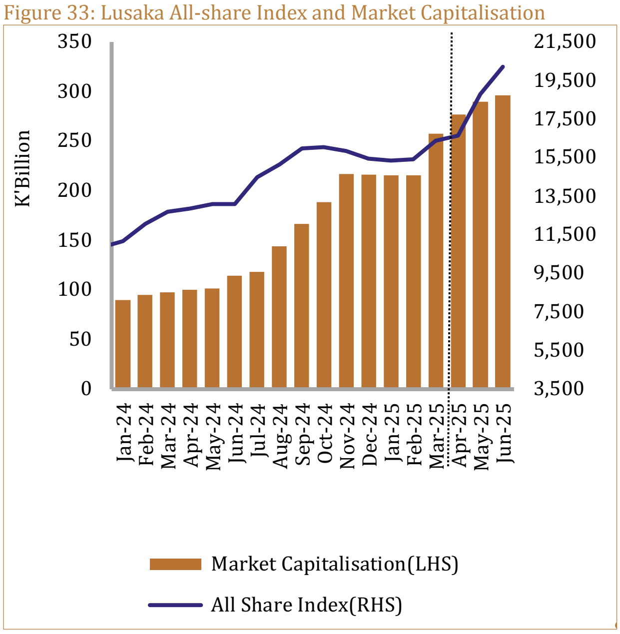
Figure 32: Selected Stock Market Indices



Source: Reuters and Bank of Zambia Compilations

Share prices on the Lusaka Securities Exchange gained by 21.4 percent, mostly on factors unique to the domestic market[46] (Figure 33).

Figure 33: Lusaka All-share Index and Market Capitalisation

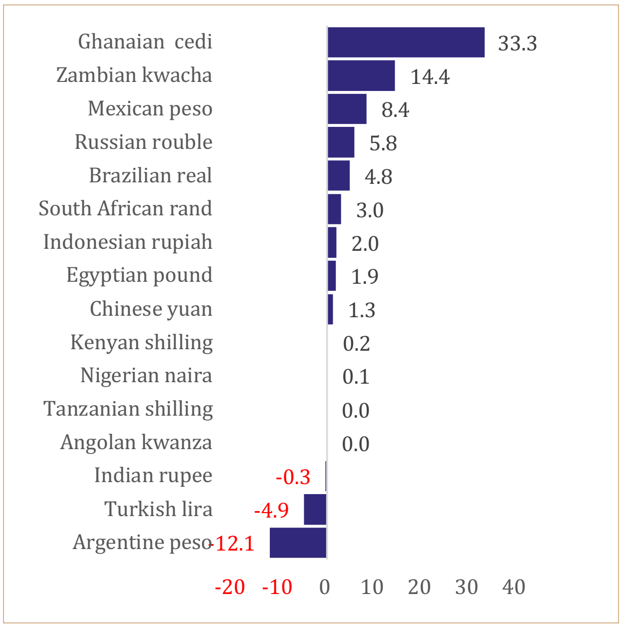


Source: Reuters and Bank of Zambia Compilations

Currencies in emerging financial markets benefited from the US dollar weakness with the MSCI Emerging Market Currencies Index gaining 4.6 percent (Figure 30).

Most notable gains were recorded on the Ghanian cedi[47], Zambian Kwacha, Mexican peso, Russian rouble[48], Brazilian real, South African rand and Indonesian rupiah (Figure 34). However, the Argentine peso[49], Turkish lira[50] and Indian rupee[51] depreciated.

Figure 34: Performance of Selected Emerging Market and Developing Economies Currencies versus the US dollar*



*Negative numbers indicate a depreciation while positive numbers show an appreciation against the US dollar.

Source: Reuters and Bank of Zambia CompilationS

External financing costs for Sub–Saharan African economies rose despite easing global financial conditions. This was due to the impact of tariffs on the trading partners of the US that pushed up yield rates on Eurobonds issued by African countries.

The initial shock of the April 2025 tariff announcement caused yield rates on African euro bonds to surge (Figure 35).

overall market sentiments improved with the US showing willingness to negotiate with its trading partners.

[46]Buying interest from Zambian resident institutional investors accounted for much of the increase in demand for listed shares. The actively traded shares for companies with robust market performance were in the electricity, gas and water supply, as well as manufacturing sectors. This pushed up market capitalisation by almost 7.0 percent to K296.2 billion at end-June.

[47]The cedi became the world's best performing currency in June as foreign currency inflows surged and the central bank sustained market interventions.

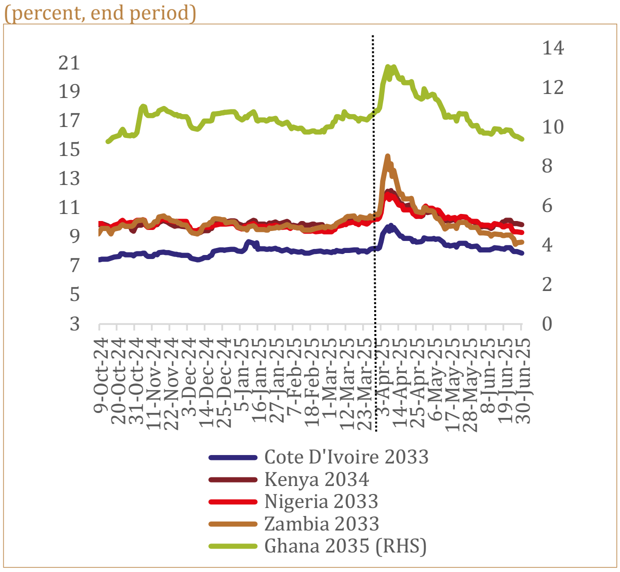
[48]The Russian rouble's strength was due to hawkish monetary policy aimed at stemming rising inflation attributed to war-time military spending.

[49]In Argentina, the peso depreciated on easing of currency controls as the Government sought to secure a bailout package with the IMF.

[50]This is attributed to a cost-of-living crisis triggered by high inflation that resulted in public protests that undermined market confidence.

[51]The Indian rupee depreciated due to flight-to-safety after India launched attacks on "militant positions" in Pakistan. Another source of pressure was persistent trade deficits due to high import demand.

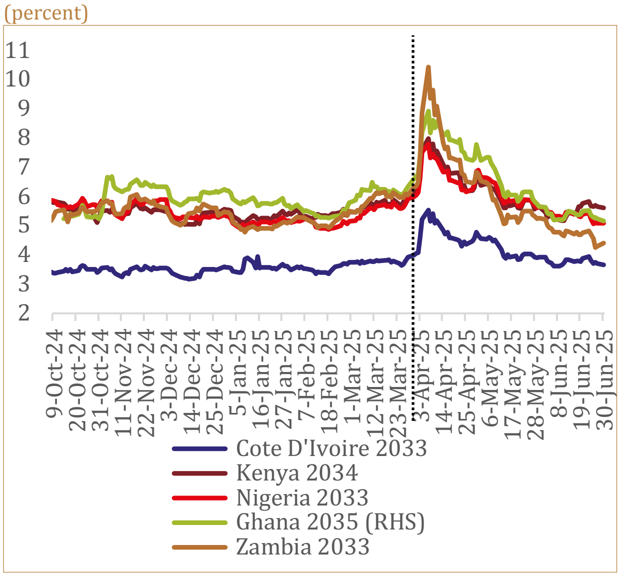
Figure 35: Yield Rates for Selected Sub-Sahara Africa Eurobonds (percent, end period)



Source: Reuters and Bank of Zambia Compilations

However, the subsequent 90-day suspension of reciprocal tariffs moderated the rise in yield rates. For Côte d'Ivoire, Kenya, Nigeria, Ghana, and Zambia, yield rates rose by 48, 54, 71, 63 and 56 basis points to 8.58 percent, 10.47 percent, 10.42 percent, 10.91 percent, and 10.38 percent, respectively (Figure 35). As a result, yield rate spreads over the US 10-year Treasury bill widened (Figure 36).

Figure 36: Yield Spreads Over the US 10-Year Bond Yield Rate (percent)



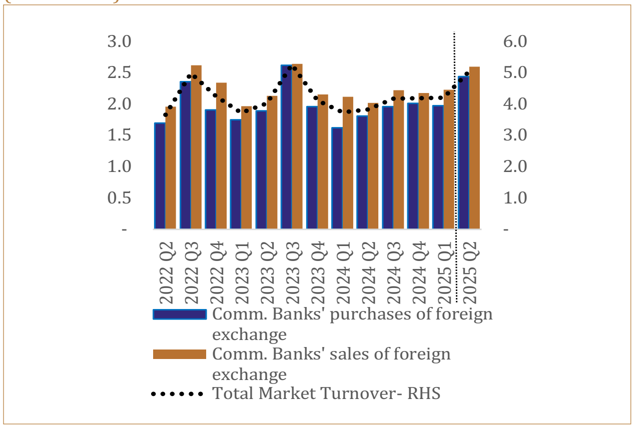
Source: Reuters and Bank of Zambia Compilations

2.3 Domestic Financial Conditions

... foreign exchange trading strengthens

Turnover[52] in the retail foreign exchange market[53] increased by almost 20.0 percent to USD5.0 billion in the second quarter, the highest level since the third quarter of 2023 (Figure 37). This supported interbank market trading as the volume rose to USD211.0 million from USD182.2 million in the first quarter (Figure 38)

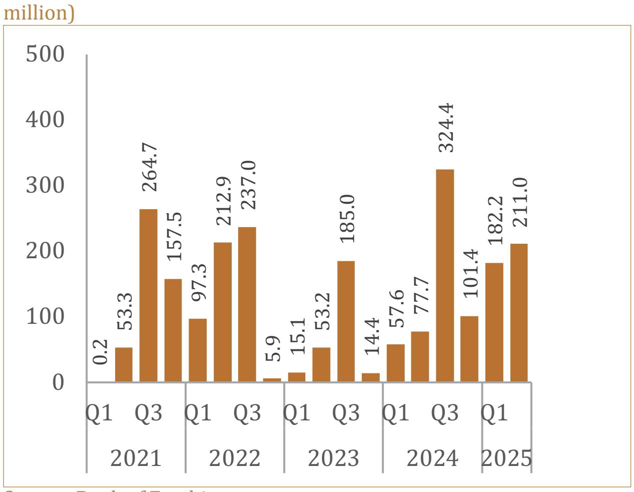
Figure 37: Commercial Banks' Gross Foreign Exchange Transactions (USD billion)



Source: Bank of Zambia

*All spot purchases and sales of respective foreign currencies against the Kwacha are converted into the local currency (i.e. Kwacha) using exchange rates at which they were executed and then back into US dollar using the monthly average Kwacha/US dollar exchange rate.

Figure 38: Turnover in Interbank Foreign Exchange Market (USD million)



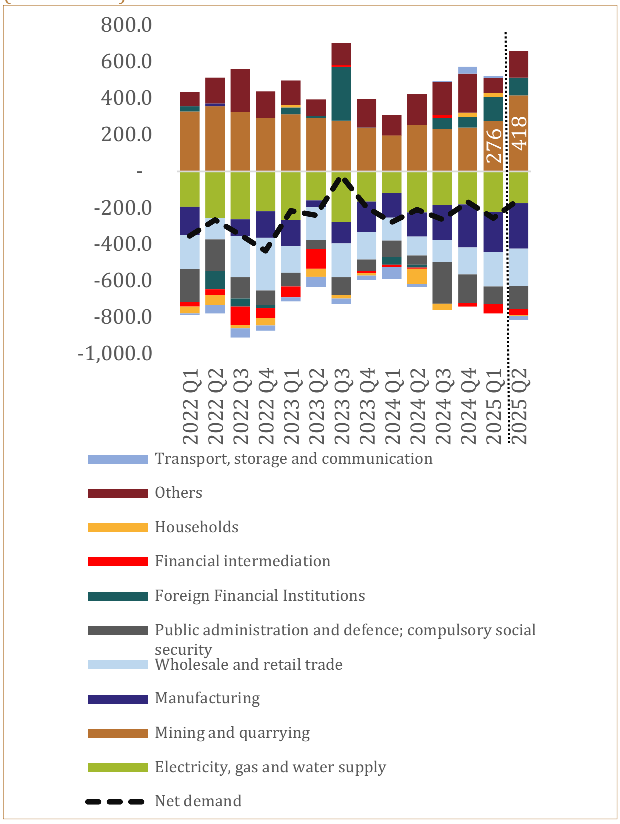
Source: Bank of Zambia

The mining sector continued to be the major source of foreign exchange supply, providing USD418.0 million (about 63 percent of commercial banks' total purchases of foreign exchange) from USD276.0 million in the preceding quarter (Figure 39). This was supported by sustained output and relatively high copper prices as articulated in subsections 2.1 and 2.4.

[52]Turnover is defined as the gross or sum value of purchases and sales of foreign exchange by commercial banks.

[53]Foreign exchange transactions between commercial banks and the non-bank sector.

Figure 39: Sectoral Net Sales (+)/Purchases (-) of Foreign Exchange (USD million)

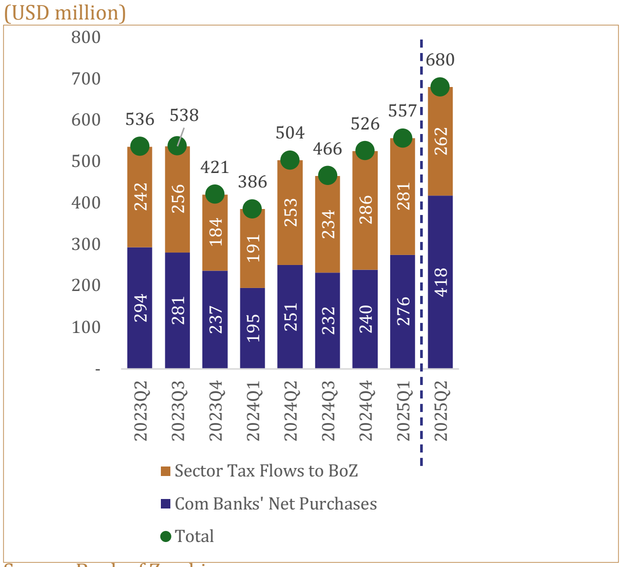


Source: Bank of Zambia

*Others include the sectors: bureaux; community and social service activities; construction; education; extraterritorial organizations and bodies; health and social work; hotels and restaurants; real estate; renting and business activities; and other business activities sectors.

