

Mission Statement

The principal purpose of the Bank of Zambia is to formulate and implement monetary and supervisory policies that will ensure price and financial system stability.



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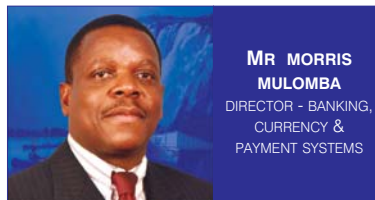
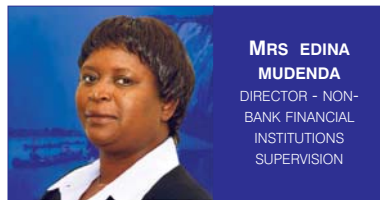
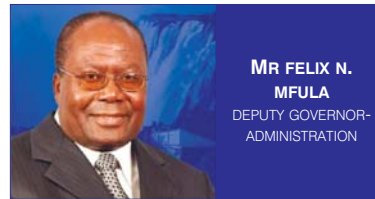
DR CHISEBWE NG'ANDWE



MR BERLIN MSISKA

SENIOR MANAGEMENT

Senior Management for the Year Ended 31 December 2004



During 2004, the performance of the Zambian economy was impressive, as reflected in the growth of 5% in real Gross Domestic Product (GDP), which compared favourably with the 5.1% recorded in 2003. It is worth noting that this was the sixth consecutive year that the national output had posted a positive growth and sixth year of real per capita growth. The good performance of the economy was also reflected in the annual overall inflation outturn of 17.5% in December 2004, which, although 0.3 percentage points above the previous year's outturn of 17.2% was 2.5 percentage points below the target of 20.0% for the year under review. These welcome developments could have been better had it not been for the escalating world oil prices.

The resilience of the economy and its subsequent positive outturn were assisted by both domestic and external factors. With respect to inflation, the conduct of monetary policy by the Bank of Zambia, which was supported by other Government anti-inflationary measures, continued to be guided by its commitment to achieve the inflation target for the year. Government, on its part, maintained fiscal prudence throughout the year under review. Despite the general increase of loanable funds in the economy, Government's share of domestic credit declined during 2004 on account of its commitment to borrowing within set ceilings. Consequently, Government domestic borrowing at 0.8% of GDP was lower than the projected 2.2% of GDP.

Owing, in large measure, to the Bank's efforts to maintain appropriate levels of liquidity in the banking system, annual non-food inflation, which is more directly influenced by the conduct of monetary policy, was favourable at 18.9% in December 2004 compared with the projected 22.9% and the 21.7% outturn for December 2003. Annual food inflation at 16.3% in December 2004 was also lower than the projection of 17.4%. However, this outturn was higher than the 13.5% recorded the previous year. This was largely explained by the adequate food supply during the year under review, as reflected in the overall maize surplus of 185,000 metric tons compared with that of 120,000 metric tons in 2003, principally on account of good weather complimented by supportive agricultural strategies.

During the year, average yield rates on Government securities were generally lower than in 2003, in part explained by the effects of the reduced statutory reserve ratios on commercial banks' Kwacha and foreign currency deposits in the fourth quarter of 2003 and reduced Government borrowing. The reduction in yield rates on Government securities did also contribute to the lowering and subduing of increases in commercial banks' lending rates. Commercial banks' weighted average lending base rate (WALBR) declined to 29.8% in June 2004 and remained unchanged as at end-December 2004 from 36.8% at end-December 2003. It is important to note that the reduction in interest rates also had a positive effect on domestic credit, which saw private sector borrowing expanding by an unprecedented 59.4% in recent times.

Another factor which contributed to subdued inflationary pressures during the year under review, was the relative stability of the exchange rate of the Kwacha against major foreign currencies, particularly the US dollar. The Kwacha appreciated by 2.6% against the US dollar in contrast to a depreciation of 7.2% in 2003. The strong performance of the external sector, continued confidence in the interbank foreign exchange market (IFEM) trading system, introduced in July 2003 and the broad weakness of the US dollar in the international currency markets, largely explained the appreciation of the Kwacha against the US dollar.

The strengthening of the external sector was on account of favourable metal and non-traditional export earnings during the year under review. The favourable performance of metal exports was largely supported by the rise in the average realised copper prices to US \$1.20 per pound in 2004 from US \$0.78 per pound in 2003, following, principally, high demand for copper from the Chinese economy.

The improvement in the external sector was also reflected in the narrowing of the overall balance of payments by 29.9% to negative US \$225 million in 2004 from negative US \$321 million the previous year. This positive development was underpinned by the 8.3% reduction in the current account deficit to negative US \$642 million during the year under review following a 65% decline in the merchandise trade deficit.

With regard to the real sector, the favourable outturn was mainly on account of the increase in agricultural output during the year under review, coupled with auspicious developments in mining and quarrying, trade, construction and manufacturing sectors. In the agricultural sector, growth was partly reflected in increased output of most major crops, with maize output increasing to 1,214,000 metric tons in the 2003/2004 agricultural season from 1,158,000 metric tons the previous agricultural season.

In the mining sector, growth was driven by high copper output and prices. Copper output rose by 13.9% to 398,274.3 metric tons in 2004 from 349,814.4 metric tons in 2003. The high copper prices led to increased copper export earnings which in turn improved the financial conditions of mining companies. The improvement in the financial conditions of the mining companies enabled them to undertake the much needed recapitalisation thereby improving their operations and subsequently bolstering copper output. The coming on board of a new equity strategic partner at Konkola Copper Mines (KCM), was an added factor to increased copper output.

Regarding external debt, since 2000, Zambia has been under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative, which is a Bretton Woods institutions' initiative aimed at reducing debts of developing countries to sustainable levels. Under the HIPC Initiative, most of Zambia's external creditors pledged to cancel Zambia's external debt after the attainment of the enhanced HIPC Completion Point. As at end-December 2004, a tripartite (World Bank, IMF and Zambian Government) assessment showed that HIPC Initiative triggers were observed. In



DR CALEB M. FUNDANGA
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2004, a total debt relief of US \$362.9 million was provided by Zambia's various creditors.

Another positive development was the stable financial sector, which was supportive of the country's growth and inflation objectives. The stability in the financial sector was partly explained by enhanced regulatory and supervisory activities. The overall financial condition and performance of the banking sector was satisfactory, as all operating banks met their minimum regulatory capital requirements. In addition, the performance of the non-bank financial institutions sector was considered fair, although some financial institutions remained financially constrained.

During 2004, Government approved the Financial Sector Development Plan (FSDP), which aimed at improving intermediation and overall condition of the Zambian financial sector. With this approval, the BoZ, in collaboration with other key stakeholders, continued with preparatory activities for the implementation of the FSDP.

Developments in the capital markets continued to improve, with market capitalisation on the Lusaka Stock Exchange (LuSE) more than doubling. Market capitalisation increased to 38.1% of GDP from 16.9% of GDP the previous year.

In order to further reduce risks and improve efficiency in the payment systems in Zambia, in June 2004, the Bank of Zambia commissioned the Zambia Inter-bank Payment and Settlement System (ZIPSS), which provides for real time gross settlement (RTGS) of large value transfers on a transaction-by-transaction basis.

At the Bank of Zambia, several developments took place during the year under review. These included the realignment of the organisational structure with the objective of creating and sustaining a working environment that attracts, develops and retains a committed workforce. The Fine-Tuning exercise, was completed by the end of the year. A new Collective Agreement with the Zambia Union of Financial Institutions and Allied Workers for the 2004 - 2006 period was signed. A notable development in the new Collective Agreement was the adoption of Performance Related Pay (PRP). In addition, the Bank continued its efforts in fighting HIV/AIDS. Furthermore, the Bank of Zambia continued hosting meetings of former Governors during the year.

Yet another notable development during the year under review was the visit to the Bank of Zambia by the Republican President, His Excellency, Mr. Levy P. Mwanawasa, SC, in February. This was the first visit to the Bank by a Republican President.

In August 2004, the Bank of Zambia celebrated 40 years of its existence. This was marked with several activities, including displays and information sessions at the Lusaka National Museum, publication of an informative Bank of Zambia 40th Anniversary Brochure, hosting of an international conference and a number of sporting events. The international conference was officially opened by His Excellency the President, Mr. Levy P. Mwanawasa, SC. Also notable about the conference was that the opening session was chaired by Baroness Lynda Chalker of Wallasey and the key note address, "Challenges of Central Banking in Africa," was delivered by Mr Tito T. Mboweni, Governor of the South African Reserve Bank and Chairman of the Southern African Development Community (SADC) Committee of Central Bank Governors.

Looking ahead, the Bank faces a number of challenges which include, lowering inflation and stabilising it at single digits, lowering commercial banks' lending rates to foster lending to the productive sectors, sustaining the stability and maintaining competitiveness of the exchange rate of the Kwacha against major currencies and attaining the enhanced HIPC Initiative Completion Point in 2005. Other challenges are deepening the country's financial markets, curbing money-laundering in the financial sector, sustaining the stability in the financial systems and contributing to higher and sustained broad-based economic growth.

Overall, 2004 was an encouraging year and in 2005, the Bank will do all it can to consolidate these gains and further improve its contribution to macroeconomic stability.



Dr Caleb M. Fundanga

Governor and Chairman of the Board of Directors



2 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.0 OVERVIEW

Analysis in the World Economic Outlook (WEO) for 2004 indicate that the recovery in the global economy was entrenched in 2004, with growth averaging 5%, well in excess of the historical trend of 4% (see Table 1). This was despite the adverse consequences of the December 2004 Tsunami disaster in Asia. Strong growth in industrial countries continued while exceptionally rapid expansion was recorded in emerging markets, notably China. This growth was underpinned by accommodative macroeconomic policies, a strong upturn in industrial production and trade flows, a pick up in private consumption growth owing to generally improved labor market conditions and wealth effects from rising equity prices.

From a regional perspective, the global growth continued to be driven by the United States and Asia. In addition, activity in Latin America and some other emerging markets picked up strongly. The recovery in the euro area was sustained, but remained relatively weak and was heavily dependent on external demand.

It is worth noting that while the US current account deficit continued to deteriorate in 2004, it was offset by higher surpluses in Japan and the euro area (see Table 1). Further, current account surpluses in emerging economies of Asia remained very high, largely explained by strengthened domestic demand, electronics exports and exchange rate competitiveness.

Driven by buoyant global demand and supply factors commodity prices strongly picked up. In the oil market, prices rose sharply, underpinned by a combination of surging demand and supply side concerns in several major oil exporting countries, including Iraq, Russia and Venezuela, exacerbated by low excess capacity and speculative activity. Non-fuel commodity prices also increased in 2004, although the increase was lower than the increase in fuel prices.

The impact of higher oil prices varied significantly across regions depending on, among other things, the energy intensity of production and consumption, the effect on the terms of trade and the flexibility with which the economies adapted to shocks. Among the industrialised countries, the impact was somewhat larger in the United States and the Euro area than in Japan and the United Kingdom. Within the developing countries, oil producers benefited on aggregate while the poorest oil importing countries, particularly, in Africa and the Commonwealth of Independent States were adversely affected. The adverse impact was largest in emerging Asia and Europe and relatively small in Latin America. However, the adverse impact was partially offset by higher non-fuel prices.

As a consequence of higher oil prices, inflation picked up in 2004. The foregoing notwithstanding, inflationary risks were moderate in most countries given substantial excess capacity, and modest wage settlements compared to productivity, growth and strong corporate profitability particularly in the United States, providing scope for firms to absorb upward price pressures.

TABLE 1: REAL GDP GROWTH, INFLATION¹, AND CURRENT ACCOUNT POSITIONS, 2002-2004.

	Real GDP(%)			Inflation (%)			Current Account Positions (% of GDP)		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
World	3.0	3.9	5.0	n/ap	n/ap	n/ap	n/ap	n/ap	n/ap
Advanced Economies	1.6	2.0	3.4	1.5	1.8	2.1	-0.8	-0.8	-0.8
United States	1.9	3.0	4.4	1.6	2.3	3.0	-4.5	-4.8	-5.4
Euro area	0.8	0.5	2.0	2.3	2.1	2.1	0.8	0.3	0.8
Japan	-0.3	1.4	2.6	-0.9	-0.2	-0.2	2.8	3.2	3.4
Commonwealth of Independent States	5.4	7.9	8.2	13.8	12.0	9.9	7.0	6.4	8.3
Russia	4.7	7.3	7.1	15.8	13.7	10.3	8.9	8.3	9.9
Excluding Russia	7.0	9.0	9.6	19.9	11.6	10.4	-0.7	1.0	-
Middle East²	4.3	5.8	5.5	7.5	8.0	9.2	4.5	8.1	12.7
Developing Countries	4.8	6.1	6.6	5.8	5.3	5.9	n/a	n/a	n/a
Africa	3.5	4.6	5.1	9.7	10.3	8.4	-1.5	-0.1	0.4
Sub-Saharan Africa	3.6	4.2	5.1	12.1	12.9	9.9	-3.5	-2.4	-1.4

Note: n/ap=not applicable
n/a= not available

Source: World Economic Outlook, IMF, September 2004.

2.1 INDUSTRIALISED COUNTRIES

Real GDP growth in industrial countries in 2004 increased to 3.4% compared with 2.0 % in 2003. Recovery was led by the United States, with diminishing fiscal and monetary stimulus balanced by strong labor productivity growth. In Japan, the upturn was strong amid increasing signs that its long standing problems of deflation and financial and corporate sector weaknesses were easing. Recovery also took root in the Euro area. However, given the historical slow adjustment to shocks and with employment likely to strengthen only gradually, the pace of expansion in the Euro area was expected to remain moderate.

2.2 EMERGING MARKET AND DEVELOPING COUNTRIES

The emerging market and developing countries continued to experience generally strong recovery, with GDP growth increasing markedly in all major regions. For the group as a whole, domestic demand growth was generally

¹Annual averages rather than as December-December changes during the year as is the practice in some countries.

²Includes Bahrain, Islamic Republic of Iran, Iraq, Kuwait, Jordan, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Arab Republic of Syrian, UAE and Republic of Yemen.

strong and current account surpluses remained high. In emerging Asia, GDP growth remained at 7.2% led by booming activity in China fuelled by very rapid investment and credit growth and India where, despite recent adverse weather conditions, growth was boosted by the global expansion and supportive monetary conditions.

2.3 COMMONWEALTH OF INDEPENDENT STATES (CIS)³

During 2004, economic activity in the Commonwealth of Independent States remained robust with real GDP growth of 8.2% compared to 7.9% the previous year. The growth was driven by rising global demand for oil and metals with growth in Russia and Ukraine going up significantly. However, the CIS-7⁴ oil importing countries were adversely affected. The expansion in Central and Eastern Europe also continued in 2004 threatened only by large fiscal and current account deficits.

2.4 LATIN AMERICA AND THE MIDDLE EAST

Latin American economies registered real growth of 4.6% in 2004, which was supported by the global recovery, rising commodity prices and increasing domestic demand. In the Middle East, real GDP growth was 5.5% compared to 5.8% in 2003. This was despite the fragile security situation in the region. The growth was largely driven by higher oil production and prices.

2.5 DEVELOPING AFRICAN ECONOMIES

GDP growth in African countries was resilient in the face of the impact of increasing oil prices on the global market on oil importing countries. In Sub-Saharan Africa, GDP growth rose to 5.1 % in 2004 from 4.6% in 2003. This reflected higher than expected growth in Nigeria. Growth in Africa was driven mainly by improved macroeconomic stability, increasing oil prices (for oil producing countries), improved political stability and a recovery in agriculture following severe droughts in 2003.

³ Russia, Ukraine, Kazakhstan and Belarus

⁴ Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan.



3 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

3.0 OVERVIEW

During the year under review, the Government sought to foster macroeconomic stability through consolidation of earlier gains and ensuring that the economic reform programme, which had gone off-track the preceding year, was brought back on track as quickly as possible. In this regard, key macroeconomic objectives in the year included:

- (i) real GDP growth of 3.5%;
- (ii) annual overall inflation of 20%;
- (iii) domestic budget deficit of no more than 3.4% of GDP; and
- (iv) international reserve build up of at least 1.7 months of imports cover.

Consistent with the growth and inflation objectives, reserve money and broad money were each programmed to grow by 18.1% during this period. Similarly, to ensure that fiscal operations remained on target, net domestic financing of the Government budget was programmed not to exceed 2.2% of GDP.

In addition, to the above challenges, monetary policy in 2004 had to contend with further oil price hikes on the international market and increased commercial banks liquidity, following a precipitous decline in yield rates on government securities and commercial banks were as a result slowly finding alternative investment opportunities for their increased excess reserves.

Despite the above threats, the outturn in the overall inflation at 17.5%, was 2.5 percentage points below the end-December 2004 target of 20.0%. It was also just slightly above the 17.2% recorded at end-December 2003. Explaining the inflation outturn were mainly the relative stability in the exchange rate of the Kwacha against major foreign currencies, particularly the US dollar, fiscal prudence, and the slowdown in increases in food prices on account of adequate availability of food supply.

The exchange rate of the Kwacha against other currencies continued to be relatively stable in 2004 following better than expected performance of the external sector, largely on account of increased metal export earnings, due to improved copper prices on the world market. This was supported by appropriate monetary and fiscal policies as well as broad weakness of the US dollar in the international currency market. In addition, the entrenchment of the inter-bank foreign exchange market (IFEM) trading system introduced in July 2003 continued to contribute to the relative stability of the foreign exchange market.

Favourable external sector performance was epitomised by the narrowing of the overall balance of payments position by 29.9% to negative US \$225 million in 2004 from negative US \$321 million the previous year. This positive development was on account of the improvement in the current account balance. The current account deficit narrowed by 8.3% to US \$642 million during the year under review due mainly to a 65% decline in the merchandise trade deficit, which in turn was attributed to relatively higher merchandise exports than the previous year, occasioned by continued improvement in both metal and non-metal exports.

During 2004, national output continued to expand as reflected in the real GDP growth of 5%, virtually the same as that recorded in 2003 (5.1%). Positive domestic and international developments during the year under review contributed to this growth. Agriculture, mining, manufacturing and construction sectors were prime movers of growth in domestic economic activity. On the external front, buoyant copper prices boosted the performance of the mining sector despite the adverse effects of an unprecedented increase in the price of oil on the world market. It is important to note that this was the fifth consecutive year that the national output posted a positive growth above 3.0% (see Table 25A).

3.1 MONETARY DEVELOPMENTS AND INFLATION

Monetary Policy Objective

Monetary policy during 2004 was aimed at achieving an overall inflation rate of 20.0% by end-December 2004. This was premised on achieving non-food and food inflation rates of 18.9% and 16.3% at the end of 2004, respectively. Consistent with these objectives, reserve money and broad money were each programmed to grow by 18.1% during this period (see Table 2). The achievement of monetary policy objective was to be complimented by prudent fiscal policy, with net domestic financing of the Government budget programmed not to exceed 2.2% of GDP.

TABLE 2: ACTUAL PERFORMANCE AGAINST PROJECTIONS, 2003 - 2004 (%)

	End-December 2003		End-December 2004	
	Projection	Actual	Projection	Actual
Overall Inflation	17.1	17.2	20.0	17.5
<i>Non-food Inflation</i>	20.4	21.7	22.9	18.9
<i>Food Inflation</i>	14.5	13.5	17.4	16.3
Reserve Money	7.3	12.2	18.1	33.8
Broad Money	16.9	23.4	18.1	31.7
Domestic Credit	26.7	49.0	43.0	13.1
<i>Private Sector Credit</i>	14.8	36.4	26.6	59.4
Net Domestic Financing (% of GDP)	2.1	5.1	2.2	1.9

Source: Bank of Zambia

Challenges to Monetary Policy

The conduct of monetary policy in 2004 was done against a background of several challenges. Firstly, during the first half of the year, the economic reform programme was implemented without a Poverty Reduction and Growth Facility (PRGF) arrangement with the IMF. This entailed that monetary policy was being conducted in an environment of considerable uncertainty. After going off-track in 2003, largely due to fiscal slippages, the country was compelled to move onto an IMF Staff Monitored Programme (SMP) effective June 2003. Among other things, the Bank of Zambia had to therefore, deal with liquidity pressures arising from fiscal impulses. These pressures only effectively eased in June 2004 following a track record of good macroeconomic performance, which saw the country successfully negotiate a new PRGF arrangement with the Fund.

Secondly, the downside to the optimism that inflation would be brought under control were the unprecedented increases in prices of petroleum products, which led to higher transportation and production costs, thereby exacerbating inflationary pressures in the economy. The increases in world prices of crude oil, followed increased demand for the commodity especially from China as well as uncertainty arising from political instability in the Middle East.

The above challenges notwithstanding, the Bank of Zambia was committed to ensuring that it consolidated the gains achieved in reducing inflation in 2003. In this regard, the Bank used all instruments at its disposal to ensure that money supply growth was in line with the objective of reducing inflation. The observed favourable inflation outturn in 2004 has therefore, also to be seen in this context.

Monetary Policy Outcome

As already indicated, assessment of monetary policy performance during 2004 showed that the outcome of monetary policy was largely favourable. The overall inflation rate of 17.5% at end-December 2004 (17.2%: December 2003) was below the projection of 20.0% (see Table 2). This was despite growth rates in broad money and reserve money exceeding their programmed targets. Generally interest rates declined and the exchange rate continued to be stable during the year under review.

In an attempt to keep the growth of broad money within the programmed path, the Bank employed primary auctions of Government securities and conducted open market operations. In addition, the Bank of Zambia left the statutory reserve ratios on both Kwacha and foreign currency deposits liabilities held by commercial banks at the same level of 14.0% during the period under review.

Monetary Developments

Liquidity Conditions

During the first half of 2004, the banking system was characterised by high levels of liquidity and banks continued to seek alternative investment opportunities for their funds following unmatched Government demand for such funds. This was compounded by liquidity injections from the Bank of Zambia purchases of foreign exchange from the market to safeguard observance of the net domestic assets and international reserve targets, which had come under pressure. However, this trend was reversed during the most part of the second half as the Bank of Zambia, in its effort to stem excessive monetary pressures on inflation, withdrew excess liquidity through enhanced open market operations.

Reserve Money

Notwithstanding efforts made to withdraw liquidity, reserve money growth increased to 33.8% in 2004 from 12.2% in 2003 (see Table 3). In absolute terms, reserve money increased to K1,894.0 billion at the end of 2004 from K1,415.2 billion in the previous year. Compared to the programmed reserve money growth target of 18.1%, actual growth in reserve money was in excess by 15.7 percentage points.

The increase in reserve money arose mainly from an expansion of 9.2% in net domestic assets (NDA), which rose to K5,270.4 billion in 2004 from K4,828.4 billion in 2003. In addition, net foreign assets (NFA) increased by 1.1% to negative K3,487.5 billion. Most of the reserve money supplied in 2004 was reflected in increases in currency in circulation, Kwacha and foreign currency statutory reserve balances, which rose by 22.1%, 22.9% and 45.1%, respectively.

To mitigate excessive growth in reserve money, the BoZ withdrew a total of K780.8 billion from the market through term deposits (K393.6 billion), repos (K68.5 billion) and net sales of Government securities (K318.7 billion).

The BoZ also on occasions supplied liquidity to mitigate market shortages. These were such occasions, which resulted in an injection of K298.5 billion through secured short-term loans.

TABLE 3: SOURCES AND USES OF RESERVE MONEY, 2002-2004 (K'BILLIONS)

	2002	2003	2004
Net Foreign Assets	-4,303.5	-3,413.2	-3,376.4
Net Domestic Assets	5,568.4	4,828.4	5,270.4
Net claims on government	929.7	1,073.8	1,280.5
Claims on non-government	193.6	363.0	329.7
Other items, net	4,445.1	3,391.8	3,660.2
Reserve Money	1,264.9	1,415.2	1,894.0
Of which:			
Currency	479.4	670.1	818.5
With banks	57.1	77.7	85.9
With non-banks	422.4	592.4	732.6
Bank deposits	781.1	745.1	1,066.0
Required reserves (Kwacha)	263.7	286.0	351.6
Required reserves (forex)	147.8	203.3	294.7
Settlement accounts	221.5	233.4	249.1
Other deposits	72.1	22.4	180.1
Contribution to Growth in Reserve Money (%)			
Growth in Reserve Money	44.9	11.9	33.8
Of which:			
Net Foreign Assets	-97.0	70.4	2.6
Net Domestic Assets	141.9	-58.5	31.2
Domestic Credit	-38.0	24.8	12.3
Government	-24.1	11.4	14.6
Public Enterprises	-18.8	1.9	2.2
Private Enterprises	0.3	-0.1	-0.4
Households	0.6	-0.2	-0.1
Banks	4.0	7.2	0.0
Other Items Net	179.8	-83.3	19.0

Source: Bank of Zambia

Domestic Credit

Domestic credit increased by 13.1% in nominal terms to K4,766.4 billion in 2004 from K4,215.1 billion in 2003. The increase was attributed to unprecedented (in recent times) expansion in lending to private enterprises of 59.4%, which contributed 15.4 percentage points to growth in domestic credit. In addition, the 72.4% growth in lending to public enterprises contributed 2.0 percentage points to domestic credit expansion. Further, a contribution of 0.7 percentage points to domestic credit growth emanated from banking system lending to households which increased by 10.7%. However, the 7.2% and 89.9% decline in lending to the Government and non-bank financial institutions contributed negative 4.7 percentage points and negative 0.4 percentage points to domestic credit expansion, respectively (see Table 4). The outturn in domestic credit growth was 2.4 percentage points below the projected growth of 15.5% under the PRGF arrangement. The upward trend in domestic credit was largely attributed to the lagged effects of the increase in loanable funds following the reduction in the statutory reserve ratio in the fourth quarter of 2003.

TABLE 4: DEVELOPMENTS IN DOMESTIC CREDIT, 2002 - 2004

	2002			2003			2004		
	K'billion	% change	Share	K'billion	% change	Share	K'billion	% change	Share
Domestic credit	2,828.7	-10.9	100.0	4,215.1	49.0	100.0	4,766.4	13.1	100.0
Of which:									
Net claims on Gov't.	1,715.7	-4.1	60.7	2,708.9	57.9	64.3	2,512.7	-7.2	52.7
Public enterprises	93.5	-78.8	3.3	116.1	24.2	2.8	200.1	72.4	4.2
Private enterprises	848.8	7.3	30.0	1,095.4	29.1	26.0	1,746.3	59.4	36.6
Households	159.0	3.9	5.6	275.9	73.5	6.5	305.3	10.7	6.4
NBFIs.	11.6	427.3	0.4	18.9	62.9	0.4	1.9	-89.9	0.1

Source: Bank of Zambia

Loans and Advances

During 2004, commercial banks' loans and advances rose by 50.3% to K2,106.4 billion, with lending to energy, agricultural, transport and communications, and manufacturing sectors increasing by 198%, 84.4%, 58.7% and 53.8%, respectively. Other increases in loans and advances were to restaurants and hotels (48.2%), construction (38.3%), wholesale and trade (44.9%), mining (37.2%) and real estates (474.7%) sectors. The increase in lending to the productive sectors was indicative of increased economic activity, which contributed towards the higher than projected real GDP growth in 2004.

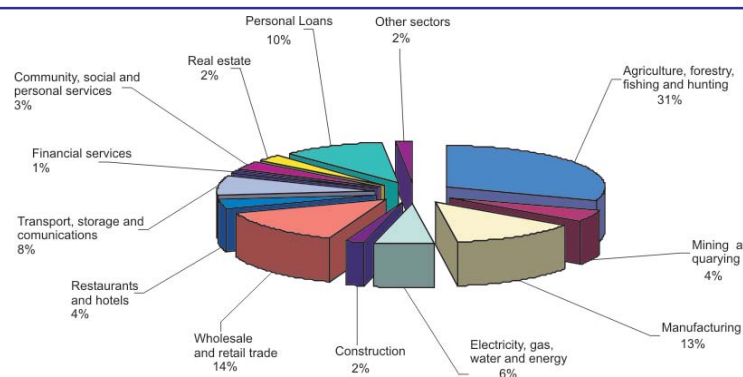
In terms of sectoral distribution of commercial banks' loans and advances, agriculture continued to have the largest share at 30.3% followed by trade and manufacturing (see Table 5 and Charts 1 and 2).

TABLE 5: SECTORAL SHARES OF COMMERCIAL BANKS' LOANS AND ADVANCES, 2002 - 2004

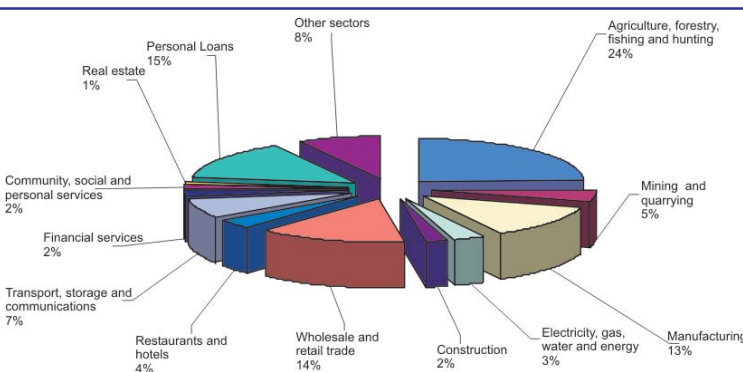
	2002		2003		2004	
	K'million	% Share	K'million	% Share	K'million	% Share
Agriculture, Forestry, Fishing and Hunting	228.2	22.2	345.6	24.7	637.2	30.3
Mining and Quarrying	37.4	3.6	68.3	4.9	93.7	4.4
Manufacturing	144.0	14.0	178.1	12.7	274.0	13.0
Electricity, Gas, Water and Energy	18.8	1.8	44.0	3.1	131.1	6.2
Construction	16.6	1.6	30.3	2.2	41.9	2.0
Wholesale and Retail Trade	187.5	18.3	201.6	14.4	292.2	13.9
Restaurants and Hotels	51.3	5.0	51.5	3.7	76.3	3.6
Transport, Storage and Communications	60.4	5.9	101.3	7.2	160.8	7.6
Financial Services	15.4	1.5	28.9	2.1	22.2	1.1
Community, Social and Personal Services	20.6	2.0	22.2	1.6	71.3	3.4
Real Estate	6.2	0.6	9.1	0.6	52.3	2.5
Other Sectors*	239.7	23.4	320.1	22.8	253.4	12.0
Total	1,026.2	100.0	1,401.0	100.0	2,106.4	100.0

Source: Bank of Zambia

* - Other sectors include lending to household and corporate organisations which is not categorised in any of the sectors.

CHART 1: DISTRIBUTION OF LOANS AND ADVANCES AS AT END-DEC 2004

SOURCE: BANK OF ZAMBIA

CHART 2: DISTRIBUTION OF LOANS AND ADVANCES AS AT END-DEC 2003

SOURCE: BANK OF ZAMBIA

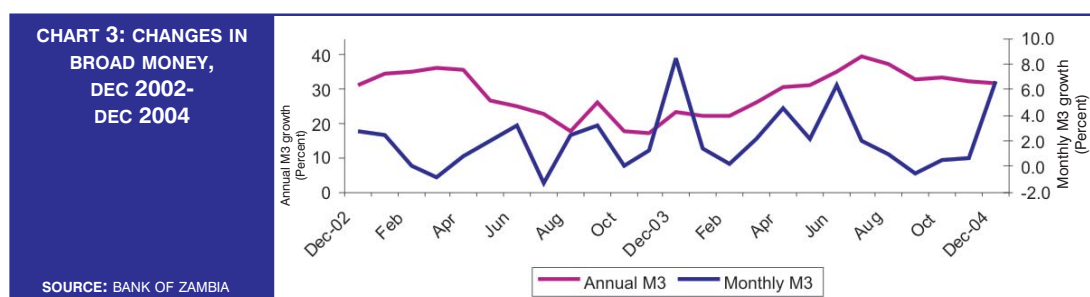
Broad Money

Preliminary data indicate that annual broad money (M3) as in the case of reserve money growth, was higher than programmed, growing by 31.7% at end-December 2004 compared to 22.6% at end-December 2003. This outturn was 13.6 percentage points above the projection of 18.1% under the PRGF arrangement. In absolute terms, broad money rose to K5,819.9 billion in 2004 from K4,419.8 billion in 2003. The growth in broad money principally emanated from the 12.8% increase in net domestic assets, which contributed 20.1 percentage points to the growth in money supply (see Table 6 and Chart 3). The growth in net domestic assets was driven by expansion in domestic credit, especially to the private sector, and the increase in other items net. In addition, net foreign assets, which increased by 20.7% following the improved performance of the external sector, contributed 11.6 percentage points to annual broad money growth.

TABLE 6: DEVELOPMENTS IN BROAD MONEY, 2002 - 2004 (%)

	2002	2003	2004	Contributions to change in M3 in 2004
Broad money	31.2	22.6	31.7	31.7
Of which:				
Net foreign assets	-18.4	21.0	20.7	11.6
Net domestic assets	24.9	2.3	12.8	20.1
Domestic credit	-11.0	49.0	13.1	12.5
Net Claims on Govt.	-4.1	57.9	-7.2	-4.4
Public Ent.	-78.8	24.2	72.4	1.9
Private Ent.	7.3	29.1	59.4	14.7
Households	3.9	73.5	10.7	0.7
NBFIs	427.3	62.9	-89.9	-0.4
Other items net	76.2	-31.5	12.5	7.6

Source: Bank of Zambia

**Interest Rates Developments***Yield Rates on Government Securities*

During the year, the average yield rates on Government securities were generally lower than in 2003, explained, in part, by the effects of the reduced statutory reserve ratio from 17.5% to 14% in October 2003 and Government borrowing which was within the programmed level. These two factors contributed to the fall in the weighted average yield rate on the Treasury bills portfolio, which fell to a record low of 5.0% by June 2004 from 19.7% in December 2003. Similarly, the weighted average yield rate on Government bonds fell to 10.4% by May 2004 from 30.0% in December 2003. However, the downward trend was reversed in the second half of the year, following a reduction in excess liquidity and adjusted towards the level of inflation. By December 2004, the weighted average yield rate on Treasury bills had picked up to 17.8% while the weighted average yield rate on Government bonds rose to 21.0% (see Table 7 and, Charts 4 and 5).

The real yield rates on Government securities trended downwards, during the period under review, due to reduction in nominal rates observed during the first half of the year. This was driven by the decline in the real weighted average Treasury bills yield rate to 0.3% from 2.5% in December 2003. Similarly, real yield rates on 12-months, 18-months and 24-months Government bonds declined to 2.1%, 3.3%, and 4.5% from 10.3%, 12.8% and 14.7% over the same period, respectively.

TABLE 7: AVERAGE INTEREST RATES DEVELOPMENTS, 2002 - 2004 (%)

	Nominal (December)			Real (December)		
	2002	2003	2004	2002	2003	2004
28-day Treasury bill*	25.3	n/a	n/a	-1.4	n/a	n/a
91-day Treasury bill	32.0	18.2	16.3	5.3	1.0	-1.2
182-day Treasury bill	32.9	19.8	18.3	6.2	2.6	0.8
273-day Treasury bill	33.2	21.1	19.4	6.5	3.9	1.9
WATBR	31.7	19.7	17.8	5.0	2.5	0.3
12-month Bond	41.0	27.5	19.6	14.3	10.3	2.1
18-month Bond	41.5	30.0	20.8	14.8	12.8	3.3
24-month Bond	41.6	31.9	22.0	14.9	14.7	4.5
WABR	41.0	30.0	21.0	15.0	13.0	3.0
WALBR	42.5	37.7	29.8	15.8	20.5	12.3
ALR	50.0	45.3	37.1	23.3	28.1	19.6
ASR	8.1	7.6	5.6	-18.6	-9.6	-11.9
Deposit >K20 m (30 days)	19.5	17.9	8.2	-7.2	0.7	-9.3

Source: Bank of Zambia

Notes: WATBR = Weighted average Treasury bill rate

WABR = Weighted average Bond Rate

ALR = Commercial banks' simple average lending rate

ASR = Commercial banks' simple average rate for savings above K100,000

WALBR = Commercial banks' weighted average lending base rate

*The 28-day Treasury bill has not been issued since October 2003.

CHART 4: YIELD RATES ON TREASURY BILLS, DEC 2002 - DEC 2004

SOURCE: BANK OF ZAMBIA

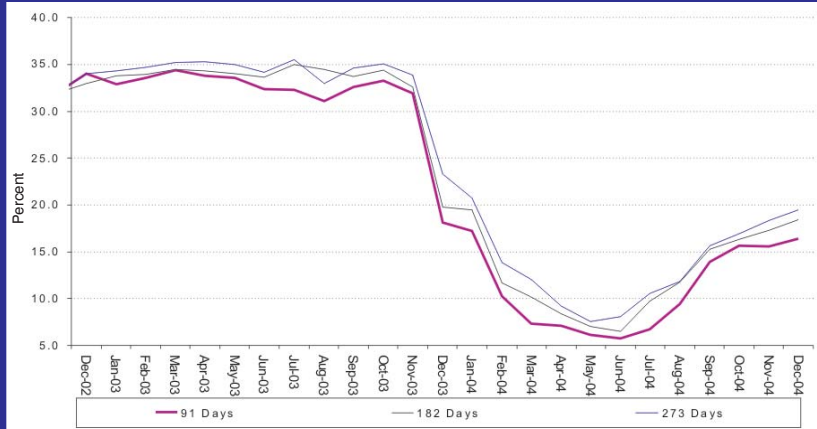
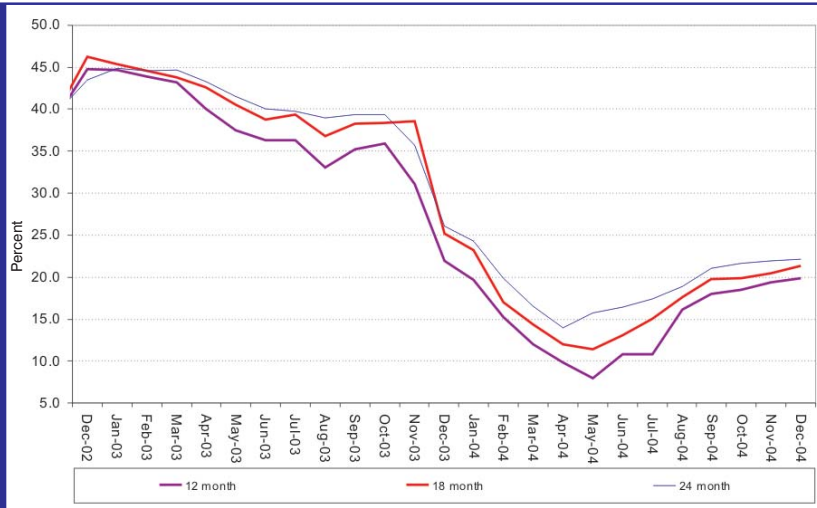


CHART 5: YIELD RATES ON GOVERNMENT BONDS, DEC 2002 - DEC 2004

SOURCE: BANK OF ZAMBIA



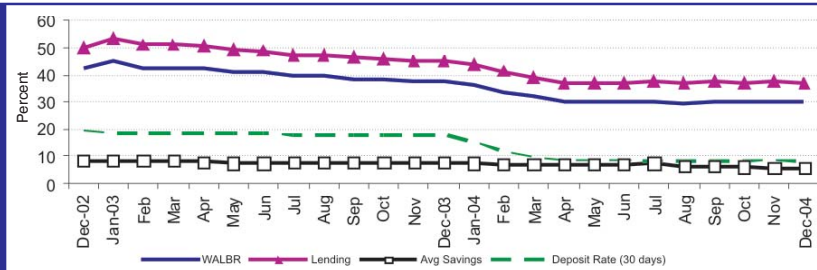
Commercial Banks' Nominal Interest Rates

In 2004, commercial banks' nominal interest rates generally trended downwards consistent with developments in yield rates on Government securities. The weighted average lending base rate (WALBR) and the average lending rate (ALR) declined, though at a slower pace than the decline in yield rates on Government securities, by 7.9 percentage points and 8.2 percentage points to 29.8% and 37.1%, respectively (see Charts 6 and 7).

Interest rates on savings declined in 2004. The average savings rate (ASR) and the 30-day deposit rate for amounts exceeding K100,000 and K20 million declined to 5.6% and 8.2% from 7.6% and 17.9%, respectively.

CHART 6 : NOMINAL INTEREST RATES, DEC 2002 - DEC 2004

SOURCE: BANK OF ZAMBIA

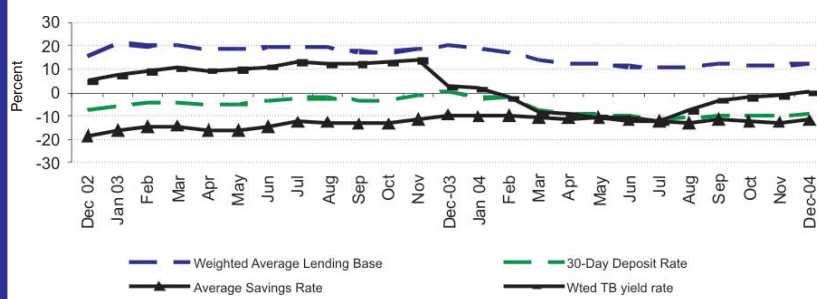


Commercial Banks' Real Interest Rates

Real interest rates at commercial banks generally trended downwards in 2004. The real WALBR and ALR declined to 12.3% and 19.6% from 20.5% and 28.1% in December 2003, respectively. Similarly, the real 30-day deposit rate for amounts over K20 million fell to negative 9.3% from 0.7% the previous year while the real ASR was lower at negative 11.9% compared to negative 9.6% in 2003 (see Chart 7). The observed decline in real interest rates was largely explained by the fall in commercial banks' nominal interest rates.

CHART 7: REAL INTEREST RATES, DEC 2002 - DEC 2004

SOURCE: BANK OF ZAMBIA

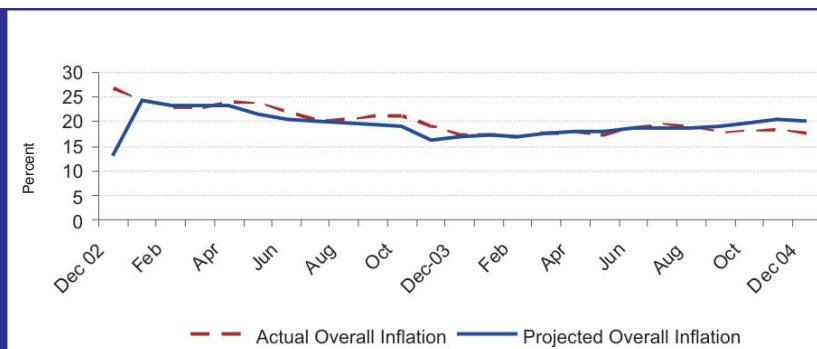


Inflation

Overall inflation performance was favourable in 2004, despite inflationary pressures arising from increases in the prices of petroleum products and prices of livestock products following a ban on livestock movement from some major producing areas in the country. The annual overall inflation rate at 17.5% at end-December 2004 (17.2%, December 2003), was 2.5 percentage points below the projection of 20.0% (see Chart 8 and Table 8). This was attributed to the positive performance in both non-food and food inflation, which were within their projected levels.

CHART 8: ANNUAL OVERALL INFLATION, DEC 2002 - DEC 2004

SOURCE: BANK OF ZAMBIA

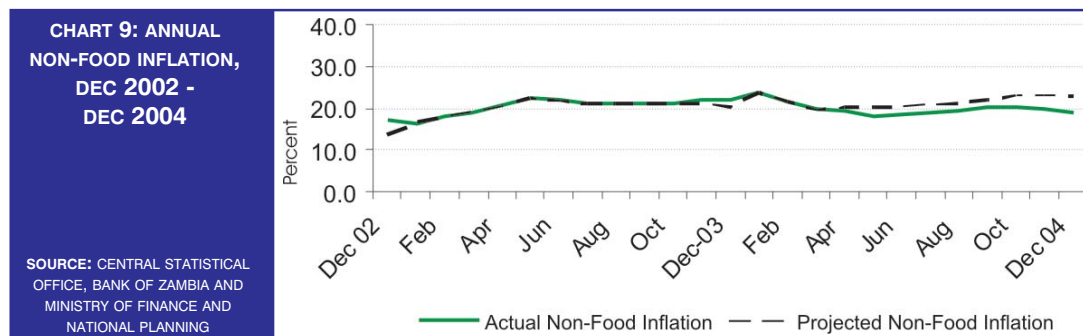

TABLE 8: OVERALL INFLATION OUTTURN AND PROJECTIONS, DEC 2002 - DEC 2004 (%)

	Overall					
	Monthly		Annual		Year-to-date	
	Outturn	Projection	Outturn	Projection	Outturn	Projection
Dec 02	4.6	2.8	26.7	13.0	26.7	13.0
Dec 03	2.9	1.7	17.2	17.1	17.2	17.1
Jan 04	2.6	2.6	17.4	17.4	2.6	2.6
Feb 04	1.1	1.5	16.8	16.8	3.7	3.7
Mar 04	1.5	2.0	17.6	17.6	5.3	5.3
Apr 04	0.3	-0.6	17.8	17.9	5.6	5.8
May 04	0.7	-0.1	17.4	18.1	6.3	6.9
Jun 04	0.8	0.0	18.6	18.5	7.1	7.0
Jul 04	0.6	0.0	19.5	18.7	7.8	7.1
Aug 04	1.0	1.4	18.9	18.6	8.8	8.6
Sep 04	1.2	2.6	17.8	19.0	10.2	11.3
Oct 04	2.1	2.4	18.0	19.6	12.4	13.9
Nov 04	2.3	2.7	18.3	20.3	15.0	16.9
Dec 04	2.2	2.6	17.5	20.0	17.5	19.9

Source: Central Statistical Office, Bank of Zambia and Ministry of Finance and National Planning

Non-food Inflation

The outturn in non-food inflation was favourable, as it was below the end-December 2004 projected annual non-food inflation of 22.9% by 4.0 percentage points (see Chart 9 and Table 9). Accounting for the favourable outturn in non-food inflation was the relative stability of the exchange rate of the Kwacha against major foreign currencies. The relative stability of the exchange rate was largely due to the improved performance of the external sector, in particular metal export earnings and appropriate monetary and fiscal policies. Notwithstanding the good performance, the continued appreciation of the rand against the Kwacha and increases in the prices of petroleum products adversely affected non-food inflation outturn. Pump prices of petrol and diesel per litre went up by 23.1% and 27.3% to K5,013.60 and K4,485.20 at end-December 2004 from K4,073.00 and K3,524.00 in December 2003, respectively (see Table 10).

**TABLE 9: NON-FOOD INFLATION OUTTURN AND PROJECTIONS, DEC 2002 - DEC 2004 (%)**

	Monthly		Annual		Year-to-date	
	Outturn	Projection	Outturn	Projection	Outturn	Projection
Dec 02	2.5	1.1	17.2	13.5	17.2	12.5
Dec 03	2.2	1.2	21.7	19.2	21.7	19.2
Jan 04	2.9	2.9	23.8	23.8	2.9	1.7
Feb 04	1.4	1.4	21.6	21.6	4.4	5.0
Mar 04	1.0	1.0	19.6	19.6	5.4	5.4
Apr 04	1.1	1.7	19.4	20.1	6.5	7.2
May 04	1.3	2.5	18.0	20.2	7.9	9.8
Jun 04	1.3	1.3	18.7	20.6	9.3	11.3
Jul 04	0.9	0.7	19.0	20.9	10.3	12.3
Aug 04	1.1	1.2	19.2	21.2	11.5	13.4
Sep 04	1.9	1.7	20.1	21.9	13.6	15.3
Oct 04	1.3	2.2	20.3	23.1	15.1	17.8
Nov 04	1.9	2.2	20.0	23.1	17.3	20.4
Dec 04	1.3	2.1	18.9	22.9	18.9	22.9

Source: Central Statistical Office, Bank of Zambia, and Ministry of Finance and National Planning

TABLE 10: DEVELOPMENTS IN PETROL AND DIESEL PRICES, DEC 2003 - DEC 2004

	Petrol(K/L)	Monthly (% change)	YTD%	Diesel(K/L)	Monthly% change	YTD%	Crude oil (US \$/barrel)	Monthly (% change)	YTD%
Dec 03	4,073	0.1	4.4	3,524	0.2	7.5	29.97	-0.3	7.5
Jan 04	4,194	3.0	3.0	3,641	3.3	3.3	31.37	4.7	4.7
Feb-04	4,236	1.0	4.0	3,714	2.0	5.4	31.33	-0.1	4.5
Mar-04	4,236	0.0	4.0	3,714	0.0	5.4	33.67	7.5	12.3
Apr-04	4,218	-0.4	3.6	3,611	-2.8	2.5	33.71	0.1	12.5
May-04	4,355	3.2	6.9	3,774	4.5	7.1	37.58	11.5	25.4
Jun-04	4,365	0.2	7.2	3,800	0.7	7.8	35.54	-5.4	18.6
Jul-04	4,601	5.4	13.0	3,981	4.8	13.0	37.89	6.6	26.4
Aug-04	4,825	4.9	18.5	4,027	1.2	14.3	42.08	11.1	40.4
Sep-04	5,032	4.3	23.5	4,416	9.7	25.3	41.60	-1.1	38.8
Oct-04	4,847	-3.7	19.0	4,448	0.7	26.2	46.90	12.7	56.4
Nov-04	5,248	8.3	28.8	4,696	5.6	33.3	42.20	-10.1	40.6
Dec-04	5,014	-4.5	23.1	4,485	-4.5	27.3	39.10	-7.3	30.3

Source: Central Statistical Office

Food Inflation

The outturn in the food inflation during most of 2004 was within the target, largely due to favourable performance of the agricultural sector during the year. The annual food inflation rate was 16.3% at end-December 2004 (13.5%: December 2003). This outcome was 1.1 percentage points below the projected annual food inflation of 17.4% for December 2004 (see Chart 10 and Table 11). The observed food inflation in 2004 was attributed to price increases for some food items, largely on account of the increase in the cost of production and transportation following upward adjustments in the prices of petroleum products.

CHART 10: ANNUAL FOOD INFLATION, DEC 2002 - DEC 2004

SOURCE: CENTRAL STATISTICAL OFFICE, BANK OF ZAMBIA AND MINISTRY OF FINANCE AND NATIONAL PLANNING

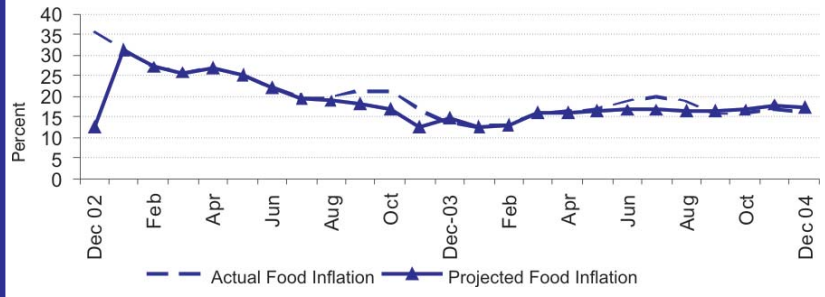


TABLE 11: FOOD INFLATION OUTTURN AND PROJECTION, DEC 2002 - DEC 2004 (%)

	Monthly		Annual		Year-to-date	
	Outturn	Projection	Outturn	Projection	Outturn	Projection
Dec 02	6.3	4.6	35.5	12.5	35.5	13.5
Dec 03	3.5	2.1	13.5	14.5	13.5	14.5
Jan 04	2.3	2.3	12.5	12.5	2.3	2.3
Feb 04	0.9	0.9	12.9	12.9	3.2	3.2
Mar 04	2.0	2.0	15.9	15.9	5.2	5.2
Apr 04	-0.4	-0.6	16.3	16.0	4.8	4.6
May 04	0.1	-0.1	16.9	16.3	5.0	4.5
Jun 04	0.3	-1.0	18.5	16.7	5.2	3.4
Jul 04	0.4	-0.6	19.9	16.7	5.6	2.8
Aug 04	0.9	1.6	18.7	16.4	6.5	4.4
Sep 04	0.6	3.3	17.7	16.4	7.2	7.8
Oct 04	2.7	2.6	16.0	16.6	10.0	10.6
Nov 04	2.6	3.0	16.8	17.9	12.9	13.9
Dec 04	3.0	3.1	16.3	17.4	16.3	17.4

Source: Central Statistical Office, Bank of Zambia and Ministry of Finance and National Planning

3.2 MONEY AND CAPITAL MARKETS

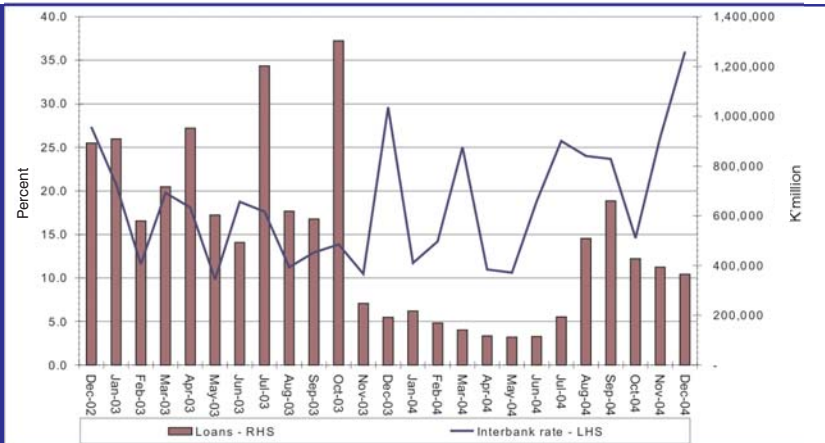
Developments in the Money Market

Interbank Money Market

High liquidity levels generally characterised the interbank money market during 2004, leading to lower inter-bank rates. The annual average inter-bank rate declined to 10.8% in 2004 from 25.2% the previous year. Despite the high liquidity levels, the volume of funds traded only increased slightly to K6,734.5 billion from K5,156.2 billion (see Chart 11). The increase in the funds traded was due to the temporary shortfall of liquidity experienced by some banks and the uneven distribution of funds among banks.

CHART 11: INTERBANK MONEY MARKET ACTIVITY, DEC 2002 - DEC 2004

SOURCE: BANK OF ZAMBIA



Government Securities Market

Activities in the primary market in 2004 were underpinned by Government's need to reduce borrowing from the domestic market in order to contribute to the lowering of commercial banks' lending rates. In this regard, the amount of Treasury bills offered declined to K2,115.0 billion from K3,080.0 billion in 2003, while the amount of Government bonds on offer reduced to K565.0 billion from K720.0 billion.

Market Behaviour

Market demand for Government securities remained relatively strong as all tenders were oversubscribed. The Treasury bills and Government bonds tenders were oversubscribed by 38.3% and 77.9%, respectively. In respect of bonds there was a shift in investor preference to the 12-month paper while for Treasury bills concentration remained in the 91-day bill (see Table 12).

TABLE 12: INDICATORS OF GOVERNMENT SECURITIES TRADING, 2003-2004

Portfolio	Amts Offered (K billions)		Amts Bid (K billions)		Excess Demand ¹ (K billions)		Proportional Bids ² (% of total)		Subscription Rate ³ (%)	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
28-day bills	222.0	0.0	99.4	0.0	(122.7)	0.0	3.7	0.0	44.8	0.0
91-day bills	1,036.0	719.0	1,056.2	1,082.7	20.2	363.7	39.3	37.0	101.9	150.6
182-day bills	929.0	694.5	753.0	976.6	(176.0)	282.1	28.0	33.4	81.1	140.6
273-day bills	893.0	701.5	777.8	866.3	(115.2)	164.8	29.0	29.6	87.1	123.5
TOTAL	3,080.0	2,115.0	2,686.2	2,925.6	(393.8)	810.6	100.0	100.0		
12-month bond	196.0	179.0	258.4	354.9	62.4	175.9	28.6	35.4	131.8	198.3
18-month bond	237.0	190.0	287.5	310.0	50.5	120.0	31.8	30.8	121.3	163.2
24-month bond	287.0	196.0	358.1	340.0	71.1	144.0	39.6	33.8	124.8	173.5
TOTAL	720.0	565.0	903.8	1,004.9	184.0	439.9	100.0	100.0		

Source: Bank of Zambia

Notes: ¹Excess Demand = Amt Bid less Amt Offered

²Proportional Bids = Amt Bid for each portfolio as percentage of total bids

³Subscription Rate = Amt Bid as percentage of Amt Offered

A total of K2,540.5 billion was raised against maturing Treasury bills amounting to K2,498.4 billion, resulting in K123.4 billion of surplus. As a result, the stock of Treasury bills increased by 8.5% to K1,438.9 billion. With regard to Government bonds, a total of K570.1 billion, at face value, was raised against K574.6 billion maturities leading to a marginal decline in the stock by 0.1% to K3,025.6 billion.

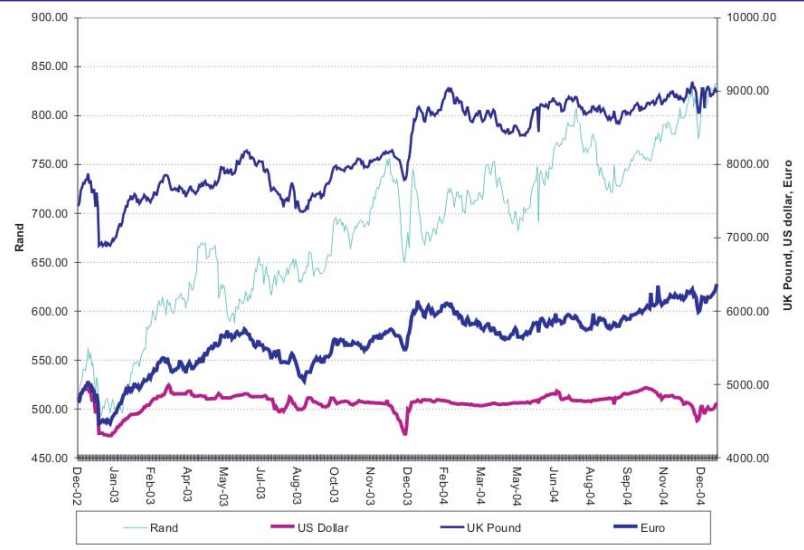
Foreign Exchange Market

The BoZ's foreign exchange market operations were conducted in line with the objective of international reserves build up, while maintaining a competitive exchange rate. In this regard, the BoZ intervened in the market and purchased a total of US \$103.1 million compared with US \$32.5 million purchased in 2003. However, BoZ intervention at times also involved selling foreign exchange to the market. To this end, a total of US \$7.5 million was sold compared with total sales of US \$14.0 million in 2003.

Nominal Exchange Rate Developments

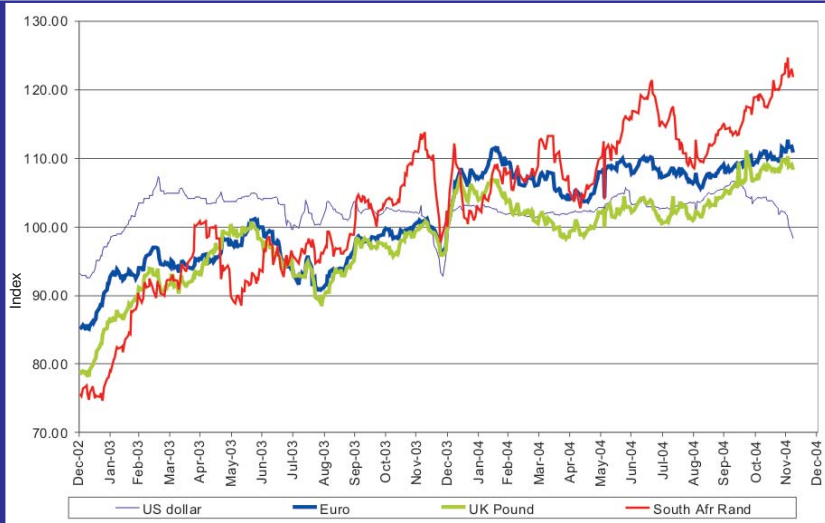
The exchange rate of the Kwacha against the US dollar appreciated by 2.6% to K4,524.29 compared with a depreciation of 7.2% recorded in 2003. Against the South African rand, the Kwacha depreciated by 23.0% to K809.79 while, it depreciated against the British Pound and the Euro by 11.0% and 8.3% to K8,980.77 and K6,184.87, respectively (see Charts 12 and 13). However, the depreciation of the Kwacha against these currencies slowed down in 2004 compared with 2003 when the Kwacha depreciated by 32.1%, 17.5% and 26.4%, against the South African rand, British Pound and Euro, respectively.

**CHART 12: EXCHANGE RATE LEVELS
DEC 2002-DEC 2004,
(K PER FOREIGN CURRENCY)
MONTHLY AVERAGE BOZ
MID - RATE**



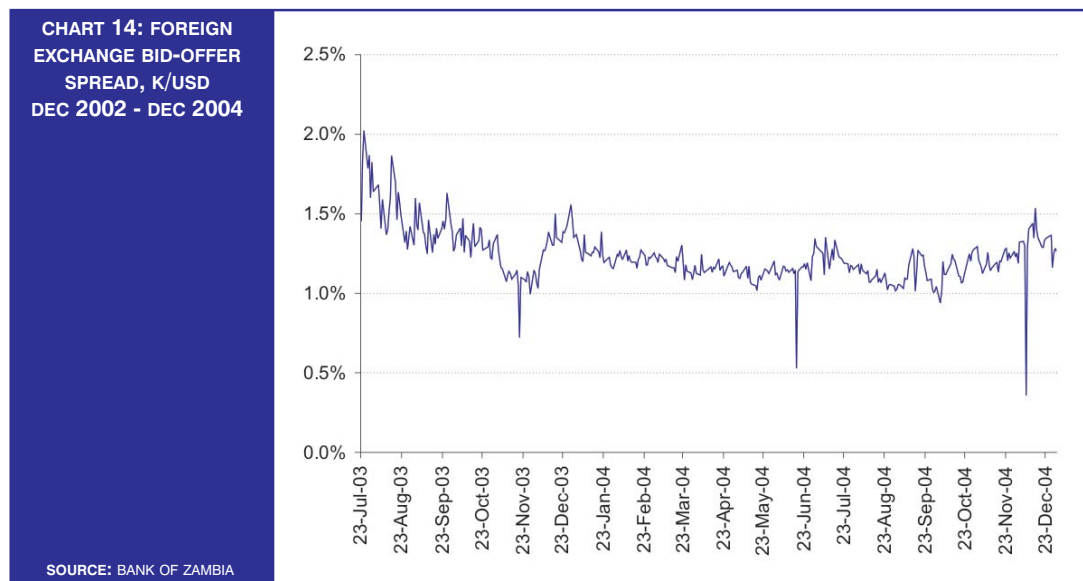
SOURCE: BANK OF ZAMBIA

**CHART 13: YEAR-TO-DATE
EXCHANGE RATE
MOVEMENTS-INDEXES
(DEC 2003 = 100),
DEC 2002-DEC 2004**



SOURCE: BANK OF ZAMBIA

The strong performance of the external sector, entrenchment of the interbank foreign exchange market (IFEM) trading system introduced in July 2003 and the broad weakness of the US dollar in the international market, largely explained the appreciation of the Kwacha against the US dollar. The entrenchment of the IFEM trading system was characterised by increased interbank foreign exchange liquidity flows (mainly from mineral exporters) and reduced bid-offer spreads. The volume of interbank foreign exchange traded amounted to US \$444.7 million compared with US \$334.5 million in 2003 while the bid-offer spreads quoted by the eight primary dealers reduced to around 1.5% compared with spreads of 2% in 2003 (see Chart 14). Commercial banks recorded net purchases of US \$42.3 million from the non-bank sector compared with net sales of US \$125.9 million recorded in 2003.



Real Effective Exchange Rate

The average real effective exchange rate (REER)⁵ index declined to 98.0 in 2004 from 105.6 in 2003 (see Table 13). The decrease in the REER was both on account of an 8.8% decrease in the nominal effective exchange rate (NEER), and 18.0% average domestic inflation. This was in spite of a 19.9% rise in the foreign consumer price index. The average NEER decreased to 606.6 in 2004 from 665.2 in 2003.

TABLE 13: REAL EFFECTIVE EXCHANGE RATE, 2002-2004

	2002	2003	2004
Zambia CPI	708.8	860.5	1015.1
Foreign CPI	228.4	277.0	332.1
NEER Index	625.0	665.2	606.6
REER Index	98.0	105.6	98.0
Percentage change over previous year	1.6	7.8	- 7.8

Source: Bank of Zambia

Developments in the Capital Markets

Stock Market

The performance of the Lusaka Stock Exchange (LuSE) in 2004 continued to improve. Market capitalisation increased by over 100% from K3,438.2 billion (US \$768 million) to K7,754.9 billion (US \$1,650 million). The addition of Zambia Metal Fabricators to the listed companies and two financial institutions, Cavmont-Capital Holdings and Investrust Bank to the quoted companies was one of the main reasons for the increase in the stock market capitalisation besides the effect of a general appreciation of share prices on the market (see Chart 15 and Table 14). Relative to the size of the economy, market capitalisation increased to 38.1% of GDP from 16.9% of GDP in 2003.

Reflecting these developments, the LuSE Share index closed the year under review at 765.8 from 432.0 in 2003. Despite a drop in the number of trades, the volume however, increased to 151,247,097 compared with the previous year's 54,862,715. Turnover also increased to K23.2 billion from K19.8 billion, due to the block transactions involving British American Tobacco and Farmers House Plc shares.

Bond Market

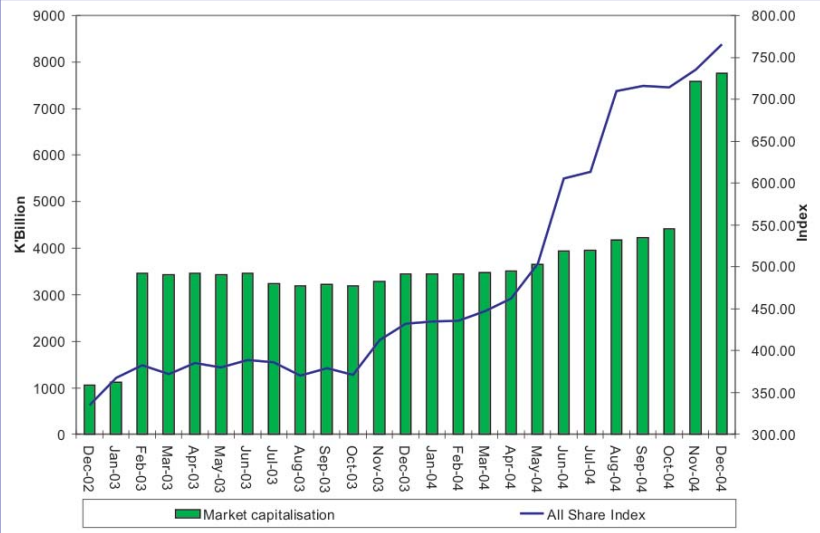
The secondary trading of Government bonds reduced significantly as reflected in both the number of trades and value of securities. The number of trades fell to 93 from 434 in 2003, while the face value of the securities traded declined to K54.5 billion from K123.5 billion (see Chart 16). The reduction in activity was attributed to the decrease in the effective yields on the traded securities following the Government's reduction in the rate of issuing new securities.

⁵The Real Effective Exchange Rate (REER) is a measure of domestic prices relative to foreign prices, expressed in units of domestic currency. An increase (depreciation) in the REER relative to the base period is indicative of a gain in competitiveness while a decrease (appreciation) in the REER is indicative of loss in competitiveness.

The Lusaka Stock Exchange, in the year under review, started making moves to position itself among the leading fund mobilising agencies in the Southern African sub-region.



CHART 15: LUSAKA STOCK EXCHANGE INDICATORS DEC 2002 - DEC 2004



SOURCE: BANK OF ZAMBIA

TABLE 14: SUMMARY OF EQUITY PRICES ON THE LUSAKA STOCK EXCHANGE, 2004

Company	Prices		Percent Change
	Open January 2004	Close December 2004	
Listed			
British Tobacco (Zambia)	140.0	200.0	42.9
BP Zambia	79.0	100.0	26.6
Chilanga Cement	750.0	1,399.0	86.5
Farmers House	1,045.0	1,045.0	0.0
Farmers House (preference)	4,795.0	4,900.0	2.2
National Breweries	500.0	1,050.00	110.0
Pamodzi Hotel	149.9	150.0	0.1
Standard Chartered Bank	65.0	65.0	0.0
Shoprite	4,200.0	10,342.5	146.3
Zambian Breweries	446.8	600.0	34.3
ZCCM-IH	3500.0	3500.0	0.0
Zambia Sugar	38.1	110.0	188.7
Zambia Metal Fabricators*	160.0	300.0	87.5
Quoted			
Bata Shoe	3.75	8.0	113.3
Copperbelt Energy Corp	45.0	45.0	0.0
Cavmont-Capital Holdings**	0.0	10.0	0.0
Zambeef	671.0	800.0	19.2

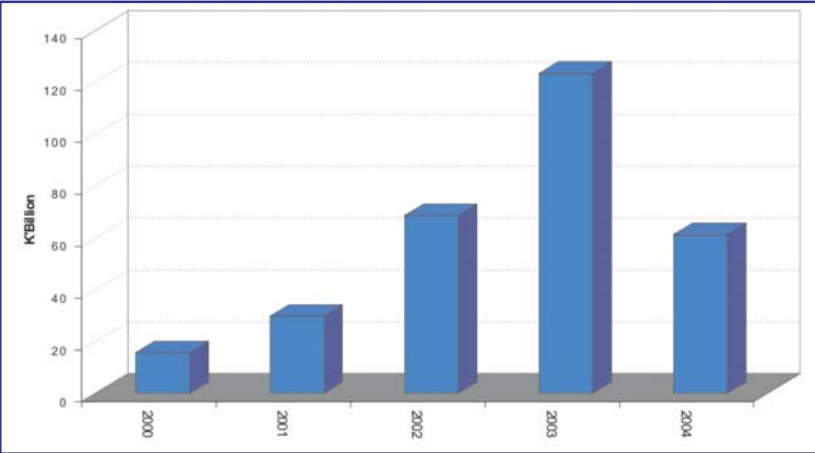
Source: Lusaka Stock Exchange

*Listed on the Stock Exchange in September 2004

**Securities became effective 30 January 2004

CHART 16: FACE VALUE OF BONDS IN THE SECONDARY MARKET 2000 - 2004

SOURCE: LUSAKA STOCK EXCHANGE



3.3 BALANCE OF PAYMENTS

The overall balance of payments deficit narrowed further by 29.9% to US \$225 million in 2004 from US \$321 million in 2003, due, mainly, to the improvement in current account.

Current Account

The current account deficit narrowed by 8.3% to US \$642 million in 2004 from US \$700 million in 2003 (see Table 15). The outturn in the current account deficit reflected an improvement in the merchandise trade deficit, which declined by 65.0% to US \$109 million. The narrowing of the merchandise trade deficit reflected a higher increase in the value of merchandise exports than the increase in the value of merchandise imports.

Increased mining activity in the North Western Province of Zambia has necessitated the national power company, Zambia Electricity Supply Corporation (ZESCO), to transmit electricity via a new 330kv grid to Solwezi recently erected from the Copperbelt town of Chingola, about 170 km away.



Power grid to Solwezi

TABLE 15: BALANCE OF PAYMENTS ESTIMATES, 2002 - 2004, (US \$ MILLION)

	2002	2003	2004
Current account balance	- 652	- 700	- 642
Trade balance	- 259	- 311	- 109
Exports, f.o.b.	916	1,052	1588
Metal sector	560	669	1,103
Non-metal	357	383	485
Imports, f.o.b.	- 1,204	- 1,393	- 1,727
Metal sector	- 176	- 169	- 286
Non-metal	- 1028	- 1224	- 1441
Goods procured in ports by carriers	28	29	31
Services (net)	- 245	- 238	- 254
Receipts	136	165	232
Payment	- 381	- 403	- 486
Income (net)	- 155	- 148	- 304
Of which: interest payments	- 138	- 130	- 141
Current Transfers (net)	7	-3	25
Of which Official Transfers	27	20	0
Capital Account	236	240	246
Project grants (capital)	236	240	246
Financial Account	2	140	121
Official loan disbursement (net)	- 122	- 141	- 114
Disbursement	111	101	110
Project loans	111	101	110
Amortisation (-)	- 234	- 242	- 224
Change in net foreign assets of Commercial banks	-53	48	-90
Private capital (net)	178	233	324
Foreign direct investment	178	172	344
Errors and omissions, short term capital	- 31	- 2	50
Overall balance	- 383	- 321	- 225
Financing	383	321	225
Change in net international reserves of Bank of Zambia (- increase)	- 225	- 164	- 41
Gross official reserves of BoZ	- 169	87	- 25
BoZ liabilities	- 6	- 6	- 6
IMF (net)	- 50	- 244	- 10
Debt Relief	437	391	276
Debt relief (non-HIPC)	171	154	120
Debt relief (HIPC, including IMF)	266	237	156
Of which IMF	153	171	0
Other Debt Related Items	21	-10	- 14
Net change in arrears (+ increase)	12	48	- 60
BOP support grants	69	45	44
BOP support loans	69	10	21
Multilateral	69	10	21
Bilateral	0	0	0
Financing gap (+)	0	0	0
Memorandum items:			
Nominal GDP (millions of US \$)	3776	4318	5409
Current account balance (% of GDP)	- 17.3	- 16.2	- 11.9
Terms of trade (percentage change)	- 6.7	4.2	20.3
Copper volume (MT.'000)	330	353	384
Copper price (US\$/lb)	0.70	0.78	1.16
Gross official Reserves	283	197	222
(In months of imports)	2.2	1.3	1.2
Debt service cash payments (US \$m)	123	187	373
(In% of exports)	11.4	15.0	20.2
Of which; official debt service	50.1	108.4	113.7

Source: Bank of Zambia

The values of merchandise imports increased by 24.0% to US \$1,727 million in 2004. The rise in the value of merchandise imports was due to an increase in the importation of petroleum products, fertiliser, plastic and rubber products, paper and paper products, iron and steel and items thereof, industrial boilers and equipment, and electrical machinery and equipment.

With respect to merchandise exports, the value increased by 51.0% to US \$1,588 million from US \$1,052 million in 2003, owing to the increase in the value of both traditional and non-traditional exports (NTEs). Metal exports increased by 64.9% to US \$1,103 million from US \$669 million in 2003. NTEs increased by 26.6% to US \$485 million in 2004 from US \$383 million in 2003, largely attributed to increased exports of burley tobacco, cotton lint, gas oil, and sugar (see Table 16).

TABLE 16: TEN MAJOR NON-TRADITIONAL EXPORTS (C.I.F.), 2002 - 2004, (US \$ MILLION)

	2002	2003	2004	2004% Change
Burley Tobacco	18.7	19.1	43.3	126.7
Cement	5.3	6.7	7.2	7.5
Cotton Yarn	20.9	22.0	21.9	- 0.5
Cotton Lint	30.2	23.9	53.4	123.4
Fresh Flowers	27.9	23.0	21.0	- 8.7
Gas Oil	5.9	16.0	20.8	30.0
Gemstone	37.1	23.2	16.3	-29.7
Soya beans	1.4	0.9	0.4	-55.6
White Spoon Sugar	35.1	30.6	33.7	10.1
Electricity	7.3	8.4	8.4	0.0

Source: Bank of Zambia

Agriculture in Zambia is not restricted to growing of the staple food, maize. In 2004 coffee and cotton growing played a significant part in the growth of agricultural production.



Cotton picking



Cotton bales

Export earnings (f.o.b) from copper increased by 62.3% to US \$985 million. The value of cobalt exports increased by 90.3% to US \$118 million in 2004. The rise in the value of copper exports was on account of both an increase in the volume of copper sales and the realised prices. The volume of copper exports increased by 8.8% to 384,000 metric tons during the year under review. The average realised copper prices rose by 53.8% to US \$1.20 per pound in 2004 from US \$0.78 per pound in 2003. However, the volume of cobalt exports declined by 29.4% to 2,400 metric tons from 3,400 metric tons in 2003, while the average realised price of cobalt increased by 170.2% to US \$22.70 per pound in 2004 from US \$8.40 per pound in 2003. High metal prices continued in 2004 due to sustained high demand, especially from China.

In the services account, net service payments increased by 6.7% to US \$254 million from US \$238 million in 2003, as a result of a 40.6% increase in service receipts and a 20.6% increase in service payments. Net income payments increased by 105.4% to US \$304 million from US \$148 million in 2003, as a result of a 6.1% rise in income payments.

Capital and Financial Account

The capital and financial account balance fell during the year under review by 3.4% to US \$367 million, as a result of an increase in net foreign assets of commercial banks as well as a decline in private sector borrowing. The decline in the capital and financial account was in spite of an increase in project grants by 2.5% to US \$246 million, an improvement in net official loan disbursements by 19.2% to US \$114 million, and a doubling in direct foreign investment to US \$344 million during the year under review. The improvement in net disbursements was mainly due to an 8.9% increase in official disbursements to US \$110 million as well as a decrease in amortisation by 7.4% to US \$224 million.

Financing

The deficit in the overall balance was financed mainly through debt relief of US \$276 million, inflows of balance of payments support loans amounting to US \$21 million, and balance of payments support grants amounting to US \$44 million.

Balance of Payments Support

In 2004, balance of payments support amounted to US \$64.8 million from US \$54.8 million in 2003. The World Bank disbursed US \$20.0 million under the Country Assistance Strategy (CAS) Project for supporting policy and institutional reforms in Zambia and US \$0.7 million under the Emergency Drought Recovery Project (EDRP). The European Union (EU) disbursed a total of US \$44.1 million, of which US \$26.0 million as programmed in 2004 and an additional US \$18.1 million under the Poverty Reduction Budget Support Facility. This amount disbursed was part of the 2nd Variable Tranche which was originally programmed to come in 2005 but was front-loaded in 2004. The disbursement was made following the September 2004 assessment of performance of social indicators based on the Poverty Reduction Strategy Paper (PRSP) Annual Review.

3.4 EXTERNAL DEBT

Debt Stock

Preliminary data indicate that Zambia's external debt stock at the end of 2004 stood at US \$7,080 million compared to US \$6,378 million at the end of 2003 (see Table 17). The increase in Zambia's indebtedness was attributed to new borrowings and accumulation of arrears to bilateral Paris Club creditors.

The bulk of Zambia's external debt continued to be to multilateral institutions, which accounted for 54.7% of the total debt stock. Bilateral creditors and private creditors accounted for 38.8% and 6.5%, respectively.

The debt stock owed to multilateral creditors increased by 8.5% to US \$3,872.0 million from US \$3,569.8 million at end-2003, while the stock of bilateral debt rose by 22.4% to US \$2,748.0 million from US \$2,245.4 million in 2003. However, recorded external debt stock owed by the private sector declined by 18.3% to US \$460.0 million.

TABLE 17: ZAMBIA'S DEBT STOCK BY CREDITOR, 2002 - 2004⁶

Creditor	2002		2003		2004*	
	US\$ Million	%share	US\$ Million	%share	US\$ Million	%share
Bilateral	2,614.8	36.7	2,245.4	35.2	2,748.0	38.8
Paris Club	2,343.1	32.9	2,000.0	31.2	2,483.0	35.1
Non-Paris Club	271.7	3.8	245.4	3.8	265.0	3.7
Multilateral	3,855.2	54.0	3,569.8	56.0	3,872.0	54.7
IMF	965.9	13.6	931.9	14.6	890.0	12.6
World Bank Group	2,491.0	34.9	2,294.4	36.0	2,359.0	33.3
Others**	398.2	5.5	343.5	5.4	623.0	8.8
Other Creditors	670.4	9.3	562.8	8.8	460.0	6.5
Total	7,140.3	100.0	6,378.0	100.0	7,080.0	100.0

Source: Ministry of Finance and National Planning and Bank of Zambia

Notes:

*Total debt stock for 2004 is preliminary

** European Investment Bank, International Fund for Agricultural Development, Arab Bank for Economic Development in Africa (BADEA), Organisation of Petroleum Exporting Countries, Nordic Development Fund, African Development Bank, Arab Development Bank

External Debt Service

In 2004, Zambia's external cash debt service payments increased by 1.3% to US \$113.7 million from US \$112.2 million recorded in 2003 (see Table 18). Zambia's debt service to the IMF, without the Enhanced HIPC Initiative, was scheduled to be approximately US \$247.1 million. Of the total cash debt service, US \$58.4 million was paid to bilateral and US \$55.3 million to multilateral creditors.