Including tax payments paid directly in US dollars through the Bank of Zambia (USD262.1 million), total foreign exchange sales by mining companies increased by USD123.3 million to USD680.1 million, the highest since the second quarter of 2023 (Figure 40).

Figure 40: Net Foreign Exchange Inflows from the Mining Sector (USD million)

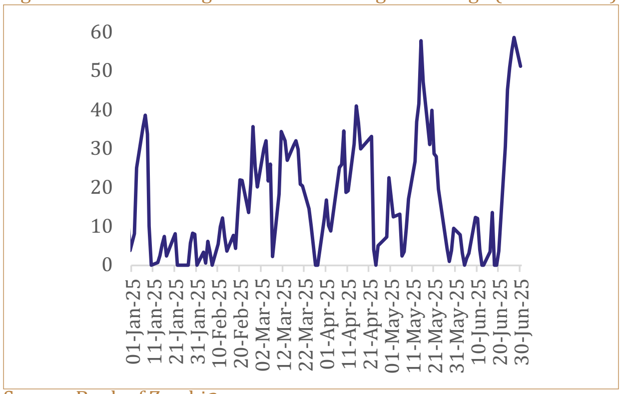


Source: Bank of Zambia

Construction companies involved in the mining sector also sold USD41.9 million. Despite moderation, foreign financial institutions continued to contribute liquidity to the market and sold USD94.6 million compared to USD132.8 million in the preceding quarter as they sought to increase their Kwacha denominated assets, mostly Government bonds[54] (Figure 39).

As a result of improved foreign exchange supply, excess demand reduced substantially to USD156 million from USD257 million in the first quarter (Figure 39). This was also reflected in broadly moderated outstanding demand orders, save for two occasions when the level exceeded USD50.0 million (Figure 41).

Figure 41: Outstanding Demand for Foreign Exchange (USD million)



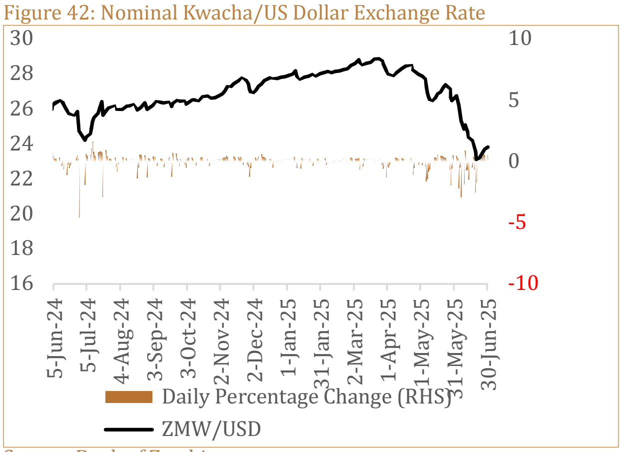
Source: Bank of Zambia

The manufacturing, wholesale and retail trade, and public administration sectors increased their demand for foreign exchange, mostly reflecting the continued improvement in economic activity (Figure 39).

... and Kwacha strongly rebounds

Owing to improved net supply of foreign exchange, the Kwacha appreciated by 14.4 percent in the second quarter (Figure 42), and the rate of appreciation accelerated sharply in June.

Figure 42: Nominal Kwacha/US Dollar Exchange Rate



Source: Bank of Zambia

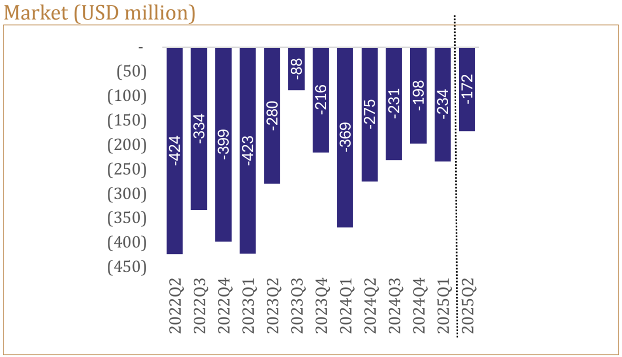
This outturn reversed the depreciating trend from the

[54]Non-resident holdings of Government securities increased to K61.8 billion (face value) at end- June from K59.0 billion at end-March.

second quarter of 2023 and registered the largest rate of appreciation since the third quarter of 2021.
Besides improved liquidity, the Kwacha continued to benefit from upbeat investor sentiments linked to positive domestic economic developments, such as, the recovery in the mining and agricultural sectors, which have underpinned strong growth estimates (see subsection 2.4), and a weaker US dollar.

With reduced volatility in the exchange rate, the need for the Bank to support the market through net sales of foreign exchange reduced. Hence, the Bank sold a net of USD171.5 million in the second quarter compared to USD234.0 million in the previous quarter (Figure 43).

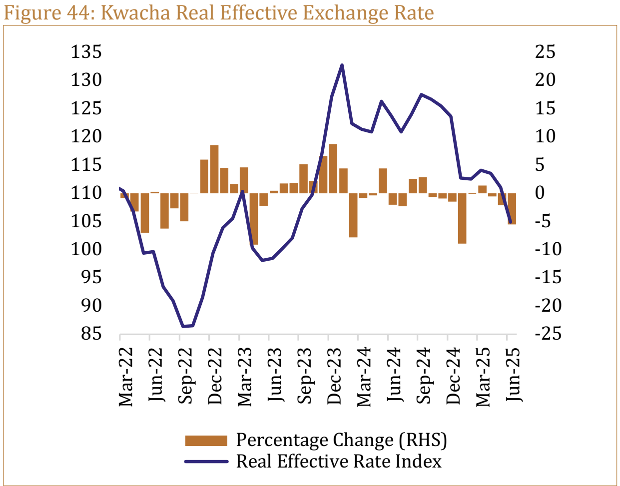
Figure 43: Bank of Zambia Net Sales of Foreign Exchange to the Market (USD million)



Source: Bank of Zambia

The real exchange rate strengthened further by 8.1 percent in the second quarter driven by the significant appreciation of the nominal effective exchange rate[55] (Figure 44).

Figure 44: Kwacha Real Effective Exchange Rate



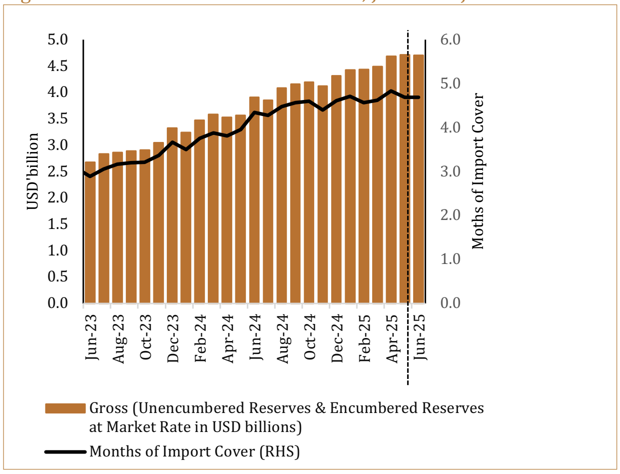
Source: Bank of Zambia

... reserve position strengthens

The stock of reserves rose further at end-June to USD4.7 billion (equivalent to 4.7 months of import cover) following a net accumulation of USD213 million (Figure 45).

Project receipts (USD152.9 million) from the World Bank, net statutory reserve deposits (USD127.3 million) and Bank of Zambia purchases[56] (USD111.4 million) were the key sources of reserves.

Figure 45: Gross International Reserves, Jun 2023-Jun 2025



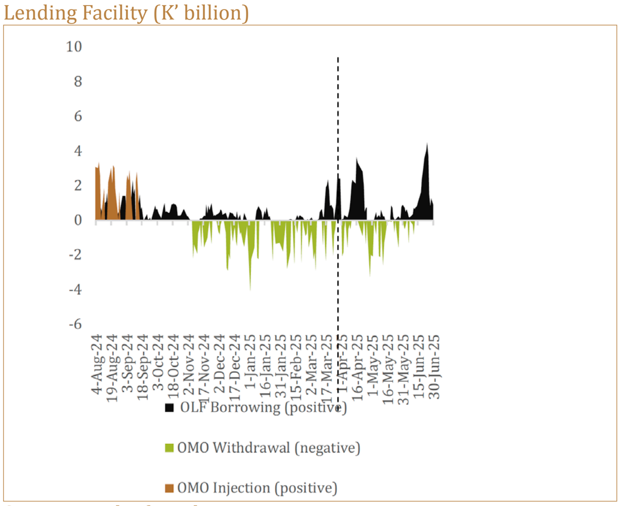
Source: Bank of Zambia

... liquidity management operations still conducted to support the foreign exchange market

In the second quarter, liquidity management operations remained focussed on supporting the foreign exchange market as excess demand for foreign exchange persisted, particularly in the earlier part.

Thus, contractionary open market operations (OMOs) were deployed until mid-June (Figure 46). This was complemented by net sales of foreign exchange by the Bank which withdrew K4.6 billion from the system (Table 8). Increased net currency demand of K3.7 billion, owing to the seasonal crop marketing season, also assisted in reducing liquidity levels in the system.

Figure 46 : Daily Average Open Market Operations and Overnight Lending Facility (K' billion)



Source: Bank of Zambia

[55]The Kwacha's nominal effective exchange rate appreciated against the US dollar, Chinese yuan, South African rand, British pound, euro and Swiss franc by 10.3 percent, 9.4 percent, 7.6 percent, 7.5 percent and 6.2 percent, respectively.

[56] This is a net of the USD262 million taxes paid directly by mining companies into the BoZ plus USD14.5 million Bank direct purchases from commercial banks less USD165.0 million sales by the Bank to commercial banks.

Table 8: Liquidity Influences (K' billion)

	2025Q1	2025Q2
Opening Balance	9.5	2.8
Net Govt Spending	4.8	4.2
Net BoZ FX Intervention	(6.3)	(4.6)
Change in Currency	1.5	(3.7)
Change in SR Deposits	(1.4)	1.0
OLF	1.0	1.0
Net Govt Securities Transactions	(1.7)	2.8
Open Market Operations	(3.7)	1.0
TMTRF	(0.1)	(0.0)
Miscellaneous	(0.8)	(1.8)
Closing Balance	2.8	2.7

Source: Bank of Zambia
FX=foreign exchange; CIC=currency in circulation; SR=statutory reserves; OLF=Overnight Lending Facility; TMTRF= Targeted Medium-Term Refinancing Facility.

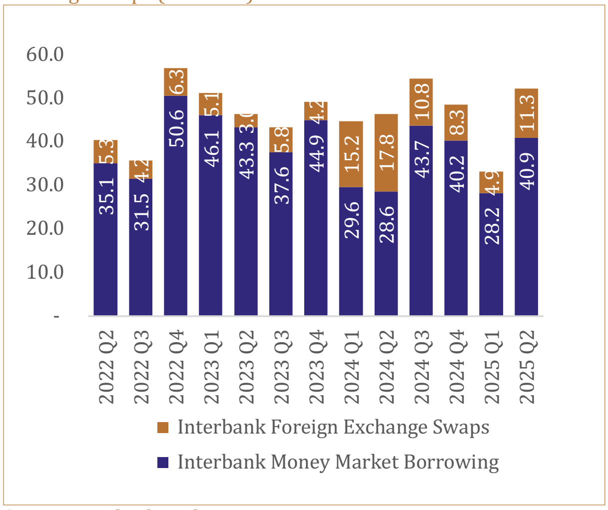
As liquidity levels subsided in the latter part of the quarter, contractionary OMOs were discontinued and outstanding term deposits were allowed to mature, resulting in a net injection of K1.0 billion in the quarter (Table 8).

Commercial banks significantly utilised the Overnight Lending Facility (OLF), particularly in mid-April and end-June, as liquidity tightened due to high tax payments[57] (Figure 47). As a result, borrowing from the OLF window increased to a cumulative K68.8 billion[58] from K27.2 billion in the first quarter.

Interbank borrowing rose to K40.9 billion from K28.2 billion in the first quarter (Figure 47). Trading was mostly active in May prior to the contraction in liquidity in June. During this period, commercial banks sought recourse to the overnight interbank foreign exchange swap market and borrowed K11.3 billion, up from K4.9 billion in the first quarter. Commercial banks' lending in the interbank swap market was funded from swap transactions with foreign financial institutions[59] that accumulated Kwacha balances from the sale of foreign exchange[60].

[57]In April, corporate taxes were due while final taxes were paid at end-June.
[58]The OLF was accessed by 13 banks during the quarter, reflecting a broad-based need for liquidity.
[59]Commercial banks borrowed Kwacha from foreign financial institutions using foreign exchange swaps. These funds were on lent to other banks. As a result, commercial banks' borrowings from foreign financial institutions in the swap market increased to about K56 billion from K40 billion in the first quarter.
[60]Foreign financial institutions' vostro Kwacha account balances rose to K1.2 billion at end-May from K0.4 billion at the beginning of the month. This followed sales of foreign exchange by these institutions as they sought to build Kwacha balances mostly to invest in Kwacha denominated assets.