⁶ The Net Present Value (NPV) of debt is the discounted sum of all future debt-service obligations (interest and principal). It is a measure that takes into account the degree of concessionality of a country's debt stock. Whenever the interest rate on a loan is lower than the market rate, the resulting NPV of debt is smaller than its face value, with the difference reflecting the grant element. These figures reflect HIPC Initiative relief.

TABLE 18: ZAMBIA'S DEBT SERVICE BY CREDITOR, 2002-2004 (US \$ MILLION)

Creditor	2002	2003	2004
Bilateral	29.1	72.2	58.4
Paris Club	28.5	47.0	42.5
Others	0.6	25.2	15.9
Multilateral	96.2	40.0	55.3
IBRD/IDA	9.1	19.9	17.4
IMF	75.2	75.0	259.5
Others	11.9	20.9	37.9
Total (excluding IMF)	50.1	112.2	113.7
Total (including IMF)	125.3	187.2	373.2

Source: Bank of Zambia

Debt Relief Delivery and the Enhanced HIPC Initiative Completion Point

In December 2000, Zambia qualified for Enhanced HIPC debt relief (reaching the "decision point"). At that time, creditors participating in the HIPC Initiative committed to provide debt relief totaling approximately US \$3.8 billion (or US \$2.5 billion in NPV terms). Some donors agreed also to provide interim debt relief during the period between the decision point and the "Completion Point" the point when after having met the conditions set at the time of the decision point, the HIPC debt relief becomes irrevocable. In 2004, a total debt relief of US \$362.9 million was provided to Zambia.

In 2004, a tripartite (World Bank, IMF and Zambian Government) assessment on the progress in implementing Enhanced HIPC Initiative triggers was undertaken. The assessment indicated that the HIPC triggers had been observed (see Box 1).

BOX 1: PROGRESS ON THE IMPLEMENTATION OF HIPC INITIATIVE COMPLETION POINT TRIGGERS

Reforms Objectives/Measures	Status
<p>Poverty Reduction Adoption of the Poverty Reduction Strategy Paper (PRSP) to be prepared through a participatory process, and satisfactory progress with the implementation and monitoring of the PRSP one year based on annual report.</p>	The PRSP was prepared and adopted through a consultative process. Implementation is on going. The first annual progress report was completed in April 2004. Progress in implementing and monitoring the PRSP was limited. However, from July 2003, PRSP implementation was significantly scaled up and a second PRSP progress report was prepared.
<p>Progress in combating HIV/AIDS Full staffing of secretariat to National HIV/AIDS/TB council. Integrate HIV/AIDS awareness and prevention programme in the pre-service and in service programme in at least ten key ministries.</p>	Full staffing for the original National Aids Council (NAC) structure was done. NAC was recruiting according to its new organisational structure. Pre-service and in-service programmes for ten ministries were done. In addition, all ministries had awareness programmes integrated into their programmes.
<p>Progress in education sector reform as indicated by the following: Increasing the share of education in the discretionary budget from 8.5% in 1999 to at least 20.5%; Raising the starting compensation of teacher in rural areas above the poverty line for a household, as defined by Central Statistical Office (CSO); and An action plan for increasing student retention in Northern, Eastern, North Western, Western Provinces and Luapula Provinces.</p>	The ratio for 2004 was estimated at 22.7%. The minimum monthly salary as at September 2004 was K787, 996 which is above the K575, 206 as defined by CSO during the same period. The salary is higher if 20% rural hardship allowance is added. This has been observed using various strategies such as the bursaries scheme, Programme for the Advancement of Girl child Education (PAGE) and re-entry policy.
<p>Progress in Health Sector as indicated by Implementation and scaling up of an action plan for malaria, Procedures and mechanism for the procurement of drug reorganized to be fully transparent and efficient, Timely release of complete, detailed annual health expenditure data, and Actual cash releases to district Health Management Boards shall be at least 80% of the amount budgeted.</p>	Action plan has been scaled up as seen through the introduction of co-artem, the increase in the number of functional laboratories and distribution of insecticide Treated Nets (ITNs). In line with agreements with cooperating partners, all procurements are done by Central Board of Health (CBoH). The income and expenditure report for 2001 and 2002 were finalised and are due to be released. Actual cash release to district Health Boards averaged above 80%.
<p>Macroeconomic and Structural Reforms Maintenance of a stable macroeconomic environment, as evidenced by satisfactory performance under a programme support by PRGF arrangement; Implementation of Integrated Financial Management Information System (IFMIS) on a pilot basis for at least three ministries and mid term review of the pilot programme; Implementation of a Medium Term-Expenditure Framework (MTEF) prepared by MoFNP and approved by the Cabinet; Restructuring and issue of international bidding documents for the sale of a majority (controlling) interest in power company, ZESCO; and Issuance of international bidding documents for the sale of majority (controlling) interest in the Zambian National Commercial Bank.</p>	A new Poverty Reduction Growth Facility (PRGF) agreed in June 2004. First review undertaken in October 2004 and was satisfactory. Second review expected in early 2005. Programme delayed due to procurement bottlenecks. MTEF for 2004-2006 was prepared; Cabinet approved the MTEF along with the 2004 budget parameters. Green Paper for 2005-2007 was prepared. The Government is implementing a strategy to commercialize ZESCO. International bidding documents were issued in 2002. In 2004 negotiations for the sale to the preferred bidder were on going.

Source: Ministry of Finance and National Planning (MoFNP)

3.5 FISCAL SECTOR DEVELOPMENTS

Overview

In 2004, fiscal policy focused on limiting the overall fiscal deficit, domestic budget deficit and domestic borrowing to 3.4%, 1.0% and 2.2% of GDP, respectively. This entailed achieving a domestic revenue target of 18.7% of GDP and limiting domestic expenditure to 27.3% of GDP.

Available data indicate that the overall fiscal deficit estimated at 1.7% of GDP, was 1.7 percentage points lower than the targeted deficit of 3.4% of GDP. The domestic budget, however, recorded a deficit of 1.3% of GDP⁷ in 2004 against the targeted deficit of 1.0% of GDP, on account of lower domestic revenue and higher domestic expenditure (see Table 19). Total domestic revenue at K4,748.3 billion was 0.6% below the targeted domestic revenue of K4,775.6 billion. On the other hand, total domestic expenditure estimated at K5,086.4 billion was 1.1% above the target of K5,028.8 billion.

TABLE 19: CENTRAL GOVERNMENT FISCAL OPERATIONS, 2002 - 2004

	2002 Outturn		2003 Outturn		2004 (Target)		2004 (Preliminary Outturn)	
	K'billion	% of GDP	K'billion	% of GDP	K'billion	% of GDP	K'billion	% of GDP
Revenue and Grants	4,258.9	26.3	5,104.0	24.9	6,163.6	24.1	6,181.3	23.9
Domestic Revenue								
Of which:	2908.9	18.0	3,680.0	17.9	4,775.6	18.7	4,748.3	18.4
Tax Revenue	2,848.7	17.6	3,548.0	17.3	4,536.6	17.7	4,554.3	17.6
Non-Tax Revenue	60.2	0.4	132	0.6	239.0	0.9	194.0	0.8
Grants	1,350.0	8.3	1,424.0	6.9	1,388.0	5.4	1,433.0	5.6
Exp. & Net Lending	5,171.7	31.9	6,336.0	30.9	6,981.8	27.3	6,939.4	26.9
Current Expenditure	3,160.9	19.5	4,001.0	19.5	4,640.4	18.1	4,653.9	18.0
Capital Expenditure	1,924.6	11.9	2,335.0	11.4	2,341.4	9.2	2,285.5	8.9
Net Lending	86.2	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Change in balances	-117.0	-0.7	-116.0	-0.6	-59.6	-0.2	316.3	1.2
Overall bal. (Cash)	-1,029.8	-6.4	-1,348.0	-6.6	-877.8	-3.4	-441.8	-1.7
Of which:								
Domestic balance (Cash)	-661.8	-4.1	-599.0	-2.9	-253.2	-1.0	-338.1	-1.3

Source: Ministry of Finance and National Planning

REVENUE AND GRANTS

The outturn in total revenue and grants was broadly in line with the projection. Total revenue and grants at K6,181.3 billion were 0.3% above the target of K6,163.6 billion. This outturn was largely attributed to the higher than expected grants, which were above the target by 3.2%. As a proportion of GDP, total revenue and grants were 23.9% of GDP compared to the targeted 24.1%. Domestic revenue was, however, 0.6% below the target of K4,775.6 billion. As a percentage of GDP, domestic revenue was 18.4% compared with the target of 18.7%.

TAX REVENUE

Tax revenue increased by 28.4% to K4,554.3 billion in 2004 from K3,548.0 billion in 2003, and was 0.4% above the target of K4,536.6 billion. This favourable performance in tax revenue was largely attributed to the increase in international trade taxes by 38.4%. As a proportion of GDP, tax revenue was 17.6% compared with the target of 17.7%, largely due to the much higher increase in GDP than projected.

Income Tax

Income tax revenues increased by 25.6% to K2,037.7 billion in 2004 from K1,622.0 billion in 2003, but was 0.5% below the target of K2,047.6 billion. The lower than targeted outturn in income tax revenues was largely explained by lower collections of company tax. Company tax revenue at K333.2 billion was 12.9% below the target of K382.6 billion (see Table 20). The lower than targeted outturn in company tax revenues was on account of low corporate income tax revenues, following the decline in interest rates, which affected the level of profits and dividends in the financial sector. Banks and other financial institutions projected lower profit levels for 2004 and therefore reduced payments on their provisional taxes.

Tax on Domestic Goods and Services

Although tax revenues on domestic goods and services increased by 21.4% to K1,062.4 billion in 2004, they were 14.4% below the target of K1,241.6 billion (see Table 20). As a proportion of GDP, tax revenues on domestic goods and services were 4.1% in 2004 compared with the target of 4.9%. The unfavourable outturn in tax revenues on domestic goods and services in 2004 was largely attributed to the less than targeted collection of domestic value-added tax (VAT). Revenue from domestic VAT at K452.3 billion was 26.3% below the target of K613.7 billion. The lower than targeted domestic VAT collection was largely due to the increase in claims for VAT refunds by some mining companies. In addition, outstanding tax arrears owed by parastatal firms continued to exacerbate the poor performance of domestic VAT.

⁷In 2004, nominal GDP was estimated at K25,704.40 billion

International Trade Taxes

Revenue from international trade taxes, which increased by 38.4% to K1,454.2 billion in 2004 was 16.6% higher than the target of K1,247.4 billion. The increase was explained by the rise in collections of both import VAT and import duties. Revenue from import VAT increased to K909.1 billion in 2004 from K642.0 billion in 2003, while that for import duties rose to K545.1 billion in 2004 from K409.0 billion over the same period in 2003, following an increase in imports by the mining sector.

As a proportion of GDP, revenue from international trade taxes was 5.6% compared with the targeted 4.9%. Consistent with this outcome, import VAT revenue was 3.5% of GDP against the target of 3.0%, while revenue from import tariffs was 2.1% compared with the target of 1.9%.

NON-TAX REVENUE

Non-tax revenue increased by 47.0% to K194.0 billion in 2004 from K132.0 billion in 2003. Despite this increase, non-tax revenue was 18.8% below the target of K239.0 billion. The less than targeted outcome in non-tax revenue was explained by the failure to recover all the outstanding fertiliser loans under the Fertiliser Support Programme. In addition, shortfalls in dividend receipts and on-lending recoveries explained the unsatisfactory non-tax revenue performance. Consistent with this, as a proportion of GDP, non-tax revenue was 0.8% compared with the target of 0.9%.

GRANTS

Total grants increased by 0.6% to K1,433.0 billion in 2004 from K1,424.0 billion in 2003, and was 3.2% above the target of K1,388.0 billion. The increase was attributed to the favourable disbursement of programme grants which were K258.0 billion compared with the target of K163.0 billion. As a proportion of GDP, total grants were 5.6% compared with the target of 5.4%.

TABLE 20: CENTRAL GOVERNMENT REVENUE, 2002 - 2004

	2002 Outcome		2003 Outcome		2004 (Target)		2004 (Preliminary outcome)	
	K'billion	% of GDP	K'billion	% of GDP	K'billion	% of GDP	K'billion	% of GDP
Revenue and Grants	4,258.9	26.3	5,104.0	24.9	6,163.6	24.1	6,181.3	23.9
Domestic Revenue	2,908.9	18.0	3,680.0	17.9	4,775.6	18.7	4,748.3	18.4
Tax Revenue	2,848.7	17.6	3,548.0	17.3	4,536.6	17.7	4,554.3	17.6
Income Tax	1,243.7	7.7	1,622.0	7.9	2,047.6	8.0	2,037.7	7.9
Personal Tax	964.7	6.0	1,137.5	5.5	1,661.0	6.5	1,700.1	6.6
Company Tax	276.4	1.7	327.6	1.6	382.6	1.5	333.2	1.3
Extraction Royalty	2.6	0.0	7.0	0.0	4.0	0.0	4.4	0.0
Other Taxes	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Goods & Services	764.4	4.7	875.0	4.3	1,241.6	4.9	1,062.4	4.1
Excise Taxes	422.7	2.6	482.0	2.3	627.9	2.5	610.1	2.4
Domestic VAT	341.7	2.1	393.0	1.9	613.7	2.4	452.3	1.8
International Trade Taxes	840.6	5.2	1,051.0	5.1	1,247.4	4.9	1,454.4	5.6
Import Tariffs	367.1	2.3	409.0	2.0	492.0	1.9	545.1	2.1
Import VAT	470.5	2.9	642.0	3.1	755.4	3.0	909.1	3.5
Import Declaration Fee	-	-	-	-	-	-	-	-
ZESCO Tax Arrears	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-tax Revenue	60.2	0.4	132.0	0.6	239.0	0.9	194.0	0.8
Fees and Charges	60.2	0.4	78.0	0.4	129.3	0.5	131.8	0.5
Privatisation Receipts	-	-	0.0	0.0	0.0	0.0	0.0	0.0
Other Receipts	-	-	54.0	0.3	109.7	0.4	62.2	0.2
Grants	1,350.0	8.3	1,424.0	6.9	1,388.0	5.4	1,433.0	5.6
Programme	324.0	2.0	229.0	1.1	163.0	0.6	258.0	1.0
Projects	1,026.0	6.3	1,195.0	5.8	1,225.0	4.8	1,175.0	4.6

Source: Ministry of Finance and National Planning

EXPENDITURE AND NET LENDING

Although total expenditure and net lending increased by 9.5% to K6,939.4 billion from K6,336.0 billion in 2003, it was 0.6% below the target of K6,981.8 billion (see Table 21). As a percentage of GDP, total expenditure and net lending was 26.9% compared with the target of 27.3%. The less than targeted expenditure and net lending was explained by under-spending on capital items. However, current expenditures were above the programmed levels.

Current expenditure

Current expenditures increased by 16.3% to K4,653.9 billion in 2004 from K4,001.0 billion in 2003. Measured against the programme, current expenditures were 0.3% above the target of K4,640.4 billion. The higher than targeted current expenditures was largely due to the recurrent departmental charges (RDCs) which exceeded the budget by a large margin. RDCs, at K835.1 billion, were 21.8% higher than the target of K685.6 billion. The higher

expenditure on RDCs was largely attributed to expenditure on account of settlement of court cases and payment of domestic arrears. In addition, Government operational costs increased, including payments to commercial utilities and other operational expenses.

Other contributions to current expenditure overruns were expenditure on transfers and pensions, and other current expenditures. Transfers and pensions expenditure at K446.1 billion were 6.4% above the target of K419.4 billion while other current expenditures were K430.0 billion, 6.2% above the target of K405.0 billion. The overrun on transfers and pensions expenditure was attributed mainly to the payment of the outstanding debts while the overrun on other current expenditures was largely due to over-expenditure on fertiliser support, which was 50% of total cost compared with the planned 25% of total cost.

As a proportion of GDP, current expenditure at 18.0% was 0.1 percentage points lower than the target of 18.1%. However, RDCs at 3.2% of GDP were 0.5 percentage points higher than the target of 2.7%. Similarly, transfers and pensions were 1.7% of GDP, and thus above the target of 1.6%. Other current expenditures at 1.7% were also above the target of 1.6%.

Capital expenditure

Capital expenditure declined by 2.1% to K2,285.5 billion in 2004 from K2,335.0 billion in 2003, and was below the target of K2,341.4 billion for 2004. The under-expenditure on capital was due to shortfalls in disbursements for both domestic and foreign financed capital projects. Domestically financed capital was K584.5 billion compared with the target of K601.4 billion while foreign financed capital was K1,701.0 billion against the targeted K1,740.0 billion. Of the total domestic capital spending, 90.2% was channelled to poverty reduction programmes, while 19.2% of the total domestic expenditure was released to the Road Fund for road maintenance activities.

As a proportion of GDP, capital expenditure at 8.9% was 0.3 percentage points below the target of 9.2%. Of this total, domestically financed capital expenditure was 2.3% of GDP against the target of 2.4%, while foreign financed expenditure was 6.6% compared with the target of 6.8%.

TABLE 21: CENTRAL GOVERNMENT EXPENDITURE, 2002 - 2004

	2002 Outturn		2003 Outturn		2004 (Target)		2004 (Preliminary outturn)	
	K'billion	% of GDP	K'billion	% of GDP	K'billion	% of GDP	K'billion	% of GDP
Expend.& Net Lending	5,171.7	31.9	6336.0	30.9	6981.8	27.3	6939.4	26.9
Current Expenditure	3,160.9	19.5	4001.0	19.5	4640.4	18.1	4653.9	18.0
Wages and Salaries	1,301.2	8.0	1728.0	8.4	2018.4	7.9	2011.8	7.8
Public Service Reform	80.0	0.5	10.0	0.0	33.0	0.1	20.1	0.1
RDCs	436.9	2.7	648.0	3.2	685.6	2.7	835.1	3.2
Transfers and Pensions	411.9	2.5	361.0	1.8	419.4	1.6	446.1	1.7
Interest on Public Debt	659.9	4.1	792.0	3.9	1068.0	4.2	897.6	3.5
Domestic Debt	449.9	2.8	563.0	2.7	855.0	3.3	745.6	2.9
Foreign Debt	210.0	1.3	229.0	1.1	213.0	0.8	152.0	0.6
Other Current Expenditure	95.3	0.6	456.0	2.2	405.0	1.6	430.0	1.7
Contingency	28.7	0.2	6.0	0.0	11.0	0.0	13.2	0.1
Payment of Dom. Arrears	147.0	0.9	0.0	-	-	-	-	-
Capital Expenditure	1,924.6	11.9	2335.0	11.4	2341.4	9.2	2285.5	8.9
Domestically Financed	416.6	2.6	507.0	2.5	601.4	2.4	584.5	2.3
Foreign Financed	1,508.0	9.3	1828.0	8.9	1740.0	6.8	1701.0	6.6
Net Lending	86.2	0.5	-	-	-	-	-	-

Source: Ministry of Finance and National Planning

Social sector expenditure

Social sector expenditure increased by 17.8% to K1,371.6 billion in 2004 from K1,164.3 billion the previous year. In terms of the target, social sector expenditure at 36.9% of the total discretionary expenditure of K3,714.4 billion was 2.4 percentage points above the target of 34.5% for the year (see Table 22).

Expenditure on education at K841.9 billion was 2.8% above the target of K818.7 billion. Health expenditure at K426.6 billion was 16.8% above the target of K365.3 billion, while water and sanitation expenditure at K22.6 billion was 34.5% below the target of K34.5 billion. The other social sector expenditure category, comprising social safety nets and disaster relief, were K80.5 billion and 4.2% below the target of K84.0 billion.

TABLE 22: SOCIAL SECTOR EXPENDITURE, 2002 - 2004

	2003	(Target)	2004	Outturn compared to target
	Outturn		(Outturn)	
	(K'billion)	(K'billion)	(K'billion)	(%)
Education	686.0	818.7	841.9	61.4
Health	419.2	365.3	426.6	31.1
Water and Sanitation	16.1	34.5	22.6	1.6
Other	43.0	84.0	80.5	5.9
Total	1,164.3	1,302.5	1,371.6	100

Note: Figures for 2002 are not available in this classification

Source: Ministry of Finance and National Planning

The overall deficit of K441.8 billion in 2004 was financed through both domestic and external borrowing. Domestic borrowing was K211.8 billion compared with the target of K572.4 billion. Net external borrowing at K230.0 billion was 24.7% below the targeted financing of K305.4 billion.

Domestic financing comprised bank borrowing of K45.0 billion and non-bank borrowing of K166.8 billion. On the other hand, net external borrowing comprised programme loans (K96.0 billion), project loans (K526.0 billion) and amortisation (K392.0 billion) (see Table 23).

TABLE 23: BUDGET DEFICIT FINANCING, 2002 - 2004 (K'BILLION)

	2002	2003	2004	
	Outturn	Outturn	(Target)	(Preliminary Outturn)
Total Financing	1,029.8	1,348.0	877.8	441.8
Domestic	337.0	1,040.5	572.4	211.8
Bank	90.0	978.7	433.6	45.0
Non-bank	247.0	61.8	138.8	166.8
External	692.8	307.5	305.4	230.0
Programme Loans	294.9	45.9	180.8	96.0
Project Loans	482.0	632.6	547.7	526.0
Amortisation	-84.1	-371.0	-423.1	-392.0

Source: Ministry of Finance and National Planning

3.6 REAL SECTOR DEVELOPMENTS

National Output

During 2004, national output continued on its strong growth path, with real gross domestic product (GDP) rising by 5.0%. As in 2003, the positive and strong outturn in national output was on account of favourable developments in both the domestic and global economies. With respect to the domestic economy, continued favourable performance of most sectors, notably trade, construction, agriculture and mining contributed to the growth registered in the year under review. Global recovery became well established in 2004 with exceptionally rapid expansion recorded in emerging markets, notably China. This development led to buoyant global demand and hence a strong pickup in prices of non-fuel commodities, such as, copper. This in turn assisted in the growth of the mining and quarrying sector, and its high contribution to GDP, coupled with notable improvement in the country's metal exports.

The growth in real GDP was in spite of the impact of high fuel prices which were partially offset by higher non-fuel commodity prices, such as, copper. Details on sectoral developments are discussed below.

TABLE 24: SECTORAL CONTRIBUTION TO REAL GDP AT CONSTANT 1994 PRICES, 2002 - 2004 (%)

	2002	2003	2004
Growth in real GDP	3.3	5.1	5.0
Agriculture, forestry and fisheries	-0.3	0.8	0.6
Mining and quarrying	1.1	0.3	1.0
Manufacturing	0.6	0.8	0.6
Electricity, gas and water	-0.2	0.0	0.0
Construction	0.9	1.3	1.0
Wholesale and retail trade	0.9	1.1	1.0
Restaurants and hotels	0.1	0.2	0.1
Transport, storage and communications	0.1	0.3	0.4
Financial intermediaries	0.3	0.3	0.3
Real estate and business services	0.4	0.4	0.4
Community, social, and personal services	0.1	0.1	0.0
Taxes on products	-0.8	-0.3	-0.2
FISIM	-0.1	-0.1	-0.1
Growth in real GDP per capita	1.0	2.7	4.7

Source: Adapted from Central Statistical Office Tables

Sectoral Developments

Agriculture, Forestry and Fisheries

Value added in the agriculture, forestry and fisheries sector in 2004 continued to be favourable, increasing by 4.3% compared with 5.0% in 2003 (see Table 25A). Continued growth in this sector was a result of the favourable weather conditions during the 2003/2004 agricultural season, coupled with Government facilitation of access to inputs by the small-scale farmers under the Fertiliser Support Programme. Government provision of supportive marketing arrangements also assisted in boosting crop output, in particular maize, whose output increased by 4.8% to 1,214,000 metric tons in the 2003/2004 agricultural season from 1,158,000 metric tons in the 2002/2003 agricultural season. This increase in maize output translated into an improvement in the country's food security position, as an overall maize surplus of 185,000 metric tons was recorded compared to 120,000 metric tons the previous year. Further, output of export and cash crops, such as, tobacco, sugar, coffee and cotton rose, principally on account of increased private sector investments in the production of these crops. As a consequence of the growth in this sector, its contribution to real GDP growth continued to be appreciable, at 0.6 percentage points compared to 0.8 percentage points the previous year.

Agriculture in Zambia is not restricted to growing of the staple food, maize. In 2004 coffee and cotton growing played a significant part in the growth of agricultural production.



Coffee plantation



Coffee trees



Harvest-ready coffee

Mining and Quarrying

Performance in the mining and quarrying sector continued to be encouraging and strong during the year under review. Value added in the sector grew by 12.6% in 2004 compared to 3.4% in 2003. The growth in this sector was led by metal mining whose output rose by 12.5%. Copper output rose by 13.9% to 398,274.3 metric tons in 2004 from 349,814.4 metric tons in 2003. Recovery of the global economy which became well established in 2004, underpinned by continued strong growth in industrial countries and emerging economies, notably China, sustained the high demand for copper resulting in increased prices, which in turn boosted copper output. Average copper prices increased to US \$1.20 per pound in 2004 from US \$0.78 per pound in 2003.

In contrast, cobalt output declined by 27.9% to 2,308.6 metric tons during the year under review from 3,201.4 metric tons the previous year. The continued low concentration of cobalt content in metal ores largely explained

the observed decline in cobalt output. This was in spite of cobalt prices rising to an average of US \$21.30 per pound from US \$8.37 per pound over the same period.

The stronger financial positions of most mines, mainly on account of high copper export revenues coupled with injection of financial resources for recapitalisation resulted in continued improvement in mining operations, which in turn spurred growth in the metal mining industry. In particular, operations of Konkola Copper Mines (KCM), were boosted by the entry of new strategic equity partner in the company. The Kansanshi mine commenced operations in the North-Western Province in December 2004 and was expected to be fully operational in early 2005.

Metal mining, together with other mining and quarrying contributed 1.0 percentage points to real GDP growth in 2004 compared to 1.3 percentage points the previous year.

Manufacturing

During the year under review, the manufacturing sector continued to be among the key sectors in the economy posting 5.2% growth compared to 7.6% in 2003. Its contribution to real GDP growth was 0.6 percentage points compared to 0.8 percentage points in 2003. Within the sector, higher growth rates emanated from food, beverage, and tobacco, wood and wood products, chemicals, rubber, and plastic products, non-metallic mineral products and base metal products sub-sectors, which grew by 5.1%, 7.3%, 9.4%, 11.9%, 7.6%, from 8.6%, 11.4%, 4.9%, 14.9% and 15.1% in 2003, respectively.

The food, beverage, and tobacco sub-sector remained the largest sub-sector in the manufacturing sector, largely on account of a booming agricultural sector. Rising cash crop exports, such as, tobacco and agro-processed products, such as, notably sugar have gained access to prime European markets. Increased access to external markets for sugar, in turn encouraged the entry of new players into the sugar industry. Manufacturers of non-durable goods, namely, foodstuffs and beverages are expanding towards regional export markets. Fiscal incentives provided by Government such as the reduction in import duties on a range of inputs continued to boost production in 2004.

Transport, Storage and Communications

The transport, storage and communications sector grew by 6.5% in 2004 compared with 4.8% in 2003, with its contribution to real GDP rising to 0.4 percentage points from 0.3 percentage points over the reviewed year. Contributions to the recorded growth in the sector largely emanated from air transport, communications and road transport sub-sectors, which grew by 17.7%, 5.0% and 4.2% in 2004 from 3.9%, 10.0% and 3.9% in 2003, respectively.

The growth in road transport was mainly attributed to increased economic output and activities in such sectors as agriculture and mining, while the increase in value added in air transport was in part due to the rise in chartered and scheduled flights owing to a relatively active tourism sector coupled with the introduction of new domestic air routes. Increased expansion in telecommunications namely, mobile and internet services also contributed to the recorded growth. Mobile and internet services providers extended their operations to peri-urban and rural areas during 2004.

With stability in the foreign exchange market, providers of various services obliged to the Governments demands to quote goods and services in the local currency, the Kwacha. Mobile phone providers were among those who changed to quote in Kwacha for services rendered rather than in foreign currencies.



Construction

In 2004, value added in construction was 14.6% compared with 21.6% in 2003 which translated into a contribution of 1.0 percentage point to the growth in real GDP during the same year compared with 1.3 percentage points the previous year. Among the key activities responsible for this growth were the construction works at Kansanshi Mine and related facilities, shopping, offices, accommodation, and entertainment structures and continued rehabilitation of roads in the country.

Tourism continues to be one of the country's growing sources of foreign exchange. The country is now advertising the attractions to potential tourists.



Rowing on the Zambezi



Zambezi white water rafting



Zambezi sunset

Tourism

The tourism sector, represented by restaurants, bars and hotels sector, grew by 5.5% in 2004 compared to 6.9% in 2003 with a sectoral contribution to real GDP growth of 0.1 percentage points compared with 0.2 percentage points the previous year. The sector continued to be boosted by an upward trend in international tourist arrivals made in part possible by concerted marketing and promotional activities. For instance, international arrivals at the country's key tourist destination, Livingstone, increased to 56,527 passengers from 40,621 passengers in 2003. The tourism sector also recorded an increase in hotel accommodation through the opening up of new hotels/lodges and rehabilitation of others. Government initiatives aimed at improving infrastructure, such as, access roads and increase in flights to major tourist areas, coupled with improvement in telecommunications services continued to boost tourism.

TABLE 25A: GDP BY KIND OF ECONOMIC ACTIVITY AT CONSTANT 1994 PRICES (K' BILLION)

KIND OF ACTIVITY	1998	1999	2000	2001	2002	2003	2004
Agriculture, Forestry and Fishing	384.2	423.2	429.8	418.9	411.7	432.5	450.8
Agriculture	189.3	210.4	212.6	200.0	187.3	202.4	214.7
Forestry	124.5	129.5	134.7	140.5	146.5	152.8	159.4
Fishing	70.4	83.3	82.5	78.4	77.9	77.3	76.8
Mining and Quarrying	213.0	160.3	160.4	182.9	212.9	220.0	247.9
Metal Mining	208.5	155.7	155.2	178.5	209.1	215.8	243.0
Other mining and quarrying	4.6	4.6	5.2	4.4	3.8	4.2	4.9
PRIMARY SECTOR	597.3	583.5	590.2	601.8	624.6	652.5	698.7
Manufacturing	246.7	253.7	262.7	273.7	289.5	311.4	327.6
Food, Beverages and Tobacco	146.0	154.8	155.7	164.0	172.3	187.7	197.3
Textile and Leather Industries	42.4	44.8	45.8	46.8	50.0	51.3	52.4
Wood and Wood Products	19.2	19.3	19.2	20.3	22.2	24.4	26.1
Paper and Paper Products	7.3	7.6	7.5	7.8	8.0	8.6	8.8
Chemicals, Rubber and Plastic Products	18.7	15.5	21.9	22.8	25.1	26.4	28.8
Non-Metallic Mineral Products	4.5	4.4	4.6	4.8	4.9	5.6	6.3
Basic Metal Products	1.3	1.3	1.4	1.2	1.2	1.4	1.5
Fabricated Metal Products	7.3	5.9	6.5	6.0	5.8	6.1	6.4
Other Manufacturing n.e.c	0.0	0.0	0.0	0.0	0.8	0.9	0.0
Electricity, Gas and Water	70.3	72.1	72.9	82.1	79.5	78.3	76.9
Construction	112.4	116.0	123.6	137.8	161.8	196.8	225.5
SECONDARY SECTOR	429.4	441.8	459.2	493.6	530.8	586.5	629.9
Wholesale and Retail Trade	427.2	446.2	456.6	481.2	505.4	536.4	565.2
Restaurants, Bars and Hotels	45.8	43.0	48.2	60.0	62.8	67.2	71.0
Transport, Storage and Communications	145.7	154.0	157.7	162.1	165.1	173.0	184.2
Rail Transport	11.4	10.0	10.3	11.1	11.8	10.8	10.9
Road Transport	67.7	75.4	76.8	77.3	78.8	81.9	85.3
Other Transport and Allied Services	24.6	26.2	27.8	30.8	28.2	29.6	34.5
Communications	42.0	42.5	42.7	42.9	46.3	51.0	53.5
Financial Intermediaries and Insurance	201.6	206.7	205.4	205.6	212.7	220.0	227.7
Real Estate and Business Services	179.0	203.7	238.2	246.6	252.5	267.6	278.2
Community, Social and Personal Services	178.8	193.7	192.8	203.9	207.3	210.5	211.7
Public Admin. & Defence; Public and Sanitary Service	101.4	110.2	109.4	110.5	109.4	109.6	109.9
Education	46.5	506.0	50.2	57.0	61.0	62.8	63.0
Health	11.7	12.7	12.6	14.7	14.8	15.2	15.1
Recreation, Religious and Culture	7.4	8.0	8.0	8.8	8.6	9.0	9.3
Personal Services	11.8	12.3	12.6	13.0	13.5	13.9	14.4
TERTIARY SECTOR	1,178.1	1,247.3	1,298.9	1,359.4	1,405.8	1,474.8	1,537.9
Less: FISIM	(115.8)	(118.8)	(121.8)	(124.9)	(128.1)	(131.3)	(134.6)
TOTAL GROSS VALUE ADDED	2,089.2	2,153.9	2,226.7	2,329.9	2,433.1	2,582.6	2,731.9
Taxes on Products	271.0	258.9	272.4	291.4	272.0	264.1	256.9
TOTAL GDP AT MARKET PRICES	2,360.2	2,412.7	2,499.0	2,621.3	2,707.9	2,846.7	2,988.9
Real Growth Rates (%)	(1.9)	2.2	3.6	4.9	3.3	5.1	5.0
Real GDP per capita (1994 Prices) (Kwacha)	233,683.0	236,542.0	242,626.0	248,531.0	250,723.0	257,398.0	269,518.0

Source: Central Statistical Office

The positive growth of the country's economy was partly due to expansion recorded in the mining sector and the high prices of copper and other minerals produced in Zambia. New mines were opened in the North Western Province of Zambia in 2004.



PICTURE: FIRST QUANTUM WEBSITE

Kansanshi sulphide mill

TABLE 25B: GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY AT CURRENT 1994 PRICES (K'BILLION)

Kind of Economic Activity	1998	1999	2000	2001	2002	2003	2004
Agriculture, Forestry and Fishing	1,127.90	1,614.50	2,002.20	2,582.10	3,247.40	4,244.60	5,570.50
Agriculture	362.60	453.10	561.10	627.30	749.80	1,008.20	1,249.50
Forestry	662.30	1,032.80	1,285.00	1,778.50	2,274.30	2,960.30	3,998.50
Fishing	103.00	128.60	156.10	176.30	223.30	276.10	322.50
Mining and Quarrying	378.30	281.30	416.10	518.90	575.10	564.80	811.20
Mining	373.40	276.40	407.90	511.30	568.80	558.20	805.00
Other Mining and Quarrying	4.90	4.90	8.20	7.60	6.30	6.60	6.20
Primary Sector	1,506.20	1,895.80	2,418.30	3,101.00	3,822.50	4,809.40	6,381.70
Manufacturing	692.60	838.50	1,027.30	1,296.80	1,693.60	2,241.00	2,840.60
Food, Beverages and Tobacco	424.70	497.80	613.90	768.40	1,033.40	1,397.20	1,702.10
Textile and Leather Industries	114.10	139.00	180.40	224.20	284.50	352.90	482.40
Wood and Wood Products	50.30	53.70	64.10	89.30	118.40	164.70	231.60
Paper and Paper Products	24.00	33.80	40.00	55.10	69.00	93.10	128.70
Chemicals, Rubber and Plastic Products	48.50	80.80	85.80	111.30	142.60	178.90	222.80
Non-metallic Mineral Products	9.10	11.50	14.30	18.50	21.90	30.00	39.60
Basic Metal Products	2.00	2.10	3.20	2.90	2.80	3.10	4.20
Fabricated Metal Products	19.50	18.00	22.90	23.00	21.00	21.00	29.20
Other Manufacturing N.E.C	0.40	1.80	2.70	4.10			
Electricity, Gas, and Water	220.10	246.50	328.00	445.30	488.30	596.60	689.90
Construction	267.80	320.20	500.50	728.60	1,067.70	1,590.00	2,189.80
Secondary Sector	1,180.50	1,405.20	1,855.80	2,470.70	3,249.60	4,427.50	5,720.30
Wholesale and Retail Trade	1,049.00	1,380.30	1,879.80	2,343.20	3,004.10	3,873.80	4,852.10
Restaurants, Bars and Hotels	133.50	145.60	207.00	315.90	406.80	527.70	651.60
Transport, Storage and Communications	341.50	429.60	635.70	852.60	1,055.80	1,060.00	1,206.90
Rail Transport	31.90	36.10	54.90	72.70	82.70	89.50	100.10
Road Transport	138.50	175.40	255.20	311.30	334.30	393.90	464.00
Other Transport and Allied Services	53.10	64.80	99.00	133.70	129.70	154.50	183.00
Communications	118.00	153.30	226.60	334.90	509.10	422.10	459.80
Financial Intermediaries and Insurance	546.80	676.70	982.20	1,238.80	1,493.10	1,847.70	2,282.70
Real estate and Business Services	381.70	496.20	660.60	832.90	1,041.20	1,341.20	1,659.60
Community, Social and Personal Services	511.40	666.70	901.90	1,236.20	1,414.50	1,757.00	2,042.20
Public Administration and Defence	268.70	328.60	454.10	554.00	587.20	683.00	723.90
Education	158.30	192.10	256.10	394.30	496.90	688.60	867.70
Health	36.00	84.10	107.00	175.50	203.60	252.40	292.80
Recreation, Religious, Culture	19.50	23.90	33.00	47.90	44.10	26.40	24.30
Personal Services	28.90	38.00	51.70	64.50	82.70	106.60	133.50
Tertiary Sector	2,963.90	3,795.10	5,267.20	6,819.60	8,415.50	10,407.40	12,695.10
Less FISIM	(314.20)	(388.90)	(564.40)	(711.90)	-858.10	-1,061.80	-1,311.80
Total Gross Value Added	5,336.40	6,707.20	8,976.90	11,679.40	14,629.50	18,582.50	23,485.30
Taxes on Products	692.20	802.30	1,097.70	1,460.00	1,630.80	1,899.90	2,219.10
Total GDP at Current (1994) Prices	6,028.60	7,509.50	10,074.60	13,139.40	16,260.30	20,482.40	25,704.40
Growth Rates (%)	17.26	24.56	34.16	30.42	24.00	25.97	25.50
Current GDP per Capita (1994 Prices) (Kwacha)	596,826.00	733,104.00	977,855.00	1,238,933.00	1,505,549.00	1,852,017.00	2,317,860.00

Source: Central Statistical Office

Investment Pledges

During 2004, investment pledges increased to US \$123.5 million from US \$82.9 million in 2003. Of the total pledged investment, the manufacturing sector attracted the largest share of pledges at US \$45.8 million followed by agriculture (US \$34.6 million), services (US \$15.4 million), mining (US \$14.5 million), tourism (US \$6.6 million), transport (US \$3.7 million), and construction (US \$2.8 million).

With these pledges, a total of 10,447 employment opportunities were expected to be generated with the highest at 5,037 in the agricultural sector followed by the manufacturing (2,474), services (1,432), mining (716), tourism (530), transport (160), and construction (98).

Privatisation and Parastatal Reforms

As at 31 December 2004, 261 companies, out of a working portfolio of 284, had been privatised. Of the remaining 23 companies, 20 were under preparation, while three companies were under negotiation.

During the year under review, Government, in partnership with the private sector continued to collaborate on aspects of private sector development. In this respect, a Private Sector Development (PSD) Reform Action Plan was prepared and launched in June 2004. The PSD Reform Action Plan seeks to lay the foundation for faster, sustained and private-sector led growth by implementing a comprehensive action plan for enhancing the business and investment climate and restoring confidence. In this regard, the Plan will enable Government, in close consultation with the private sector, to make necessary amendments to the Investment Act in order to improve the existing policy environment and institutions, and infrastructure. In addition, Government, will undertake

initiatives to improve business facilitation through among other things, removal of administrative barriers to business. To this end, Government also approved the formation of the Zambia Development Agency, which is a merger of five Statutory Boards, namely the Zambia Investment Centre, Export Board of Zambia, Zambia Export Processing Zones Authority, Small Enterprises Development Board and the Zambia Privatisation Agency. Government will also have to create greater opportunities for expanded trade in the region and international markets as well as empowering the local business players.

After years of decline, Zambia is now finding new avenues in the manufacturing sector like fabrication of trailers at a plant formerly used by a quasi government organisation.





4 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.0 OVERVIEW

The overall financial condition and performance of the financial sector remained stable during the year under review, with the performance of the banking sector remaining satisfactory while that of the non-bank financial sector was fair. The banking sector continued to be adequately capitalised, with all banks meeting their minimum regulatory capital requirements during the year. The performance of the non-bank financial sector was fair during the year under review, despite the challenges posed by the financially constrained institutions. Equally important, although adequate corporate governance structures were in place for most of the NBFIs, some of these institutions were yet to re-align the composition of their boards of directors to the requirements of the Banking and Financial Services Act (BSFA).

During 2004, the Bank of Zambia Anti-Money Laundering Directives were issued to all registered banks and non-bank financial institutions. The Directives aim to provide guidance to banks and non-bank financial institutions on how to address their obligations towards fighting money laundering, as provided for in the Prohibition and Prevention of Money Laundering Act of 2001.

4.1 BANKING SECTOR

4.1.1 REGULATION AND SUPERVISION

During the year, no changes were made to the principal regulatory acts, except for the issuance of the Bank of Zambia Anti-Money Laundering Directives on 19 August 2004. The Directives were aimed at strengthening the anti-money laundering frameworks for banks and non-bank financial institutions by providing detailed guidance to banks and non-bank financial institutions on how to address their obligations towards fighting money laundering as provided for in the Prohibition and Prevention of Money Laundering Act of 2001.

Some of the key areas covered by the Directives included the need for enhanced customer due diligence when dealing with customers, the need for cooperation with law enforcement agencies, the obligations of the board of directors in combating money laundering and staff training in the area of money laundering. The Directives were distributed to all registered banks and non-bank financial institutions and were also circulated to other key stakeholders, including the Ministry of Finance and National Planning, Ministry of Justice, Ministry of Home Affairs, the Drug Enforcement Commission, the Zambia Police and audit firms. Subsequent to the issuance of the Directives, the BoZ conducted two on-site inspections focused on anti-money laundering in early October. The general findings were that it was still too early for banks to fully comply with the directives, having just been issued in August. Meaningful results are expected in the BoZ's future inspections in the coming year.

4.1.2 PERFORMANCE OF THE BANKING SECTOR

The financial condition and performance of the banking sector during the year was satisfactory. Total assets grew by 27.6% to K7,002.6 billion at end-December 2004. The sector continued to be adequately capitalised and all banks met their minimum regulatory capital requirements throughout the year. The asset quality was satisfactory, with interest earning assets accounting for 79.0% of total assets at end-December 2004. The sector's earnings performance for the year was also satisfactory. However, even though still satisfactory income before tax declined to K198.7 billion compared to K274.9 billion recorded in the preceding year largely on account of loan loss provisions and reduced income from Government securities. The banking sector's liquidity position at 73.7% was satisfactory with all banks meeting the prudential minimum ratio of 50%. Tables 26A and 26B below show the performance rating for the banks as at 31 December 2004 and comparatives for 2003 and 2002.

TABLE 26A: PERFORMANCE RATING FOR BANKS, DECEMBER 2002 - DECEMBER 2004⁸

Performance	Capital Adequacy			Asset Quality			Earnings			Liquidity		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Strong	14	13	12	9	7	4	6	4	2	1	2	1
Satisfactory	0	1	1	5	6	6	5	7	6	12	7	5
Fair Needs Improvement	0	0	0	0	1	3	3	2	3	1	5	7
Marginal	0	0	0	0	0	0	0	1	2	0	0	0
Unsatisfactory	0	0	0	0	0	0	0	0	0	0	0	0
Total	14	14	13	14	14	13	14	14	13	14	14	13

Source: Bank of Zambia

⁸ This figures are as at 31st December of each year. The performance of banks is assessed using several ratios based on Capital, Assets Quality Earnings and Liquidity. Composite rating averages the individual ratings in each of the above parameters. A five tier rating system is utilised as shown below: - **Strong**-Excellent performance in all parameters, **Satisfactory**-Satisfactory performance and meets minimum statutory requirements, **Fair**-Average performance and meets minimum statutory requirements, **Marginal**-below average performance in some of the parameters, **Unsatisfactory**- Poor performance in most parameters and violates minimum statutory requirements.

TABLE 26B: COMPOSITE RATING FOR BANKS, DEC 2002 - DEC 2004⁹

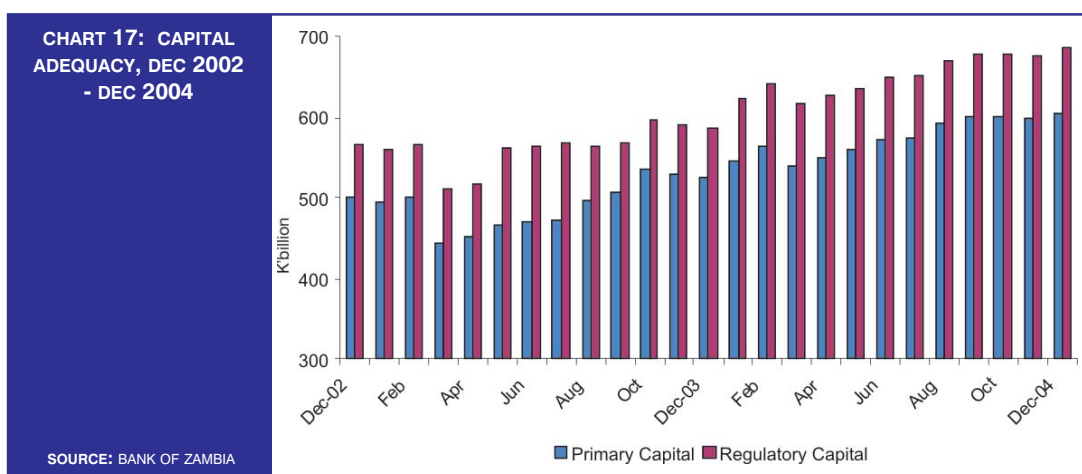
Performance Category	Number of Banks			Proportion of Industry Assets (%)		
	2002	2003	2004	2002	2003	2004
Current Condition Satisfactory	14	10	7	100	74.5	55.3
Possible Emerging Problem	0	3	4	0	4.6	21.6
Watch	0	1	2	0	20.9	23.1
Problem	0	0	0	0	0	0
Total	14	14	13	100	100	100

Source: Bank of Zambia

4.1.2.1 CAPITAL AND LIABILITES

4.1.2.1.1 Capital Adequacy¹⁰

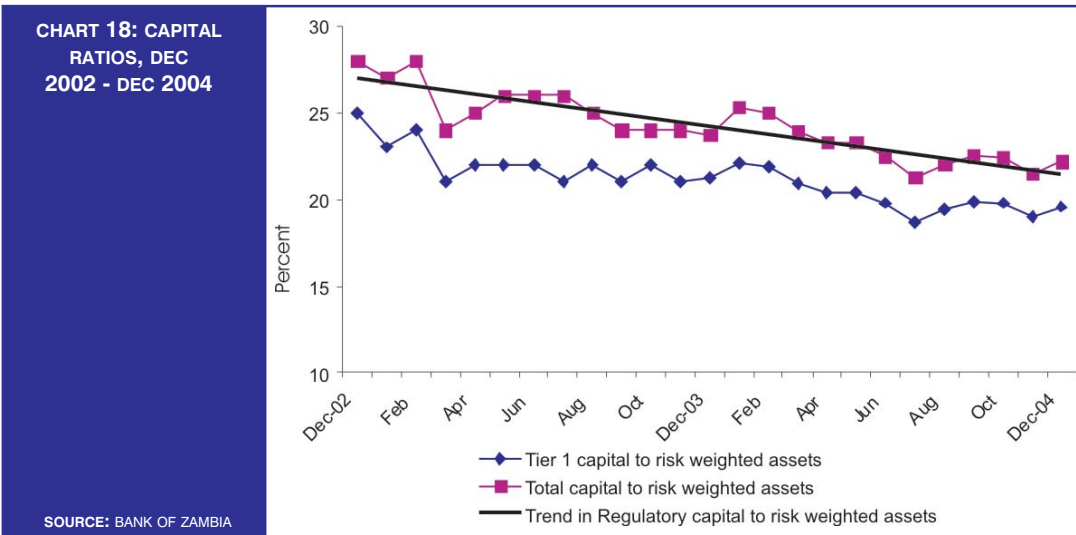
The primary (core) capital for the industry increased by 15.0% to K605.1 billion as at 31 December 2004. Regulatory capital also increased by 17.1% to K686.1 billion as at 31 December 2004. Chart 17 below shows the primary and regulatory capital levels for the banking sector over the 25 months to December 2004. Twelve banks were rated strong on capital adequacy whilst one was rated satisfactory. The industry's net worth improved to K679.6 billion as at 31 December 2004 due to increased profits.



The primary and regulatory capital to risk weighted assets ratios declined to 20% and 22% at end-December 2004 compared to 21% and 24% respectively at end-December 2003. However, both ratios remained above the prudential norm of 5% and 10% for primary and regulatory capital, respectively. The decline in capital adequacy ratios despite the increase in primary and regulatory capital, was largely on account of an increase in risk weighted assets by 25.3% to K3,094.8 billion as at 31 December 2004 (see Chart 18). The increase in the risk weighted assets was on account of the shift to riskier loans as a result of low yields on Government Securities.

⁹ These figures are as at 31 December of each year. A bank is rated **Current Condition Satisfactory** when generally, the institution is doing well in all respects with regards to its major areas of operation, ie capital, asset quality, earnings liquidity, management and foreign exchange exposure are all considered to be satisfactory. It is rated **Possible Emerging Problem (PEP)** when it is generally doing well but potential problem areas have been identified and if they are not addressed immediately might result in the deterioration of the financial condition of the bank. An institution is rated **Watch** where weaknesses have crystallized in one or more areas and where if these matters are not resolved immediately may lead to the overall deterioration in the financial condition of the institution. Where an institution has been found to have problems in most, if not in all major areas of operation it is rated as **Problem**.

¹⁰ Capital remains the most critical indicator of the relative strength of a bank. It provides a cushion against any losses that may be incurred by a bank. In order to protect depositors and other providers of funds, a bank's capital should be commensurate to the level of risk it takes.

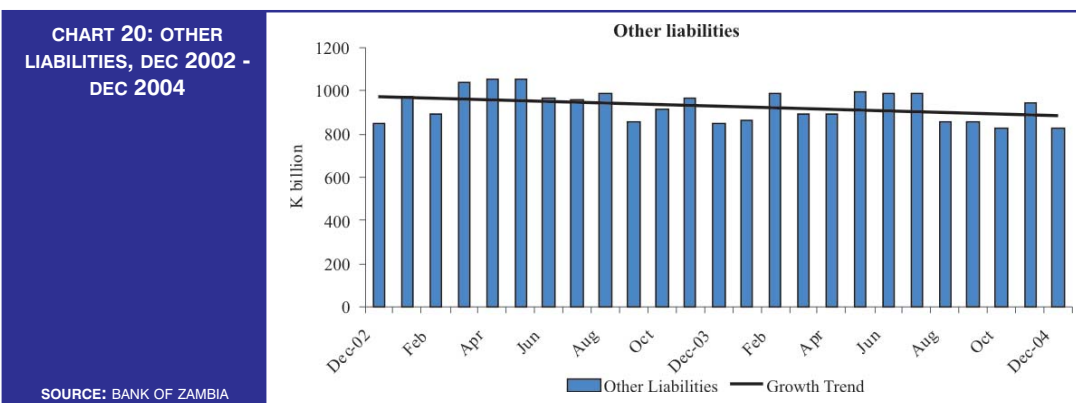
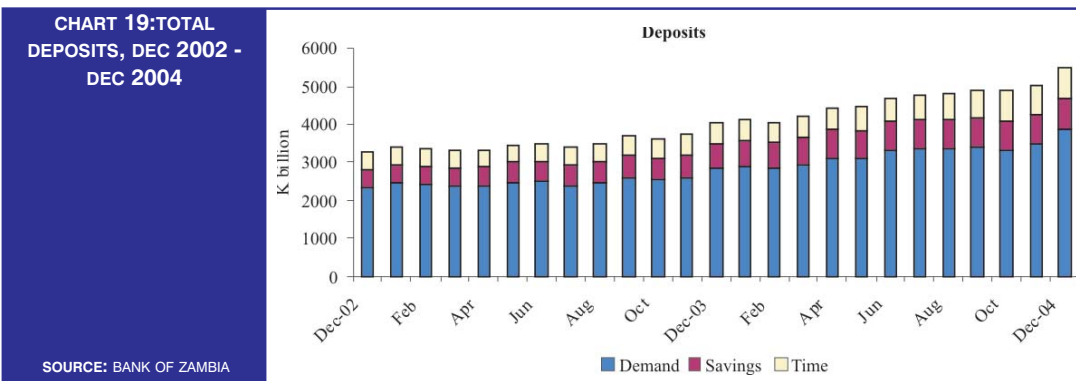


4.1.2.1.2 Deposits and other Liabilities

Total liabilities increased by 29.4% to close the year at K6,323.0 billion and increased marginally as a percentage of liabilities and shareholders' funds to 90% (December 2003: 89%).

Deposits, which accounted for 79% of total liabilities and shareholders' funds, increased by 36.2% to K5,497.8 billion. Demand deposits were the largest component of total deposits and accounted for 70% at end-December 2004 (December 2003: 70%). The predominance of demand deposits largely reflected the short term nature of the investment profile on the asset side of the balance sheet.

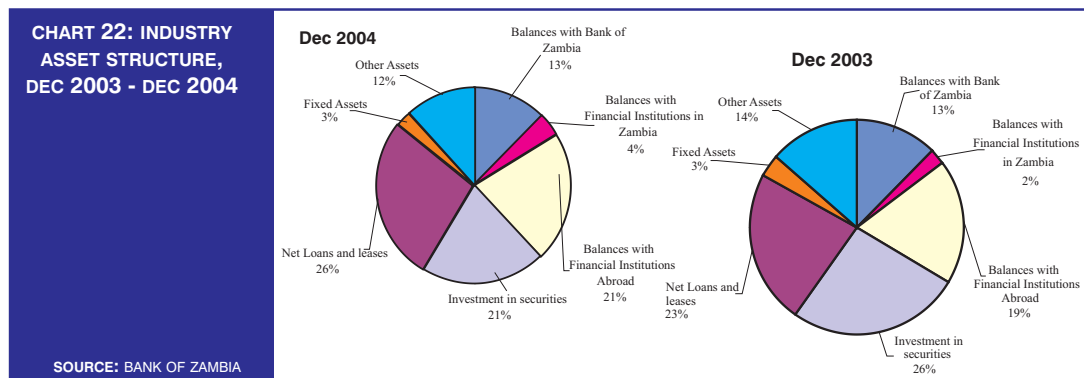
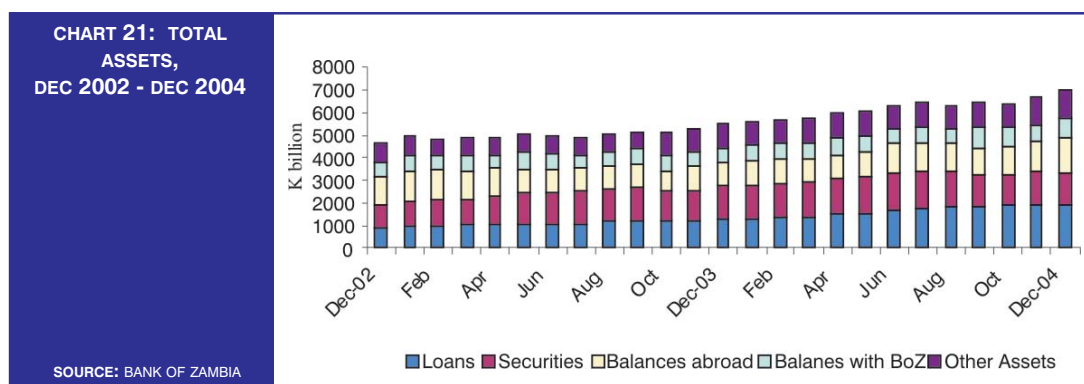
As illustrated in Charts 19 and 20, total deposits trended upwards while other liabilities showed a downward trend. The growth in total deposits was attributed to a general rise in foreign exchange deposits as a result of favourable performance of the external sector of the economy, in part depicted by the rise in the traditional and non-traditional export earnings. The growth in deposits was responsible for 96% of the asset growth.



4.1.2.1.3 Asset Quality¹¹

The asset quality of the banking sector was satisfactory. Interest earning assets improved to 79.0% of total assets at end-December 2004 compared to 75.1% at end-December 2003. Despite the growth in interest earning assets, gross non-performing loans sharply increased by 118.8% to K155.8 billion from K71.2 billion and accounted for 7.6% of total loans compared to 5.3% in the preceding year. The exposure by five commercial banks to Agriflora Limited (in Receivership),¹² largely explained the increase in the total non-performing loans. The allowance for losses to non-performing loans was adequate at 102.8% of the gross non-performing loans at end-December 2004 compared to 89.3% recorded at end-December 2003.

Total assets of the banking sector grew by 27.6% driven by an increase in net loans and leases of 47.5% and increases in balances with financial institutions abroad of 46.3%. These assets, together with Government securities, accounted for 70% (2003: 68%) of total assets. During the year under review, the banking sector's asset structure was characterised by an increase in net loans and leases which recorded the highest nominal growth and dominated the industry's total assets at 27%, shifting the dominance to loans and leases from Government securities, which marginally declined by 0.1% and had dominated total assets at end-December 2003 at 26% (see Charts 21 and 22).



4.1.2.1.4 Earnings Performance¹³

The banking sector's earnings performance for the year under review was satisfactory, although income before tax declined to K198.7 billion compared to K274.9 billion recorded in the preceding year. The decline in the profit-before-tax for the year was largely on account of the increase in loan-loss provisions and reduced interest income from Government securities (see Table 27).

¹¹ The asset quality of the banking sector is assessed on the basis of the capacity of assets to generate sufficient income to sustain operations and contribute positively to the capital formation through retained earnings.

¹² The exposure to Agri-flora Ltd accounted for about 40% of non-performing loans.

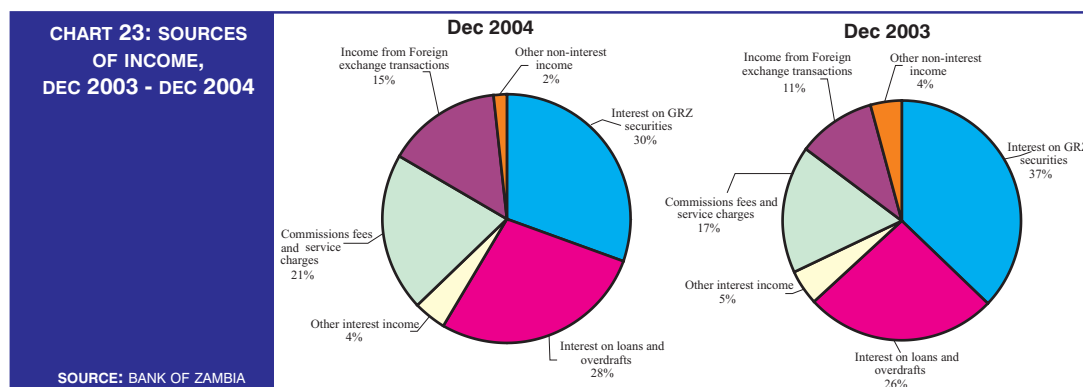
¹³ Earnings are an important source for capital formation and provide a return to shareholders. An evaluation of a bank's earnings involves an assessment of the quality of income and the long term sustainability of the activities that generate the income.

TABLE 27: EARNINGS PERFORMANCE AT A GLANCE, 2002 - 2004 (K'BILLION)

Particulars	2002	2003	2004
Interest Income	642.2	725.8	676.5
Interest Expenses	179.4	227.0	104.7
Net Interest Income	462.8	498.8	571.7
Non-Interest Income	329.6	376.8	400.3
Net Operating Income	792.4	875.6	972.0
Non-Interest Expenses	463.6	597.6	665.4
Gross Profit	328.8	278.0	306.6
Loan Loss Provisions	26.2	3.1	107.9
Profit Before Taxation	302.6	274.9	198.7
Taxation	90.4	69.0	49.6
Net Profit	212.2	205.9	149.1

Source: Bank of Zambia

Total interest income decreased by 6.8% to K676.5 billion compared to K725.8 billion recorded in the preceding year. The decrease in interest income was on account of a decline in income on Government securities by 17.4% to K328.1 billion. This was attributed to the decline in the weighted average yield rates on Government securities in comparison to the previous year, with the annual weighted average rates for both Treasury bills and Government bonds declining to 17.8% and 21.0% in 2004 from 19.7% and 30.0% in 2003, respectively. Chart 23 below illustrates the principal sources of income for the banking sector.



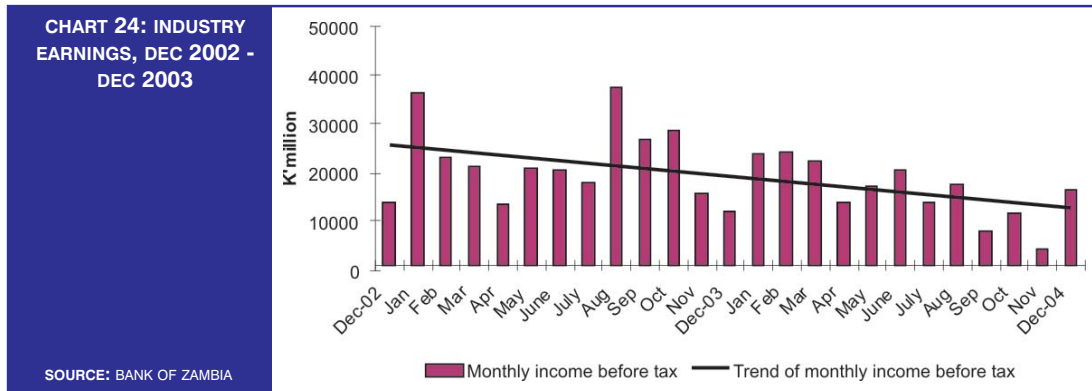
Interest expenses were lower by 53.9%, closing the year at K104.7 billion compared to K227.0 billion in the preceding year. The decrease was largely on account of the general fall in deposit rates. This was despite the increase in total deposits by 32.6% in 2004.

Overall, net interest income before loan-loss provisions increased by 14.6% to K571.7 billion compared to the preceding year's amount of K498.8 billion. However, net interest income after provisions declined by 6.4% to K463.9 billion. This was largely due to an increase in loan-loss provisions by K104.7 billion to K107.9 billion, of which K57.1 billion related to the loan-loss provisions on Agriflora Limited (in Receivership).

Total non-interest income increased to K400.3 billion compared with K376.8 billion the previous year. This was attributed to the high income from commissions, fees and service charges which posted an increase of 19.1% to K222.2 billion from K186.6 billion recorded in the preceding year. Foreign exchange income also increased by 39.6% to K159.5 billion compared to K114.2 billion recorded in the preceding year. Realised foreign exchange gains accounted for the largest component of the total foreign exchange income at K120.1 billion or 75%.

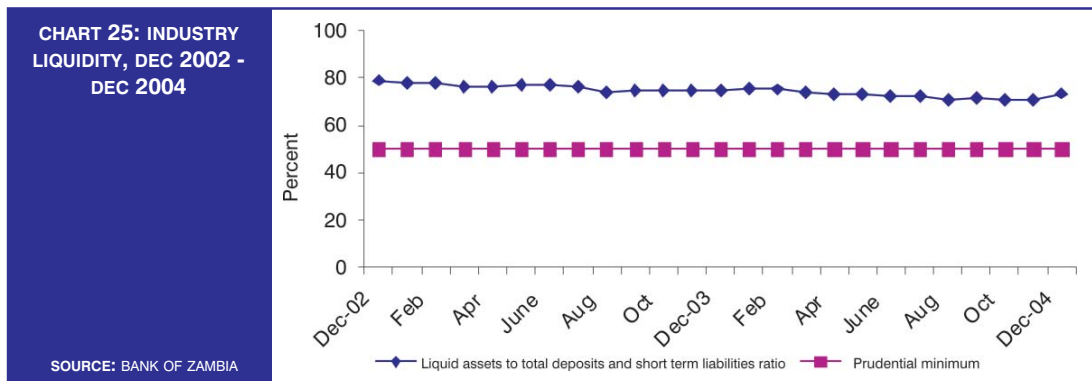
Non-interest expenses for the year amounted to K665.4 billion, representing a rise of 11.4% in comparison to K597.6 billion recorded in 2003. The higher overheads were mainly attributed to salaries and employee benefits due to redundancy costs as a result of restructuring of one bank. Salaries and employee benefits continued to account for the largest component of total expenses at 46% compared to 42% for the year 2003.

Overall, although declining, the banking sector registered satisfactory return on assets (ROA) of 3.1% and return on equity (ROE) of 29.8% compared to 5.4% and 48.5% for 2003, respectively. As illustrated in Chart 24, the banking sector's earnings showed a declining trend as a result of a decline in yield rates on Government securities. However, it is expected that income from Government Securities will rise as the downward trend in yield rates reversed towards the end of 2004.



4.1.2.1.5 Liquidity and Funds Management

The banking sector's liquidity position, as at end-December 2004, was satisfactory, with the ratio of liquid assets to total deposits and short-term liabilities remaining at 74%. The liquidity ratio has over the past few years shown a relatively stable trend (see Chart 25). The high liquidity ratio reflects the predominance of liquid assets in the structure of the total industry's assets. All banks recorded liquidity ratios in excess of the prudential minimum of 50%.



4.1.2.1.6 Sensitivity Tests

BOX 2: DESCRIPTION OF SENSITIVITY ANALYSIS

The BoZ utilises Macro Prudential Analysis to identify fragilities which could destabilise the financial system. Various financial indicators are used to carry out sensitivity tests to predict vulnerabilities. Indicators used in the year included Government Securities Income and Foreign Exchange Trading Income.

The Government security trading income sensitivity rate measures the banking sector's dependence on Government security income, i.e., the extent to which the Government security yield rate can fall before the consolidated commercial bank's income statement experiences losses (assumption: the only income stream for commercial banks is obtained from Government securities). A secondary sensitivity analysis compares the previous period's sensitivity rate to the current period's rate. Therefore, with regard to sensitivity change, a negative figure implies a worsening position, that is, interest rates on government securities can decline by a lower value before the break-even point is reached.

The foreign exchange trading income sensitivity rate also measures the banking sector's dependence on realised gains from foreign exchange trading. The secondary sensitivity analysis compares the previous period's sensitivity rate to the current period's. Again, a negative figure for the secondary sensitivity implies a worsening position, that is, income from foreign exchange trading can decline by a lower value before the break-even point is reached.

Source: Bank of Zambia

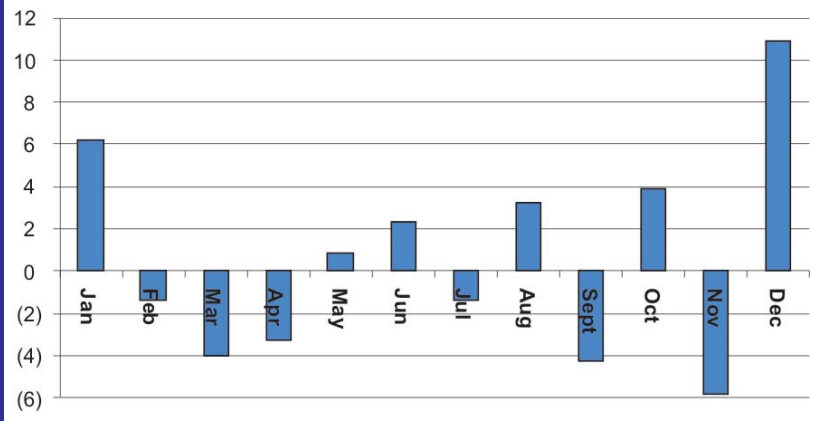
4.1.2.1.6.1 Government Securities Trading Income Tests

During 2004, the income earned from Government securities by commercial banks amounted to K328.1 billion. Due to a decline in the yield rate for both Treasury bills and Government bonds, the Government securities related income reflected a reducing trend during the year. However, the net income before tax showed some fluctuations on a month-by-month basis.

As a result of the erratic net income before tax, the Government securities income sensitivity tests showed irregular results, as shown in Chart 26 below. The months of January, May, June, August, October and December reflected weak sensitivity results such that commercial banks could bear reduced income streams from Government securities.

CHART 26: GOVERNMENT SECURITY INCOME SENSITIVITY TEST RESULTS, 2004

SOURCE: BANK OF ZAMBIA



Meanwhile, the months of February, March, April, July, September and November reflected tight sensitivity results, indicating greater difficulty on the part of the commercial banks to bear reduced income streams from Government securities.

It must be noted that the length of each bar in the chart reflects the magnitude of the sensitivity as dictated by the flows of income compared to the previous month.

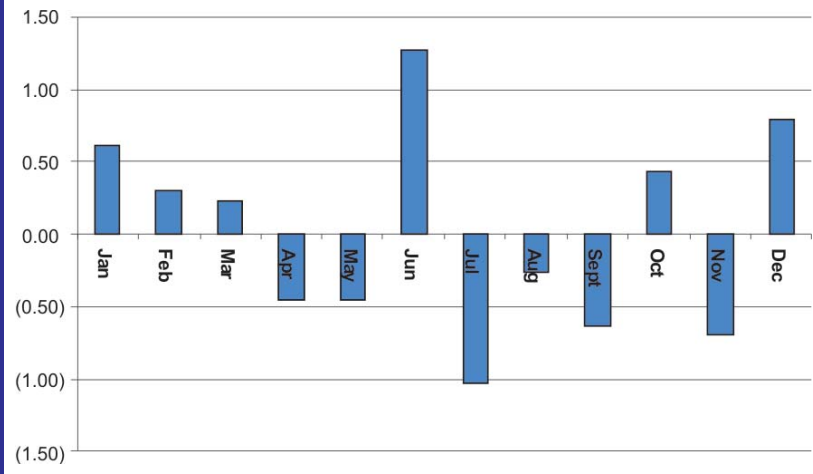
4.1.2.1.6.2 Foreign Exchange Income Trading Tests

Income from foreign exchange trading amounted to K120.1 billion during 2004. The months of January to April reflected a reducing trend in foreign exchange trading income as a result of reduced supply of foreign exchange in the overall market. This reversed to an increasing trend till the end of the year.

Initially, the reducing trend of overall income from foreign exchange trading for the months of January to April had a significant bearing on the sensitivity results as reflected in Chart 27. In effect, the test results also showed a correspondingly tighter sensitivity for each successive month; with the months of April and May in particular showing a lack of capacity to bear losses from foreign exchange trading by the commercial banks.

CHART 27: FOREIGN EXCHANGE INCOME SENSITIVITY TEST RESULTS, 2004

SOURCE: BANK OF ZAMBIA



Thereafter, the relative magnitude of individual changes with regard to net income before tax and foreign exchange trading income began to take effect. The significant falls in net income before tax in July, September and November showed to a greater extent the reduced capacity by the commercial banks to bear losses from foreign exchange trading as a whole.

4.1.2.1.7 Market Share

4.1.2.1.7.1 Assets, Loans and Deposits

Subsidiaries of foreign banks¹⁴ continued to dominate the banking industry in terms of assets, loans and deposits. They controlled 62% of the banking industry's total assets, 74% of total loans and 60% of total deposits compared to 61%, 83% and 60%, respectively, in the preceding year. Government-owned banks¹⁵ accounted for 27% of the industry's total assets, 14% of total loans and 30% of total deposits compared to 28%, 9% and 30%, respectively, in 2003.

Local banks¹⁶ accounted for 11% of the industry's total assets, 12% of total loans and 10% of total deposits compared to the previous year's 11%, 8% and 10% respectively. Table 28 below illustrates the distribution of the banking sector total assets, loans and deposits by type of ownership.

TABLE 28: DISTRIBUTION OF THE BANKING SECTOR'S ASSETS, LOANS AND DEPOSITS BY TYPE OF OWNERSHIP, 2002 - 2004

	Subsidiaries of foreign banks	Government banks	Local banks	Total
2002				
Assets (K' billion)	3,002	1,204	470	4,676
%	64	26	10	100
Loans (K' billion)	740	70	83	893
%	83	8	9	100
Deposits (K' billion)	138	913	206	1,257
%	66	28	6	100
2003				
Assets (K' billion)	3,334	1,520	633	5,487
%	61	28	11	100
Loans (K' billion)	1,062	112	106	1,280
%	83	9	8	100
Deposits (K' billion)	2,414	1,225	396	4,036
%	60	30	10	100
2004				
Assets (K' billion)	4,327	1,882	794	7,003
%	62	27	11	100
Loans (K' billion)	1399	259	232	1890
%	74	14	12	100
Deposits (K' billion)	3,296	1,651	551	5498
%	60	30	10	100

Source: Bank of Zambia

4.1.2.1.7.2 Profit before Taxation

During the year under review, the distribution of profit before taxation by type of ownership indicated that foreign-owned banks accounted for 65% of the industry's total earnings, whilst Government-owned banks accounted for 13% and the local banks accounted for 22%, compared to 71%, 14% and 15%, respectively, in 2003. Table 29 below shows the distribution of profit before tax by type of ownership.

TABLE 29: ANALYSIS OF THE BANKING SECTOR'S EARNINGS BY TYPE OF OWNERSHIP, 2002-2004

	Subsidiaries of foreign banks	Government banks	Local banks	Total
2002				
Profit before tax (K' billion)	234.1	31.2	37.3	302.6
%	77	10	12	100
2003				
Profit before tax (K' billion)	196.8	38.4	39.7	274.9
%	71	14	15	100
2004				
Profit before tax (K' billion)	128.2	27.1	43.4	198.7
%	65	13	22	100

Source: Bank of Zambia

¹⁴These are locally incorporated subsidiaries of foreign banks

¹⁵Banks (currently 2) which are wholly or partially owned by the Government of the Republic of Zambia.

¹⁶Other banks incorporated locally which are not subsidiaries of foreign banks nor Government-owned.

4.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

During the year under review, the performance of the non-bank financial institutions sector was considered fair. As at 31 December 2004, the structure of the non-bank financial sector supervised by the BoZ comprised nine leasing companies, three building societies, one development bank, one savings and credit bank, two micro-finance institutions and 30 bureaux de change. Most of the regulations under NBFIs were implemented in accordance with the recommendations in FSDP.

4.2.1 REGULATION AND SUPERVISION

During the year under review, the following were some of the regulatory and supervisory developments in the Non-Bank Financial Institutions (NBFIs) sector:

4.2.1.1 State-Owned Financial Institutions

The BoZ prepared tripartite memoranda of understanding (MoUs) that were designed to provide a transitional framework for the effective regulation and supervision of the National Savings and Credit Bank (NSCB) and the Development Bank of Zambia (DBZ) until the respective pieces of legislation under which these institutions were established are repealed or harmonised with the Banking and Financial Services Act (BFSA). The tripartite MoUs were signed on 11 November 2004 by the Ministry of Finance and National Planning, the Bank of Zambia and each of the two state-owned NBFIs.

4.2.1.2 Harmonisation of Financial Sector Legislation

A Law Review Committee was constituted, drawing members from key stakeholders. The Law Review Committee drafted proposed amendments to the Building Societies Act (BSA), the Development Bank of Zambia (DBZ) Amendment Act, the National Savings and Credit Act and the BFSA with the view to harmonising these pieces of legislation. The law harmonisation process attracted Technical Assistance from the IMF.

4.2.1.3 Establishment of a Credit Reference Bureau

The establishment of a Credit Reference Bureau (CRB) in Zambia is a private sector initiative driven by the Bankers Association of Zambia (BAZ). The role of the BoZ in this process is to develop an appropriate legislative framework for the operation of the CRB. To this end, the BoZ in 2004 began the process of developing guidelines on the institutional and regulatory framework for the provision of credit reference services in Zambia. The goal of the credit reference service is to improve the information that is available to credit providers in order to enable them to make better credit decisions, thereby increasing accessibility to loans and reducing the cost of borrowing.

4.2.1.4 Development of Micro - Finance Regulations and Supervisory Framework

In June 2004, the BoZ finalised the draft micro - finance regulations. The draft regulations provided a framework for the prudential regulation of deposit-taking Micro-Finance Institutions (MFIs) and non-prudential regulation of non-deposit-taking MFIs. In addition, the draft regulations provided for the exclusion from regulation by the BoZ of small MFIs whose capital would be below the prescribed minimum.

4.2.1.5 Bureau de Change Code of Conduct

The BoZ, in conjunction with the Association of Bureaux De Change in Zambia (ABDCZ) initiated the drawing up of a code of conduct to provide guidance and rules to all members of ABDCZ in the performance of their professional responsibilities. It is a voluntary code, aimed at ensuring the highest possible level of professionalism and standards of business conduct. Once implemented, the code will be monitored and regularly reviewed by the Association of Bureaux De Change in Zambia.

4.2.1.6 Licences Issued and Revoked

During the year under review, operating licences for a leasing company and a bureau de change were issued, bringing the number of licenced leasing companies and bureaux de change to nine and thirty, respectively. However, one licence for a Micro-Finance Institution (MFI) was revoked when its operations could not be sustained after its major financier, the United States Agency for International Development, withdrew financial support from the institution, thus reducing the number of MFIs to two.

4.2.2 PERFORMANCE OF THE NON-BANK FINANCIAL SECTOR

The condition and performance of the NBFIs was evaluated on the basis of their Capital Adequacy, Asset Quality, Earnings Performance and Liquidity (CAEL). The composite rating averages the effects of the individual ratings in each of the above parameters (see Box 3).

BOX 3: DESCRIPTION OF PERFORMANCE RATINGS

Strong (rating 1)	: Excellent performance in all components
Satisfactory (rating 2)	: Satisfactory performance and meets minimum statutory requirements
Fair (rating 3)	: Average performance and meets minimum statutory requirements
Marginal (rating 4)	: Below average performance in some of the components
Unsatisfactory (rating 5)	: Poor performance in most components and violates minimum statutory requirements

4.2.2.1 Leasing companies

The overall financial condition and performance of the leasing sector was rated fair during the year under review. Most leasing companies maintained adequate capital and reserves relative to their risk profiles. Out of the nine (9) leasing companies, seven (7) were adequately capitalised while two did not meet the prescribed minimum capital adequacy ratio of 10%. The two leasing companies were placed under supervisory actions in order to reverse their capital deficiencies. Table 30 below shows the component performance rating for leasing companies while Table 31 shows the composite rating for the leasing sector.

According to Table 30, it is clear that in 2004, the performance of the leasing sector improved as the number of leasing companies with a satisfactory composite rating increased to 5 at the end of 2004 from 2 at the end of 2003.