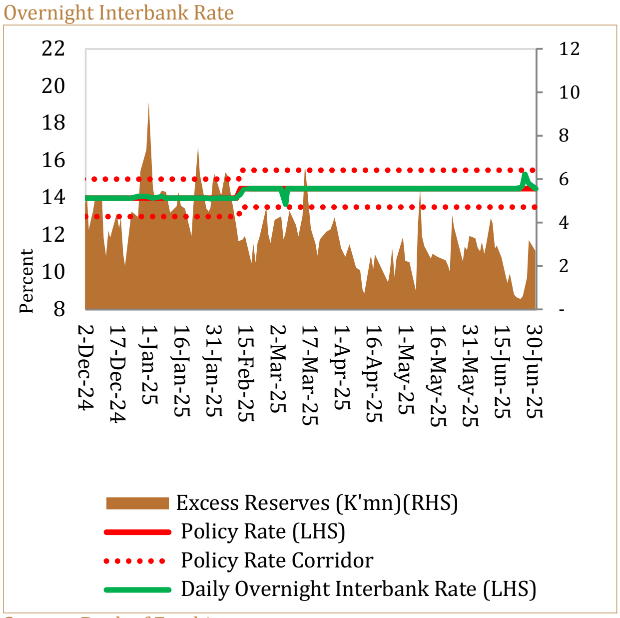
Figure 47: Interbank Money Market Borrowing and Foreign Exchange Swaps (K' billion)



Source: Bank of Zambia

The overnight interbank rate traded within the Policy Rate corridor and close to 14.5 percent (Figure 48). However, there was a short-lived rise in the interbank rate towards the end of June to a high of 15.3 percent following the decline in liquidity. This pushed the average overnight interbank rate to 14.57 percent in June from 14.46 percent in March.

Figure 48: Excess Reserves (Liquidity Levels), Policy Rate and Overnight Interbank Rate



Source: Bank of Zambia

... divergent movements in interest rates continue

The overnight interbank rate held steady in the second quarter, at 14.5 percent, in line with the unchanged Policy Rate (Figure 48, Figure 49 and Figure 50). Similarly, the 6-month savings rate was unchanged at 7.5 percent (Figure 49 and Figure 50). However, the negative real return on savings improved as inflation slowed down (Figure 51).

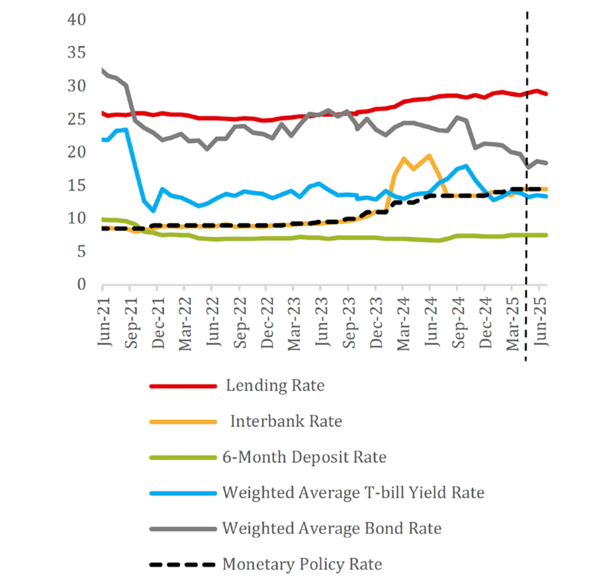
The weighted average Treasury bill yield rate marginally declined by 0.5 percentage points to

13.4 percent (Figure 49 and Figure 50). This largely reflected cautious pricing by investors on account of a more favorable macroeconomic outlook based on a stronger exchange rate and falling inflation. The negative real return significantly narrowed as inflation fell during the quarter (Figure 51).

A further decline in the weighted average yield rate for Government bonds was recorded in the second quarter, moving to 18.4 percent from 19.8 percent in the first quarter (Figure 49 and Figure 50). This outturn was mostly attributed to improved investor sentiments amid favorable macroeconomic conditions. However, the declining trend in real returns reversed as the fall in yield rates was more than offset by the reduction in inflation (Figure 51).

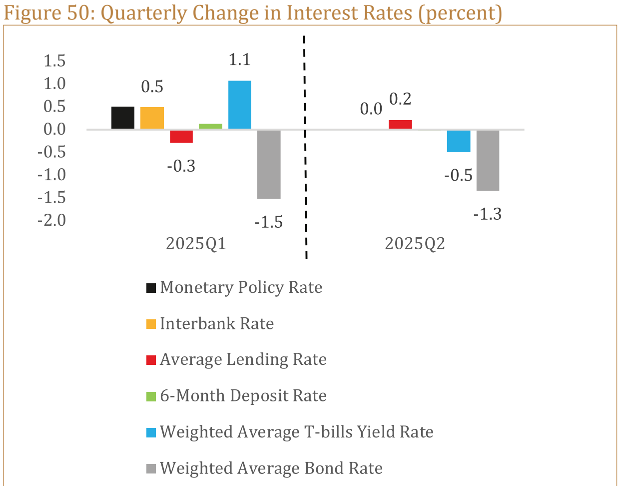
The decline in commercial banks' average lending rate in the first quarter was partially offset in the second quarter following a 0.2 percentage point increase to 28.9 percent (Figure 49 and Figure 50). This kept real borrowing costs high as the marginal rise in the lending rate was reinforced by the fall in inflation (Figure 51).

Figure 49: Average Nominal Interest Rates (percent)



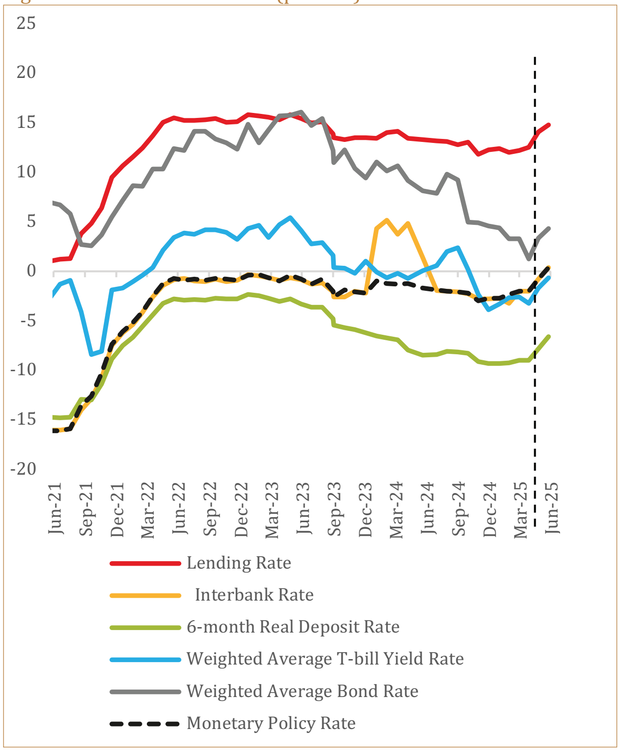
Source: Bank of Zambia

Figure 50: Quarterly Change in Interest Rates (percent)



Source: Bank of Zambia

Figure 51: Real Interest Rates (percent)



Source: Bank of Zambia

... domestic credit growth slows down

The growth in domestic credit[61] slowed down in June to 12.7 percent from 15.3 percent in March but remained above trend (Table 9, Figure 52 and Figure 53). However, adjusted for exchange rate appreciation, credit growth increased to 13.0 percent from 12.1 percent and the positive credit gap[62] widened (Figure 54).

Table 9: Credit Growth Rate (percent)

	Mar-25	Jun-25
Overall Credit	15.3	12.7
Overall Credit Exchange Rate Adjusted	12.1	13.0
Private Sector Credit	23.0	19.8
Private Sector Credit Exchange Rate Adjusted	16.6	20.3
Kwacha Denominated Credit	17.4	17.3
Foreign Currency Denominated Credit	16.9	26.1
Public Sector Credit (Government)	5.9	4.4

Source: Zambia Staff Computations

The slowdown in credit is mostly attributed to reduced demand for Government securities, particularly in the latter part of the quarter, which dampened public sector credit growth to 4.4 percent from 5.9 percent (Table 9) and its contribution to overall credit (Figure 52).

[61]Domestic credit refers to aggregate lending by the Bank of Zambia, commercial banks and other depository corporations in both Kwacha and foreign currency.
[62]Credit gap is the difference between exchange rate-adjusted domestic credit and its long-term trend.

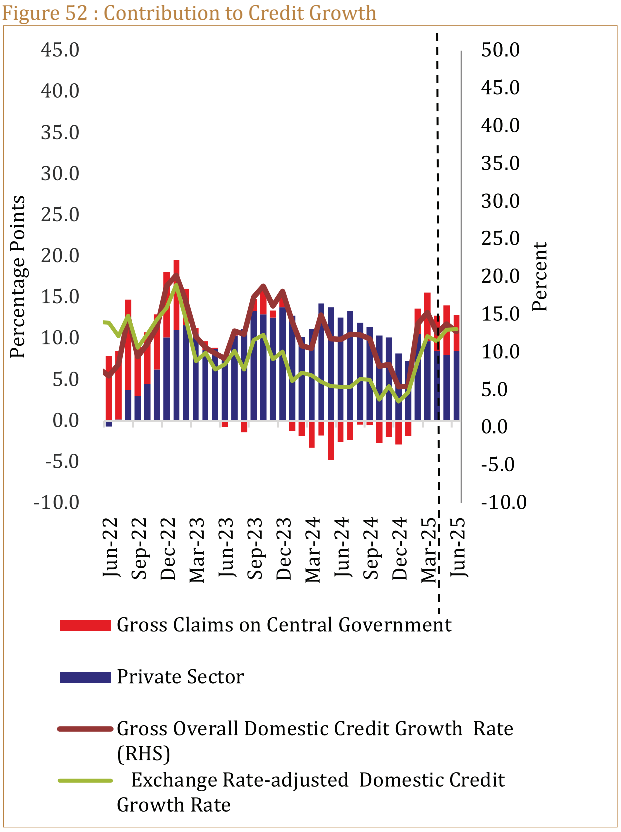
The expansion in private sector credit also reduced to 19.8 percent from 23.0 percent in the preceding quarter and consequently remained below trend (Table 9, Figure 55 and Figure 56). However, adjusted for exchange rate appreciation, the declining trend in private sector credit reversed and the negative credit gap narrowed (Figure 57).

A marginal reduction was recorded in lending in Kwacha, particularly to the manufacturing, construction, wholesale and retail trade, as well as real estate sectors because of the impact of prolonged electricity load management (Figure 58 and Figure 59). This also contributed to the sustained negative credit gap (Figure 60).

However, lending in foreign currency maintained an upward trend and moved above trend (Table 9 and Figure 61). This was mostly due to increased borrowing by the electricity, mining and quarrying, as well as wholesale and retail trade sectors (Figure 62 and Figure 63).

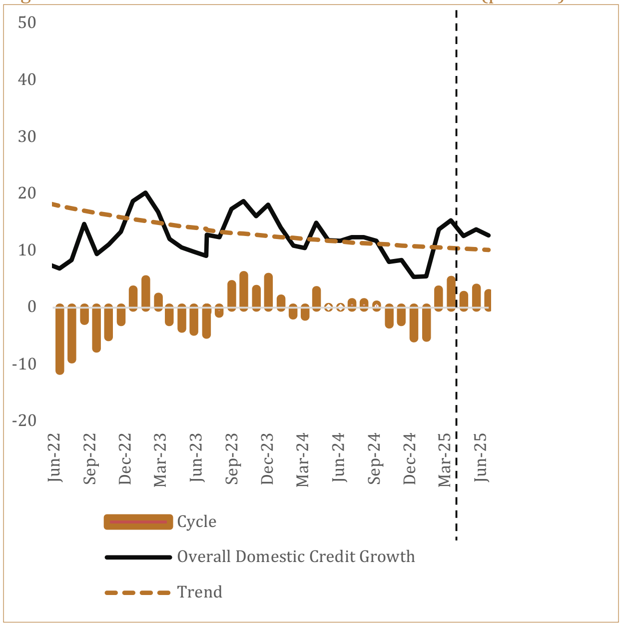
According to the ***August 2025 Credit Conditions Survey***, commercial banks are still optimistic about high demand for credit by the private sector mostly to mitigate the effects of sustained electricity load shedding on productivity.

Figure 52 : Contribution to Credit Growth



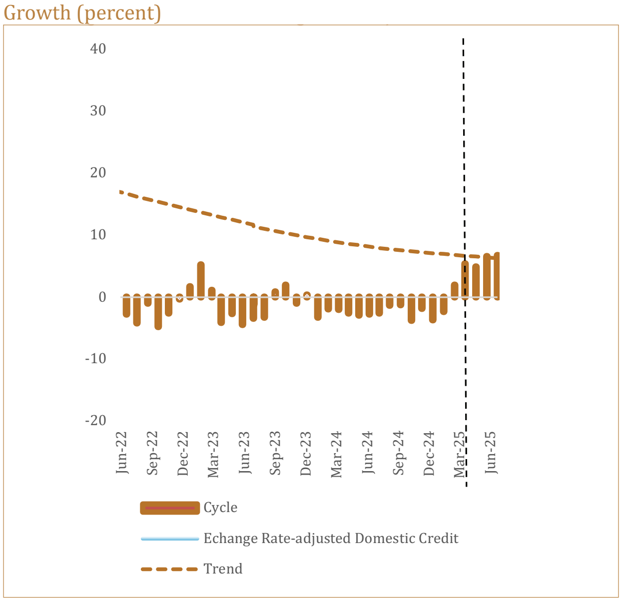
Source: Bank of Zambia

Figure 53 : Trend in Overall Domestic Credit Growth (percent)



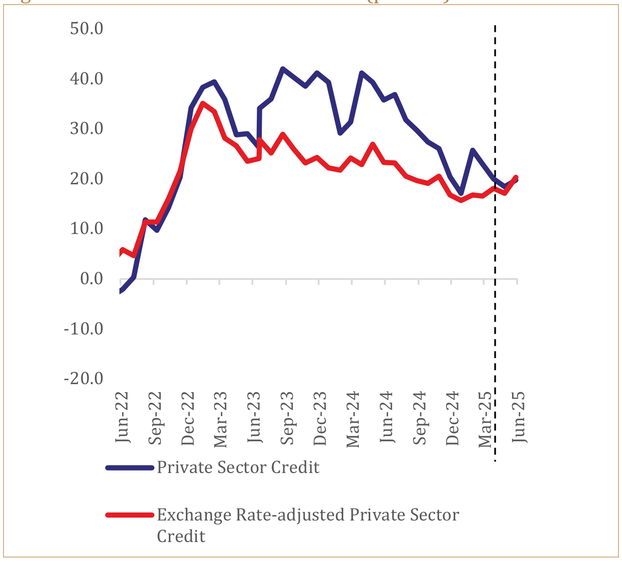
Source: Bank of Zambia

Figure 54: Trend in Exchange Rate-Adjusted Overall Domestic Credit Growth (percent)