TABLE 30: PERFORMANCE RATING FOR THE LEASING SECTOR, DEC 2002 - DEC 2004

Performance Category	Capital Adequacy			Asset Quality			Earnings			Liquidity		
	No. of Leasing companies			No. of Leasing companies			No. Of Leasing companies			No. of Leasing companies		
	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
Strong	6	5	4	2	3	5	1	1	1	2	3	3
Satisfactory	1	1	5	5	0	2	5	0	4	2	1	2
Fair Needs Improvement	0	0	0	0	2	1	0	4	2	2	1	1
Marginal	1	0	0	0	0	0	0	0	1	3	0	0
Unsatisfactory	1	1	0	2	2	1	3	2	1		2	3
Total	9	7	9	9	7	9	9	7	9	9	7	9

Source: Bank of Zambia

TABLE 31: COMPOSITE RATING FOR THE LEASING SECTOR, DEC 2002 - DEC 2004

Performance Category	Composite Rating Scale	Number of Leasing companies			% share			Proportion of Industry Assets (%)		
		2004	2003	2002	2004	2003	2002	2004	2003	2002
Current Condition Satisfactory	1.0-2.0	5	2	3	56	29	33	64	3	5
Possible Emerging Problem	2.1-2.5	0	1	1	0	14	11	0	29	9
Watch	2.6-3.5	3	3	5	33	43	56	30	54	86
Problem	3.6 or greater	1	1	0	11	14	0	6	14	0
Total		9	7	9	100	100	100	100	100	100

Source: Bank of Zambia

4.2.2.1.1 Capital Adequacy

As at 31 December 2004, the sector's regulatory capital was K36.0 billion, a decrease of 3% over the December 2003 figure of K36.9 billion. Despite recording a profit after tax of K2.6 billion in the year under review, statutory provisioning requirements for doubtful leases amounting to K6.9 billion adversely affected the sector's capital base.

The sector's risk-weighted assets grew by 11% to K227.8 billion and the regulatory capital to risk-weighted assets ratio declined to 16% by year-end 2004 from 18% at the end of 2003. Chart 28 shows the trend in the regulatory capital for the leasing sector from 31 December 2002 to 31 December 2004.

CHART 28: LEASING SECTOR REGULATORY CAPITAL DEC 2002 - DEC 2004


SOURCE: BANK OF ZAMBIA

4.2.2.1.2 Asset Quality

As at 31 December 2004, the total assets of the leasing sector stood at K252.5 billion, an increase of 12% over the December 2003 amount of K225.3 billion. The increase was largely due to loans and leases, which increased by 11% mainly on account of the increase in the volume of funding provided to leasing companies from the Multi-purpose Credit Facility under the Enterprise Development Project. Loans and leases at 77% of the total assets continued to constitute the major component.

The proportion of non-performing loans and leases at K22.1 billion was 11% of total loans and leases as at 31 December 2004. This was considered satisfactory. Two leasing companies with assets representing 89% of the total leasing sector assets were rated strong while five leasing companies representing 6% of total leasing sector assets were rated satisfactory. Chart 29 shows the trend in the leasing sector asset base from 31 December 2002 to 31 December 2004.

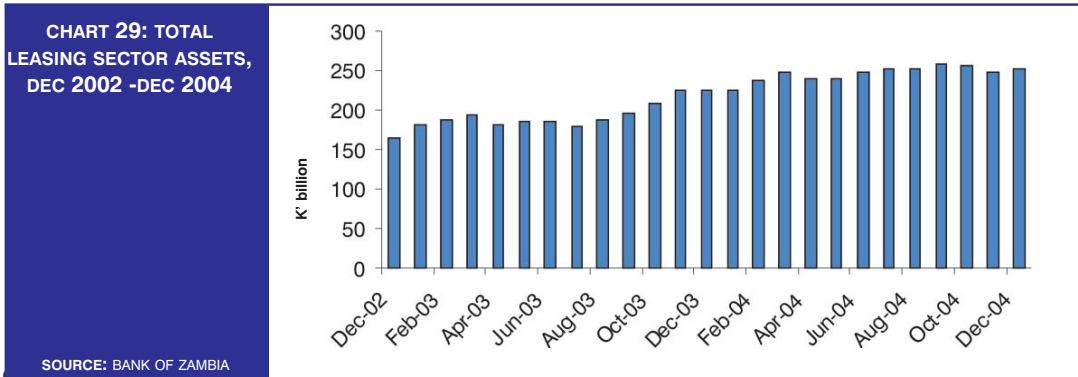
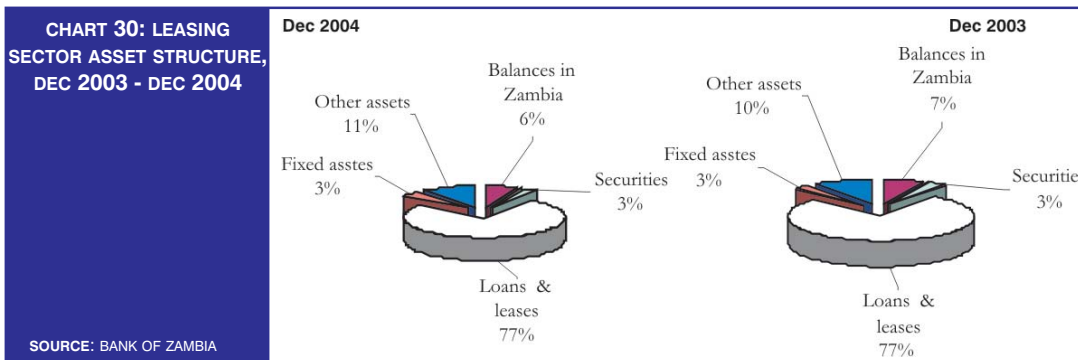


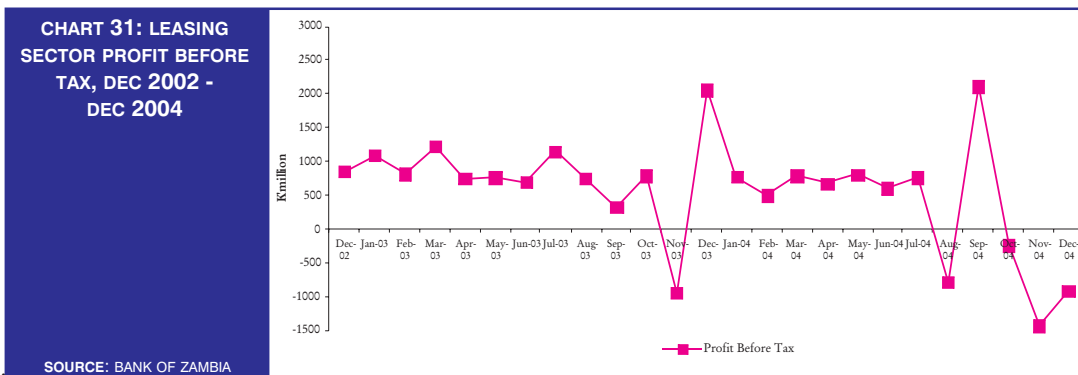
Chart 30 below shows the distribution of assets with comparative figures as at 31 December 2004 and 31 December 2003.



Note: Other assets include cash and balances abroad.

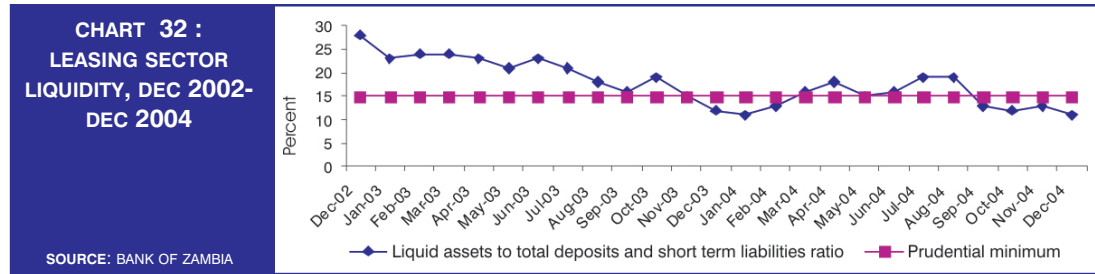
4.2.2.1.3 Earnings

The earnings performance of the leasing sector was rated fair in the year under review. The sector recorded a profit before tax amounting to K4.0 billion. However, this represented a decline of 65% over the previous year's profit before tax of K11.1 billion. The decrease in earnings performance was largely attributed to provisioning requirements for non-performing loans and leases amounting to about K6.9 billion. Chart 31 below shows the monthly trend of profit before tax for the sector from December 2002 to December 2004.



4.2.2.1.

The overall liquidity of the leasing sector, as measured by the ratio of liquid assets to total deposits and short-term liabilities, was 11% which was below the minimum prudential level of 15%, and was rated marginal as at 31 December 2004. Three out of the nine leasing companies failed to meet the minimum prudential liquidity ratio of 15% for NBFIs. Chart 32 below depicts the leasing sector monthly liquidity trend from 31 December 2002 to 31 December 2004.

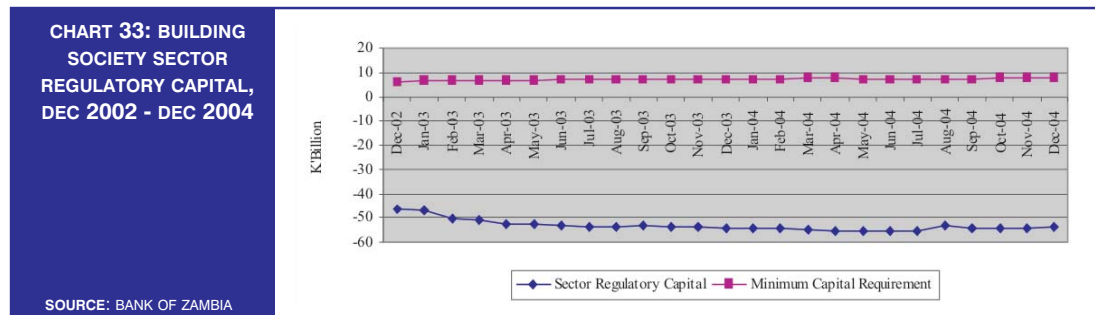


4.2.2.2 Building Societies

The overall financial condition of the building societies sector was unsatisfactory during the period under review owing to the accumulated losses. All the three building societies remained financially constrained, although some improvements were recorded.

4.2.2.2.1 Capital Adequacy

As at 31 December 2004, the building societies sector had an aggregate negative capital of K53.9 billion, representing a 1% improvement over the 31 December 2003 figure of negative K54.2 billion. The improvement in the capital position was largely due to the profits after tax of K0.2 billion recorded in the year under review. Chart 33 shows the trend in regulatory capital from 31 December 2002 to 31 December 2004.

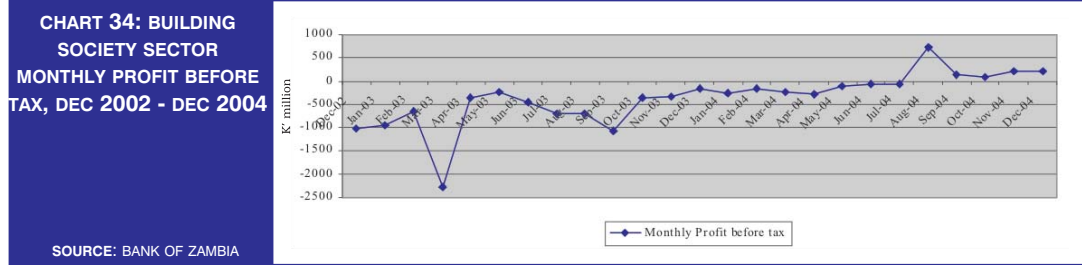


4.2.2.2.2 Asset Quality

The asset quality of the building societies sector was rated marginal during the year under review. Total assets of the sector at K56.5 billion at the end of December 2004 was 21% above the level of K46.7 billion recorded at the end of December 2003. The increase in total assets was largely due to a rise in mortgage and short term advances to K13.0 billion from K6.7 billion during the review period on account of the re-alignment of business strategies reflected in the growth of short term advances. The mortgage portfolio, which was the core-earning asset, represented 23% of the sector's total assets. The proportion of non-performing mortgages at K0.6 billion was 3% of the total mortgage portfolio. Fixed assets at 37% of the total assets continued to constitute the major component. However, these had minimal impact on asset quality due to low rental income resulting from inadequate maintenance of the properties.

4.2.2.2.3 Earnings Performance

The earnings performance of the building societies sector was marginal in the period under review. The sector recorded a profit before tax of K0.2 billion for the year under review, which was an increase of K8.5 billion over the previous year's loss of K8.3 billion. The improvement in earnings performance was mainly due to the increase in both interest and non-interest income in the year. Interest income increased to K5.3 billion in the year under review from K3.5 billion in the previous year while non-interest income increased to K13.6 billion from K9.3 billion in 2003. The improvement was also due to the cost-saving measures taken by the building societies in line with supervisory directives imposed on the three building societies in April 2003. Chart 34 depicts the building societies sector monthly earnings performance trend from 31 December 2002 to 31 December 2004.



4.2.2.2.4 Liquidity

The liquidity of the building societies sector, as measured by the ratio of liquid assets to total deposits and short-term liabilities decreased to 16% as at 31 December 2004 from 18% as at 31 December 2003, representing a decrease of 2 percentage points. The liquidity position was marginally above the proposed minimum ratio of 15% for NBFIs and therefore designated fair. The decrease in the liquidity ratio was mainly as a result of a rise of 15% in customer deposits. This subsequently increased total liabilities to K89.6 billion from K79.4 billion.

4.2.2.3 Micro Finance Institutions

As at 31 December 2004, there were two MFIs licensed under the BFSAs. The financial condition and performance of the MFIs was satisfactory. The aggregate capital of the MFIs was K10.2 billion, reflecting an increase of K9.1 billion over the 31 December 2003 figure of K1.1 billion. The increase was largely due to the profit recorded in the year amounting to K5.3 billion. Total assets amounted to K57.1 billion, out of which 90% were loans.

4.2.2.4 Bureaux de Change

As at 31 December 2004, the bureau de change sector was adequately capitalised. All the 30 operating bureaux de change met the minimum capital requirement of K40 million. The aggregate capital and reserves amounted to K6.4 billion and represented an increase of 34% over the 31 December 2003 figure of K4.8 billion due to additional capitalisation of about K0.5 billion by some bureaux de change and retained profits for the year amounting to K1,459 million.

As at 31 December 2004, the bureaux de change sector had total assets amounting to K9.0 billion. This represented an increase of 38% over the 31 December 2003 figure of K6.5 billion. The increase in total assets was largely due to the profits made in the year and the expansion of three top bureaux de change that opened new branches.

During the year under review, the volume of purchases and sales of foreign currency amounted to K848.6 billion (US \$175.4 million) and K842.4 billion (US \$174.2 million), respectively, compared to the previous year's figures of K474.6 billion (US \$96.6 million) and K462.8 billion (US \$94.2 million) for purchases and sales, respectively. This represented an 80% increase in the volume of transactions during the year under review.

Chart 35 shows the monthly trend in volume of foreign currency transactions in the bureau de change sector during the year under review.



4.3 FINANCIAL SECTOR DEVELOPMENT PLAN

In 2004, the BoZ continued to spearhead the drafting of the Financial Sector Development Plan (FSDP). The FSDP is a framework for addressing weaknesses identified in the Zambian financial system, which among others include low financial intermediation, poor credit culture, and the weak regulatory framework for NBFIs.

In January 2004, the BoZ began the process of soliciting comments on the draft FSDP from within and outside Zambia. This was done through widely circulating hard copies of the document and posting a copy on the BoZ website for a period of four months. Many comments on the FSDP were received. This consultative process culminated into a national consultative forum on the FSDP which was held on 20 and 21 May 2004 and attended by a cross section of over 200 participants from among others, the Government, donor community, financial sector,

business sector, church organisations and civil society. During the forum various recommendations were made for the consideration of the Government. The Cabinet subsequently approved the FSDP for Zambia in June 2004.

Following the approval of the FSDP, the BoZ took a number of steps to facilitate the implementation of the FSDP which are highlighted below.

4.3.1 DEVELOPMENT OF IMPLEMENTATION STRUCTURE

The implementation structure, developed in conjunction with the Ministry of Finance and National Planning, comprises the FSDP Steering Committee to oversee the overall implementation of the FSDP, the FSDP Implementation Committee to monitor the day-to-day implementation and the various FSDP Working Groups composed of experts who are charged with the responsibility of finding practical ways of implementing the recommendations in the FSDP.

4.3.2 SOURCING OF FUNDS FOR FSDP IMPLEMENTATION

The BoZ, and the Ministry of Finance and National Planning successfully negotiated for funding from the Swedish International Development Agency (Sida) and the United Kingdom's Department for International Development (DFID) for the implementation of the first phase of the FSDP. The first phase of the FSDP included developing an implementation plan, harmonisation of financial sector legislation, and production of market knowledge on the supply and demand for financial services.

Support was also provided by other cooperating partners, such as FIRST Initiative, United States Treasury, International Monetary Fund and the World Bank towards the implementation of the FSDP.

A multi-donor supported second phase of implementing the FSDP is envisaged in due course to deal with longer-term issues.



5 BANKING, CURRENCY AND PAYMENT SYSTEMS

5.0 OVERVIEW

During the year under review, the Bank of Zambia continued to provide banking services to commercial banks and the Government. In addition, the Bank continued to manage the Zambia Agriculture Marketing and Processing Infrastructure Project, as well as the Enterprise Development Project. Further, the Zambia Inter-bank Payment Settlement Systems (ZIPSS) was commissioned with the aim of reducing credit risk and enhancing the efficiency of the real time transaction processing. ZIPSS is the Zambian version of the Real Time Gross Settlement System (RTGS) and replaced the manual Inter-bank Funds Transfer (IBFT) system.

5.1 BANKING

During the year under review, two commercial banks, namely Intermarket Banking Corporation and African Banking Corporation were admitted to the Zambia Electronic Clearing House. In addition, two commercial banks namely Cavmont Merchant Bank and New Capital Bank merged to form Cavmont-Capital Bank bringing the total number of clearing banks to 14 inclusive of the Bank of Zambia.

The introduction of RTGS system on 21 June 2004, impacted positively on the banking operations through credit risk reduction and efficient real time transaction processing. As a result, commercial banks enhanced the management of their liquidity on the accounts held with the Central Bank.

PROJECT LOAN MANAGEMENT

ZAMBIA AGRICULTURE MARKETING AND PROCESSING INFRASTRUCTURE PROJECT (ZAMPIP)

The Bank of Zambia continued to administer the ZAMPIP credit facility on behalf of the Government. During the year under review, the Bank made disbursements totalling US \$336,000.00 to participating commercial banks in favour of its sub-borrowers. The total value of loans outstanding to participating commercial banks amounted to US \$487,268.94 whereas the Revolving Fund accounts at 31 December 2004 stood at K16.6 billion and US \$1.7 million compared to K15.6 billion and US \$1.9 million at 31 December 2003, respectively.

MULTI-PURPOSE CREDIT FACILITY (MCF) UNDER THE ENTERPRISE DEVELOPMENT PROJECT (EDP)

The MCF under the EDP continued to provide term credit to the private sector. The Apex Unit approved and disbursed a total of US \$15.9 million to 42 companies in 2004 as compared to US \$14.2 million to 46 companies in 2003 and represented an increase in disbursements of 11.9%. The increase in disbursements was attributed to the rise in the number of facilities that came to maturity and the continued increase in credit demand. The cumulative number of successful applications as at 31 December 2004 was 263 with a total value of US \$81.6 million. During the period under consideration, the Apex Unit received US \$14.2 million from Participating Financial Institutions (PFIs) in the form of repayments, while the outstanding principal amount with PFIs remained at US \$36.5 million (see Charts 36 and 37).

During the year 2004, efforts were made to effect the transfer of Apex functions from the Bank of Zambia to the Zambia Enterprise Financing Limited (ZEFL). The transfer of the Apex Unit is expected to be completed in 2005.

CHART 36: ANNUAL DISBURSEMENTS FROM 2000 - 2004

SOURCE: BANK OF ZAMBIA

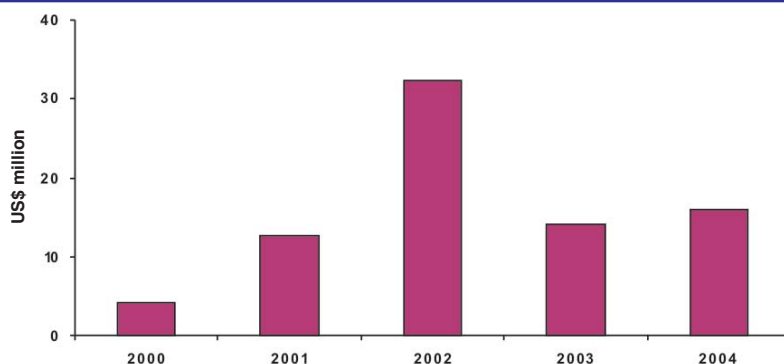
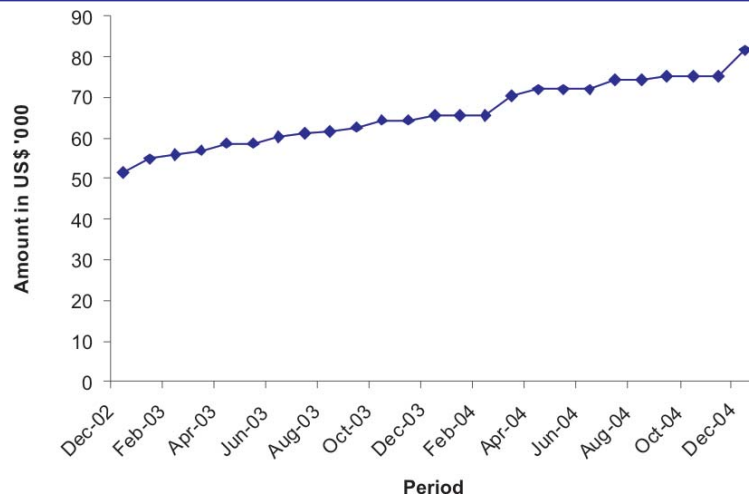
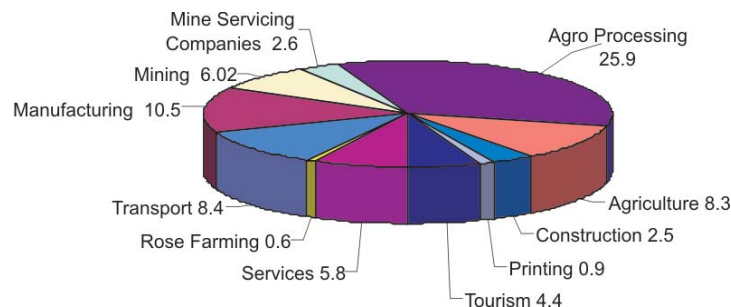


CHART 37: CUMULATIVE DISBURSEMENT, DEC 2002 - DEC 2004

SOURCE: BANK OF ZAMBIA

In terms of sectoral distribution, the agro-processing industry continued to account for the largest share at US \$25.9 million during the year under review up from US \$20.1 million in 2003 (see Chart 38).

CHART 38: CUMULATIVE DISBURSEMENTS BY SECTOR (IN US \$ MILLION), DEC 2004

SOURCE: BANK OF ZAMBIA

5.2 PAYMENT SYSTEMS

Payment Systems Developments

During the year under review, the Bank of Zambia commissioned the ZIPSS on 21 June 2004. ZIPSS is the Zambian version of the Real Time Gross Settlement (RTGS) system and replaced the manual Inter-bank Funds Transfer (IBFT) system. Under the IBFT system, banks used to submit written funds transfer instructions to Bank of Zambia to transfer on their behalf across Bank of Zambia books. This procedure is now being done through RTGS (see Box 4).

BOX 4: ZAMBIA INTER-BANK PAYMENT AND SETTLEMENT SYSTEMS

ZIPSS is a technology-based funds settlement system linking banks to Bank of Zambia through a secure and reliable network. The system provides for real time settlement of transfers on a transaction by transaction basis. ZIPSS provides a much more secure platform for making high value payments. The Bank of Zambia also provides interest free intra-day credit to ZIPSS participant banks.

For Purposes of ZIPSS, there are four processing windows as follows:

Window 1 from 08:15 hours to 10:30 hours

Window 2 from 10:30 hours to 12:30 hours

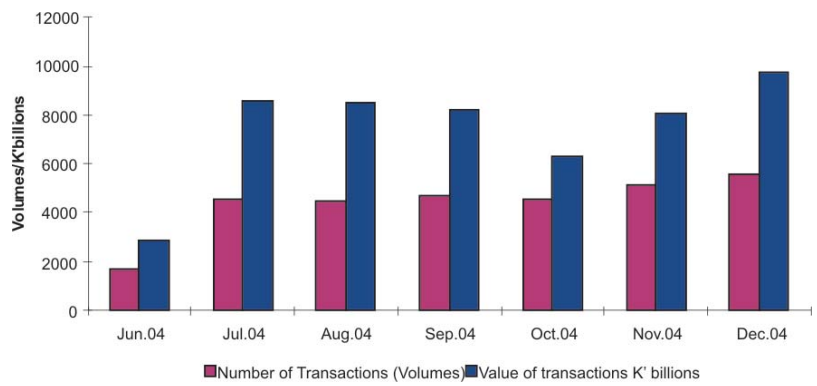
Window 3 from 14:30 hours to 15:15 hours

Window 4 from 15:15 hours to 16:00 hours

Source: Bank of Zambia

The performance of ZIPSS has been satisfactory since inception. The volume of daily transactions processed during the period from 21 June to 31 December 2004 averaged 243 per day while the average value of daily transactions processed during the same period was K424 billion per day. The total number of transactions processed during the period under review amounted to 5,597 representing a total value of K9.744 trillion (see Chart 39).

CHART 39: ZIPSS/RTGS TRANSACTION VOLUMES, JUN 2004 - DEC 2004

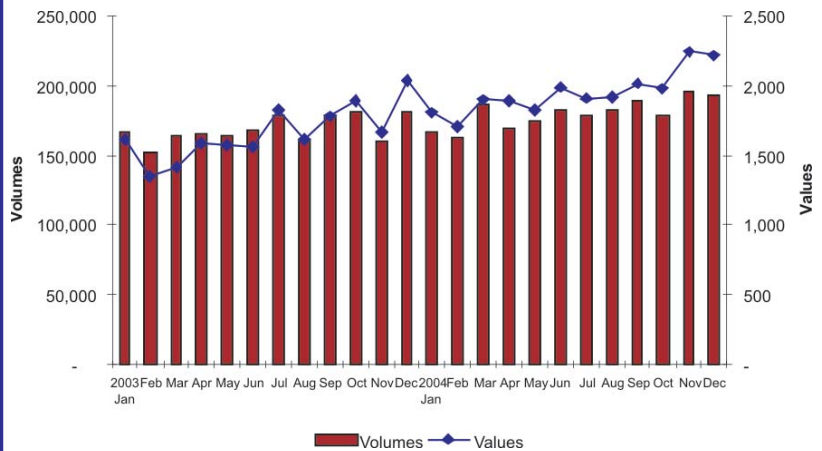


SOURCE BANK OF ZAMBIA

Clearing and Settlement Systems Operations

As at 31 December 2004, Physical Inter-bank Clearing (PIC) processed 2.1 million cheques worth K23,387 billion compared to 2 million cheques amounting to K19,900 billion as at 31 December 2003 (see Chart 40). The monthly average number of cheques processed was 179,700 in 2004 compared to 168,263 in 2003.

CHART 40: PIC VALUES AND VOLUMES, JAN 2003 - DEC 2004

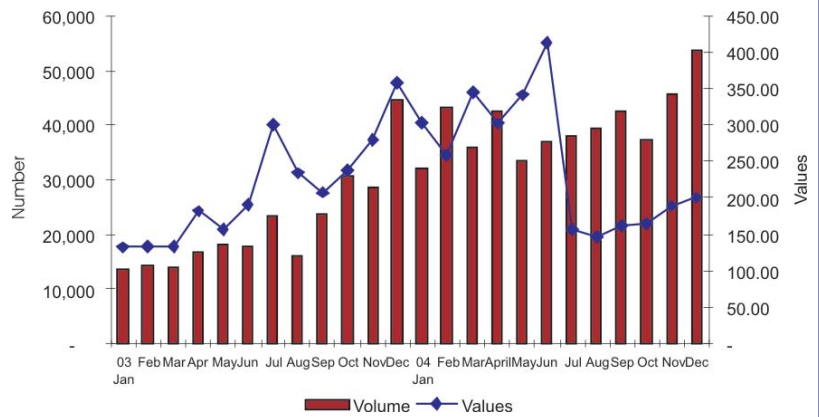


SOURCE: ZAMBIA ELECTRONIC CLEARING HOUSE LIMITED

Direct Debit and Credit Clearing (DDACC)

The DDACC system processed 480,598 items amounting to K2,984 billion as at 31 December 2004 compared to 261,249 items amounting to K2,500 billion as at 31 December 2003. The monthly average volume of the DDACC transactions was 40,050 compared with 21,771 transactions per month in 2003 (see Chart 41).

CHART 41: MONTHLY DIRECT DEBIT AND CREDIT CLEARING, JAN 2003 - DEC 2004



SOURCE: ZAMBIA ELECTRONIC CLEARING HOUSE LIMITED

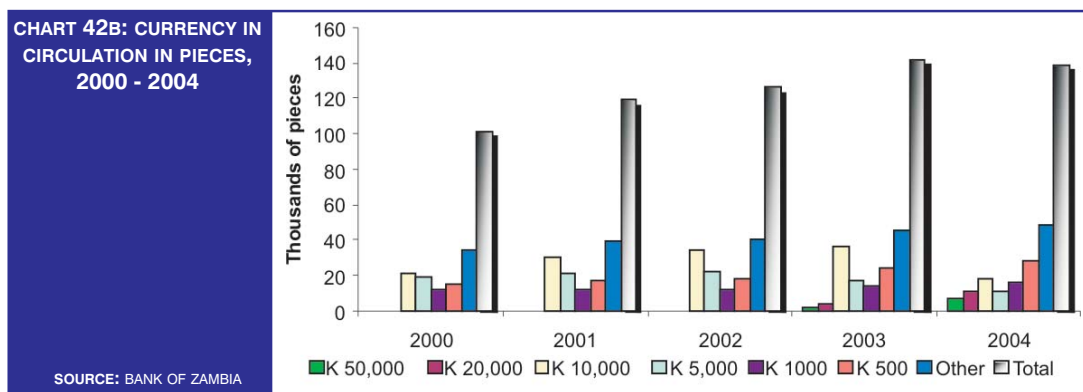
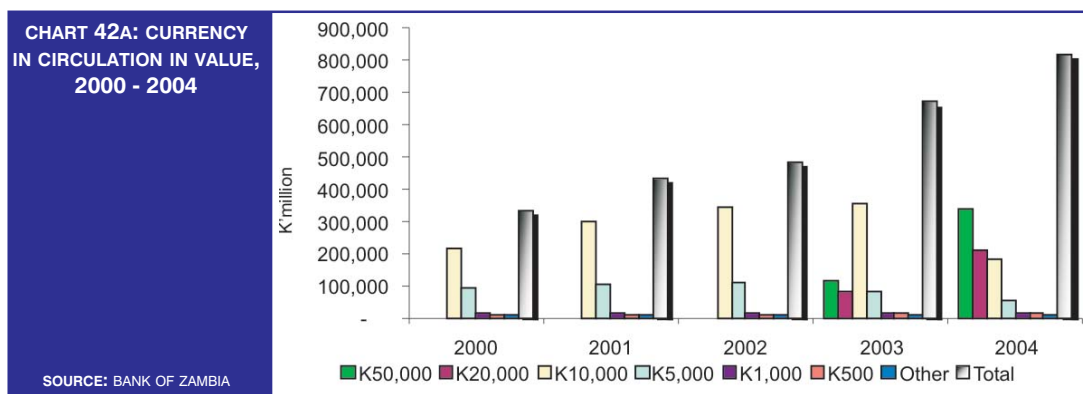
5.3 CURRENCY

During the year under review, currency in circulation (CIC) increased by 21.7% to K815.5 billion from K670.1 billion the previous year. The introduction of the two high value notes in September 2003, that is, K20,000 and K50,000, redistributed the concentration of the value of currency in circulation for the K10,000 from 72% (pre-launch of the high value notes) to 22% as at December 2004. On the other hand, the K20,000 and K50,000 accounted for 26% and 41%, respectively of currency in circulation as at end of December 2004. The value of currency in circulation in the K5,000 was 7% while the low value notes (LVN's), the K500 and K1,000 notes accounted for 2% each, respectively. The CIC in the rest of the notes, K20, K50 and K100 was 1% (see Charts 42A and 42B).

In keeping with its Clean Note Policy, the Bank of Zambia destroyed a total of 117.9 million pieces of unfit banknotes with a face value of K628.3 billion compared with 67 million pieces valued at K128 billion in 2003.

Following the introduction of the K500 and K1,000 polymer banknotes in the country, the banknotes were found to have ink problems, which resulted in their accelerated wear (fading). The Bank of Zambia immediately brought this to the attention of the printers of these banknotes, the Canadian Banknote Company, who undertook to rectify the problem. During the year, Canadian Banknote Company advised the Bank of Zambia that they had found a technical solution to the ink problem and would print upgraded notes, at their cost, to replace the problem notes.

The Bank of Zambia, in line with its Clean Note Policy, continued to remove from circulation all banknotes through banking channels, which included a cash exchange programme involving one of the commercial banks.





6 ADMINISTRATION AND SUPPORT SERVICES

6.0 OVERVIEW

During the year, the Bank realigned its organisational structure while maintaining its traditional separation of functions. This was aimed at enhancing a working environment that attracts, develops and retains a committed workforce, which share its vision in pursuit of excellence.

Further, the Bank continued to implement its 2004-2007 Strategic Plans, of which among the notable achievements included the establishment of good corporate governance strategy and the Risk Management Unit, implementation of Information Security Policy and the Board of Directors Self Evaluation Framework.

The Bank negotiated a new Collective Agreement with the Zambia Union of Financial Institutions and Allied Workers for the period 2004-2006. Notable development in the new Collective Agreement was the adoption of the principle of Performance Related Pay. Furthermore, the Voluntary Medical Scheme was reviewed and coverage extended to include spouses and children of registered members of the scheme below the age of twelve years.

6.1 HUMAN RESOURCE MANAGEMENT

In the human resources management area, the Bank's activities included recruitment and placement of staff, capacity building, providing information for research and broadening the knowledge base of staff, benefits administration, provision of general welfare of employees, and pensions management. The details of these activities are outlined below.

6.1.1 Structure

The structure of the bank was maintained during the year under review. However, at the end of the year, in its efforts to create and sustain a working environment that attracts, develops and retains a committed workforce, who share its vision in pursuit of excellence, the Bank realigned its organisational structure while maintaining its traditional separation of functions, as discussed below.

On 30 November 2004, the Bank of Zambia Board approved the establishment of a semi-autonomous Risk Management Unit (RMU). The RMU was subsequently established before the end of the reviewed year in compliance with the key principles of good corporate governance. Further, the former Change Management Department was fused into the Human Resources Department as the Organisational Development Division.

6.1.2 Staffing

As at 31 December 2004, the staffing level reduced to 589 from 607 at end-December 2003. This was against an establishment of 606 (see Table 32). It should be noted that towards the end of the year the Board approved a new establishment of 672 to take account of expanded activities in the Bank and the creation of the Risk Management Unit (RMU).

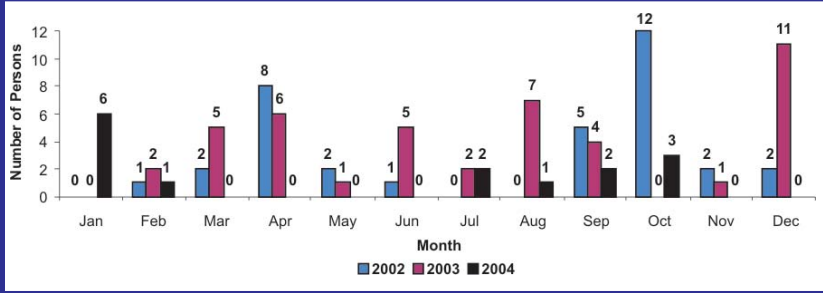
TABLE 32: ESTABLISHMENT AND STAFFING LEVELS, 2002 - 2004

Functions	Establishment			Actual			Variance		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
1. Executive	8	8	8	9	8	9	1	0	1
2. Core Departments									
Economics	45	45	45	48	45	37	3	0	-8
Bank Supervision	36	36	36	37	38	36	1	2	0
Non Bank Financial Institutions Supervision	34	34	34	25	27	33	-9	-7	-1
Financial Markets	28	28	28	27	27	30	-1	-1	2
Banking, Currency & Payment Systems	80	80	80	70	70	65	-10	-10	-15
Regional Office	106	106	106	113	122	128	7	16	22
Subtotal	329	329	329	320	329	329	-9	0	0
3. Support Services									
Finance	42	42	42	52	50	44	10	8	2
Procurement & Maintenance Services	69	69	69	61	67	62	-8	-2	-7
Human Resources	38	38	38	34	30	27	-4	-8	-11
Information & Communications Technology	35	35	35	28	28	24	-7	-7	-11
Bank Secretariat	15	15	15	12	14	14	-3	-1	-1
Security Services	48	48	48	57	61	60	9	13	12
Internal Audit	22	22	22	19	20	20	-3	-2	-2
Risk Management Unit	0	0	0	0	0	0	0	0	0
Subtotal	269	269	269	263	270	251	-6	1	-18
TOTAL	606	606	606	592	607	589	-13	1	-17

Source: Bank of Zambia

Chart 43 shows a reduction in recruitment trend for 2004 as the Bank slowed its recruitment programme pending the conclusion of the fine-tuning exercise, which was only finalised towards the end of the year.

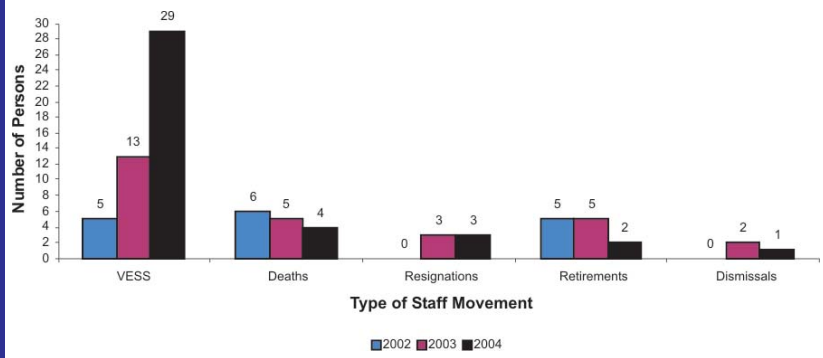
CHART 43: TRENDS OF RECRUITMENTS IN 2002 - 2004



SOURCE: BANK OF ZAMBIA

A total of 39 exits were recorded in 2004, as opposed to 16 and 28 in 2002 and 2003, respectively. This translated into an annual labour stability index of 0.7%. Chart 44 shows a comparative picture of the exits in 2002, 2003 and 2004.

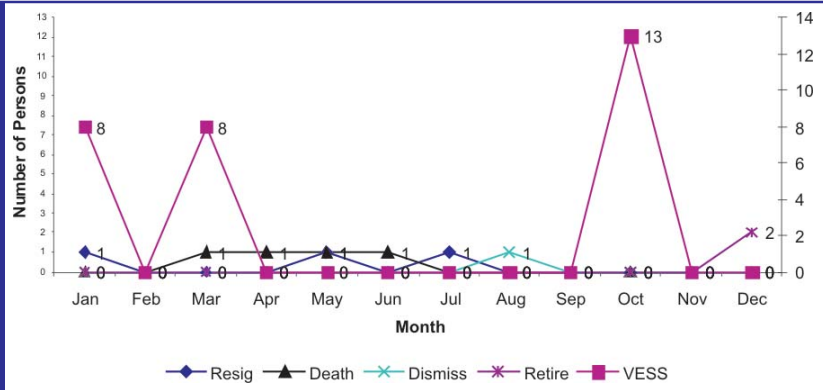
CHART 44: TOTAL OUT-BOUND STAFF MOVEMENTS IN 2002-2004



SOURCE: BANK OF ZAMBIA

Chart 45 indicates that the main form of staff exits was through the process of Voluntary Early Separation Scheme (VESS).

CHART 45: TRENDS OF OUT-BOUND STAFF MOVEMENTS IN 2004

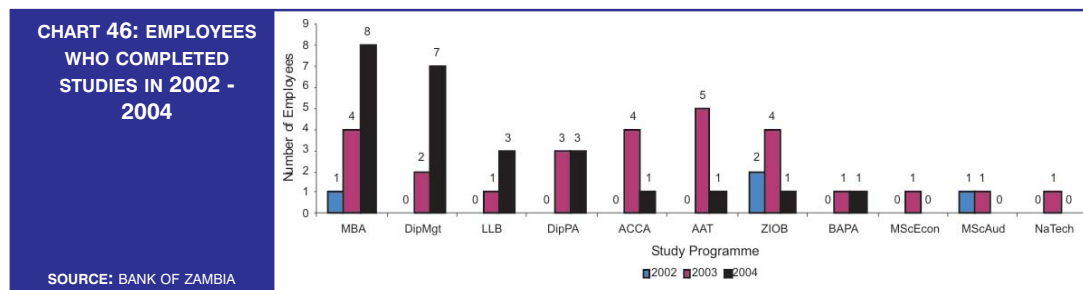


SOURCE: BANK OF ZAMBIA

6.1.3 Capacity Building

Staff Development Programme

During the period under review, the Bank revised its Staff Training and Development Policy to align the activities covered by the policy with the Bank's strategic intention of developing a multi-skilled labour force. During the same period, 25 employees completed various distance-learning study programmes as against 4 and 27 who graduated in 2002 and 2003, respectively (see Chart 46). In addition, the Bank, in partnership with the French Embassy embarked on developing the capacity of staff in French to enable them communicate effectively at various fora where the Bank has interest.



KEY

MBA = Master of Business Administration, DipMgt = Diploma in Management, LLB = Bachelor of Laws, DipPA = Diploma in Public Administration, ACCA = Association of Certified Chartered Accountants, AAT = Association of Accounting Technicians, ZIOB = Zambia Institute of Bankers, BAPA = Bachelor of Arts in Public Administration, MScEcon = Master of Science in Economics, MScAud = Master of Science in Auditing, NaTech = National Accounting Technicians

6.1.4 University Chairs

The Bank re-organised the administration and utilisation of the University Chair resources from paying one individual occupying the professorial chair to salary supplementation for some faculty members in the School of Business of Copperbelt University, in line with the arrangements at the University of Zambia. The re-structuring of the University Chair support was aimed at augmenting the institution’s efforts towards stemming the brain drain.

6.1.5 Organisational Learning and Preservation of Corporate Memory

In an effort to support organisational learning and research, the Bank put in place a Library Policy to regulate the use of information resources. In this connection, the Bank obtained affiliation to institutions offering access to electronic information resources such as the International Network for the Availability of Scholarly Publications.

The Bank also continued with its records management programme designed to protect corporate memory by putting in place Departmental registry systems and records retention and disposition schedules to facilitate prudent storage and retrieval of documents.

6.1.6 Organisational Development

The Bank began to implement its 2004-2007 Strategic Plan. The notable achievements included the establishment of good corporate governance strategy and the Risk Management Unit, and the implementation of Information Security Policy and the Board of Directors Self Evaluation Framework. Further, the Bank began the process of developing code of ethics, whistle-blowing and communications policies.

6.1.7 Employee Relations

The Bank negotiated a new Collective Agreement with the Union (Zambia Union of Financial Institutions and Allied Workers) for the period 2004-2006. Generally, the Bank enjoyed cordial industrial relations save for some anxiety engendered by the protracted negotiations which were only concluded in October 2004. Nonetheless, the new Collective Agreement was well received as it generally improved salaries and other conditions of service. A notable development in the new Collective Agreement was the adoption of the principle of Performance Related Pay (PRP).

During the year, the Bank adjusted the total accruable leave days downward in line with market best practice. The rationalisation of leave days applied to non-unionised staff only.

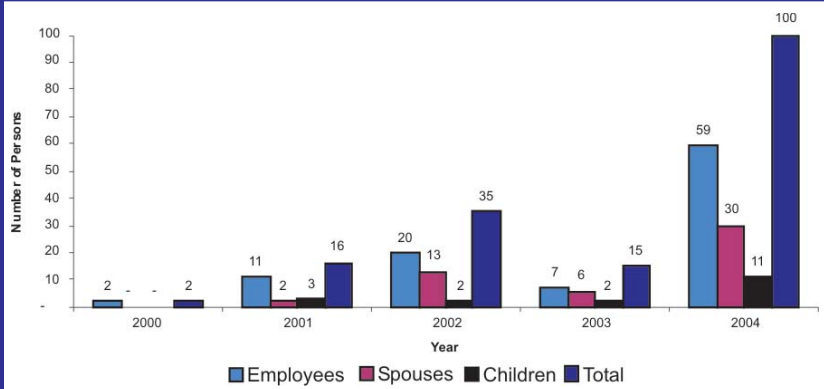
6.1.8 Staff Welfare

The Bank reviewed its Voluntary Medical Scheme as an integral part of the HIV/AIDS Policy and extended coverage to include spouses and children of registered members of the scheme below the age of twelve (12) years.

The response of staff to HIV/AIDS interventions was overwhelming as depicted by the increased number of persons undergoing voluntary counselling and testing (VCT)¹⁷ (see Chart 47).

¹⁷VCT refers to Head Office only

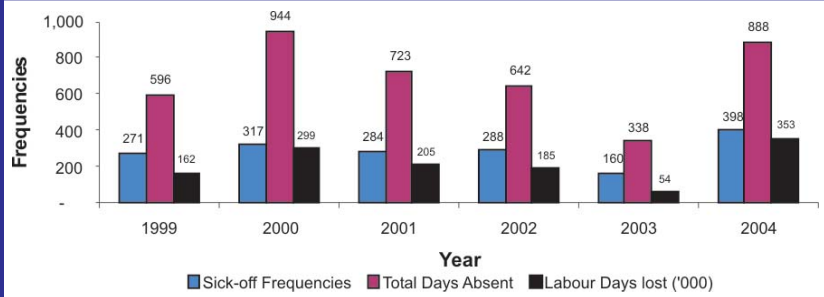
CHART 47: PERSONS WHO HAVE UNDERGONE VOLUNTARY COUNSELLING & TESTING FROM, 2000 - 2004



SOURCE: BANK OF ZAMBIA

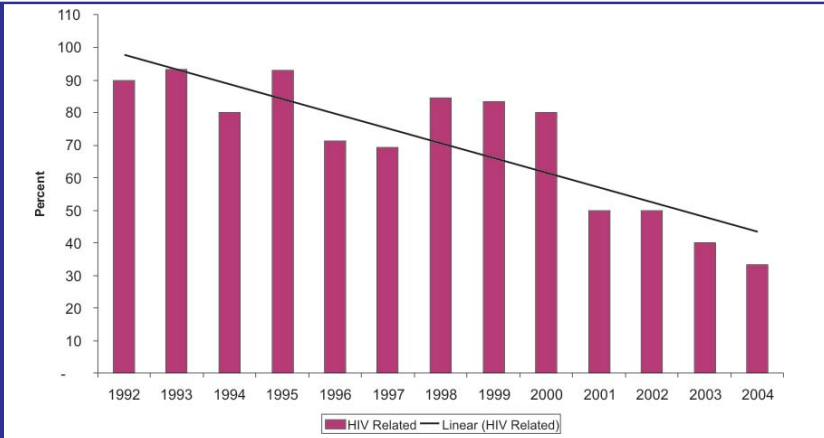
The Bank experienced an increase in the loss of labour hours due to sick off and compassionate leave occasioned by many factors not necessarily related to HIV/AIDS. These factors included stress related to organisational restructuring, upper respiratory tract infections and psychosomatic diseases (such as hypertension) (see Chart 48). Further, the staff mortality rate continued its downward trend with the total number of deaths declining (see Chart 49).

CHART 48: LABOUR DAYS LOST, 1999 - 2004



SOURCE: BANK OF ZAMBIA

CHART 49: STAFF MORTALITY TREND FROM 1992 - 2004



SOURCE: BANK OF ZAMBIA

6.1.9 Pension

The Bank of Zambia has been running a contributory in-house pension scheme since 1991 to assist employees after retirement. Membership to the scheme was open to all employees except those on contracts.

However, in order to comply with the requirements of the Pensions Schemes Regulation Act, the bank commenced the process of de-linking it from the Bank. In this regard, an independent Board of Trustees would be appointed soon.

6.2 INTERNAL AUDIT

During 2004, most of the planned internal audit activities were successfully conducted in accordance with the Standards for the Professional Practice of Internal Auditing. The bank also, successfully implemented the Audit Command Language which is a Computer Assisted Audit Tool. Further, the electronic working papers software, Auto Audit, which was implemented in 2003 was upgraded.

6.3 FINANCE

The new computer systems, that is, Globus and Sun that were implemented in 2003 continued to run smoothly during 2004, with the Bank taking greater advantage of the processing and reporting capabilities. The Bank also managed to produce audited financial statements for the year 2003 by April 2004, well within the statutory requirement of six months. Other positive developments in the area of finance included:

- Facilitating the appointment of new external auditors and initiating the rotation policy for Auditors;
- Facilitated a number of Board approved policies and management of finances;
- Updated the Departmental Procedures Manual; and
- Ensuring a sound budget process and control for Bank of Zambia by
 - maintaining an efficient and reliable payment system to suppliers of goods and services;
 - providing efficient back office functions to other operational departments;
 - handling and maintaining an efficient processing system for receipts and payments for Government; and
 - providing financial advisory services to the Bank of Zambia management.

6.4 BANK SECRETARIAT

Most of the activities planned for the year were undertaken. In this vein, the Secretariat continued to provide secretarial services to the Board Meetings, Board Committees, Management Committee Meetings and to other Bank internal committees. Further, it continued to render a comprehensive and centralised legal service to the Bank, while assisting with the dissemination, both internally and externally, of information on the functions and operations of the Bank.

In 2004, a total of nine Board meetings were held, during which a number of important decisions were passed. These included the approval of several policies such as:

- Revised Voluntary Early Separation Scheme (VESS);
- Staff Training and Development Policy;
- Pension Audit Policy;
- Appointment and Rotation of External Auditors;
- Adoption of International and Financial Reporting Standards;
- Setting up of a Risk Management Unit; and
- Approval of a fine tuning implementation Plan.

Some of the important activities the Bank undertook during the year under review included:

- The Bank of Zambia 40th Anniversary celebrations in August which were attended by both local and international participants. Key among the events was an international conference whose theme was "40 Years of Central Banking: Facing the Challenges of the 21st Century". In attendance were delegates from the local financial institutions, the Government, World Bank, Bank of England, Bank of Uganda, Reserve Bank of South Africa, Macro-Economic and Financial Management Institute and the African Economic Research Consortium (AERC);
- The ninth COMESA Central Bank Governors Meeting held in Lusaka;
- A special AFREXIM Bank Meeting held in Lusaka;
- The Media and the Members of Parliament Seminars;
- The Former Governors' Forum; and
- Participation at the Africa Economic Summit in Maputo, Mozambique.

In addition to the above activities the Bank rendered financial assistance to a number of institutions and community based organisations. These institutions and organisations included schools for the handicapped, orphanages, health institutions, home- based care for HIV AIDS patients and self help community projects.

The Bank also produced a number of publications among them Bank of Zambia Monetary Policy Statements, the 2003 Annual Report, BoZ 40th Anniversary Brochure, BoZ Reader, Zambanker and Zambia Agriculture Investment Promotion Conference Report.

6.5 PROCUREMENT AND MAINTENANCE

Remodeling of Executive building

During 2004, the Bank completed the refurbishment of the fourth floor which houses the Information and Communications Technology Department. This was a continuation of the facelift project which had been completed on the first, third, fifth and sixth floors of the Executive building. The new open floor concept, which

was conceived at the beginning of the refurbishment project, brings numerous advantages including more efficient utilisation of office space and accompanying improvements in office lighting, centralised air conditioning facilities and management of voice, data and power cables.

The fourth floor also houses the newly commissioned digital Philips Sopho 3070 Private Automatic Branch Exchange which will enhance voice communication within the corporate offices and also the Regional Office.

6.6 INFORMATION AND COMMUNICATIONS TECHNOLOGY

During 2004, the Bank of Zambia made several achievements in the area of information and communications technologies as highlighted below.

6.6.1 Real Time Gross Settlement (RTGS) System

As an effort to improve the payments systems in the nation, the Bank implemented the RTGS system, for financial institutions. The project implementation, which started in the early part of the year, was concluded and the system was officially live as of June 17th 2004.

6.6.2 Bank Supervision Application(BSA)

The BSA system aims to provide a central depository for data collected during the supervision of financial institutions and to standardise the Bank supervision activities throughout the SADC region.

- The system was successfully implemented and the project closure took place on May 8th 2004. The Bank has continued to support the system within as well as in the deployment of the same in other ESAF countries.
- As of December 2004, all commercial banks were advised to submit their various returns to the Bank via the system.

6.6.3 Development of new BOZ website

A new site was developed, but needed to undergo rigorous testing before it could be deployed. As of December 2004, all necessary training and quality reviews to certify the system ready for parallel running had been concluded.

6.6.4 SWIFT Network

During the year under review, a second SWIFT environment was set up within Bank of Zambia to collaborate with the RTGS system for inter-bank real time settlement. Following this the Bank successfully migrated to the new SWIFTnet network effective 1st September 2004.

6.6.5 Wide Area Network Upgrade

An alternative ZMB upgrade link solution for the Ndola-Lusaka link, including the disaster recovery site was evaluated and a proposal approved by the Contracts and Tender Committee (CTC) in December 2004.

6.6.6 PABX Replacement Project

The new PABX phone system became fully operational on 21st December 2004 and operations on the old PABX were suspended forthwith.

6.6.7 Business Continuity Planning (BCP)

The Bank of Zambia continued work on Business Continuity Planning. In view of this, the Bank started documenting business continuity plans for its business. In addition, civil works commenced in preparation of the Disaster Recovery site.

6.6.8 Security Upgrade at Regional Office

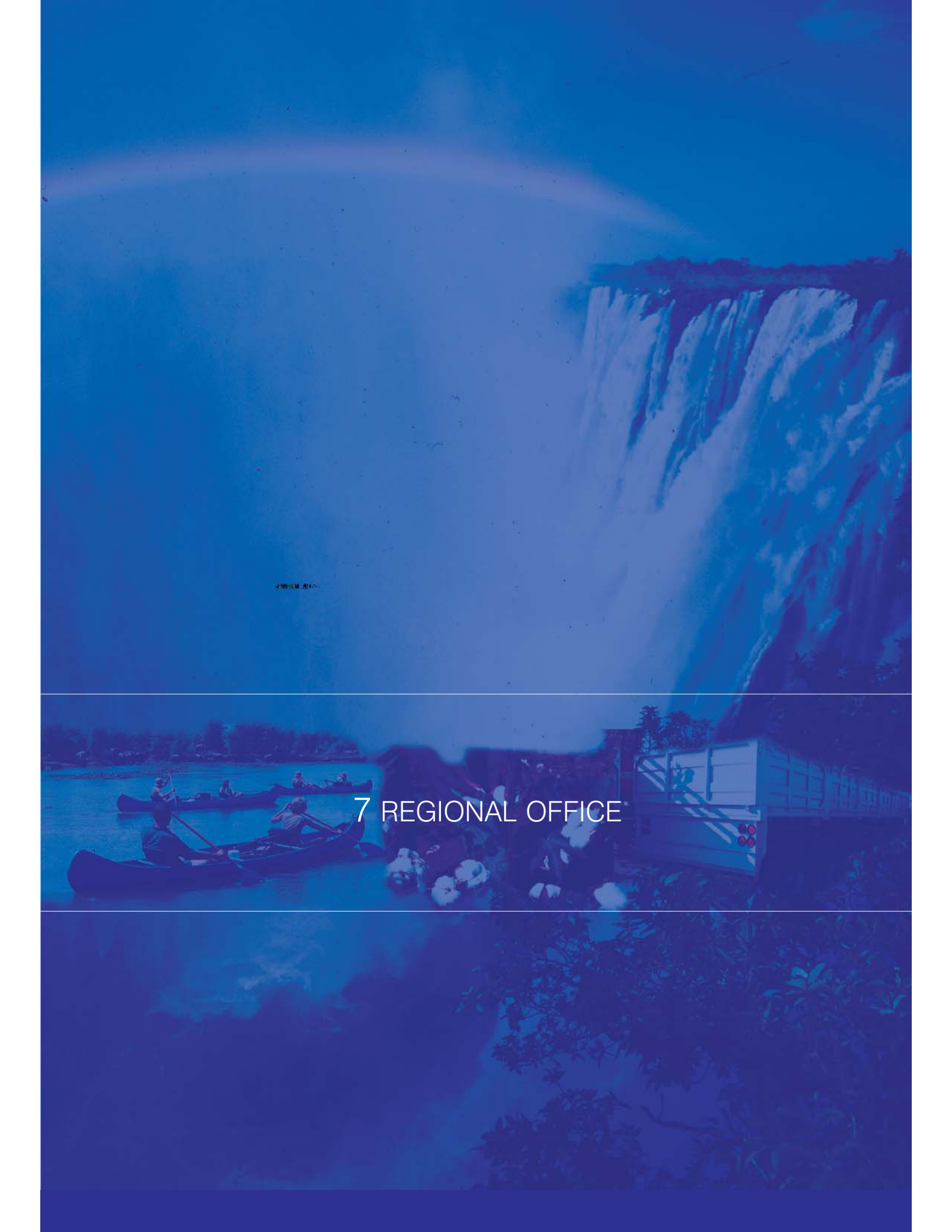
The Regional Office Electronic Surveillance System and access control was finalised and is now in use. The fire monitoring system at the Regional Office was also upgraded to the standards obtaining at the Head Office in Lusaka.

6.6.9 Sun System Purchase Order Processing and Inventory Control Implementation

The implementation of the Sun System was completed and a parallel run undertaken to facilitate appropriate checks before complete migration from the manual system.

6.7 SECURITY ACTIVITIES

The Bank dealt with one hundred and eighty nine security cases, most of which related to US dollar counterfeits.



7 REGIONAL OFFICE

7 REGIONAL OFFICE

7.0 OVERVIEW

The Bank of Zambia, through the regional Office continued to provide the Northern Region of Zambia with banking and currency services. In its quest to enhance central banking operations in the Northern Region, the Bank established new Units at the Regional Office namely Bank Supervision, Non-Bank Supervision, Economics and Financial Markets. The establishment of the new departments was in cognisance of the expanded economic activities mainly in the mining sector on the Copperbelt and North-Western provinces.

7.1 BANKING, CURRENCY AND PAYMENTS SYSTEM

In the area of payments system development, the Regional Office successfully cut-over to the Real Time Gross Settlement (RTGS) System on 21st June 2004, together with Head Office and Commercial Banks.

With increased economic activity on the Copperbelt and North-Western provinces, note processing and distribution activities at Regional Office increased substantially. The increase was noted through the increased demand levels for currency by commercial banks and the corresponding increased volumes of cash processing at Regional Office.

7.2 BANK SUPERVISION - COMPLIANCE UNIT

The establishment of the Unit was to facilitate routine and on the spot checks of compliance with the regulatory requirements and guidelines issued to Commercial banks and other financial institutions. Further, the formation of the Unit was to provide for continuous supervisory oversight over the financial institutions and allow for the bank to take corrective measures in time. During the year under review the Unit attended to various supervisory assignments which included onsite inspections of assigned banks. A number of Northern Region based small depositors from Meridian Bank (in liquidation) were paid through Regional Office as well as attending to various queries on other banks under possession or liquidation.

7.3 NON-BANK FINANCIAL INSTITUTIONS SUPERVISION

An inspector was deployed to the Unit in February 2004 with a view to facilitating the continuous on the spot checks of institutions based on the Copperbelt as well as attending to various needs and requests from internal and external clients.

The Unit conducted on the spot checks of the non-bank financial institutions on the Copperbelt and thus provided continuous supervision as well as facilitating for the renewal of bureaux licenses.

7.4. ECONOMICS

Since its creation, the Unit has undertaken two Quarterly Surveys of Business Opinions and Expectations, Real Sector Surveys as well as Weekly Price Surveys for the Copperbelt, which allowed for the collection of consumer price data for the Ndola and Kitwe districts. The Unit also carried out the Private Debt Reconciliation Survey twice during the period under review.

In addition to the programmed surveys, the Economics Unit conducted snap surveys including some relating to the petroleum industry. Further snap surveys in the real sector were extended to the agriculture area, with the price impact of government's restriction on cattle movement in 2004 being monitored.

7.5 FINANCIAL MARKETS

During the review period, the Book Entry System (BES) for the electronically processing of Government Securities was installed at Regional Office. It is planned that once the system is activated, postings onto the system would be done from Regional Office and would reflect on the system at Head Office.

The Financial Markets Unit processed a total of K5.8 billion Government bonds and K700 million Treasury Bills transactions in 2004.



8 FINANCIAL STATEMENTS

BANK OF ZAMBIA

FINANCIAL STATEMENTS

for the year ended 31 December 2004

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STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The Bank of Zambia Act, No. 43 of 1996 requires the Directors to keep proper books of accounts and other records relating to its accounts and to prepare financial statements for each financial year which present fairly the state of affairs of the Bank and of its profit or loss for the period.

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, Deloitte, have audited the annual financial statements and their report appears on page 70.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

In the opinion of the Directors:

- The income statement is drawn up so as to give a true and fair view of the profit of the Bank for the year ended 31 December 2004;
- The balance sheet is drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 December 2004; and
- The financial statements are drawn up in accordance with the Bank of Zambia Act, 1996 and applicable International Financial Reporting Standards.

Signed on behalf of the Board by:


_____) **GOVERNOR**
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)
)

_____) **DIRECTOR**



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REPORT OF THE AUDITORS

To the members of
The Bank of Zambia

We have examined the financial statements on pages 71 to 87 which have been prepared on the basis of the accounting policies on pages 75 to 79.

Respective responsibilities of the directors and auditors

As described on page 69, the Bank's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Bank's circumstances, consistently applied and adequately disclosed. We consider that our audit procedures were appropriate in the circumstances to support our opinion presented below.

Opinion

In our opinion, the financial statements present fairly the state of affairs of the Bank as at 31 December 2004 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards and the Bank of Zambia Act No. 43 of 1996 and that accounting and other records have been properly kept in accordance with the Act.

DELOITTE

26 May 2005

INCOME STATEMENT

for the year ended 31 December 2004

Kwacha millions	NOTES	2004	2003 (Restated)
INTEREST INCOME			
Interest income	3	206,684	186,133
Interest expense		(9,111)	(4,727)
Net interest income		<u>197,573</u>	<u>181,406</u>
OTHER OPERATING INCOME			
Exchange gains		72,117	81,388
Other income	4	7,982	4,178
Supervision fees		7,751	6,160
		<u>87,850</u>	<u>91,726</u>
Net interest and other operating income		<u>285,423</u>	<u>273,132</u>
OPERATING EXPENSES			
Personnel expenses		(147,335)	(121,868)
Administrative expenses		(16,550)	(15,600)
Depreciation	18	(10,646)	(7,877)
Asset management expenses		(4,277)	(5,317)
Expense for bank note production		(673)	(47,228)
Banking office expenses		(589)	(1,642)
		<u>(180,070)</u>	<u>(199,532)</u>
PROFIT FROM OPERATIONS		105,353	73,600
Retrenchment costs	5	-	(3,799)
Pension fund contributions	32	(2,405)	-
PROFIT FOR THE YEAR		<u>102,948</u>	<u>69,801</u>

STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 31 December 2004

Kwacha millions

	Share capital	Property revaluation reserve	General reserve fund (Restated)	Total
Balance at 31 December 2002 as previously stated	10,020	23,237	5,042	38,299
Prior year adjustment (note 7)	-	-	6,001	6,001
Balance at 31 December 2002 as restated	10,020	23,237	11,043	44,300
Revaluation surplus	-	12,848	-	12,848
Amortisation of revaluation surplus	-	(731)	731	-
Profit for the year as restated	-	-	69,801	69,801
Balance at 31 December 2003 as restated	10,020	35,354	81,575	126,949
Amortisation of revaluation surplus	-	(793)	793	-
Profit for the year	-	-	102,948	102,948
Balance at 31 December 2004	10,020	34,561	185,316	229,897
Reconciliation of the 2003 profit				
Profit for the year as previously stated				69,593
Prior year adjustment (note 7)				208
Restated profit for the year				69,801

BALANCE SHEET

at 31 December 2004

Kwacha millions	NOTES	2004	2003 (Restated)
ASSETS			
Inventories of domestic cash		985	1,386
Foreign currency investments			
- cash and bank accounts	8	340,790	237,099
- investments and claims	9	4,421,826	4,389,513
Originated loans and advances	10	439,097	289,941
Credit to the Government of the Republic of Zambia	11	4,242,173	7,367,020
Held to maturity financial assets	12	1,693,129	1,701,593
Held for trading financial assets	14	81,967	4,448
Credit to financial institutions	15	627	1,491
Credit to other institutions	16	60,859	60,850
Other financial assets	17	81,576	139,568
Tangible fixed assets	18	78,969	68,059
Equity investments	20	2,832	2,832
Total assets		11,444,830	14,263,800
LIABILITIES			
Notes and coins issued	21	819,506	671,822
Foreign currency liabilities to other institutions	22	685,270	679,440
Foreign currency liabilities to international institutions	23	4,489,071	4,341,051
Domestic currency liabilities to non-resident institutions	24	3,275,575	3,273,511
Credit from the Government of the Republic of Zambia	25	799,771	4,341,231
Credit from financial institutions	26	1,085,638	768,039
Credit from other institutions	27	2,146	1,946
Provisions	28	5,062	7,004
Other financial liabilities	29	52,894	52,807
Total liabilities		11,214,933	14,136,851
CAPITAL AND RESERVES			
Capital	30	10,020	10,020
Property revaluation reserve		34,561	35,354
General reserve fund		185,316	81,575
Total capital and reserves		229,897	126,949
Total liabilities, capital and reserves		11,444,830	14,263,800

These financial statements were approved for issue by the Board of Directors on **26 May 2005** and were signed on its behalf by:


 _____) GOVERNOR
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 _____) DIRECTOR

STATEMENT OF CASH FLOWS

for the year ended 31 December 2004

Kwacha millions	NOTES	2004	2003 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		206,684	186,133
Interest expense		(9,111)	(4,727)
Other operating income		87,850	91,726
Operating expenses		(180,070)	(199,532)
Depreciation	18	10,646	7,877
Provisions made during the year		597	9,679
Pension fund contribution		(2,405)	-
Retrenchment costs		-	(3,799)
Fixed asset adjustment		-	140
		114,191	87,497
Movement in operating funds:			
Increase in investments and claims		(32,313)	(1,038,249)
(Increase) decrease in originated loans		(149,156)	1,062,911
Decrease in credit to the Government of the Republic of Zambia		3,124,847	242,231
Decrease (increase) in credit to financial institutions		864	(800)
(Increase) decrease in credit to other institutions		(9)	169,065
Decrease (increase) in other assets		57,992	(23,757)
Increase in currency issued		147,684	190,593
Increase (decrease) in foreign currency liabilities to other Institutions		5,830	(305,033)
Increase (decrease) in liabilities to international institutions		148,020	(983,930)
Increase in liabilities to non-resident institutions		2,064	742,787
(Decrease) increase in credit from the Government of the Republic of Zambia		(3,541,460)	792,381
Increase (decrease) in credit from financial institutions		317,599	(26,915)
Increase (decrease) in credit from other institutions		200	(497)
Increase in other liabilities		87	23,676
		196,440	931,960
Cash generated from operating activities			
Payments made in respect of provisions	28	(2,539)	(20,872)
		193,901	911,088
Net cash inflows from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in held to maturity financial assets		8,464	(1,624,074)
Net movement in held for trading financial assets		(77,519)	121,282
Purchase of tangible fixed assets	18	(21,725)	(12,855)
Proceeds from sale of tangible fixed assets		169	260
		(90,611)	(1,515,387)
Net cash outflows to investing activities			
Net increase (decrease) in cash and cash equivalents			
		103,290	(604,299)
Cash and cash equivalents at beginning of year		238,485	842,784
Cash and cash equivalents at end of year			
		341,775	238,485
Comprised of:			
Inventories of domestic cash		985	1,386
Foreign currency cash and bank accounts	8	340,790	237,099
		341,775	238,485

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared on an historic cost basis modified to include the revaluation of certain tangible fixed assets, in accordance with International Financial Reporting Standards.

These financial statements are presented in millions of Zambian Kwacha.

COMPARATIVES

Where necessary, adjustments have been made to comparative figures to conform with changes in presentation in the current period.

INCOME

Income is recognised in the period in which it is earned. Income includes interest and coupons earned on fixed income investments securities, income on foreign currency dealings, accrued discounts on treasury bills, interest from credit to financial institutions and financial institutions supervision fees and penalties.

TRANSLATION OF FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into Zambian Kwacha at the rates of exchange ruling at the transaction date.

Assets and liabilities denominated in foreign currencies are translated into Kwacha at the exchange rates ruling at the balance sheet date. Gains and losses arising on translation are included in the income statement in the period in which they arise.

CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition including cash in hand and balances with central banks and amounts due from other banks.

FINANCIAL INSTRUMENTS

Classification

Financial instruments as reflected on the balance sheet include all financial assets and financial liabilities, but exclude employee benefit plans, tangible fixed assets and equity investments. Management determines the appropriate classification at initial recognition of the financial instrument. Financial instruments of the Bank are classified as follows:

Financial assets

Originated loans and receivables

The Bank has classified the following financial assets as loans and advances originated by the Bank:

- Staff loans and advances;
- Call accounts;
- Amounts due by Government of the Republic of Zambia ("GRZ");
- Foreign deposits;
- Trade and other debtors; and
- Cash and cash equivalents.

ACCOUNTING POLICIES (CONT'D)

FINANCIAL INSTRUMENTS (CONT'D)

Held-for-trading

The Bank has classified all treasury bills as financial assets held-for-trading.

Held-to-maturity

The Bank has classified the following financial assets as held-to-maturity:

- GRZ consolidated bond;
- Accrued interest on Government Securities; and
- Staff savings treasury bills.

Available-for-sale

The Bank's equity investments are considered to be available for sale financial assets. On initial recognition, equity investments are measured at fair value, normally equivalent to cost. Subsequently, equity investments are measured at cost, as they are not quoted in an active marketplace and their fair value cannot be reliably determined.

Where the Bank controls over 20% of the issued share capital of an equity investment, the results of the investment are not consolidated or equity accounted for under Paragraph 13 of IAS 28 *Investments in Associates* and Paragraph 10 of IAS 27 *Consolidated and Separate Financial Statements*.

Where the Bank's equity investments are being actively marketed for disposal, they are classed as held for sale, and accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, and carried at cost, as their carrying value will be recovered principally through a sale transaction.

Financial liabilities

The Bank has classified the following as financial liabilities:

- Notes and coins issued;
- Foreign currency liabilities to international and other institutions;
- Domestic currency liabilities to non-resident institutions;
- Credit from GRZ;
- Deposit accounts;
- Credit from financial and other institutions; and
- Other liabilities such as payables.

Recognition

The Bank recognises financial instruments held-for-trading and available-for-sale financial assets on the date it becomes party to the contractual provisions to purchase the assets and applies trade date accounting for "regular way" purchases and sales. From this date any gains or losses arising from changes in fair value of the assets are recognised. Held-to-maturity loans, originated loans, and receivables and other financial liabilities are recognised on the day they are transferred to the Bank or the day the funds are advanced.

ACCOUNTING POLICIES (CONT'D)**FINANCIAL INSTRUMENTS (CONT'D)****Measurement**

Financial instruments are measured at fair value or amortised cost.

Fair value is the amount at which a financial instrument can be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, where one exists. The estimated fair values of financial instruments have been determined by the Bank using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate fair values. Accordingly, the estimates are not necessarily indicative of the amounts the Bank could realise in a current market exchange. The carrying amounts of the financial assets and liabilities approximate their fair values.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated in the balance sheet at cost or valuation less depreciation. Revaluations of leasehold properties are carried out periodically.

Expenditure on assets under construction is initially shown as capital work in progress and is transferred to the relevant class of asset when commissioned.

DEPRECIATION

Depreciation is charged to write off the cost or valuation of tangible fixed assets over their expected useful lives on a straight line basis, at the following annual rates:

Leasehold buildings	2%
Furniture and fittings	10%
Motor vehicles	25%
Computer equipment - hardware	25%
- software	33.3%

Capital work in progress is not depreciated.

IMPAIRMENT OF OTHER ASSETS

Long term and other assets are evaluated for impairment at each balance sheet date, or when events or changes in the economic circumstances indicate that the carrying amounts of such assets may not be recoverable. An estimate of the future discounted net cash flows of the related assets over the remaining useful life is used to determine whether the assets are recoverable and to measure any impairment by reference to fair value. Fair value is generally estimated using the Bank's expectation of discounted net cash flows.

REVALUATION RESERVE

The surplus arising on revaluation of tangible fixed assets is credited to a non-distributable reserve. A transfer is made from this reserve to the General Reserve Fund for each year equivalent to the difference between the actual depreciation charge for the year and the depreciation charge based on historical values.

ACCOUNTING POLICIES (CONT'D)

PROVISIONS

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee leave days are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

GENERAL RESERVE FUND

Under Section 8 of the Bank of Zambia Act, No 43 of 1996, if the Board certifies that the assets of the Bank are not, or after such transfer, will not be less than the sum of its capital and other liabilities then the following appropriation is required to be made to the General Reserve Fund:

- (a) 25% of the net profits for the year, when the balance in the General Reserve Fund is less than three times the Bank's authorised capital; or
- (b) 10% of the net profits for the year, when the balance in the General Reserve Fund is equal to or greater than three times the Bank's authorised capital.

The balance of the net profits after the above transfers should be applied to the redemption of any outstanding Government securities issued against losses incurred by the Bank.

RETIREMENT BENEFITS

The Bank maintains a defined benefit scheme to provide retirement benefits to employees. The defined benefit scheme is actuarially valued at intervals of not more than three years. Funding shortfalls arising in the defined benefit scheme are met through lump sum payments or increased future contributions. Severance liabilities in respect of collective agreements with unionised employees are assessed annually.

The Bank also provides for retirement benefits for all permanent employees as provided for by terms provided in Statutory Instrument No. 119. On 1 February 2000, the National Pension Authority (NAPSA) also came into effect. Membership with exception of expatriate employees, is compulsory and monthly contributions by both employer and employees are made.

RISK MANAGEMENT POLICIES

In its ordinary operation, the Bank is exposed to various financial risks. From time to time the Board reviews its risk management policies. The following is the current position:

i) Credit Risk

The Bank is exposed to varying degree of credit risk, in the following significant concentrations:

- (a) Government bonds and treasury bills

The Directors believe the credit risk of such instruments is low due to the fact that they are issued by the Government of the Republic of Zambia.

- (b) Equity investments

In the opinion of the Directors the credit risk of such instruments is low.

- (c) Fixed term deposits

The Directors believe that the credit risk of such instruments is low.

ACCOUNTING POLICIES (CONT'D)

i) Credit Risk(Cont'd)

- (d) Loans to the Government of the Republic of Zambia

In the opinion of the Directors the credit risk is low.

- (e) Staff loans

The credit risk on staff housing loans is restricted by security over property and mortgage protection insurance. The risk on other loans is restricted by security in the form of terminal benefits payments.

ii) Liquidity Risk

This is the risk of being unable to meet financial commitments or payments at the correct time, place and in the required currency. The Bank of Zambia as a central bank does not face Zambian Kwacha liquidity risks.

In the context of foreign reserves management, the Bank's investment strategy ensures the portfolio of foreign reserves is sufficiently liquid to meet external debt financing, Government imports and intervention in foreign exchange market when need arises.

iii) Operational Risk

All policies, procedures and authorization limits and approval frameworks are properly documented in the operational manuals for each department within the Bank and updated frequently to take account of the changes to internal controls, procedures and limits.

iv) Strategic Risk

The Bank's strategic plan is comprehensive in all aspects with particular emphasis on compliance with legal and market conditions and senior management effectively communicates the plan to all staff levels and allocates resources in line with the laid down objectives.

v) Legal Risk

The Bank ensures that all prudential requirements of the Bank of Zambia Act and the relevant provisions in the Laws of Zambia are complied with without exception. The risk of non-compliance could be detrimental to the operations of the Bank.

vi) Foreign Exchange Risk

The Bank is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, British Pound and Euro. The Investment Committee is responsible for hedging the net position in each currency by using foreign currency investments.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

vii) Interest Rate Risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

Kwacha millions

1. PRINCIPAL ACTIVITY	2004	2003
The Bank of Zambia's (the "Bank" or "BOZ") activity, which is governed by the requirements of the Bank of Zambia Act No. 43 of 1996, is central banking and its related activities.		
2. PROFIT FROM OPERATIONS		
Profit from operations is stated after crediting:		
Interest received from treasury bills and Government bonds	107,650	123,475
Interest on overseas investments and deposits	24,863	19,136
Interest on overdrawn accounts and other assets	-	2,431
Profit on sale of tangible fixed assets	-	8
and after charging:		
Depreciation	10,646	7,877
Interest expense	565	1,571
Donations	204	169
3. INTEREST INCOME		
Income from Government securities	129,514	123,475
Interest on advances to Government	50,893	41,091
Interest on overseas investments and deposits	24,863	19,136
Interest on core liquid assets shortfalls	1,098	259
Interest on overdrawn accounts and other advances to banks	316	2,172
	<u>206,684</u>	<u>186,133</u>
4. OTHER INCOME		
Sundry income	6,101	2,817
Other banking income	1,378	806
Foreign currency dealers' licence and stationery fees	503	555
	<u>7,982</u>	<u>4,178</u>
5. RETRENCHMENT COSTS		
This was in respect of other provisions and additional redundancy costs for the Bank's employees who were retrenched in 1994 and 1995.		
6. INCOME TAX		
The Bank is exempt from income tax under section 56 of the Bank of Zambia Act, No. 43 of 1996.		
7. PRIOR PERIOD ADJUSTMENT: FUNDAMENTAL ACCOUNTING ERROR		
During the year, the Bank changed its accounting treatment for the subscriptions for the International Monetary Fund ("IMF") quota and securities issued by GRZ as payment for the IMF quota. Previously, the Bank used to maintain mirror accounts for the IMF quota and GRZ securities.		
Following a visit by IMF, to bring consistency to the treatment and accounting for IMF loans with other central banks in other countries, the following recommendations were made by IMF to the Bank:		
<ul style="list-style-type: none"> ● That the mirror accounts for the IMF quota and the GRZ securities be eliminated, and that the IMF quota as an asset on the part of the Bank as an agent for GRZ be represented by the securities issued by GRZ as a payment for the IMF quota. The securities are held by the Bank and recorded as liability to the IMF. ● That the amounts payable to IMF be revalued at closing rates of exchange at each balance sheet date in line with International Accounting Standards ("IAS") 21: The effects of changes in foreign exchange rates. 		

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2004

Kwacha millions

	2004	2003
7. PRIOR YEAR ADJUSTMENT: FUNDAMENTAL ACCOUNTING ERROR (CONT'D)		
As a result, exchange differences arising from the elimination of the mirror accounts of the IMF quota and the GRZ securities resulted, overall, in an exchange gain of K6,209 million. This amount has been accounted for as follows in the Bank's books:		
• Credit to the income statement for the financial year ended 31 December 2003		208
• Credit to the general reserve fund for the periods prior to 1 January 2003	-	6,001
Total prior year adjustment (Note 23)	<u>-</u>	<u>6,209</u>
8. FOREIGN CURRENCY CASH AND BANK ACCOUNTS		
Current account balances with non-resident banks	283,167	266,163
Clearing correspondent accounts with central banks	89,348	2,593
Foreign currency cash with banking office	3,673	3,741
	<u>376,188</u>	<u>272,497</u>
Provisions against deposit held in Meridien BIAO Bank International Limited (In Liquidation)	<u>(35,398)</u>	<u>(35,398)</u>
	<u>340,790</u>	<u>237,099</u>
9. FOREIGN CURRENCY INVESTMENTS AND CLAIMS		
IMF subscription	3,274,976	3,454,814
Deposits with non-resident banks	1,028,385	932,126
Special Drawing Rights ("SDR's")	118,465	2,573
	<u>4,421,826</u>	<u>4,389,513</u>
The IMF subscription represents a membership quota amounting to SDRs 489,100,000 assigned to the Government by the IMF and forms the basis for its financial and organisational relationship with the IMF.		
10. ORIGINATED LOANS AND ADVANCES		
Budgetary advance to GRZ	409,629	261,029
Staff loans	29,425	28,795
Staff advances	43	117
	<u>439,097</u>	<u>289,941</u>
Staff loans are considered to be non-derivative financial assets as they have fixed and determinable conditions attached to repayment, and are not quoted in an active market.		
Average annual interest rates on staff loans, in line with conditions of service are:		
House loans	10%	10%
Multi-purpose loans	12.5%	12.5%
Personal loans	10%	10%
11. CREDIT TO THE GOVERNMENT OF THE REPUBLIC OF ZAMBIA ("GRZ")		
Enhanced Structural Adjustment Facility (ESAF) obligations (Note 23)	4,240,335	4,099,087
Accrued charges - general resource account (Note 23)	1,838	1,276
Government IMF/IBRD securities	-	3,266,657
	<u>4,242,173</u>	<u>7,367,020</u>
The bank acts as an agent of GRZ to the IMF. The credit to the GRZ is interest free.		