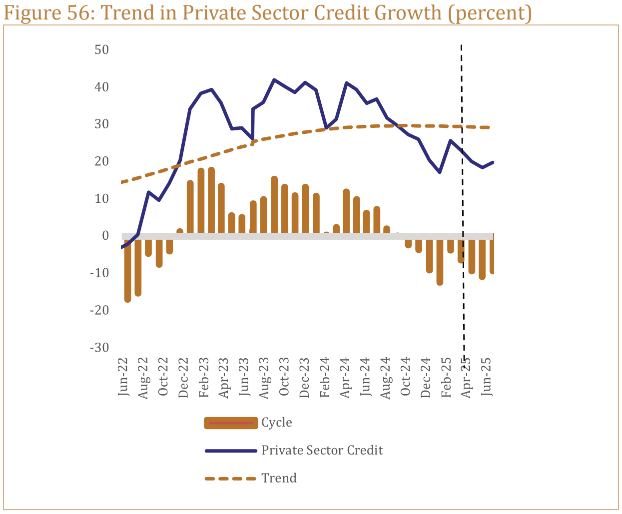
Source: Bank of Zambia

Figure 55: Private Sector Credit Growth (percent)



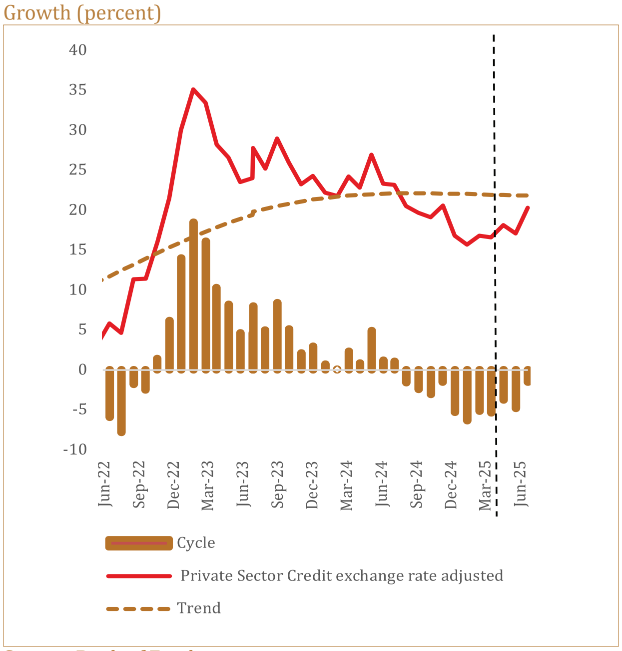
Source: Bank of Zambia

Figure 56: Trend in Private Sector Credit Growth (percent)



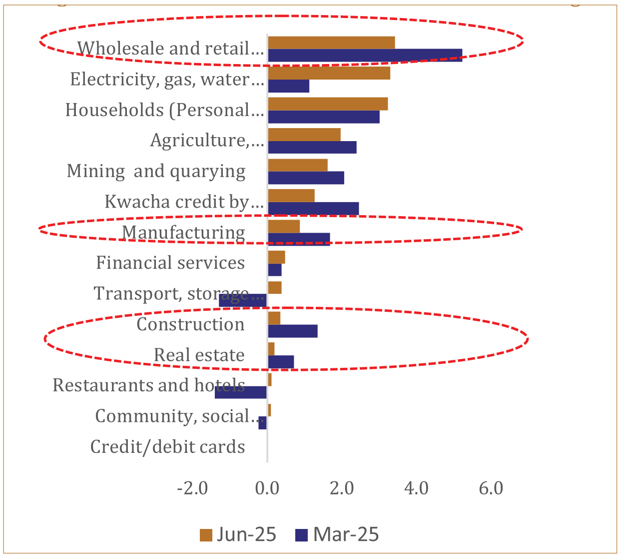
Source: Bank of Zambia

Figure 57: Trend in Exchange Rate-Adjusted Private Sector Credit Growth (percent)



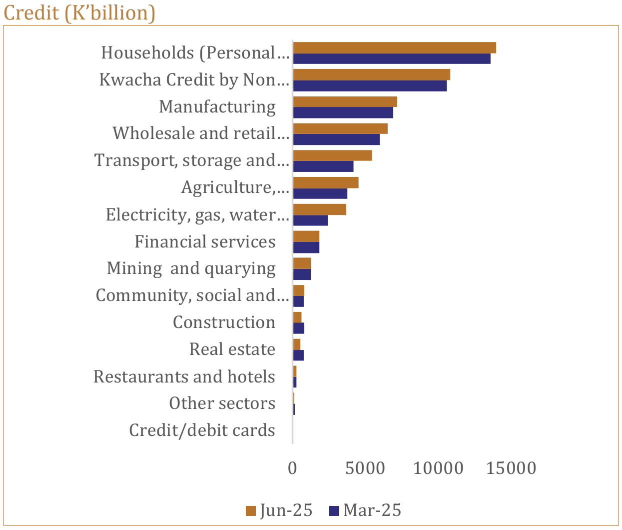
Source: Bank of Zambia

Figure 58: Sectoral Contribution to Annual Percent Change in Kwacha Denominated Private Sector Credit



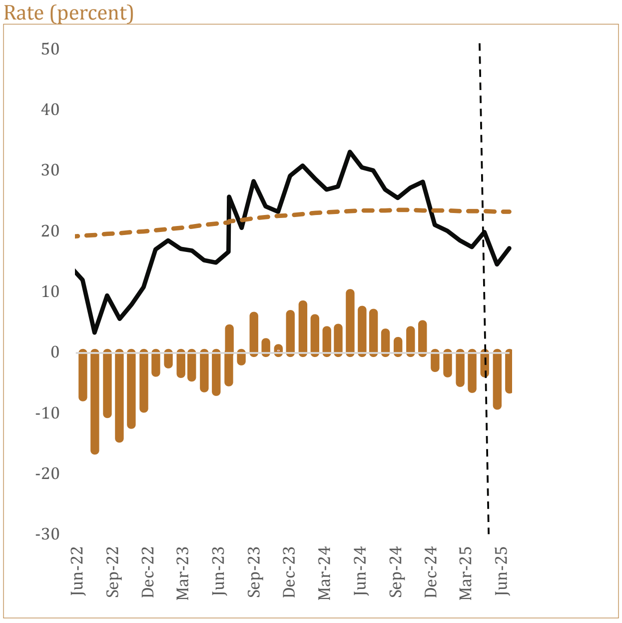
Source: Bank of Zambia

Figure 59: Stock Distribution of Private Sector Kwacha Denominated Credit (K'billion)



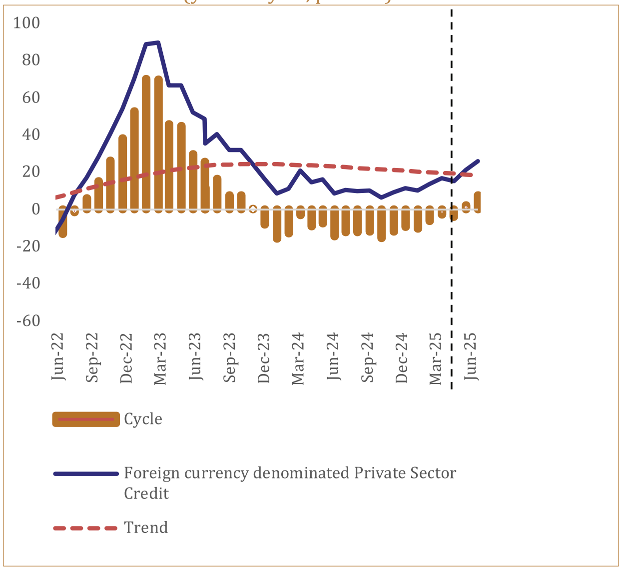
Source: Bank of Zambia

Figure 60: Trend in Kwacha Denominated Private Sector Growth Rate (percent)



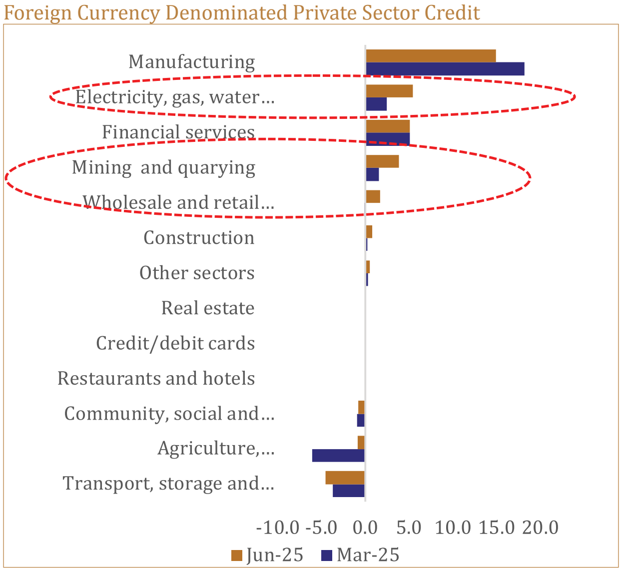
Source: Bank of Zambia

Figure 61: Trend in Foreign currency Denominated Private Sector Credit Growth Rate (year-on-year, percent)



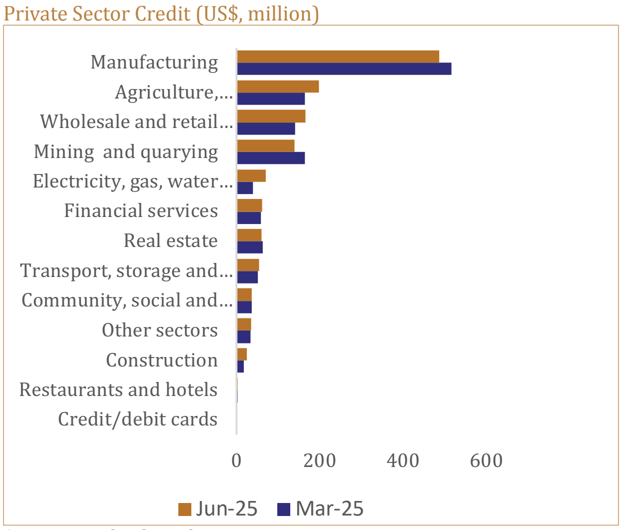
Source: Bank of Zambia

Figure 62: Sectoral Contribution to Annual Percent Change in Foreign Currency Denominated Private Sector Credit



Source: Bank of Zambia

Figure 63: Stock Distribution of Foreign Currency Denominated Private Sector Credit (US$, million)

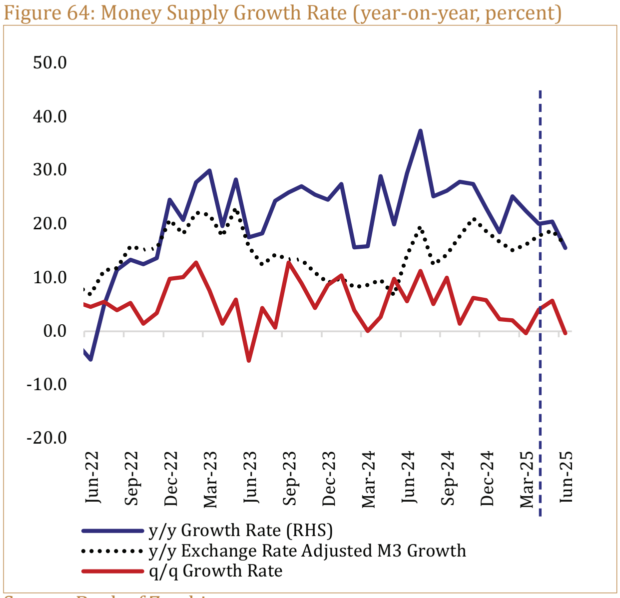


Source: Bank of Zambia

... money supply growth slows down

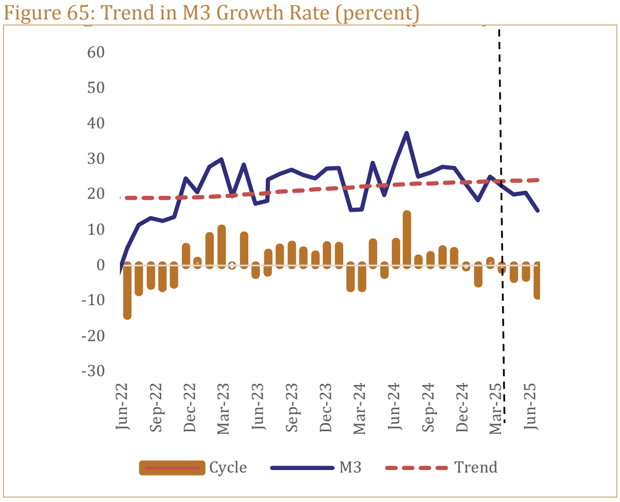
Money supply growth (M3)[63] slowed down in line with reduced domestic credit growth. M3 expanded by 15.5 percent in June compared to 22.5 percent in March and remained below trend (Figure 64 and Figure 65). However, M3 adjusted for exchange rate appreciation held steady, at 16.1 percent, and remained above trend (Figure 66).