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2004

Kwacha millions

12. HELD TO MATURITY FINANCIAL ASSETS	2004	2003
The Government of the Republic of Zambia ("GRZ") Consolidated bond (note 13)	1,676,619	1,691,257
Accrued interest on Government securities	12,577	6,481
Staff savings treasury bills	3,933	3,855
	<u>1,693,129</u>	<u>1,701,593</u>
13. THE GOVERNMENT OF THE REPUBLIC OF ZAMBIA (GRZ) CONSOLIDATED BOND		
6% GRZ Consolidated bond	1,646,743	1,646,743
Other GRZ bonds	29,876	44,514
	<u>1,676,619</u>	<u>1,691,257</u>
<p>On 27 February 2003 GRZ and the Bank signed an agreement whereby all the debts owed by GRZ to the Bank were converted into a consolidated debt. In consideration of such consolidation of debt, GRZ undertook and agreed to issue, effective 1 January 2003, in favour of the Bank a 10 year long-term bond with a face value of K1,646,743 million and a coupon rate of 6%.</p> <p>The following amounts owed by GRZ were included in the consolidated debt:</p>		
GRZ securities held by the Bank		131,914
Kwacha loan to GRZ		467,804
Parastatal debt guaranteed by the Bank		193,515
USD debt service on behalf of GRZ		853,510
		<u>1,646,743</u>
<p>This instrument has the attributes of a held to maturity financial asset, and therefore should be valued at amortised cost in accordance with the requirements of IAS No. 39: Financial Instruments: Recognition and Measurement.</p> <p>However, the bond has not been accounted for in the balance sheet at amortised cost as the bond is unique to the Bank and there is no readily comparable instrument traded in an active market to derive effective interest rates for purposes of computing amortised cost. The bond's amortised cost cannot therefore be reliably measured.</p>		
14. HELD FOR TRADING FINANCIAL ASSETS		
Treasury bills under repurchase agreements	<u>81,967</u>	<u>4,448</u>
Analysed down as follows:		
91 days	87	497
182 days	14,294	-
273 days	67,586	3,951
	<u>81,967</u>	<u>4,448</u>
15. CREDIT TO FINANCIAL INSTITUTIONS		
Overdrawn current accounts	78,373	78,373
Other credits to banks	22,031	22,908
	<u>100,404</u>	<u>101,281</u>
Provision for doubtful receivables	(99,777)	(99,790)
	<u>627</u>	<u>1,491</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2004

Kwacha millions

16. CREDIT TO OTHER INSTITUTIONS	2004	2003
Credit to non-financial public enterprises	<u>60,859</u>	<u>60,850</u>

This balance relates to the Bank of China loan in respect of a special railway loan agreement between the Bank of China, as an agent, the Bank of Zambia as an agent, and the Governments of China, Tanzania and Zambia.

The account was opened in 1998 to record the receipts and payments of funds from China to Zambia/Tanzania to finance certain operations of Tanzania Zambia Railways.

17. OTHER FINANCIAL ASSETS		
Settlement position at the clearing house	69,179	126,068
Sundry debtors	10,317	10,552
Stationery stocks	1,148	979
Prepayments	922	1,757
Accounts receivable	10	212
	<u>81,576</u>	<u>139,568</u>

18. TANGIBLE FIXED ASSETS

	Leasehold land and buildings	Furniture, fittings, computer, plant and equipment	Motor vehicles	Capital work-in progress	Total
Cost or valuation					
At beginning of year	41,125	39,698	8,960	4,715	94,498
Additions	25	6,665	2,932	12,103	21,725
Transfers	5,151	11,436	-	(16,587)	-
Disposals	(184)	-	-	-	(184)
At end of year	46,117	57,799	11,892	231	116,039
Cost or valuation at 31 December 2004 is represented by:					
Valuation	12,848	-	-	-	12,848
Cost	33,269	57,799	11,892	231	103,191
	<u>46,117</u>	<u>57,799</u>	<u>11,892</u>	<u>231</u>	<u>116,039</u>
Depreciation					
At beginning of year	3,866	18,870	3,703	-	26,439
Charge for the year	829	7,671	2,146	-	10,646
Disposals	(15)	-	-	-	(15)
At end of year	4,680	26,541	5,849	-	37,070
Net book value					
At end of year	<u>41,437</u>	<u>31,258</u>	<u>6,043</u>	<u>231</u>	<u>78,969</u>
At beginning of year	37,259	20,828	5,257	4,715	68,059

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2004

Kwacha millions

18. TANGIBLE FIXED ASSETS (CONT'D)	2004	2003
(a) The Bank's buildings except office buildings were revalued in 2003 by registered valuation surveyors on the basis of open market value for existing use. The revaluation surplus was credited to the revaluation reserve.		
(b) Capital work in progress represents the expenditure to date on computer software and office refurbishment at Head Office - Lusaka.		
19. CAPITAL COMMITMENTS		
Authorised by the Directors but not contracted for	<u>9,218</u>	<u>12,344</u>
The funds to meet the capital commitments will be sourced from internally generated funds.		
20. EQUITY INVESTMENTS		
Available for sale investments		
Zambia Electronic Clearing House Limited	1,847	1,847
African Export Import Bank	939	939
Development Bank of Zambia	<u>46</u>	<u>46</u>
	<u>2,832</u>	<u>2,832</u>
Zambia Electronic Clearing House Limited		
The Bank controls 50% of the issued ordinary equity of Zambia Electronic Clearing House Limited ("ZECHL"). The principal activity of ZECHL is the electronic clearing of cheques and direct debits and credits in Zambia for its member banks. The operations of ZECHL are funded by contributions from member banks. ZECHL is considered to be an available for sale financial asset. As there is no reliable measure of the fair value of this investment, it is carried at cost, and regularly reviewed for impairment.		
Africa Export Import Bank		
On behalf of GRZ, the Bank of Zambia holds a minor investment in the equity of Africa Export Import Bank ("AEIB"). AEIB is a grouping of regional central banks and financial institutions designed to facilitate intra and extra African trade. AEIB is considered to be an available for sale financial asset. As there is no reliable measure of the fair value of this investment, it is carried at cost, and regularly reviewed for impairment.		
Development Bank of Zambia ("DBZ")		
On behalf of GRZ, the Bank of Zambia holds 25% of the issued ordinary equity of Development Bank of Zambia. The Bank of Zambia's investment in DBZ is considered to be a held for sale financial asset, as the Bank of Zambia is actively marketing this investment for sale. It is proposed to complete this sale transaction in 2005.		
21. NOTES AND COINS ISSUED		
Bank notes issued by denomination:		
K20	613	588
K50	2,773	2,349
K100	4,890	4,843
K500	14,084	11,970
K1,000	15,481	13,804
K5,000	55,931	83,122
K10,000	179,827	356,529
K20,000	209,905	81,150
K50,000	<u>335,775</u>	<u>117,240</u>
	<u>819,279</u>	<u>671,595</u>
Coins issued	<u>227</u>	<u>227</u>
	<u>819,506</u>	<u>671,822</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2004

Kwacha millions

22. FOREIGN CURRENCY LIABILITIES TO OTHER INSTITUTIONS	2004	2003
Deposits and loans from other governments	679,114	647,578
Deposits and loans from non-resident institutions	6,049	30,244
Interest payable on foreign loans	<u>107</u>	<u>1,618</u>
	685,270	679,440
23. FOREIGN CURRENCY LIABILITIES TO INTERNATIONAL INSTITUTIONS		
International Monetary Fund:		Restated
Enhanced Structural Adjustment Facility (ESAF) loan obligations (Note - 11, 23a)	4,240,335	4,099,087
Allocation of Special Drawing Rights (SDR) (Note - 23b)	246,897	246,897
Accrued charges of SDR payable Trust Fund loans (Note 11)	<u>1,839</u>	<u>1,276</u>
	4,489,071	4,347,260
Less: Prior year adjustment (note 7)	<u>-</u>	<u>(6,209)</u>
	4,489,071	4,341,051
(a) The loan was obtained in December 1995 as a three-year facility under ESAF with provision for roll forward and carries an interest rate of one half of one per centum per annum, subject to the provisions of the Trust Fund instrument.		
(b) The allocation of Special Drawing Rights represents SDR's 68,298,000 .		
This is the liability to the International Monetary Fund in respect of Special Drawing Rights allocated by the Bank. This liability has been translated to Zambian Kwacha at rates of exchange ruling at the financial year end.		
24. DOMESTIC CURRENCY LIABILITIES TO NON-RESIDENT INSTITUTIONS		
IMF		
Securities account	3,266,657	3,266,657
No. 1 account	8,187	6,110
No. 2 account	<u>132</u>	<u>99</u>
	3,274,976	3,272,866
Other international financial institutions	565	611
Other central banks	<u>34</u>	<u>34</u>
	3,275,575	3,273,511
The liabilities are held on behalf of GRZ and are interest free.		
25. CREDIT FROM THE GOVERNMENT OF THE REPUBLIC OF ZAMBIA		
Balance represents deposits held on behalf of the Ministry of Finance and National Planning	799,771	886,417
IMF subscription	<u>-</u>	<u>3,454,814</u>
	799,771	4,341,231
26. CREDIT FROM FINANCIAL INSTITUTIONS		
Minimum reserve requirements	665,663	518,959
Commercial bank current accounts	249,233	233,157
Credit and other deposits of banks	170,614	15,836
Term deposits from financial institutions	<u>128</u>	<u>87</u>
	1,085,638	768,039

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2004

Kwacha millions

27. CREDIT FROM OTHER INSTITUTIONS	2004	2003
Deposits from non-financial public enterprises	1,884	1,884
Other deposits	<u>262</u>	<u>62</u>
	<u>2,146</u>	<u>1,946</u>
28. PROVISIONS		
Balance at beginning of year	7,004	18,197
Provisions made during the year	597	9,679
Payments made during the year.	<u>(2,539)</u>	<u>(20,872)</u>
Balance at end of year	<u>5,062</u>	<u>7,004</u>
Made up as follows:		
Provision for pipeline debt	3,149	3,149
Provision for doubtful receivables	1,263	-
Provision for staff litigations	650	650
Provision for staff retrenchment 1994/1995	<u>-</u>	<u>3,205</u>
	<u>5,062</u>	<u>7,004</u>
29. OTHER FINANCIAL LIABILITIES		
Staff savings, deposits and clearing accounts	27,114	18,242
Accrued expenses	18,698	33,002
Unclaimed government securities	5,319	1,008
Accounts payable	<u>1,763</u>	<u>555</u>
	<u>52,894</u>	<u>52,807</u>
30. CAPITAL		
Authorised of no denomination	<u>10,020</u>	<u>10,020</u>
Issued and fully paid of no denomination	<u>10,020</u>	<u>10,020</u>

31. CONTINGENT LIABILITIES

The Bank is party to various litigation cases, whose ultimate resolution, in the opinion of the Directors, is not expected to materially affect the operations of the Bank.

32. RETIREMENT BENEFITS INFORMATION

The Bank provides for pension plans covering substantially all employees. All non-contract employees are members of a defined benefit plan administered by a Board of Trustees. The assets of these plans are held in administered trust funds separate from the Bank's assets and the funds are governed by the Pension Scheme Regulation Act, No. 26 of 1996.

Contributions to the defined benefit fund are charged against income based upon actuarial advice. Any deficits are funded to ensure the ongoing financial soundness of the fund. The benefits provided are based on the years of membership and salary level. These benefits are provided from contributions by employees and the employer, as well as income from the assets of the plan.

Contribution levels were increased in February 2005 at the recommendation of the fund's independent consultant actuaries and current contribution levels are now considered to be adequate to meet future obligations.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2004

Kwacha millions

32. RETIREMENT BENEFITS INFORMATION (CONT'D) 2004 2003

The fund is revalued every three years by independent consultant actuaries. The fund was last valued on 31 December 2003 using the attained age method. The principal assumptions made by the actuaries were that on average the long-term investment return rate will exceed the long-term pensionable salary escalation by 4% per annum. It is also assumed that the pensions will be purchased at the long term rate of interest and that all the three elements will move in conjunction with actual rates prevailing in the future.

At the date of the last actuarial valuation the assets were **K71,366 million** and liabilities were **K94,287 million** resulting in a deficit of **K22,921 million**. The Bank has made good the deficit as follows:

- (a) Payment of K2,405 million during the year 2004;
- (b) Increased employer and employee contributions effective February 2005 from the current 10% and 3% to **15%** and **5%** respectively.

33. RELATED PARTY TRANSACTIONS

In the context of the Bank, related party transactions include any transactions made by any of the following persons:

- The Government of the Republic of Zambia;
- Government bodies;
- Senior Government Officers;
- Members of the Board of Directors including the Governor;
- Cabinet Ministers and Head of State; and
- Spouses and children of the above categories.

The transactions to be reported are those that affect the Bank in making financial and operating decisions. Examples of such transactions include:

- Finance (loans);
- Preferential treatment on application of licensing regulations;
- Procurement and investment contracts;
- Disposal of assets; and
- Guarantees and collaterals.

The Bank undertakes to disclose the nature of related party relationships, types of transaction, and the elements of the transactions necessary for the understanding of the annual financial statements.

In the current year, the following transactions took place with the Government:

Advances to Government of the Republic of Zambia	409,629	261,029
Deposits from Government Institutions	(581,786)	(547,839)
Deposits from Statutory Corporations	(217,985)	(318,578)



9 ANNUAL STATISTICAL REPORT FOR 2004

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MONETARY SURVEY (IN MILLIONS OF KWACHA)

TABLE 1

Monetary Account/Period	1998 December	1999 December	2000 December	2001 December	2002 December	2003 December	2004 March	June	September	October	November	December
NET FOREIGN ASSETS												
Foreign assets (BOZ)	-2,373,899	-2,337,440	-3,459,186	-2,655,930	-3,144,010	-2,482,789	-2,572,436	-1,695,690	-2,383,544	-2,403,731	-2,338,173	-1,969,414
o/w: IMF	1,279,073	1,984,377	2,600,857	2,827,573	3,176,702	4,634,805	4,437,033	4,599,586	4,669,492	4,576,022	4,531,380	4,852,110
Foreign assets (banks)	457,279	530,165	995,656	893,635	1,272,128	1,093,173	1,127,170	3,553,566	3,394,295	3,387,174	3,385,717	3,393,442
Foreign liabilities (BOZ)	-4,068,062	-4,791,297	-7,198,465	-6,283,416	-8,603,416	-8,048,007	-7,954,668	-7,374,511	-8,055,736	-8,030,579	-8,052,934	-8,228,506
o/w: IMF	-3,907,271	-4,648,209	-7,037,888	-5,978,134	-7,816,601	-7,355,487	-7,306,205	-6,740,409	-7,423,788	-7,414,111	-7,446,025	-7,959,993
Foreign liabilities (banks)	-42,190	-60,685	-107,699	-93,723	-112,646	-162,761	-181,971	-259,173	-231,758	-261,520	-183,751	-186,819
DOMESTIC ASSETS												
DOMESTIC CREDIT												
Net Claims on General Government	3,479,059	3,765,445	5,905,563	5,403,333	6,750,172	6,902,622	7,190,400	6,942,106	7,761,422	7,802,230	7,769,311	7,789,311
Net Claims on government (BOZ)	1,126,732	1,505,368	2,570,607	3,177,205	4,282,702	4,215,136	4,289,468	4,701,950	4,666,289	4,820,448	4,872,911	4,766,367
Claims on government (banks)	575,769	693,198	1,349,616	1,789,286	2,643,615	2,708,882	2,643,151	2,783,062	2,563,965	2,643,101	2,626,720	2,512,707
Claims on public enterprises (BOZ)	664,938	841,009	1,517,884	1,900,135	1,710,782	1,960,140	1,965,113	1,855,341	1,991,823	2,005,581	1,978,165	2,171,952
Claims on public enterprises (banks)	155,558	232,046	357,181	777,350	916,345	1,858,107	1,718,514	1,892,567	1,710,881	1,709,338	1,753,637	1,707,941
Government deposits at BOZ	-157,071	-243,804	-465,014	-760,108	-771,127	-866,335	-842,353	-763,678	-839,321	-808,767	-773,765	-891,405
Claims on private enterprises (BOZ)	-87,655	-136,053	-60,436	-128,092	-170,280	-198,123	-198,123	-201,169	-299,418	-263,050	-331,317	-475,781
Claims on private enterprises (banks)	124,354	256,871	358,843	441,746	93,535	116,107	131,892	169,016	158,465	191,606	209,932	200,137
Claims on public enterprises (BOZ)	5,289	7,936	69,171	194,968	30,493	54,344	60,259	60,933	62,582	61,463	60,379	85,547
Claims on public enterprises (banks)	119,065	248,935	289,672	246,778	63,041	61,763	71,632	108,083	95,883	130,143	149,553	114,590
Claims on private enterprises (BOZ)	338,408	440,762	771,277	790,860	848,842	1,095,391	1,305,845	1,540,882	1,687,437	1,711,026	1,749,882	1,746,271
Claims on private enterprises (banks)	4,437	9,547	15,615	15,615	18,206	16,508	18,758	20,986	16,428	16,803	17,552	10,826
Claims on households (BOZ)	333,971	435,522	761,730	775,245	830,636	1,078,883	1,287,087	1,519,896	1,671,009	1,694,223	1,732,330	1,735,445
Claims on households (banks)	82,595	111,667	86,505	153,115	159,033	275,868	193,134	205,181	250,786	272,551	281,329	305,311
Claims on households (BOZ)	26,300	26,197	26,176	26,990	32,647	30,367	28,632	30,006	30,000	29,439	29,657	29,514
Claims on households (banks)	56,295	85,470	60,329	126,125	126,391	245,500	164,502	175,175	220,785	243,111	251,671	275,796
Claims on nongovernment/nonprofit inst.	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nongovernment/nonprofit inst. (BOZ)	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nongovernment/nonprofit inst. (banks)	0	0	0	0	0	0	0	0	0	0	0	0
Claims on nonbank financial institutions (BOZ)	5,606	2,870	4,366	2,198	11,568	18,887	15,446	3,809	5,636	2,164	5,049	1,941
Claims on nonbank financial institutions (banks)	5,606	2,870	4,366	2,198	11,568	18,887	15,446	3,809	5,636	2,164	5,049	1,941
OTHER ITEMS NET												
Claims on banks (BOZ)	2,352,327	2,260,076	3,334,956	2,226,128	3,921,469	2,687,486	2,900,933	2,240,157	3,095,133	2,981,782	2,896,819	3,022,943
Bankers deposits at BOZ	142,432	120,868	82,369	77,474	112,222	203,480	163,700	58,666	192,476	176,655	148,438	203,750
BOZ liabilities to banks	108,737	136,692	279,646	417,353	-23,078	688,331	703,050	693,379	58,190	57,416	57,426	-39,401
Credit from BOZ	-105,733	-136,296	-250,125	-407,590	-774,932	-737,244	-720,736	-688,923	-912,850	895,611	875,232	-1,066,004
Other items net (BOZ)	-21,430	-78,507	-39,091	-30,314	674,251	-32,879	-27,677	-38,567	-32,403	-879,983	-834,714	1,022,805
Other items net (banks)	2,406,429	2,440,253	3,706,236	2,874,243	4,445,136	3,391,780	3,425,414	2,935,387	3,618,226	-36,580	-76,354	3,660,217
o/w: IMF	2,506,425	2,630,203	4,225,906	3,205,544	4,486,225	3,649,547	3,642,886	3,057,967	3,901,350	3,612,617	3,644,904	3,991,600
Other items net (banks)	-178,108	-222,953	-444,079	-705,038	-512,137	-884,112	-700,961	-777,933	-770,466	-843,954	-918,112	-758,424
BROAD MONEY												
MONETARY	1,105,159	1,428,005	2,446,377	2,747,402	3,606,161	4,419,832	4,617,964	5,246,416	5,377,877	5,398,499	5,431,557	5,819,897
Currency outside banks	397,636	503,896	760,679	1,015,316	1,323,444	1,695,550	1,695,140	1,997,693	2,009,346	2,027,498	1,970,865	2,044,422
Demand deposits at BOZ	169,792	212,163	287,802	373,597	422,374	592,451	564,016	701,501	734,396	733,238	705,466	732,604
Demand deposits at banks	226,409	289,862	456,813	611,061	896,703	1,101,150	1,128,977	1,294,268	1,272,974	1,292,282	1,263,386	1,309,543
QUASI-MONEY												
Savings Deposits	707,523	924,109	1,685,698	1,732,066	2,282,717	2,724,282	2,922,824	3,248,723	3,368,531	3,371,001	3,460,692	3,775,475
Savings deposits at BOZ	146,409	189,759	288,614	343,569	470,832	679,056	717,008	766,605	780,113	784,030	792,991	846,653
Savings deposits at banks	810	1,555	2,210	3,483	6,149	5,878	6,063	4,950	4,135	4,837	4,929	7,206
Time deposits and other deposits	145,599	188,204	286,405	340,086	464,684	673,178	710,945	761,654	775,978	779,193	788,062	839,447
Time deposits	167,282	200,848	265,831	349,636	396,447	474,203	426,445	446,770	466,097	525,282	487,444	489,281
Time deposits (banks)	155,479	190,977	231,244	328,307	391,617	474,181	426,391	446,615	465,888	525,127	487,374	489,206
Bills payable	11,803	9,871	34,587	21,329	4,830	22	54	155	209	155	70	75
Acceptances payable	0	0	0	0	0	0	0	0	0	0	0	0
Foreign currency deposits	393,833	533,502	1,131,253	1,038,881	1,415,438	1,571,023	1,779,371	2,035,349	2,122,321	2,061,689	2,180,257	2,439,540
Foreign currency demand deposits	356,633	482,977	1,089,491	1,010,081	1,324,467	1,491,550	1,633,534	1,831,210	1,840,065	1,754,531	1,887,955	2,098,778
Foreign currency savings deposits	3,162	3,463	10,030	9,842	11,494	15,993	15,993	20,389	21,256	18,471	20,389	15,800
Foreign currency time deposits	34,038	47,062	31,732	18,958	79,478	65,990	129,844	183,750	261,000	288,687	277,479	324,962

Vertical check:

Source: Bank of Zambia

ANALYTICAL ACCOUNTS OF THE BANK OF ZAMBIA (IN MILLIONS OF KWACHA)

TABLE 2

Monetary Account/Period	1998		2000		2001		2002		2003		2004		2005		2006		2007		
	December	December	December	December	December	December	December	December	December	December	December	December	December	December	December	December	December	December	
NET FOREIGN ASSETS	-2,788,989	-2,806,920	-4,347,143	-4,303,462	-3,455,842	-3,413,922	-3,517,635	-3,396,244	-3,454,556	-3,521,554	-3,454,556	-3,521,554	-3,454,556	-3,521,554	-3,454,556	-3,521,554	-3,454,556	-3,521,554	-3,454,556
Gross foreign assets	1,279,073	1,984,377	2,851,352	4,303,129	2,827,573	4,634,935	4,437,033	4,639,586	4,437,033	4,639,586	4,437,033	4,639,586	4,437,033	4,639,586	4,437,033	4,639,586	4,437,033	4,639,586	4,437,033
Reserve money	1,175,867	1,769,997	2,510,311	3,851,344	2,352,344	3,454,814	3,408,809	3,274,976	3,454,814	3,408,809	3,274,976	3,454,814	3,408,809	3,274,976	3,454,814	3,408,809	3,274,976	3,454,814	3,408,809
Foreign currency in the Fund	185	212	90,546	90,546	185	212	124,591	119,318	124,591	119,318	124,591	119,318	124,591	119,318	124,591	119,318	124,591	119,318	124,591
SDR holdings	212	212	212	212	212	212	212	212	212	212	212	212	212	212	212	212	212	212	212
Foreign exchange holdings	99,092	219,409	244,874	210,457	1,115,724	1,174,465	1,013,019	1,047,064	1,188,010	1,144,629	1,188,010	1,144,629	1,188,010	1,144,629	1,188,010	1,144,629	1,188,010	1,144,629	1,188,010
Other foreign assets	2,570	5,592	5,592	7,703	6,318	599	599	1,044	2,854	1,034	2,854	1,034	2,854	1,034	2,854	1,034	2,854	1,034	2,854
Gross of foreign liabilities	-4,068,062	-4,791,297	-7,198,465	-8,603,621	-6,283,416	-8,048,007	-7,954,668	-8,055,736	-8,030,579	-8,052,934	-8,030,579	-8,052,934	-8,030,579	-8,052,934	-8,030,579	-8,052,934	-8,030,579	-8,052,934	-8,030,579
Uses of foreign credit	-1,179,571	-1,563,054	-2,826,552	-3,442,817	-1,947,010	-3,272,866	-3,272,866	-3,272,866	-3,272,866	-3,272,866	-3,272,866	-3,272,866	-3,272,866	-3,272,866	-3,272,866	-3,272,866	-3,272,866	-3,272,866	-3,272,866
Fund administered accounts	-2,727,700	-3,065,155	-5,211,337	-5,373,765	-4,031,124	-4,082,011	-4,032,729	-4,146,247	-4,138,570	-4,170,484	-4,138,570	-4,170,484	-4,138,570	-4,170,484	-4,138,570	-4,170,484	-4,138,570	-4,170,484	-4,138,570
Fund charges	-160,791	-143,086	-160,577	-787,020	-305,281	-682,519	-646,465	-634,102	-616,466	-606,939	-616,466	-606,939	-616,466	-606,939	-616,466	-606,939	-616,466	-606,939	-616,466
Other foreign liabilities	3,092,753	3,197,669	4,946,369	4,329,318	4,329,318	5,688,365	4,828,414	4,828,414	5,151,206	5,151,206	4,828,414	5,151,206	4,828,414	5,151,206	4,828,414	5,151,206	4,828,414	5,151,206	4,828,414
DOMESTIC ASSETS	686,324	757,446	1,240,133	1,123,229	1,455,074	1,436,635	1,452,252	1,320,401	1,538,589	1,512,179	1,538,589	1,512,179	1,538,589	1,512,179	1,538,589	1,512,179	1,538,589	1,512,179	1,538,589
DOMESTIC CREDIT	507,866	597,205	1,052,870	929,654	1,140,027	1,073,805	1,122,760	1,030,603	1,196,813	1,196,813	1,030,603	1,196,813	1,030,603	1,196,813	1,030,603	1,196,813	1,030,603	1,196,813	1,030,603
Claims on Govt (Government net)	664,938	841,009	1,517,884	1,700,782	1,900,135	1,860,140	1,965,113	1,855,341	1,991,623	1,991,623	1,855,341	1,991,623	1,855,341	1,991,623	1,855,341	1,991,623	1,855,341	1,991,623	1,855,341
Claims on the central government	-157,071	-249,304	-465,014	-770,127	-760,108	-986,335	-942,353	-939,321	-908,775	-908,775	-939,321	-908,775	-939,321	-908,775	-939,321	-908,775	-939,321	-908,775	-939,321
Claims on nonfin. public enterprises	5,289	7,996	69,171	194,968	30,483	60,353	60,353	60,353	60,353	60,353	60,353	60,353	60,353	60,353	60,353	60,353	60,353	60,353	60,353
Claims on the private enterprises	4,437	5,290	9,547	18,206	15,615	20,986	20,986	20,986	20,986	20,986	20,986	20,986	20,986	20,986	20,986	20,986	20,986	20,986	20,986
Claims on non-financial inst.	26,370	25,116	26,176	32,674	26,396	30,362	30,362	30,362	30,362	30,362	30,362	30,362	30,362	30,362	30,362	30,362	30,362	30,362	30,362
Claims on banks	120,868	120,868	82,369	112,228	77,474	203,480	163,700	58,666	57,416	57,416	58,666	57,416	58,666	57,416	58,666	57,416	58,666	57,416	58,666
Claims on nonbank financial inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER ITEMS (NET)	2,406,429	2,440,253	3,706,236	2,874,243	2,440,253	3,391,780	3,425,414	2,893,387	3,618,226	3,618,226	2,893,387	3,618,226	2,893,387	3,618,226	2,893,387	3,618,226	2,893,387	3,618,226	2,893,387
Other assets	4,044,568	4,796,017	7,142,637	7,691,334	5,890,860	7,459,987	7,468,709	6,855,022	4,284,668	4,284,668	6,855,022	4,284,668	6,855,022	4,284,668	6,855,022	4,284,668	6,855,022	4,284,668	6,855,022
Special Holdings of Government securities	93,082	93,082	96,082	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Govt/MF Trust Fund obligations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Govt/MF Securities	1,176,558	1,560,042	1,862,794	2,029,360	2,029,360	3,266,657	3,266,657	3,266,657	4,148,247	4,148,247	3,266,657	4,148,247	3,266,657	4,148,247	3,266,657	4,148,247	3,266,657	4,148,247	3,266,657
Govt/MF Securities account	2,727,700	3,095,155	5,121,919	3,767,773	5,080,933	4,032,729	4,032,729	3,467,190	6,335	6,335	4,032,729	3,467,190	6,335	6,335	4,032,729	3,467,190	6,335	6,335	4,032,729
Land and Fixed assets	39,355	42,517	55,379	64,773	64,773	146,802	146,802	104,732	104,732	104,732	146,802	104,732	146,802	104,732	146,802	104,732	146,802	104,732	146,802
Other investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Items in transit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other assets	-1,698,139	-2,345,764	-3,436,401	-3,106,617	-3,106,617	-4,068,238	-4,043,295	-3,246,197	-3,246,197	-3,246,197	-4,068,238	-4,043,295	-3,246,197	-4,068,238	-4,043,295	-3,246,197	-4,068,238	-4,043,295	-3,246,197
Provision for bad & off debt	-125,429	-381,116	-23,462	-25,369	-25,369	-137,780	-137,780	-137,780	-137,780	-137,780	-137,780	-137,780	-137,780	-137,780	-137,780	-137,780	-137,780	-137,780	-137,780
Other liabilities	31,022	18,986	18,986	18,986	18,986	18,986	18,986	18,986	18,986	18,986	18,986	18,986	18,986	18,986	18,986	18,986	18,986	18,986	18,986
Profit and Loss carried over	91,740	-197,896	-639,240	-639,240	-639,240	-639,240	-639,240	-639,240	-639,240	-639,240	-639,240	-639,240	-639,240	-639,240	-639,240	-639,240	-639,240	-639,240	-639,240
Profit and Loss current year	-1,477	-874	-874	-874	-874	-874	-874	-874	-874	-874	-874	-874	-874	-874	-874	-874	-874	-874	-874
ZIMCO accounts	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20
Reserves and retained earnings	-23,413	-23,413	-23,413	-23,413	-23,413	-23,413	-23,413	-23,413	-23,413	-23,413	-23,413	-23,413	-23,413	-23,413	-23,413	-23,413	-23,413	-23,413	-23,413
Allocation of SDRs	-222,255	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897
Forex arrears accounts	-331	-330	-330	-330	-330	-330	-330	-330	-330	-330	-330	-330	-330	-330	-330	-330	-330	-330	-330
Credit for IMF Subscript. pvt	-1,173,577	-1,768,097	-2,510,311	-2,352,341	-2,352,341	-3,406,809	-3,406,809	-3,425,975	-6,200	-6,200	-3,406,809	-3,425,975	-6,200	-6,200	-3,406,809	-3,425,975	-6,200	-6,200	-3,406,809
Other liabilities	-22,931	-88,869	4,468	-68,915	-68,915	-68,915	-68,915	-68,915	-68,915	-68,915	-68,915	-68,915	-68,915	-68,915	-68,915	-68,915	-68,915	-68,915	-68,915
RESERVE MONEY	303,765	390,779	599,227	873,475	1,264,873	1,415,213	1,360,031	1,480,863	1,734,161	1,696,650	1,734,161	1,696,650	1,734,161	1,696,650	1,734,161	1,696,650	1,734,161	1,696,650	1,734,161
Currency in circulation:	195,727	251,057	330,829	431,744	479,425	670,141	631,084	785,065	815,199	809,852	815,199	809,852	815,199	809,852	815,199	809,852	815,199	809,852	815,199
less: notes and coins issued	196,132	251,519	331,739	432,339	480,778	671,527	632,683	786,689	816,277	811,482	816,277	811,482	816,277	811,482	816,277	811,482	816,277	811,482	816,277
less: teller's cash (BOZ)	-405	-462	-910	-595	-595	-1,395	-1,610	-1,634	-1,078	-985	-1,078	-985	-1,078	-985	-1,078	-985	-1,078	-985	-1,078
Liabilities to commercial banks	105,733	136,296	250,125	292,026	407,590	774,952	727,244	688,923	912,650	879,983	912,650	879,983	912,650	879,983	912,650	879,983	912,650	879,983	912,650
Required reserves (kwacha dips)	48,527	66,954	126,424	150,754	203,483	403,444	289,329	324,441	340,117	324,441	340,117	324,441	340,117	324,441	340,117	324,441	340,117	324,441	340,117
Required reserves (USD dips)	26,356	35,957</																	

SOURCES OF LIQUIDITY (IN MILLIONS OF KWACHA)

TABLE 4

End of period.	Government Transactions										Total primary influence.
	Revenue	Expenditure.	Domestic interest.	Other Govt Transactions	Total Govt Influence.	Foreign Exchange influence.	Other BOZ influence.	Bond influence.	Non-bank TB influence		
1995	-53,956	38,625	6,173	16,432	7,274	-13,668	-320	302	1,292	-5,110	
1996	-59,893	65,932	8,396	-16,022	-1,287	27,340	-1,110	292	2,112	27,347	
1997	-111,550	111,376	6,192	-5,680	338	17,424	4,233	0	831	22,928	
1998	-199,709	103,365	4,142	122,676	30,474	1,732	3,339	0	753	36,298	
1999	-150,550	28,223	6,815	126,124	10,612	5,750	316	-6,387	565	10,866	
2000	-226,202	59,145	11,150	192,599	36,692	16,690	2,998	287	0	56,247	
2001	-385,773	152,326	11,066	166,561	-55,820	25,228	132	0	0	-30,460	
January	-74,509	74,509	8,966	182,053	-8,717	-6,900	-239	0	0	-15,866	
February	-272,839	68,379	18,598	196,543	10,671	41,975	1,061	0	0	53,707	
March	-283,086	55,366	8,007	166,600	-43,133	-9,753	-9,516	0	0	-62,402	
April	-253,726	21,730	14,709	296,985	79,698	9,873	-1,013	0	0	88,958	
May	-310,855	89,793	15,813	217,246	11,997	77,278	6,752	0	1,183	97,210	
June	-385,652	87,714	19,715	286,502	48,279	28,380	9	0	1,470	78,138	
July	-333,123	78,888	14,737	293,613	54,115	27,050	2,371	0	1,504	85,040	
August	-228,115	26,708	12,307	366,802	177,702	8,345	2,528	0	1,252	189,827	
September	-341,545	29,213	17,377	274,955	-50,000	-19,975	-63	0	2,125	-37,513	
October	-250,146	16,145	11,695	286,368	64,002	38,351	-439	0	1,761	104,275	
November	-286,307	48,406	26,507	351,870	139,876	-63,675	-1,824	0	2,495	76,872	
December	-446,664	143,591	16,787	227,217	-59,069	35,482	6,515	0	2,146	-14,926	
2002	-340,472	113,594	16,446	181,079	-29,443	4,141	-7,814	0	1,857	-31,259	
January	-239,050	13,112	29,964	277,571	81,597	-15,943	-1,561	0	2,467	66,660	
February	-390,470	92,380	26,825	363,199	91,934	32,487	-1,215	0	2,380	125,986	
March	-406,760	141,935	24,333	258,876	18,394	-17,754	5,284	0	703	6,617	
April	-340,049	103,888	29,258	158,086	-48,807	5,759	-81	0	15,809	-27,320	
May	-392,445	67,873	25,037	339,988	40,453	12,421	7,226	0	-917	59,183	
June	-348,826	93,800	21,134	257,601	23,599	18,394	676	0	-15,847	26,822	
July	-369,530	112,546	24,878	207,460	-24,646	72,756	-6,394	-7,626	-11,688	22,252	
August	-439,228	155,093	22,461	468,658	135,224	-17,763	905	6,978	-4,670	120,674	
September	-164,405	26,300	26,300	257,978	9,465	-13,523	-1,048	3,380	16,480	16,480	
October	-433,603	159,563	27,379	454,172	207,511	-79,609	6,476	-9,667	1,417	126,128	
November	-581,564	213,515	25,923	347,600	5,474	-10,332	-1,759	-10,645	-10,645	-33,980	
December	-289,051	29,646	25,325	190,226	-43,654	12,222	-307	-14,433	14,179	-32,393	
2003	-268,685	11,762	25,714	260,321	-29,112	16,636	-632	-9,915	-7,438	27,563	
January	-413,869	12,706	33,600	289,882	-97,681	151,228	-3,006	-3,516	21,511	68,536	
February	-355,670	21,595	29,309	453,056	147,280	182,962	-1,566	-2,716	2,855	328,815	
March	-328,389	9,543	29,269	263,717	-25,860	48,046	-1,741	-759	13,110	32,799	
April	-444,890	29,084	29,322	248,571	-137,953	74,302	5,448	2,164	1,925	-54,114	
May	-318,556	23,407	26,353	351,941	83,145	21,387	2,188	8,994	-3,148	112,566	
June	-389,759	31,875	31,197	479,798	153,111	698	1,127	10,816	1,286	167,038	
July	-447,321	36,767	32,512	315,253	-62,789	20,422	-1,373	-13,502	3,314	-53,928	
August	-379,016	19,007	37,028	413,594	90,603	706	-296	18,075	319	109,407	
September	-394,281	26,570	33,121	521,095	186,505	11,946	532	22,421	43,983	265,387	
October	-450,147	19,611	37,871	389,541	-3,124	5,963	2,526	-7,701	19,291	16,955	
November	-387,077	30,709	31,413	223,718	-101,237	28,819	5,041	-13,480	-80,381	-80,381	
December	-443,043	19,184	40,459	420,144	36,744	64,434	-1,107	5,080	12,665	117,816	
2004	-566,566	32,518	36,977	447,915	-49,636	107,773	7,436	-11,984	8,498	62,087	
January	-360,621	16,139	18,769	309,307	-16,406	54,716	-80	0	18,691	56,921	
February	-512,231	28,490	12,694	470,442	-605	54,752	-668	6,680	0	60,159	
March	-531,921	20,541	18,723	481,379	-11,278	41,636	-10,034	0	0	52,708	
April	-464,214	23,030	12,109	346,008	-83,067	35,765	-6,095	-1,510	0	-54,507	
May	-528,000	17,820	12,499	486,046	-12,489	129,142	-2,021	-13,502	0	112,365	
June	-551,945	21,674	23,198	443,608	-63,465	-2,713	-10,972	0	0	-92,465	
July	-494,917	13,275	17,384	498,077	33,919	-18,578	14,028	23,581	6,771	59,421	
August	-527,757	13,075	13,290	678,372	176,890	6,875	3,446	0	313	187,314	

Source: Bank of Zambia

USES OF LIQUIDITY (IN MILLIONS OF KWACHA)