Figure 64: Money Supply Growth Rate (year-on-year, percent)



Source: Bank of Zambia

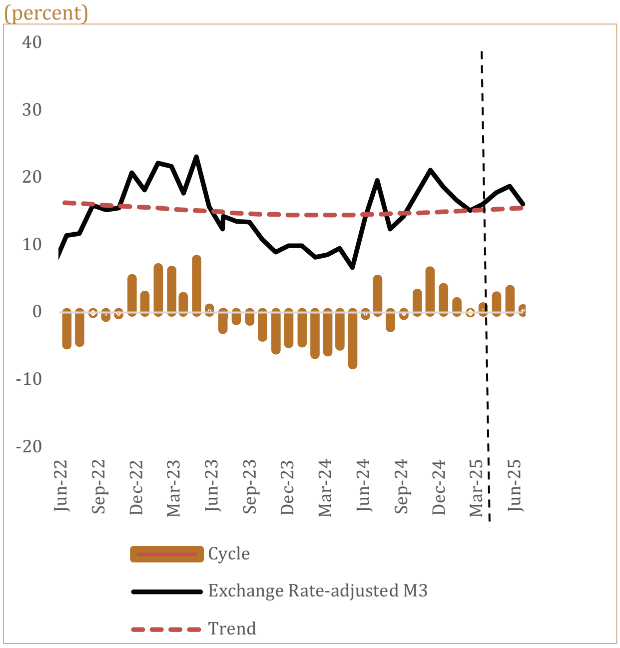
Figure 65: Trend in M3 Growth Rate (percent)



Source: Bank of Zambia

[63]M3 stock was K203.7 billion at end-June 2025.

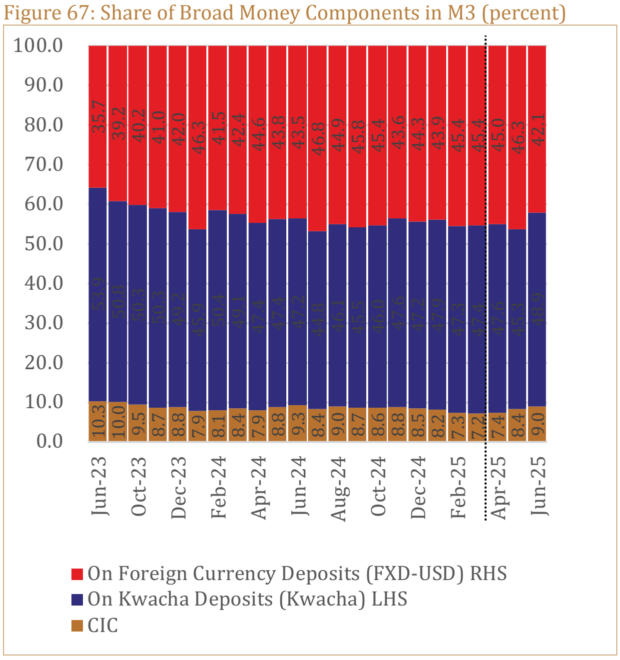
Figure 66: Trend in Exchange Rate-Adjusted M3 Growth Rate (percent)



Source: Bank of Zambia

The share of Kwacha deposits and currency held by the non-bank public in money supply rose to 48.9 percent and 9.0 percent from 47.4 percent and 7.2 percent, respectively (Figure 67). In contrast, the share of foreign currency deposits fell to 42.1 percent from 45.4 percent due to the appreciation of the exchange rate.

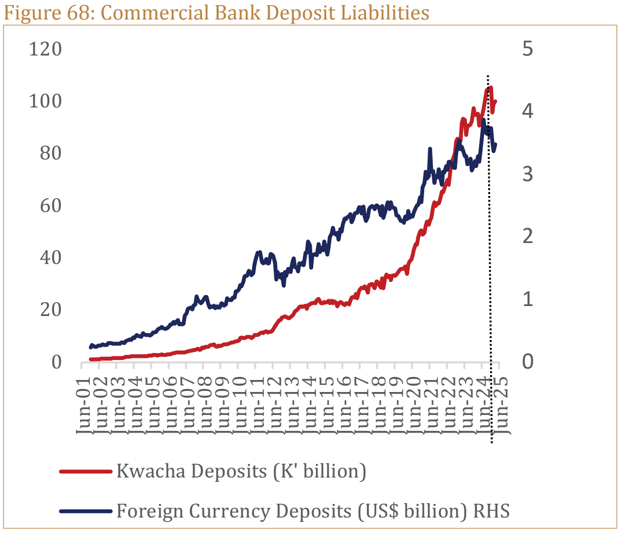
Figure 67: Share of Broad Money Components in M3 (percent)



Source: Bank of Zambia

Kwacha deposit and foreign currency liabilities increased to K108.2 billion and USD4.2 billion at end-June from K100.2 billion and USD3.5 billion at end-March (Figure 68).

Figure 68: Commercial Bank Deposit Liabilities



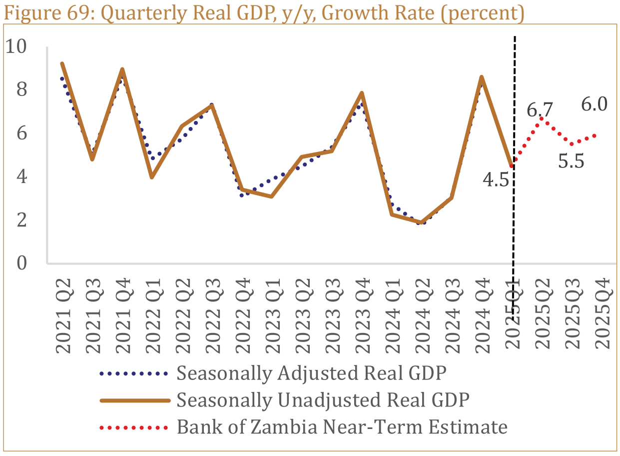
Source: Bank of Zambia

2.4 Domestic Economic Activity

… expands further

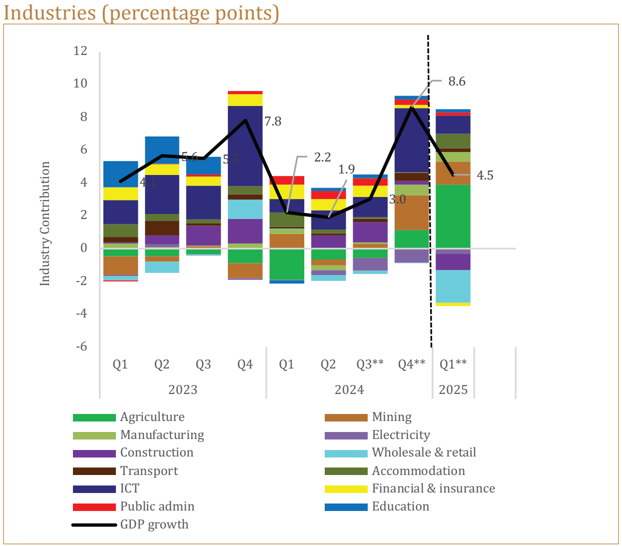
Preliminary estimates point to a rebound in real GDP in the second quarter to 6.7 percent from 4.5 percent in the first quarter (Figure 69 and Figure 70). This was largely driven by the recovery in tourist arrivals and electricity generation.

Figure 69: Quarterly Real GDP, y/y, Growth Rate (percent)



Source: Bank of Zambia

Figure 70: Quarterly Real GDP Growth and Contribution by Selected Industries (percentage points)

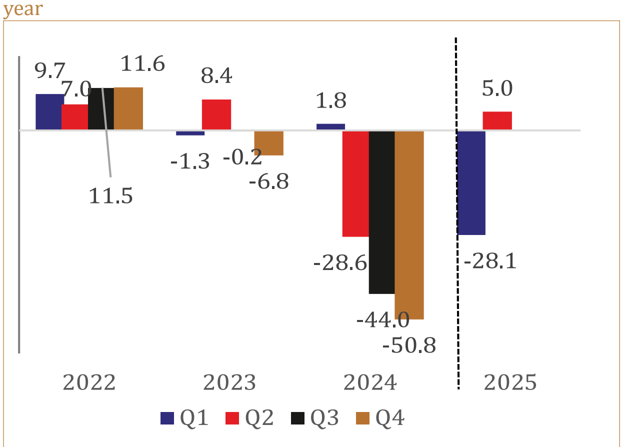


Source: Zambia Statistics Agency and Bank of Zambia
* = revised ** = preliminary
Note: Other includes public administration and defense sector, administrative and support service sector, transportation and storage sector, and education sectors.

Tourism activity, proxied by international airport arrivals, expanded by 5.7 percent. This was a significant improvement from the marginal contraction of 0.1 percent recorded in the preceding quarter. The increase in arrivals reflects an upsurge in tourism activity, supported by meetings and conferences.

Electricity generation improved in the second quarter, growing by 5.0 percent, y/y, compared to a contraction of 28.1 percent, y/y, in the first quarter (Figure 71). The improvement was supported by higher water levels in the main dams following a better 2024/25 rainy season. In addition, integration of solar energy—particularly the 100MW from the Chishamba Solar PV Plant into the grid—marginally contributed to improved performance.

Figure 71: Electricity Generation Growth Rate (percent, year-on-year

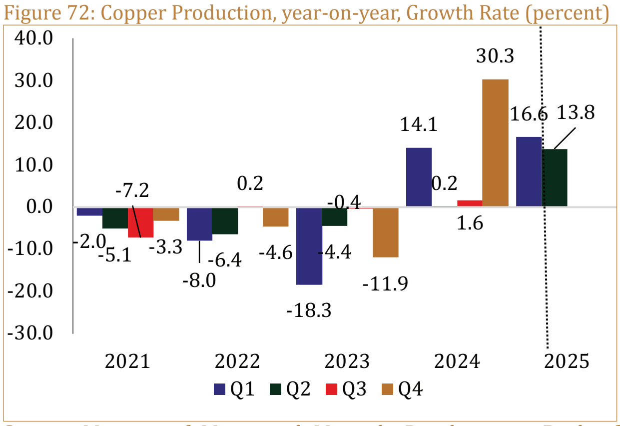


Source: ZESCO, Bank of Zambia Compilations

However, the growth in mining, transport and storage, and construction slowed down.

The growth in copper production (proxy for mining) slowed down to 13.8 percent in the second quarter from 16.6 percent in the preceding quarter (Figure 72).

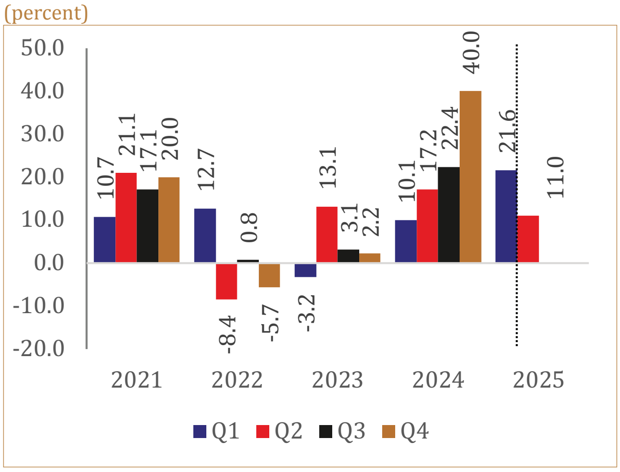
Figure 72: Copper Production, year-on-year, Growth Rate (percent)



Source: Ministry of Mines and Minerals Development, Bank of Zambia Compilations

The transport and storage sector grew at a slower pace of 11.0 percent compared to 21.6 percent during the first quarter (Figure 73). Lower diesel consumption (proxy for the sector), driven by reduced demand for transportation and energy intensive mineral processing, mostly account for the observed slowdown in the sector (Figure 73).

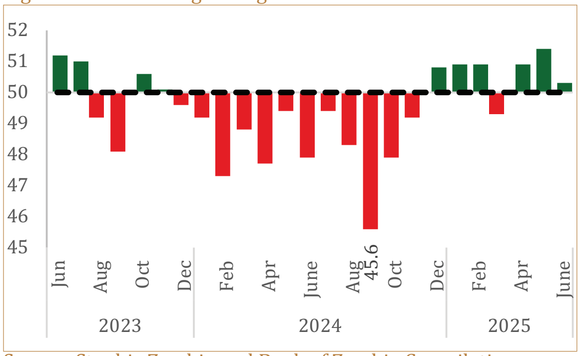
Figure 73: Diesel Consumption, year-on-year, Growth Rate (percent)



Source: Energy Regulation Board, Bank of Zambia Compilations

Private sector business conditions continued to improve in the second quarter as the *Stanbic Bank Zambia PMI™* remained above the 50-mark threshold (Figure 74). The reading averaged 50.9, up from 50.3 in the opening quarter of 2025.

Figure 74: Purchasing Manager's Index for Zambia

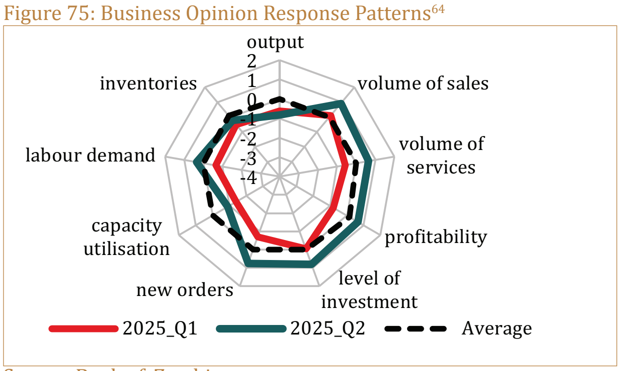


Source: Stanbic Zambia and Bank of Zambia Compilation

Business conditions were supported by the sustained increase in new orders as a result of stronger customer demand and the appreciation of the exchange rate.

Similarly, respondents to the ***August 2025 Bank of Zambia Quarterly Survey of Business Opinion and Expectations*** highlighted a pickup in economic activity in the second quarter. They noted increased volume of sales and services as well as new orders, which in turn drove higher labour demand (Figure 75). As a result, both profitability and the level of investment improved. These developments reflect stronger agricultural output that played a key role in stimulating overall economic activity.

Figure 75: Business Opinion Response Patterns[64]



Source: Bank of Zambia

2.5 Budget Performance

... deficit lower than target

Preliminary data point to a lower fiscal deficit than expected in the second quarter mainly due to lagged reporting on the implementation status of various foreign-financed capital projects.

2.6 Domestic Prices

... slowdown on improved food supply

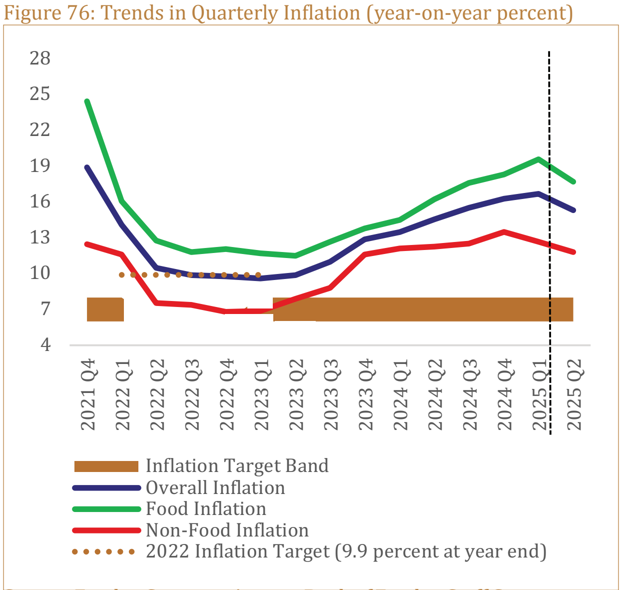
Unlike in the first quarter when consumer prices rose by 0.4 percentage points, a decline of 1.4 percentage points was recorded in the second quarter as overall inflation averaged 15.3 percent (Table 10 and Figure 76).

Table 10: Inflation Rate

	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2
			Average		
Overall Inflation	14.6	15.5	16.3	16.7	15.3
Food Inflation	16.2	17.6	18.3	19.6	17.7
Non-Food Inflation	12.3	12.5	13.5	12.7	11.8
			End-Period		
Overall Inflation	15.2	15.6	16.7	16.5	14.1
Food Inflation	16.8	17.9	18.6	18.9	16.7
Non-Food Inflation	13.0	12.4	14.2	13.2	10.3

Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

Figure 76: Trends in Quarterly Inflation (year-on-year percent)

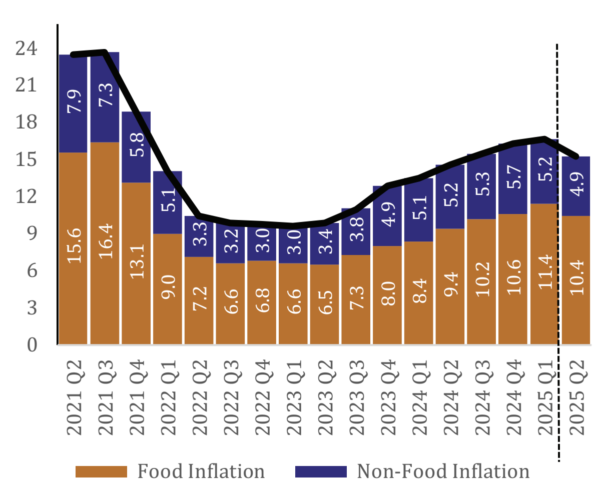


Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

Food inflation fell the most relative to non-food inflation and its contribution to overall inflation reduced to 10.4 percentage points from 11.4 percentage points (Figure 77). The contribution by non-food inflation was 4.9 percentage points compared to 5.2 percentage points.

[64] Survey indicators are standardised net balances with mean = 0 and standard deviation = 1. A value within the black circle entails weaker economic conditions than the historical average and a value outside the black line signifies an improvement over the historical average.

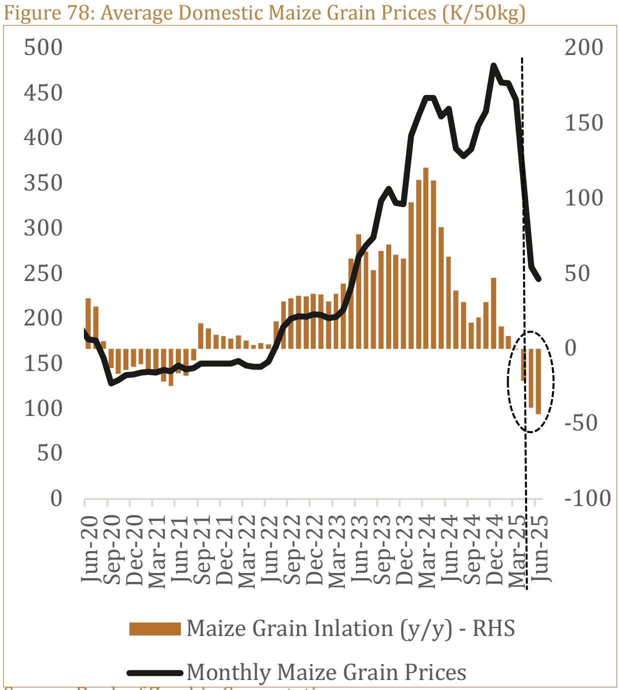
Figure 77: Contribution to Overall Inflation by Food and Non-Food Inflation (percentage points)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

A sharp fall in maize grain prices following improved supply[65] mostly explains the reduction in food inflation. Year-on-year, maize grain prices fell by 43.7 percent to K244 per 50kg (Figure 78) and the contribution of maize grain to food inflation turned negative (Figure 79). This resulted in a substantial reduction of the contribution of the bread and cereals sub-group to food inflation (Figure 80).

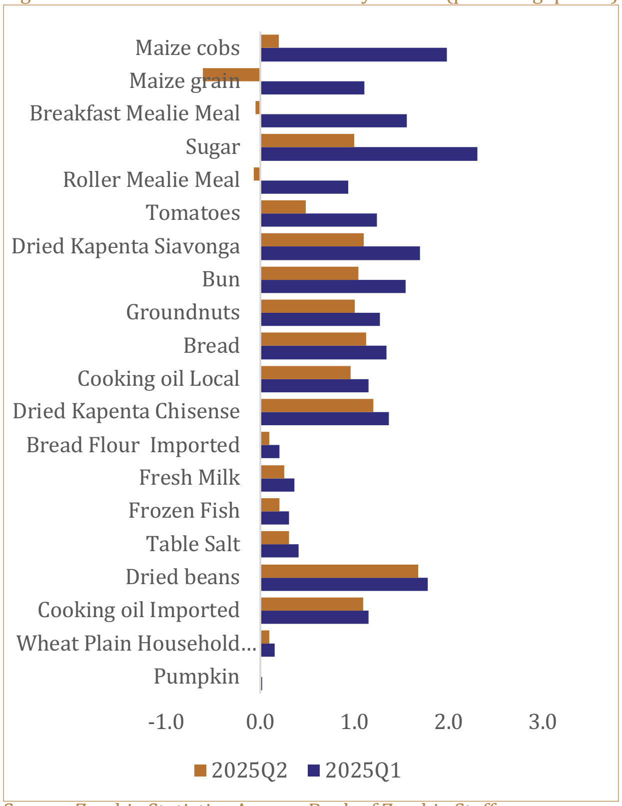
Figure 78: Average Domestic Maize Grain Prices (K/50kg)



Source: Bank of Zambia Computation

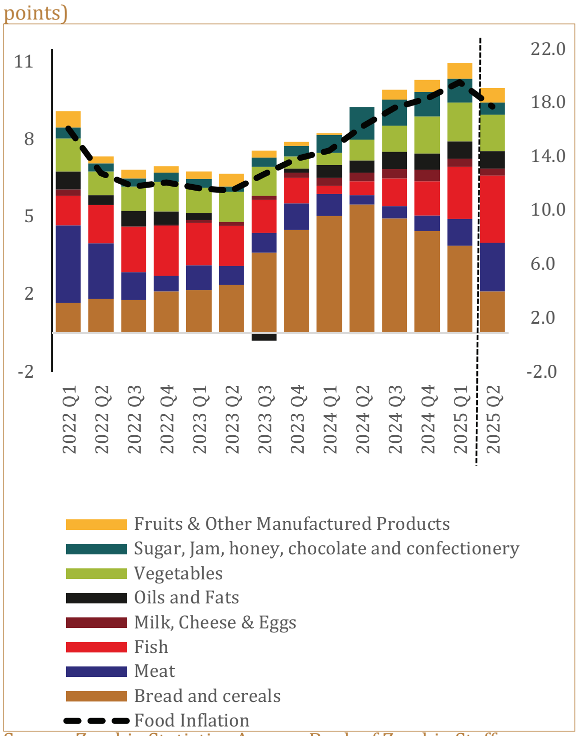
[65]In May, Zambia Statistics Agency, in collaboration with the Ministry of Agriculture, released the Crop Forecasting Survey results for the 2024/25 agricultural season, indicating total output of 4,040,645 metric tonnes of maize, and a projected surplus of 501,621 metric tonnes.

Figure79:ContributiontoFoodInflationbyProduct(percentagepoints)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

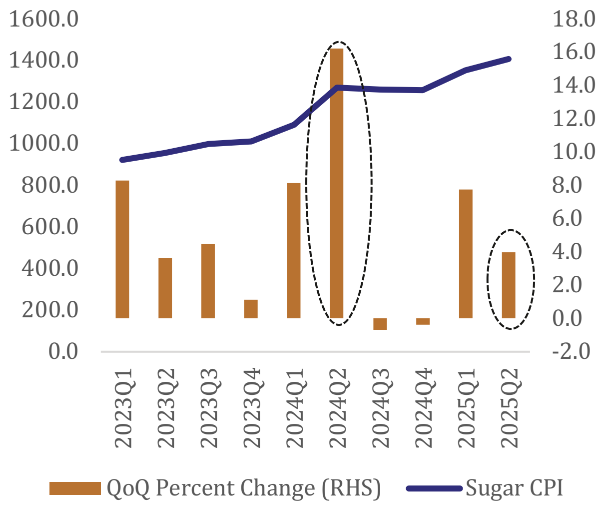
Figure 80: Contribution to Food Inflation by Sub-Group (percentage points)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

In addition, sugar, vegetables (maize cobs, tomatoes and dried beans) and fruits (groundnuts) had sizeable influence on food inflation (Figure 79). Higher seasonal supply accounted for the lower impact of vegetables and fruits while the reduced contribution by sugar was on account of the dissipation of base effects (Figure 81) and the appreciation of the exchange rate[66].

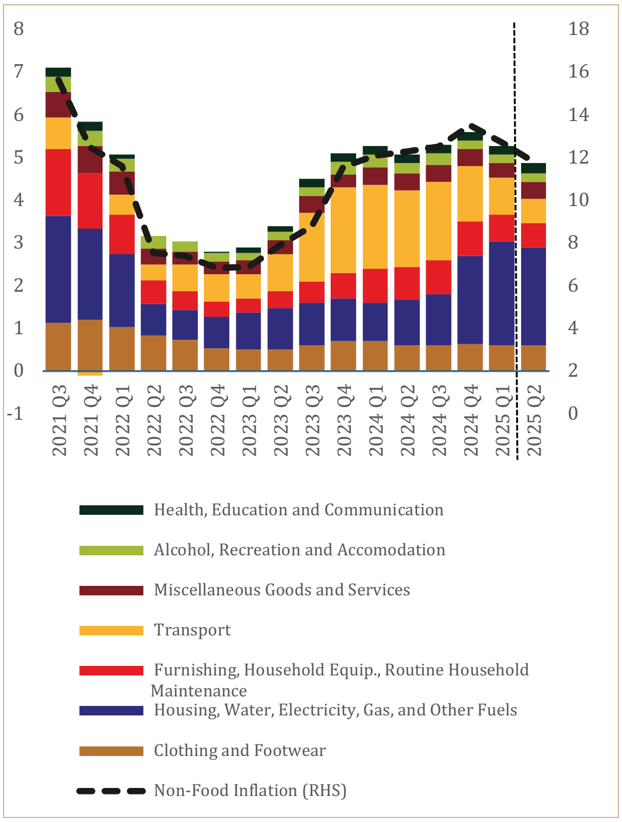
Figure 81: Dissipation of Base Effects in Sugar



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

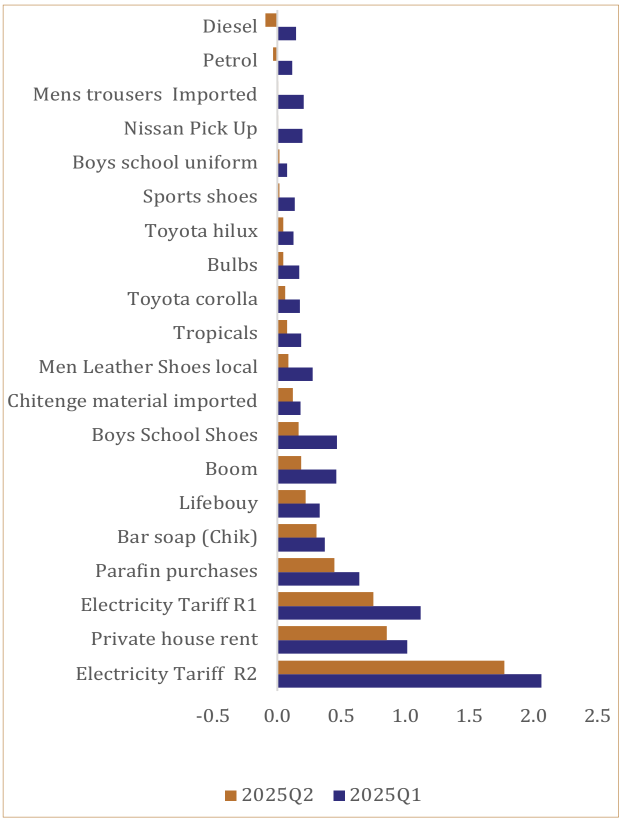
For non-food inflation, the decline was primarily driven by lower prices of fuel[67] and vehicles following the appreciation of the Kwacha against major currencies. This resulted in a further reduction in the contribution of the transport sub-group to non-food inflation (Figure 82 and Figure 83). Base effects in electricity tariffs (Figure 84), private house rent, and the impact of exchange rate appreciation on imported products, such as, sports and boys' school shoes, as well as men's trousers had notable influence on non-food inflation (Figure 82 and Figure 83).

Figure 82: Contribution to Non-Food Inflation by Sub- Group (percentage points)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

Figure 83: Contribution to Non-Food Inflation by Product (percentage points)

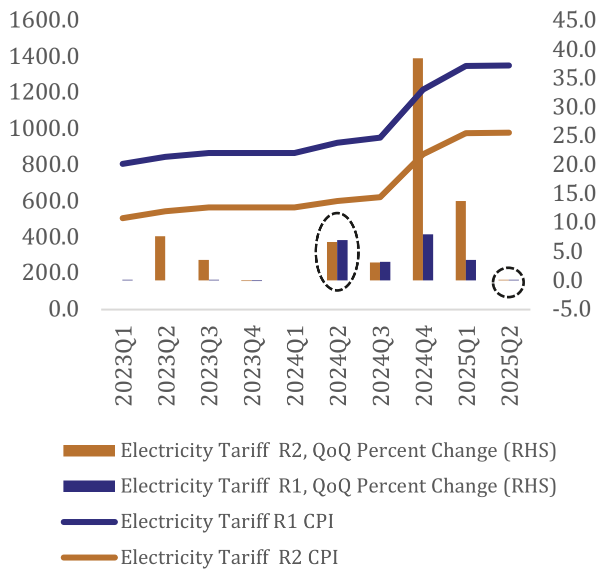


Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

[66]The Kwacha appreciated by 14.4 percent in 2025Q2 against the US dollar compared to a depreciation of 4.0 percent in 2025Q1.

[67]Between March and June, the prices of petrol, diesel and kerosene per litre were reduced by 10.3 percent, 22.4 percent and 16.1 percent to K31.36, K25.12 and K24.79, respectively.

Figure 84: Dissipation of Base Effects in Electricity Tariffs



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

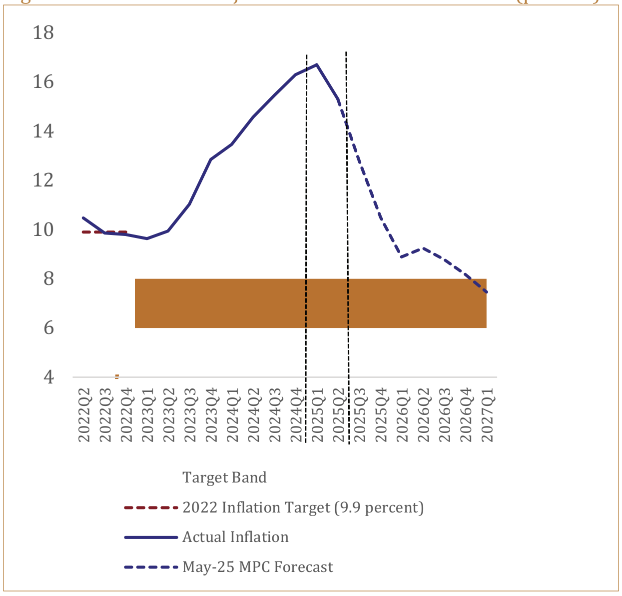
The inflation outturn of 15.3 percent was broadly in line with both the baseline and MPC projections (Table 11 and Figure 85).

Table 11: Assumptions underlying Inflation Projection in the Second Quarter of 2025

	2025 Q2	2025 Q2
	Assumed Value	Actual Value
Average inflation-USA (percent)	2.4	2.4
Fed funds rate (percent)	3.9	4.3
Average inflation-South Africa (percent)	3.1	2.9
Average copper price/ton (US$)	9,064.70	9,462.77
Average crude oil price/barrel (US$)	69.27	64.98
Reserve money growth (percent)	7.65	7.8
Fiscal deficit (ratio of expenditure to revenue)	1.19	1.22
World food price index	110.2	108.46
BoZ monetary policy rate (percent)	14.5	14.5
Inflation projection		
Baseline	15.2	
MPC	15.0	
February 2025 QSBOE expectations	16.9	
SoEE	16.2	
Inflation outturn (percent)		15.3
Inflation estimate using actual values (percent)		15.3
Exchange rate outturn		27.04
Exchange rate estimate using actual values		28.19

Source: Bank of Zambia Compilations, Reuters, South African Reserve Bank, World Bank Pink Sheet and Survey of Professional Forecasters

Figure 85: Actual and Projected Annual Overall Inflation (percent)



Source: Bank of Zambia Staff Forecast and Zambia Statistics Agency

In terms of inflation expectations, the outturn was significantly below the 16.9 percent and 16.2 percent anticipated by respondents to both *May 2025 Bank of Zambia Quarterly Survey of Business Opinions* and *Survey of Economic Expectations*, respectively (Table 12). This is because respondents expected inflation to continue to be impacted by elevated production costs due to the persistent low electricity supply and sustained exchange rate depreciation before tapering in the third quarter.

Table 12: Actual versus Inflation Projections[68]

	Actual Inflation	Baseline	MPC Projection	QSBOE	SOEE	MPC Forecast Error	Baseline Forecast Error
2022 Q1	14.1	14.8	17.7			-3.6	-0.7
2022 Q2	10.5	11.4	11.6			-1.1	-0.9
2022 Q3	9.9	11.8	11.6			-1.7	-1.9
2022 Q4	9.8	10.5	10.6			-0.8	-0.7
2023 Q1	9.6	9.2	9.2			0.4	0.4
2023 Q2	9.9	9.0	11.6	10.6		-1.7	0.9
2023 Q3	11.0	10.3	10.3	10.7		0.7	1.3
2023 Q4	12.9	13.1	13.1	12.4		-0.2	-0.2
2024 Q1	13.5	13.2	13.2	13.8		0.2	0.3
2024 Q2	14.6	13.8	14.7	14.9		-0.1	0.8
2024 Q3	15.5	15.5	15.8	15.5	15.7	-0.3	0.0
2024 Q4	16.3	15.9	16.4	16.5	16.2	-0.1	0.4
2025 Q1	16.7	16.7	16.5	17.3	16.3	0.2	0.0
2025 Q2	15.3	15.2	15.0	16.9	16.2	0.3	0.1

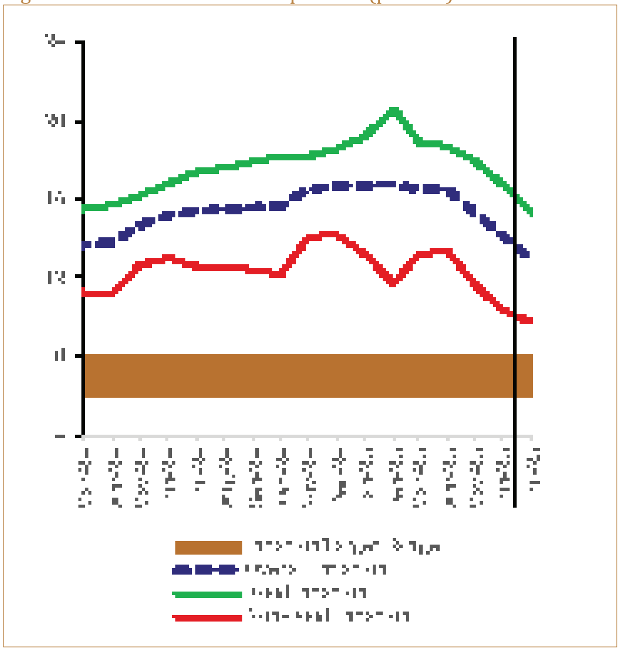
Source: Bank of Zambia Staff Computation

... inflation declines sharply in July

Overall inflation fell further to 13.0 percent in July from 14.1 percent in June (Figure 86 and Table 13). Food inflation declined to 15.3 percent from 16.7 percent in June while non-food inflation moderated to 9.7 percent from 10.3 percent.

[68]Data collection for QSBOE and SoEE commenced in 2023Q2 and 2024Q3, respectively.

Figure 86: Inflation and its Components (percent)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

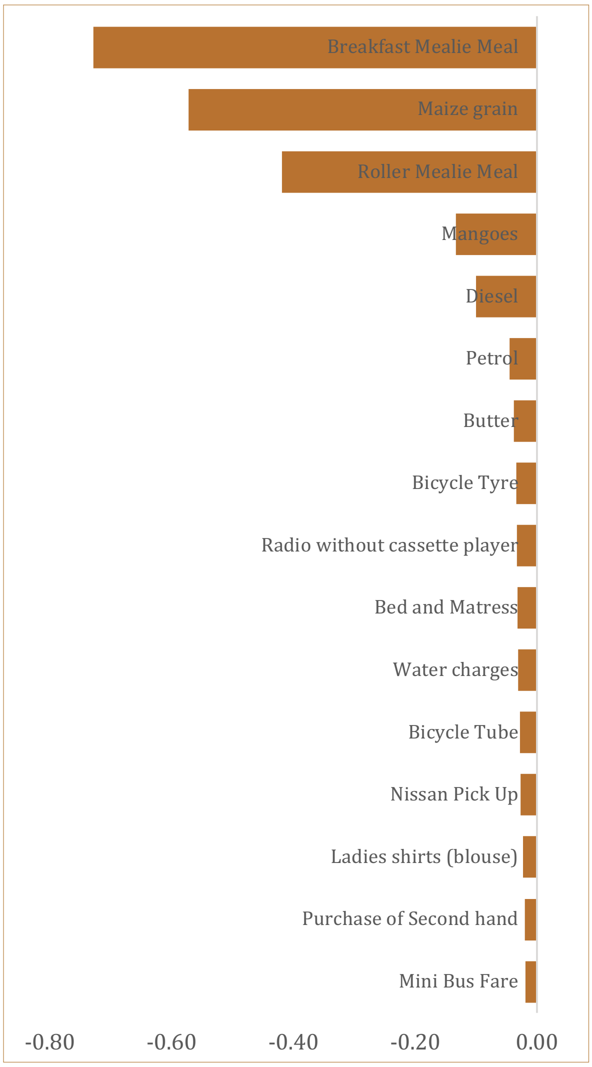
Table 13: Monthly Inflation Rate (percent)

	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025
Overall Inflation	16.5	16.5	15.3	14.1	13.0
Food Inflation	18.9	18.7	17.9	16.7	15.3
Non-Food Inflation	13.2	13.4	11.6	10.3	9.7

Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

The decline in food inflation was mostly due to the sustained reduction in prices of maize grain, breakfast and roller mealie meal (Figure 87). In addition, lower prices of imported butter and mangoes, attributed to a stronger Kwacha, had a notable influence on food inflation. The impact of the exchange rate appreciation, reflected in lower prices of motor vehicles, fuel[69] and minibus fares, largely explains the reduction in non-food inflation (Figure 87).

Figure 87: Contribution to Overall Inflation by Product in July (percentage points)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

[69]In July, prices of diesel, petrol, kerosene and jet A-1 were reduced by 7.92 percent, 10.71 percent, 11.34 percent and K11.60 percent to K23.13, K28.00, 21.98 and K23.94 per litre, respectively.

Monetary and Foreign Exchange Measures since April 2012

Measure	Date Implemented	Rationale
Policy Rate introduced and set at 9.0 percent	April 2, 2012	Mechanism for signalling monetary policy stance as transition to inflation targeting
Policy Rate raised to 9.25 percent	October 31, 2012	To contain inflationary pressures
Policy Rate raised to 9.50 percent	May 31, 2013	To contain inflationary pressures
Policy Rate raised to 9.75 percent	June 28, 2013	To contain inflationary pressures
Statutory reserve ratio raised to 14.0 percent from 8.0 percent	February 24, 2014	To address excess liquidity in the money market and its impact on inflation
Overnight Lending Facility (OLF) rate set at 600 basis points above the Policy Rate		
Access to OLF window restricted to once a week	March 19, 2014	To address excess liquidity in the money market and its impact on inflation
Marketable amount for two-way quote in the Interbank Foreign Exchange Market (IFEM) revised to US$0.5m-US$1m from US$1m		To moderate exchange rate volatility and bring orderliness in the interbank market
Interbank bid/ask spread increased to a maximum of K0.02 from K0.01	March 28, 2014	To enhance price discovery
Policy Rate raised to 10.25 percent	February 28, 2014	To contain inflationary pressures
Policy Rate raised to 12.0 percent	March 28, 2014	To contain inflationary pressures
Inclusion of Government deposits and vostro account deposits in the computation of statutory reserves		
Daily compliance on statutory reserve ratio re-introduced		
OLF rate set at 10.0 percentage points above the Policy Rate	May 30, 2014	
Policy Rate raised to 12.5 percent	November 19, 2014	To contain inflationary pressures
Once a week access to the OLF Window suspended and intraday loan to lapse into overnight loan allowed	December 10, 2014	
Statutory reserve ratio raised to 18.0 percent from 14.0 percent		
OLF rate set at 6 percentage points above the Policy Rate from 9.5 percentage points	March 20, 2015	
BoZ to discretionary trade any amount beyond marketable threshold on two-way quote		
BoZ to publish individual commercial banks' exchange rates on Reuters platform		
Commercial banks to update board exchange rates three times a day as prescribed	October 5, 2015	To improve order, stability, and transparency in the foreign exchange market
Policy Rate raised to 15.5 percent	November 3, 2015	To contain inflationary pressures
Interest rate caps removed, and consumer protection measures introduced	November 4, 2015	To allow for better functioning of the credit market
OLF rate set at 1,000 basis points above the Policy Rate	November 10, 2015	To contain inflationary pressures
Access to OLF Window restricted to once a week		
Roll-over of intra-day loan into an overnight loan discontinued	November 18, 2015	To contain inflationary pressures
Interbank bid/ask spread increased to a maximum of K0.05 from K0.02	May 19, 2016	To improve price discovery
Policy Rate reduced to 14.0 percent from 15.5 percent (first reduction since April 2012)	February 22, 2017	Fall in inflation; support economic growth

Measure	Date Implemented	Rationale
Statutory reserve ratio reduced to 15.0 percent from 18.0 percent	February 22, 2017	Reduce the cost of funds and promote credit growth
OLF rate set at 600 basis points above the Policy Rate from 1,000 basis points previously	February 22, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 12.5 percent from 14.0 percent	May 17, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 12.5 percent from 15.5 percent	May 17, 2017	Reduce the cost of funds and promote credit growth
Narrowed the Policy Rate corridor to +/- 1 percentage point from +/- 2 percentage points	May 17, 2017	To improve clarity of the policy stance and enhance effectiveness of monetary policy.
Policy Rate reduced to 11.0 percent from 12.5 percent	August 10, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 9.5 percent from 12.5 percent	August 10, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 10.25 percent from 11.0 percent	November 22, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 8.0 percent from 9.5 percent	November 22, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 9.75 percent from 10.25 percent	February 20, 2018	Fall in inflation; support economic growth, financial system stability
Statutory reserve ratio reduced to 5.0 percent from 8.0 percent	February 20, 2018	Fall in inflation and to provide a firm basis for the Policy Rate as the key signal of monetary policy
Policy Rate raised to 10.25 percent from 9.75 percent	May 22, 2019	Rise in inflationary pressures and heightened upside risks
OLF rate adjusted to 775 basis points above the Policy Rate from 600 basis points	May 22, 2019	Reduce volatility in the foreign exchange market contributing to inflationary pressures
OLF rate set at 1,650 basis points above the Policy rate from 775 basis points	November 14, 2019	Reduce volatility in the foreign exchange market contributing to inflationary pressures
Policy Rate raised to 11.5 percent from 10.25 percent	November 20, 2019	Rise in inflationary pressures and heightened upside risks
Statutory reserve ratio raised to 9.0 percent from 5.0 percent	December 23, 2019	Reduce volatility in the foreign exchange market
Policy Rate cut to 9.25 percent from 11.5 percent	May 20, 2020	To mitigate the adverse effects of COVID-19 on economic activity.
Additional standards of professional and ethical conduct for market players to enhance market discipline introduced.	May 2020	To enhance market discipline
Mining companies required to pay non-mineral royalty obligations directly in US dollars.	May 2020	To shore up international reserves.
Policy Rate cut to 8.0 percent from 9.25 percent	August 19, 2020	To safeguard the stability of the financial sector and mitigate the adverse effects of COVID-19 on economic activity.
Pricing rules governing the IFEM amended requiring Authorised Dealers to transact at prevailing market rates.	November 6, 2020	To stabilise the foreign exchange market.
Policy Rate raised to 8.5 percent from 8.0 percent	February 17, 2021	To counter inflationary pressures and anchor inflation expectations.
Policy Rate raised to 9.0 percent from 8.5 percent	November 24, 2021	To steer inflation to single digits in 2022 and within the target range by mid-2023.
Statutory reserve ratio raised to 11.5 percent from 9.0 percent	February 8, 2023	To address volatility in the foreign exchange market and safeguard stability of the foreign exchange market
Policy Rate raised to 9.25 percent from 9.0 percent	February 15, 2023	To steer inflation to within the target range by end-2023.

Measure	Date Implemented	Rationale
Policy Rate raised to 9.50 percent from 9.25 percent	May 17, 2023	To steer inflation back into the target range of 6-8 percent
Policy Rate raised to 10.0 percent from 9.50 percent	August 23, 2023	To steer inflation back into the target range of 6-8 percent
Statutory reserve ratio raised to 14.5 percent from 11.5 percent	November 13, 2023	To relieve persistent foreign exchange market pressure with a view to rein in inflation.
Statutory reserve ratio raised to 17.0 percent from 14.5 percent	November 21, 2023	Necessitated by persistent exchange rate pressures which were contributing to higher inflation.
Policy Rate raised to 11.0 percent from 10.0 percent	November 22, 2023	To steer inflation back into the target range of 6-8 percent
Statutory reserve ratio raised to 26.0 percent from 17.0 percent	February 2, 2024	Necessitated by persistently high demand pressures in the foreign exchange market contributing to higher inflation.
Policy Rate raised to 12.5 percent from 11.0 percent	February 14, 2024	To steer inflation back into the target range of 6-8 percent and help anchor inflation expectations.
Policy Rate raised to 13.5 percent from 12.5 percent	May 15, 2024	To augment earlier actions aimed at containing persistent inflationary pressures, acting mostly through the exchange channel, and addressing rising inflation expectations.
Bank of Zambia Foreign Exchange Market Guidelines	May 24, 2024	To enhance transparency, efficiency and effectiveness of domestic foreign exchange market in Zambia.
Government Securities as an Additional Asset Class for Minimum Reserve Requirements	June 5, 2024	To moderate the cost of intermediation and provide flexibility to reserve requirement compliance.
Amendment to the Interbank Foreign Exchange Market Rules	June 11, 2024	To improve transparency and strengthen the operations of the domestic foreign exchange market.
Policy Rate maintained at 13.5 percent	August 15, 2024	The Committee judged that the monetary policy stance was appropriate despite actual and projected inflation remaining above the 6-8 percent target band.
Policy Rate raised to 14.0 percent from 13.5 percent	November 13, 2024	To steer inflation back towards the 6-8 percent target band and anchoring inflation expectations.
Measure	Date Implemented	Rationale
Policy Rate introduced and set at 9.0 percent	April 2, 2012	Mechanism for signalling monetary policy stance as transition to inflation targeting
Policy Rate raised to 9.25 percent	October 31, 2012	To contain inflationary pressures
Policy Rate raised to 9.50 percent	May 31, 2013	To contain inflationary pressures
Policy Rate raised to 9.75 percent	June 28, 2013	To contain inflationary pressures
Statutory reserve ratio raised to 14.0 percent from 8.0 percent	February 24, 2014	To address excess liquidity in the money market and its impact on inflation
Overnight Lending Facility (OLF) rate set at 600 basis points above the Policy Rate	March 19, 2014	To address excess liquidity in the money market and its impact on inflation
Access to OLF window restricted to once a week		
Marketable amount for two-way quote in the Interbank Foreign Exchange Market (IFEM) revised to US$0.5m-US$1m from US$1m	March 28, 2014	To moderate exchange rate volatility and bring orderliness in the interbank market
Interbank bid/ask spread increased to a maximum of K0.02 from K0.01		To enhance price discovery
Policy Rate raised to 10.25 percent	February 28, 2014	To contain inflationary pressures
Policy Rate raised to 12.0 percent	March 28, 2014	To contain inflationary pressures

Measure	Date Implemented	Rationale
Inclusion of Government deposits and vostro account deposits in the computation of statutory reserves	May 30, 2014	
Daily compliance on statutory reserve ratio re-introduced		
OLF rate set at 10.0 percentage points above the Policy Rate		
Policy Rate raised to 12.5 percent	November 19, 2014	To contain inflationary pressures
Once a week access to the OLF Window suspended and intraday loan to lapse into overnight loan allowed	December 10, 2014	
Statutory reserve ratio raised to 18.0 percent from 14.0 percent	March 20, 2015	
OLF rate set at 6 percentage points above the Policy Rate from 9.5 percentage points		
BoZ to discretionary trade any amount beyond marketable threshold on two-way quote	October 5, 2015	To improve order, stability, and transparency in the foreign exchange market
BoZ to publish individual commercial banks' exchange rates on Reuters platform		
Commercial banks to update board exchange rates three times a day as prescribed		
Policy Rate raised to 15.5 percent	November 3, 2015	To contain inflationary pressures
Interest rate caps removed, and consumer protection measures introduced	November 4, 2015	To allow for better functioning of the credit market
OLF rate set at 1,000 basis points above the Policy Rate	November 10, 2015	To contain inflationary pressures
Access to OLF Window restricted to once a week	November 18, 2015	To contain inflationary pressures
Roll-over of intra-day loan into an overnight loan discontinued		
Interbank bid/ask spread increased to a maximum of K0.05 from K0.02	May 19, 2016	To improve price discovery
Policy Rate reduced to 14.0 percent from 15.5 percent (first reduction since April 2012)	February 22, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 15.0 percent from 18.0 percent	February 22, 2017	Reduce the cost of funds and promote credit growth
OLF rate set at 600 basis points above the Policy Rate from 1,000 basis points previously	February 22, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 12.5 percent from 14.0 percent	May 17, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 12.5 percent from 15.5 percent	May 17, 2017	Reduce the cost of funds and promote credit growth
Narrowed the Policy Rate corridor to +/- 1 percentage point from +/- 2 percentage points	May 17, 2017	To improve clarity of the policy stance and enhance effectiveness of monetary policy.
Policy Rate reduced to 11.0 percent from 12.5 percent	August 10, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 9.5 percent from 12.5 percent	August 10, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 10.25 percent from 11.0 percent	November 22, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 8.0 percent from 9.5 percent	November 22, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 9.75 percent from 10.25 percent	February 20, 2018	Fall in inflation; support economic growth, financial system stability

Measure	Date Implemented	Rationale
Statutory reserve ratio reduced to 5.0 percent from 8.0 percent	February 20, 2018	Fall in inflation and to provide a firm basis for the Policy Rate as the key signal of monetary policy
Policy Rate raised to 10.25 percent from 9.75 percent	May 22, 2019	Rise in inflationary pressures and heightened upside risks
OLF rate adjusted to 775 basis points above the Policy Rate from 600 basis points	May 22, 2019	Reduce volatility in the foreign exchange market contributing to inflationary pressures
OLF rate set at 1,650 basis points above the Policy rate from 775 basis points	November 14, 2019	Reduce volatility in the foreign exchange market contributing to inflationary pressures
Policy Rate raised to 11.5 percent from 10.25 percent	November 20, 2019	Rise in inflationary pressures and heightened upside risks
Statutory reserve ratio raised to 9.0 percent from 5.0 percent	December 23, 2019	Reduce volatility in the foreign exchange market
Policy Rate cut to 9.25 percent from 11.5 percent	May 20, 2020	To mitigate the adverse effects of COVID-19 on economic activity.
Additional standards of professional and ethical conduct for market players to enhance market discipline introduced.	May 2020	To enhance market discipline
Mining companies required to pay non-mineral royalty obligations directly in US dollars.	May 2020	To shore up international reserves.
Policy Rate cut to 8.0 percent from 9.25 percent	August 19, 2020	To safeguard the stability of the financial sector and mitigate the adverse effects of COVID-19 on economic activity.
Pricing rules governing the IFEM amended requiring Authorised Dealers to transact at prevailing market rates.	November 6, 2020	To stabilise the foreign exchange market.
Policy Rate raised to 8.5 percent from 8.0 percent	February 17, 2021	To counter inflationary pressures and anchor inflation expectations.
Policy Rate raised to 9.0 percent from 8.5 percent	November 24, 2021	To steer inflation to single digits in 2022 and within the target range by mid-2023.
Statutory reserve ratio raised to 11.5 percent from 9.0 percent	February 8, 2023	To address volatility in the foreign exchange market and safeguard stability of the foreign exchange market
Policy Rate raised to 9.25 percent from 9.0 percent	February 15, 2023	To steer inflation to within the target range by end-2023.
Policy Rate raised to 9.50 percent from 9.25 percent	May 17, 2023	To steer inflation back into the target range of 6-8 percent
Policy Rate raised to 10.0 percent from 9.50 percent	August 23, 2023	To steer inflation back into the target range of 6-8 percent
Statutory reserve ratio raised to 14.5 percent from 11.5 percent	November 13, 2023	To relieve persistent foreign exchange market pressure with a view to rein in inflation.
Statutory reserve ratio raised to 17.0 percent from 14.5 percent	November 21, 2023	Necessitated by persistent exchange rate pressures which were contributing to higher inflation.
Policy Rate raised to 11.0 percent from 10.0 percent	November 22, 2023	To steer inflation back into the target range of 6-8 percent
Statutory reserve ratio raised to 26.0 percent from 17.0 percent	February 2, 2024	Necessitated by persistently high demand pressures in the foreign exchange market contributing to higher inflation.
Policy Rate raised to 12.5 percent from 11.0 percent	February 14, 2024	To steer inflation back into the target range of 6-8 percent and help anchor inflation expectations.
Policy Rate raised to 13.5 percent from 12.5 percent	May 15, 2024	To augment earlier actions aimed at containing persistent inflationary pressures, acting mostly through the exchange rate channel and addressing rising inflation expectations.

Measure	Date Implemented	Rationale
Bank of Zambia Foreign Exchange Market Guidelines	May 24, 2024	To enhance transparency, efficiency and effectiveness of domestic foreign exchange market in Zambia.
Government Securities as an Additional Asset Class for Minimum Reserve Requirements	June 5, 2024	To moderate the cost of intermediation and provide flexibility to reserve requirement compliance.
Amendment to the Interbank Foreign Exchange Market Rules	June 11, 2024	To improve transparency and strengthen the operations of the domestic foreign exchange market.
Policy Rate maintained at 13.5 percent	August 14, 2024	The Committee judged that the monetary policy stance was appropriate despite actual and projected inflation remaining above the 6-8 percent target.
Policy Rate raised to 14.0 percent from 13.5 percent	November 13, 2024	To steer inflation back towards the 6-8 percent target band and anchoring inflation expectations.
Policy Rate raised to 14.5 percent from 14.0 percent	February 12, 2025	To steer inflation back to the 6-8 percent target band and help anchor inflation expectations.
Policy Rate maintained at 14.5 percent	May 23, 2025	Maintaining the current stance of monetary policy was deemed appropriate considering the decline in inflation to 16.5 percent in April from 16.8 percent in February, the balance of risks that was still tilted to the downside, and the stability of the financial system.
Policy Rate maintained at 14.5 percent	August 13, 2025	The Committee judged that maintaining the Policy Rate was appropriate as inflation remained well above the 6- 8 percent target band despite the projection indicating that inflation would decline and fall within the 6-8 percent target band in the in the first quarter of 2026. The decision would also allow for the consolidation of the gains made so far on inflation.