TABLE 5

End of period	Total primary influence	Net currency change	Net Bank TBs influence	Net change in statutory reserves	Others	Errors and Omissions	Change in current a/c bal. of banks.
1995							
December	-5,110.0	-9,373.0	-17,058.0	121.0	9,676.0	-90.0	-21,634.0
1996							
December	27,347.0	-1,915.0	-11,610.0	-15,994.0	386.0	161.0	-1,625.0
1997							
December	22,836.0	-10,590.0	-10,488.0	347.0	2,743.0	-588.0	4,290.0
1998							
December	36,298.0	-23,600.0	-29,324.0	-3,813.0	31,515.0	-2,743.0	8,333.0
1999							
December	10,856.0	-33,939.0	-7,219.0	-4,698.0	-19,765.0	-1,173.0	-65,938.0
2000							
December	56,247.0	-44,760.0	-13,217.0	-63,981.0	18,069.0	-1,125.0	-48,767.0
2001							
January	-30,460.0	35,281.0	34,467.0	-47,697.0	-8,560.5	-285.5	-17,254.9
February	-15,856.0	300.0	11,971.0	-7,823.0	1,721.0	3.0	-9,684.0
March	53,709.0	-1,701.0	-38,067.0	64,545.0	19,685.0	-1.0	99,169.0
April	-62,402.0	-10,195.0	-14,030.0	8,167.0	-1,470.0	-2.0	-79,932.0
May	89,556.0	956.0	-25,048.0	-6,279.0	20,489.0	-2.0	78,682.0
June	97,208.0	-36,907.0	3,964.0	-52,593.0	-31,075.0	-1.0	-19,404.0
July	78,138.0	-27,165.0	-24,597.0	-8,996.0	78.0	0.0	17,458.0
August	85,040.0	-821.0	-46,035.0	-6,421.0	-29,131.0	4.0	2,636.0
September	189,827.0	-445.0	-82,523.0	-7,864.0	-85,063.0	3.0	25,365.0
October	-37,513.0	-5,540.0	-27,635.0	-4,694.0	33,543.0	0.0	-41,889.0
November	104,274.0	-7,179.0	-47,513.0	304.0	-4,846.0	6.0	45,046.0
December	76,872.0	-47,701.0	-20,105.0	-86,387.0	-16,611.0	4.0	-93,928.0
2002							
January	-14,927.0	65,273.0	-28,143.0	1,091.0	34,293.0	2.0	57,579.0
February	-31,258.0	12,257.0	-22,570.0	-4,937.0	-13,251.0	3.0	-69,756.0
March	66,660.0	-11,681.0	34,135.0	2,855.0	18,123.0	2.0	41,824.0
April	125,586.0	-16,397.0	-36,131.0	32,557.0	-7,038.0	-4.0	96,573.0
May	6,617.0	-28,021.0	-3,592.0	-14,010.0	-43,053.0	-3.0	-82,062.0
June	-27,321.0	-33,871.0	-12,098.0	-19,683.0	14,246.0	-4.0	-78,731.0
July	59,183.0	-13,244.0	-40,467.0	-3,555.0	30,569.0	0.0	32,486.0
August	26,822.0	-15,638.0	-22,286.0	-20,413.0	-4,348.0	-7.0	-35,870.0
September	22,250.0	15,539.0	-34,369.0	-13,525.0	-21,115.0	2.0	-31,218.0
October	120,674.0	548.0	9,903.0	7,361.0	21,027.0	-18.0	139,689.0
November	16,490.0	9,652.0	32,663.0	-15,877.0	-64,040.0	-202.0	-21,314.0
December	126,127.0	-33,002.0	10,314.0	-79,433.0	62,919.0	-47.0	86,878.0
2003							
January	-33,079.8	22,735.0	-75,856.0	-2,350.0	20,545.0	-5.0	-68,010.8
February	-32,393.3	5,995.0	-46,432.0	-16,471.0	35,905.0	0.0	-53,396.3
March	27,563.2	-26,090.0	-18,454.0	-15,907.0	17,924.0	0.0	-14,963.8
April	68,536.0	-7,846.0	-63,035.0	19,504.0	-60,725.0	16.0	-43,550.0
May	328,815.0	-47,442.0	-53,561.0	-11,653.0	-56,399.0	-1.0	179,759.0
June	32,799.0	-7,586.0	-60,420.0	-5,353.0	-96,063.0	-3.0	-138,646.0
July	-54,114.0	-50,328.0	19,307.0	-4,166.0	36,239.0	-2.0	-53,064.0
August	112,566.0	-22,801.0	-18,094.0	-3,228.0	-28,396.0	-2.0	-40,055.0
September	167,038.0	12,240.0	-22,846.0	-10,888.0	9,133.0	-11.0	154,666.0
October	-53,928.0	11,331.0	-61,100.0	-9,627.0	-5,417.0	-7.0	-118,748.0
November	109,407.0	-18,076.0	-30,091.0	66,471.0	-19,334.0	-7.0	108,368.0
December	265,387.0	-61,723.0	-125,588.0	-31,642.0	-27,037.0	-10.0	19,407.0
2004							
January	16,955.0	47,524.0	-28,204.0	-9,347.0	-84,770.0	-2.0	-57,844.0
February	-80,381.0	2,254.0	-48,931.0	-2,006.0	88,605.0	4.0	-40,255.0
March	117,816.0	-9,766.0	-74,868.0	-2,470.0	23,938.0	-6.0	54,644.0
April	62,087.0	-70,888.0	-53,866.0	-23,662.0	3,521.0	-8.0	-82,816.0
May	56,921.0	-51,183.0	-35,067.0	-16,743.0	0.0	-2.0	-46,074.0
June	60,159.0	-75,895.0	-44,692.0	856.0	3,136.0	2.0	-56,434.0
July	52,708.0	-72,169.0	12,375.0	-24,123.0	-7,692.0	1.0	-38,900.0
August	-54,907.0	-11,482.0	-40,247.0	-16,030.0	10,693.0	0.0	-31,279.0
September	112,365.0	55,955.0	47,260.0	-12,715.0	-151,758.0	6.0	51,113.0
October	-92,455.0	8,666.0	-26,859.0	13,616.0	229,753.0	1.0	132,722.0
November	59,421.0	47,432.0	-121,821.0	-27,565.0	-40,468.0	0.0	-48,001.0
December	187,314.0	-16,306.0	15,790.0	-24,223.0	-48,069.0	-6.0	114,500.0

Source: Bank of Zambia

COMMERCIAL BANKS' LIQUIDITY AND OPERATING RATIOS (PERCENT)

TABLE

Year	End of period	Core liquid assets (a)	Minimum required	Other liquid assets (b)	Total	Advances plus bills of exchange as percentage of total deposits	
1995	December	57.1	30.0	40.6	97.7	57.2	
	December	27.8	43.5	55.7	83.5	62.4	
	December	33.9	30.0	26.8	60.7	52.9	
	December	28.1	25.0	16.6	44.7	51.4	
	December	23.6	25.0	16.9	46.4	57.9	
	December	44.3	25.0	24.2	68.5	50.7	
	2001	January	32.8	25.0	32.4	65.2	53.8
		February	31.9	25.0	33.3	65.2	51.1
		March	49.0	35.0	38.6	87.6	54.7
		April	40.7	35.0	37.5	78.2	54.4
		May	50.1	35.0	37.0	87.1	54.1
		June	46.0	35.0	38.5	84.5	52.3
July		51.9	35.0	42.5	94.4	52.8	
August		55.0	35.0	42.6	97.6	55.0	
September		66.4	35.0	49.4	115.8	47.5	
October		59.4	35.0	49.0	108.4	46.6	
November		52.2	35.0	50.2	102.4	48.2	
December		48.0	35.0	48.8	96.8	47.0	
2002	January	47.7	35.0	49.5	97.2	47.3	
	February	46.6	35.0	46.8	93.4	46.1	
	March	54.6	35.0	49.3	103.9	50.9	
	April	66.5	35.0	52.5	119.0	47.4	
	May	59.5	35.0	49.7	109.2	45.3	
	June	52.0	35.0	47.2	99.2	46.3	
	July	49.3	35.0	55.8	105.1	37.1	
	August	41.9	35.0	53.3	95.2	37.5	
	September	39.8	35.0	57.2	97.0	35.9	
	October	58.6	35.0	58.9	117.5	33.0	
	November	48.7	35.0	59.2	106.9	33.3	
	December	60.8	35.0	58.0	118.8	31.2	
2003	January	53.0	35.0	57.1	110.1	31.7	
	February	52.2	35.0	55.1	107.3	32.8	
	March	49.3	35.0	58.1	107.4	34.6	
	April	53.0	35.0	60.1	113.1	34.8	
	May	64.4	35.0	67.5	131.9	34.0	
	June	65.9	35.0	65.7	131.6	34.2	
	July	53.3	35.0	62.4	115.7	35.8	
	August	58.9	35.0	63.7	122.6	37.3	
	September	64.2	35.0	61.6	125.8	35.3	
	October	58.8	35.0	64.5	121.3	36.8	
	November	63.4	35.0	62.8	126.2	35.8	
	December	64.2	35.0	60.8	125.0	34.3	
2004	January	58.7	35.0	60.4	119.1	34.6	
	February	59.2	35.0	62.1	121.3	36.1	
	March	61.4	35.0	61.7	123.1	36.1	
	April	60.3	35.0	60.7	121.0	36.5	
	May	60.3	35.0	62.3	122.6	37.8	
	June	54.7	35.0	57.4	112.1	38.0	
	July	59.1	35.0	57.7	116.8	39.8	
	August	48.4	35.0	54.8	103.2	41.1	
	September	52.5	35.0	57.3	109.8	40.3	
	October	54.7	35.0	54.3	109.0	41.6	
	November	57.9	35.0	54.8	112.7	41.8	
	December	60.2	35.0	54.2	114.4	38.0	

Source: Bank of Zambia

BANKING SYSTEM CLAIMS ON GOVERNMENT (IN MILLIONS OF KWACHA)

TABLE 7

Revised End Month	Bank of Zambia Claims					Commercial Banks Claims					(a-b) TOTAL CLAIMS
	Treasury Bills	GRZ Stock	GRZ Portfolio (b)	Loans & Advances	(b) Total	Treasury Bills	GRZ Securities	Loans & Advances	Deposits	Tax Revenue Surpluses & c	
1995	24,662.0	10,993.3	-87,647.2	248.2	-52,943.6	141,937.4	58,634.6	-17,100.9	-35,932.5	0.0	147,939.6
1996	12,243.0	37,565.0	-104,096.7	248.2	-54,040.5	164,057.2	47,156.7	-2,623.6	-49,800.0	0.0	159,310.3
1997	6,862.5	23,220.6	-83,042.2	248.2	-52,710.9	195,342.6	44,671.2	-8,438.4	-55,166.6	0.0	123,667.9
1998	17,249.9	20,031.7	428,303.5	248.2	467,088.2	154,859.4	19,715.2	-5,794.9	-70,661.0	0.0	98,148.7
1999	23,672.2	20,031.7	558,615.5	0.0	602,319.4	175,359.8	41,523.6	-4,988.0	-127,830.3	0.0	84,255.1
2000	18,955.4	20,031.7	498,253.7	0.0	537,240.8	236,894.1	47,646.6	-5,819.0	-191,757.0	0.0	86,964.7
January	22,351.8	20,031.7	519,448.3	0.0	561,831.8	256,831.5	52,696.6	-4,792.0	-170,101.0	0.0	134,645.1
February	25,095.5	20,031.7	506,238.6	0.0	551,413.8	246,589.8	66,782.1	-8,953.0	-162,741.0	0.0	146,757.9
March	22,778.2	20,031.7	511,209.0	0.0	548,098.9	266,961.0	78,187.1	-8,012.0	-147,111.0	0.0	190,025.1
April	22,979.5	20,031.7	506,829.7	0.0	559,840.9	262,446.9	101,176.3	-5,144.0	-132,862.0	0.0	245,519.0
May	45,104.5	20,031.7	484,091.1	0.0	569,227.3	255,664.2	117,263.1	-5,777.0	-129,764.0	0.0	237,586.3
June	42,654.3	20,031.7	653,202.9	0.0	740,718.9	249,551.7	118,634.4	-5,979.0	-128,796.0	0.0	233,411.1
July	42,349.4	20,031.7	341,532.3	0.0	428,743.4	216,977.3	119,097.1	-2,144.0	-117,718.0	0.0	216,212.4
August	50,898.9	20,031.7	366,373.8	0.0	462,134.4	214,673.0	131,124.7	-5,824.0	-98,469.1	0.0	438,442.8
September	29,061.4	20,031.7	366,968.7	0.0	440,891.8	226,757.3	131,346.0	-4,878.0	123,615.0	0.0	476,840.3
October	32,578.4	20,031.7	386,126.9	0.0	463,567.0	233,751.8	141,030.0	7,210.1	115,508.1	0.0	497,500.0
November	44,861.7	20,031.7	286,785.2	0.0	379,341.9	228,138.6	137,545.0	7,210.1	115,508.1	0.0	488,401.8
December	47,695.0	20,031.7	745,600.8	0.0	1,124,780.4	199,820.7	116,618.1	-6,135.9	-39,753.0	0.0	270,549.9
2001	43,985.8	20,031.7	791,067.2	0.0	1,191,615.6	186,536.5	113,994.3	-4,388.9	-43,268.0	0.0	252,843.8
January	65,354.6	20,031.7	824,833.4	0.0	1,196,016.1	186,536.5	113,994.3	-4,388.9	-43,268.0	0.0	252,843.8
February	37,990.9	20,031.7	485,904.9	0.0	554,937.5	224,875.7	107,146.4	-5,158.9	-22,825.0	0.0	304,038.2
March	37,080.2	20,031.7	554,126.5	0.0	609,153.7	263,618.1	113,675.4	-5,409.9	-28,066.0	0.0	363,817.6
April	31,426.7	20,031.7	698,213.3	0.0	800,741.0	308,978.1	106,906.4	-4,748.9	-34,996.6	0.0	349,966.6
May	30,571.7	20,031.7	454,206.2	0.0	508,437.9	308,633.1	130,752.8	-4,217.9	-40,228.0	0.0	394,940.0
June	44,861.7	20,031.7	454,206.2	0.0	508,437.9	308,633.1	130,752.8	-4,217.9	-40,228.0	0.0	394,940.0
July	37,163.2	20,031.7	454,206.2	0.0	508,437.9	308,633.1	130,752.8	-4,217.9	-40,228.0	0.0	394,940.0
August	31,056.0	20,031.7	544,755.6	0.0	608,804.4	367,029.8	156,183.8	-6,256.9	-55,414.7	0.0	404,403.9
September	32,634.1	20,031.7	566,335.7	0.0	608,804.4	367,029.8	156,183.8	-6,256.9	-55,414.7	0.0	404,403.9
October	33,747.0	20,031.7	446,719.4	0.0	484,342.8	466,734.2	208,418.2	-5,544.9	-15,077.0	0.0	453,673.0
November	44,861.7	20,031.7	484,342.8	0.0	568,660.9	466,734.2	208,418.2	-5,544.9	-15,077.0	0.0	453,673.0
December	40,432.1	20,031.7	883,975.8	0.0	968,357.6	466,734.2	208,418.2	-5,544.9	-15,077.0	0.0	453,673.0
2002	37,410.1	20,031.7	883,975.8	0.0	968,357.6	503,979.2	246,463.2	-6,114.9	-56,784.0	0.0	586,355.5
January	40,150.1	20,031.7	883,975.8	0.0	968,357.6	503,979.2	246,463.2	-6,114.9	-56,784.0	0.0	586,355.5
February	59,957.5	20,031.7	655,421.8	0.0	830,400.0	484,342.8	246,463.2	-6,114.9	-56,784.0	0.0	586,355.5
March	50,407.8	20,031.7	675,136.4	0.0	800,274.2	466,734.2	246,463.2	-6,114.9	-56,784.0	0.0	586,355.5
April	18,273.3	20,031.7	609,103.6	0.0	698,137.9	561,315.7	273,280.2	-3,829.9	-45,237.8	0.0	739,567.3
May	31,681.0	20,031.7	762,097.7	0.0	883,894.6	561,315.7	273,280.2	-3,829.9	-45,237.8	0.0	739,567.3
June	32,864.0	20,031.7	845,290.4	0.0	940,113.2	572,121.6	328,810.2	-4,983.9	-91,137.0	0.0	769,901.9
July	38,591.0	20,031.7	759,413.2	0.0	840,897.6	521,488.9	330,127.6	-4,351.9	-53,039.0	0.0	794,205.6
August	48,857.0	20,031.7	759,413.2	0.0	840,897.6	521,488.9	330,127.6	-4,351.9	-53,039.0	0.0	794,205.6
September	44,335.0	20,031.7	630,239.1	0.0	719,474.0	542,652.9	306,465.8	-4,346.9	-91,794.0	0.0	752,377.8
October	57,666.6	20,031.7	797,978.8	0.0	900,894.6	521,788.3	364,648.1	-4,515.9	-78,562.0	0.0	793,446.5
November	44,765.5	20,031.7	1,053,103.9	0.0	1,103,438.3	694,154.2	386,698.1	-4,089.9	-87,514.0	0.0	899,632.4
December	32,538.5	20,031.7	735,761.2	0.0	864,321.8	533,340.6	363,002.7	-3,914.9	-63,897.5	0.0	828,980.9
2003	61,344.0	20,031.7	786,684.3	0.0	968,059.7	516,251.5	356,675.7	-4,039.7	-104,016.4	0.0	860,668.1
January	57,506.5	20,031.7	816,688.5	0.0	967,566.4	589,364.7	387,697.2	-4,278.7	-130,885.3	0.0	842,197.9
February	16,838.4	20,031.7	816,688.5	0.0	867,402.7	652,246.6	426,951.7	-3,955.7	-113,895.2	0.0	892,416.6
March	17,976.5	20,031.7	816,688.5	0.0	867,402.7	652,246.6	426,951.7	-3,955.7	-113,895.2	0.0	892,416.6
April	8,450.0	20,031.7	710,983.0	0.0	752,323.3	497,904.5	319,074.8	-3,904.8	-90,076.0	0.0	1,037,163.5
May	8,450.0	20,031.7	710,983.0	0.0	752,323.3	497,904.5	319,074.8	-3,904.8	-90,076.0	0.0	1,037,163.5
June	32,154.3	20,031.7	894,277.8	0.0	917,562.3	636,384.6	448,943.5	-4,094.4	-192,888.2	0.0	1,195,871.4
July	32,154.3	20,031.7	894,277.8	0.0	917,562.3	636,384.6	448,943.5	-4,094.4	-192,888.2	0.0	1,195,871.4
August	15,063.7	20,031.7	862,613.1	0.0	875,572.8	664,994.5	509,927.5	-7,415.7	-91,133.5	0.0	1,365,989.5
September	15,063.7	20,031.7	862,613.1	0.0	875,572.8	664,994.5	509,927.5	-7,415.7	-91,133.5	0.0	1,365,989.5
October	20,156.0	20,031.7	958,809.9	0.0	1,034,571.5	908,488.0	629,620.0	-6,660.7	-161,807.8	0.0	1,361,115.5
November	47,280.2	20,031.7	842,782.6	0.0	912,014.8	726,715.3	503,500.0	-6,295.7	-108,020.0	0.0	1,489,931.5
December	5,181.0	20,031.7	885,562.7	0.0	1,091,074.7	901,772.3	726,715.3	-6,295.7	-180,953.1	0.0	1,531,238.8
2004	2,788.6	20,031.7	906,969.1	0.0	1,050,658.8	889,688.9	791,376.6	-6,902.7	-171,476.7	0.0	1,495,686.1
January	2,818.4	20,031.7	903,018.3	0.0	1,054,641.8	894,058.9	755,375.5	-7,226.6	-152,406.6	0.0	1,495,686.1
February	0.0	20,031.7	842,051.7	0.0	1,119,090.0	841,476.9	774,378.5	-5,846.6	-110,838.8	0.0	1,526,406.6
March	3,546.4	20,031.7	881,269.4	0.0	1,093,418.7	957,500.1	807,541.9	-7,219.7	-170,524.7	0.0	1,540,038.4
April	3,435.8	20,031.7	870,872.1	0.0	1,093,705.4	1,029,573.9	870,541.9	-7,219.7	-170,524.7	0.0	1,540,038.4
May	5,620.5	20,031.7	742,845.5	0.0	1,088,696.4	1,041,880.1	848,634.0	-7,466.7	-180,400.0	0.0	1,659,743.6
June	17,313.5	20,031.7	836,312.7	0.0	1,112,913.6	967,164.1	856,143.9	-7,721.7	-221,890.9	0.0	1,703,847.4
July	17,313.5	20,031.7	836,312.7	0.0	1,112,913.6	967,164.1	856,143.9	-7,721.7	-221,890.9	0.0	1,703,847.4
August	62,837.9	20,031.7	836,312.7	0.0	1,149,538.8	835,030.0	873,033.9	-8,296.6	-276,476.4	0.0	1,611,795.3
September	43,834.2	20,031.7	772,556.5	0.0	1,196,850.2	857,453.9	851,423.7	-8,296.6	-238,465.0	0.0	1,462,116.0
October	62,837.9	20,031.7	772,556.5	0.0	1,196,850.2	857,453.9	851,423.7	-8,296.6	-238,465.0	0.0	1,462,116.0
November	62,837.9	20,031.7	772,556.5	0.0	1,196,850.2	857,453.9	851,423.7	-8,296.6	-238,465.0	0.0	1,462,116.0
December	62,837.9	20,031.7	772,556.5	0.0	1,196,850.2	857,453.9	851,423.7	-8,296.6	-238,465.0	0.0	1,462,116.0
2005	62,837.9	20,031.7	772,556.5	0.0	1,196,850.2	857,453.9	851,423.7	-8,296.6	-238,465.0	0.0	1,462,116.0
2006	62,837.9	20,031.7	772,556.5	0.0	1,196,850.2	857,453.9	851,423.7	-8,296.6	-238,465.0	0.0	1,462,116.0
2007	62,837.9	20,031.7	772,556.5	0.0	1,196,850.2	857,453.9	851,423.7	-8,296.6	-238,465.0	0.0	1,462,116.0
2008											

CURRENCY IN CIRCULATION (IN THOUSANDS OF KWACHA)

TABLE 8

Year	Month	Issued		At banks		Outside banks		Coin
		Total	Notes	Total	Notes	Total	Notes	
1995	December	91,917,994	91,793,860	133,724	13,936,098	19,917,123	77,866,737	114,749
	January	128,053,024	127,853,508	199,516	20,290,660	19,919,475	106,034,033	(271,689)
	February	157,937,077	157,709,820	227,257	21,188,415	21,149,995	136,559,825	188,837
	March	197,056,249	196,828,898	227,351	25,994,000	25,994,000	170,834,898	226,351
	April	251,662,500	251,435,622	226,878	38,894,000	38,754,000	212,681,622	86,878
	May	331,738,268	331,511,141	227,127	43,027,000	43,026,000	288,485,141	226,127
	June	296,993,454	296,766,078	227,376	42,260,000	42,259,000	254,733,454	226,376
	July	286,422,011	286,194,669	227,342	42,972,000	42,972,000	253,450,011	227,342
	August	299,136,342	298,908,000	227,342	35,427,000	35,427,000	263,482,000	227,342
	September	307,741,508	307,514,239	227,269	40,824,000	40,824,000	266,690,239	227,269
	October	306,808,089	306,581,466	226,623	43,212,000	43,212,000	263,369,466	226,623
	November	338,211,722	338,085,089	226,623	36,177,000	36,177,000	302,908,089	226,623
December	289,136,342	288,908,000	227,342	45,985,000	45,985,000	252,944,000	227,342	
2001	January	374,716,717	374,480,094	226,623	39,086,000	39,086,000	335,404,094	226,623
	February	373,982,870	373,746,213	226,657	42,379,000	42,379,000	331,367,213	226,657
	March	377,002,544	376,775,887	226,657	49,592,000	49,592,000	327,183,887	226,657
	April	394,593,842	394,367,188	226,674	44,588,000	44,588,000	340,405,842	226,674
	May	432,338,205	432,111,531	226,674	58,147,000	58,147,000	373,964,531	226,674
	June	366,014,016	365,787,322	226,694	48,540,000	48,540,000	317,247,322	226,694
	July	354,524,129	354,297,449	226,690	50,526,000	50,526,000	303,771,449	226,690
	August	368,387,422	368,160,766	226,656	42,011,000	42,011,000	326,149,766	226,656
	September	384,651,718	384,425,145	226,573	50,163,000	50,163,000	334,262,145	226,573
	October	413,957,093	413,730,520	226,573	49,513,000	49,513,000	364,217,520	226,573
	November	445,901,519	445,674,956	226,563	50,216,000	50,216,000	395,458,956	226,563
	December	459,139,829	458,913,369	226,563	55,351,000	55,351,000	403,562,366	226,563
2002	January	473,130,908	472,904,329	226,579	52,489,000	52,489,000	420,415,329	226,579
	February	457,952,218	457,725,645	226,573	58,918,000	58,918,000	398,807,645	226,573
	March	456,777,020	456,550,440	226,580	53,717,000	53,717,000	402,833,440	226,580
	April	448,320,270	448,093,690	226,590	45,308,000	45,308,000	403,012,270	226,590
	May	481,227,530	481,000,950	226,590	57,051,000	57,051,000	424,176,530	226,590
	June	456,986,371	456,759,815	226,566	45,150,164	45,150,164	411,589,651	226,566
	July	450,778,530	450,552,027	226,503	43,340,364	43,340,364	407,211,663	226,503
	August	477,553,917	477,327,414	226,503	63,419,464	63,419,464	414,134,453	226,503
	September	487,276,912	487,050,409	226,503	50,143,164	50,143,164	436,907,245	226,503
	October	534,630,483	534,403,980	226,503	50,102,064	50,102,064	484,301,916	226,503
	November	542,185,213	541,958,710	226,503	56,627,364	56,627,364	485,331,346	226,503
	December	591,358,293	591,131,790	226,503	64,429,264	64,429,264	526,702,266	226,503
2003	January	614,066,500	613,839,987	226,503	47,729,364	47,729,364	566,110,633	226,503
	February	602,671,009	602,444,506	226,503	69,659,464	69,659,464	532,785,042	226,503
	March	590,797,881	590,571,408	226,473	50,639,364	50,639,364	540,158,517	226,473
	April	609,626,258	609,400,784	226,474	57,542,464	57,542,464	552,083,784	226,474
	May	671,236,287	671,009,873	226,414	77,690,063	77,690,063	593,319,810	226,414
	June	623,459,704	623,233,648	226,056	63,801,964	63,801,964	559,431,684	226,056
	July	621,151,939	621,387,930	226,009	62,406,564	62,406,564	559,207,375	226,009
	August	632,693,320	632,467,311	226,009	67,067,764	67,067,764	565,395,547	226,009
	September	664,092,394	663,866,385	226,009	55,314,764	55,314,764	608,777,630	226,009
	October	710,641,040	710,415,031	226,009	79,541,764	79,541,764	630,873,267	226,009
	November	786,698,959	786,472,950	226,009	83,564,264	83,564,264	703,134,695	226,009
	December	858,871,904	858,645,895	226,009	71,445,064	71,445,064	787,200,831	226,009
2004	January	868,682,086	868,456,077	226,009	98,010,364	98,010,364	770,681,722	226,009
	February	816,277,074	816,051,065	226,009	80,803,864	80,803,864	735,473,210	226,009
	March	811,480,566	811,254,557	226,009	76,613,864	76,613,864	734,640,693	226,009
	April	801,982,086	801,756,087	226,009	94,079,164	94,079,164	707,676,923	226,009
	May	829,422,716	829,196,707	226,009	85,916,164	85,916,164	743,280,543	226,009
	June	623,459,704	623,233,648	226,056	63,801,964	63,801,964	559,431,684	226,056
	July	621,151,939	621,387,930	226,009	62,406,564	62,406,564	559,207,375	226,009
	August	632,693,320	632,467,311	226,009	67,067,764	67,067,764	565,395,547	226,009
	September	664,092,394	663,866,385	226,009	55,314,764	55,314,764	608,777,630	226,009
	October	710,641,040	710,415,031	226,009	79,541,764	79,541,764	630,873,267	226,009
	November	786,698,959	786,472,950	226,009	83,564,264	83,564,264	703,134,695	226,009
	December	858,871,904	858,645,895	226,009	71,445,064	71,445,064	787,200,831	226,009

Source: Bank of Zambia

COMMERCIAL BANKS' DEPOSITS BY SECTORS (IN THOUSANDS OF KWACHA)

TABLE 9

End of Period	Government	Statutory Bodies	Parastatal Bodies	Public	Individuals and Households	Other Fin. Institutions	Non-resident	Foreign Currency		Total
								(Kwacha)	US \$	
1996	49,279,680	18,675,113	47,673,139	352,788,626	423,091,000	6,500,015	5,657,653	160,916,463	123,453	641,480,689
1997	55,196,564	22,724,294	47,842,835	449,085,308	435,478,000	5,724,842	4,310,119	207,380,705	146,470	792,284,677
1998	79,233,000	40,170,000	10,300,000	180,117,000	237,764,000	12,001,000	1,746,000	393,833,000	1,746,000	955,164,000
1999	142,787,000	39,379,000	31,000,000	228,541,000	286,062,000	21,444,000	1,355,000	533,502,000	1,983,577	1,264,770,000
2000	131,636,000	76,531,000	66,921,000	302,395,000	417,291,000	1,467,000	2,435,000	1,160,621,000	273,656	2,159,297,000
2001	112,044,000	73,313,000	46,944,000	296,476,000	423,091,000	1,790,000	2,759,000	949,373,000	231,773	1,905,835,000
January	128,565,000	58,774,000	44,347,000	286,890,000	435,478,000	1,368,000	2,709,000	967,609,000	265,060	1,925,740,000
February	97,790,000	92,086,000	78,165,000	304,785,000	439,996,000	1,615,000	2,996,000	782,395,000	229,661	1,799,618,000
March	106,799,000	66,169,000	166,914,000	295,751,000	443,301,000	2,839,000	1,310,000	871,576,000	265,584	1,917,524,000
April	148,151,000	89,988,000	173,864,000	308,026,000	449,873,000	6,782,000	1,310,000	871,182,000	262,603	2,055,156,000
May	141,174,000	79,874,000	203,767,000	293,634,000	503,395,000	8,640,000	1,189,000	933,936,000	256,674	2,159,619,000
June	186,648,000	78,381,000	149,052,000	301,138,000	503,123,000	6,557,000	2,035,000	913,343,000	244,462	2,140,278,000
July	159,358,000	107,159,000	134,137,000	337,219,000	533,666,000	1,795,000	7,617,000	1,005,649,000	277,125	2,286,590,000
August	254,985,000	85,788,000	222,365,000	327,367,000	554,543,000	9,912,000	2,988,000	998,934,000	268,599	2,456,842,000
September	221,305,000	188,091,000	322,804,000	322,804,000	558,636,000	9,516,000	2,727,000	1,007,132,000	266,079	2,387,406,000
October	95,733,000	74,363,000	162,009,000	332,933,000	564,068,000	10,317,000	9,216,000	997,303,000	258,303	2,339,942,000
November	119,668,000	53,277,000	143,175,000	404,176,000	578,625,000	8,128,000	1,734,000	1,045,155,000	268,626	2,553,956,000
December	70,041,000	61,640,000	168,713,000	242,794,507	536,696,000	3,346,000	2,154,000	1,206,836,000	301,499	2,294,222,507
2002	85,405,000	58,971,000	153,524,000	325,525,000	588,922,000	2,284,000	2,285,000	1,165,671,000	281,213	2,382,587,000
January	62,869,000	65,809,000	139,128,000	376,965,000	538,192,000	13,721,000	2,188,000	1,119,778,000	263,651	2,318,655,000
February	126,164,000	70,947,000	127,388,000	394,249,000	575,386,000	6,956,000	3,030,000	1,096,790,000	266,760	2,400,890,000
March	120,600,000	54,119,000	161,374,000	405,597,000	590,060,000	5,653,000	3,124,000	1,299,081,000	308,027	2,629,608,000
April	73,949,000	57,739,000	203,346,000	369,379,000	598,925,000	5,221,000	3,759,000	1,371,715,000	307,827	2,683,433,000
May	138,875,000	66,967,000	190,148,000	373,964,000	651,928,000	5,221,000	2,690,000	1,277,513,000	280,850	2,707,304,000
June	91,551,000	57,072,000	185,856,000	365,533,000	686,300,000	6,818,000	4,071,000	1,454,829,000	320,383	2,832,030,000
July	97,715,000	59,204,000	201,081,000	382,290,000	534,236,000	7,040,000	2,485,000	1,317,425,000	290,663	2,801,416,000
August	103,920,000	63,900,000	267,706,000	611,140,000	446,043,959	8,588,000	2,794,000	1,412,910,000	306,199	2,917,001,959
September	74,625,000	61,264,000	239,571,000	636,017,000	581,423,000	10,124,000	2,627,000	1,472,745,000	304,840	3,076,396,000
October	121,857,000	57,691,000	247,631,000	726,643,000	582,472,000	11,513,000	2,034,000	1,429,013,000	295,127	3,178,764,000
November	146,353,000	55,992,000	66,839,000	661,336,000	621,125,000	9,481,000	3,070,000	1,596,127,000	349,264	3,160,323,000
December	132,098,000	60,983,000	257,297,000	628,494,000	588,848,000	13,278,000	4,843,000	1,595,366,000	318,461	3,291,207,000
2003	102,672,000	40,687,000	283,544,000	624,857,000	634,317,000	13,631,000	3,785,000	1,546,627,000	312,932	3,250,120,000
January	100,786,000	78,812,000	239,830,000	678,813,000	620,234,000	10,493,000	3,507,000	1,508,995,000	308,219	3,241,582,000
February	195,364,000	90,523,000	214,170,000	670,279,000	633,154,000	12,188,000	6,834,000	1,514,547,000	312,792	3,357,061,000
March	171,014,000	84,735,000	212,357,000	734,570,000	636,175,000	11,496,000	3,131,000	1,579,560,000	325,673	3,433,638,000
April	103,365,000	57,687,000	230,101,000	683,694,000	653,818,000	14,702,000	5,841,000	1,546,191,000	319,497	3,295,399,000
May	127,242,000	91,572,000	217,019,000	712,328,000	689,888,000	13,208,000	6,305,000	1,503,543,000	316,675	3,371,105,000
June	182,266,000	67,706,000	203,906,000	760,540,000	705,610,000	13,944,000	5,215,000	1,618,787,000	338,954	3,557,976,000
July	126,892,000	48,286,000	309,687,000	708,571,000	737,934,000	9,495,000	7,227,000	1,552,078,000	325,323	3,500,150,000
August	197,358,000	121,971,000	220,402,000	692,492,000	758,618,000	16,182,000	5,157,000	1,554,710,000	326,698	3,566,890,000
September	214,607,000	103,790,000	216,459,000	843,870,000	866,514,000	25,079,000	5,988,000	1,619,097,000	351,904	3,895,402,000
October	183,559,000	92,420,000	227,741,000	865,399,000	863,201,000	17,071,000	6,284,000	1,693,627,000	356,205	3,949,302,000
November	129,352,000	121,282,000	256,491,000	904,519,000	765,381,000	16,994,000	6,714,000	1,716,635,000	360,193	3,917,268,000
December	189,700,000	117,427,000	234,465,000	899,172,000	851,276,000	25,590,000	8,696,000	1,796,998,000	379,976	4,076,618,000
2004	215,130,000	108,807,000	238,209,000	877,738,000	891,000,000	29,020,000	9,011,000	1,836,070,000	387,605	4,201,841,000
January	183,254,000	122,703,000	238,209,000	950,512,000	875,666,000	31,005,000	6,544,000	1,888,267,000	397,076	4,296,160,000
February	192,746,000	133,130,000	246,226,000	944,130,000	927,770,000	31,866,000	4,773,000	2,052,522,000	425,058	4,503,165,000
March	245,303,000	139,093,000	182,864,075	908,804,000	968,975,000	29,992,000	2,089,151,000	2,089,151,000	435,941	4,529,202,075
April	210,284,000	146,025,000	206,136,000	995,069,000	884,836,000	30,451,000	5,374,000	2,155,759,000	450,136	4,633,944,000
May	290,995,000	133,471,000	169,693,000	994,743,000	929,186,000	35,339,000	6,827,000	2,158,734,000	439,444	4,698,988,000
June	254,627,000	156,769,000	216,775,000	992,387,000	945,857,000	31,736,000	5,705,000	2,084,706,000	425,512	4,688,582,000
July	322,893,000	107,460,000	220,623,000	1,024,130,000	930,877,000	31,152,000	6,130,000	2,203,600,000	456,604	4,850,985,000
August	467,357,000	153,666,000	203,059,000	1,037,899,000	980,051,000	39,234,000	5,260,000	2,439,540,000	518,320	5,326,096,000

Source: Bank of Zambia

Note: (1) Data has been corrected for casting errors identified in previous series.

(2) Exchange rate used is the commercial banks' monthly weighted retail average selling rate.

(3) From August 2003 Exchange rate used is the Monthly Non Bank's Selling rate

COMMERCIAL BANKS' LOANS AND ADVANCES BY SECTORS (IN THOUSANDS OF KWACHA)

TABLE 10

	End of Period	Government	Statutory Bodies	Parastatal Bodies	Private	Individuals and households	Other Fin. Institutions	Non-resident	US \$	Total
1995	December	4,060,090	3,797,036	31,847,136	205,023,479	56,295,000	552,267	2,407,335	22,500	267,224,776
	January	6,222,988	3,635,246	46,073,620	293,324,722	66,554,000	2,961,623	3,600,605	34,327	397,922,081
	February	4,075,668	5,734,139	35,124,490	285,965,728	69,832,000	911,018	2,789,907	60,639	412,200,044
	March	2,658,000	15,961,000	103,504,000	320,218,000	85,470,000	3,124,000	478,000	71,437	686,932,711
	December	3,009,000	3,425,000	243,449,000	722,509,000	60,329,000	887,000	113,000	90,063	759,670,000
2000	January	2,297,000	5,211,000	222,453,000	736,016,000	72,377,000	782,000	9,550,000	121,184	1,040,081,000
	February	4,034,000	5,907,000	224,386,000	682,133,000	76,852,000	799,000	4,384,000	80,522	988,495,000
	March	3,294,000	5,670,000	225,092,000	662,180,000	82,697,000	1,321,000	1,385,000	127,196	961,699,000
	April	3,013,000	5,907,000	217,709,000	691,746,000	66,554,000	1,404,000	1,603,000	82,080	987,636,000
	May	3,674,000	8,189,000	216,342,000	764,914,000	69,832,000	821,000	1,525,000	82,752	1,065,397,000
2001	June	4,205,000	8,128,000	229,359,000	761,933,000	62,943,000	976,000	427,000	115,994	1,067,971,000
	July	2,166,000	6,705,000	231,881,000	766,933,000	100,681,000	880,000	186,000	118,395	1,108,482,000
	August	4,297,000	7,270,000	227,307,000	751,473,000	122,662,000	1,121,000	124,000	106,580	1,114,194,000
	September	5,122,000	5,370,000	242,891,000	749,882,000	99,683,000	779,000	0	86,131	1,103,927,000
	October	2,854,000	7,186,000	246,379,000	707,353,000	102,754,000	1,180,000	0	72,208	1,063,666,000
2002	November	2,711,000	6,390,000	213,083,000	751,850,000	128,383,000	860,000	0	77,719	1,103,277,000
	December	3,410,000	6,246,000	240,532,000	748,969,000	126,125,000	776,000	0	107,051	1,126,059,000
	January	4,155,000	7,488,000	252,593,000	780,015,330	134,093,000	6,595,000	0	110,641	1,184,949,330
	February	5,181,000	6,304,000	238,985,000	746,940,000	111,588,000	3,977,000	0	93,789	1,112,975,000
	March	3,386,000	7,797,000	289,259,000	775,292,000	130,527,000	13,181,000	0	106,705	1,219,672,000
2003	April	4,694,000	6,300,000	268,141,000	762,232,000	123,873,000	3,430,500	0	140,405	1,188,730,500
	May	3,542,000	6,607,000	272,741,000	829,462,000	116,798,000	5,075,000	0	146,879	1,228,225,000
	June	4,500,000	7,423,000	299,301,000	825,181,000	138,233,000	4,415,000	0	198,738	1,279,663,000
	July	4,121,000	6,640,000	50,885,000	849,719,000	136,313,000	4,142,000	0	82,931	1,051,620,000
	August	4,170,000	5,689,000	52,693,000	871,305,000	134,696,000	2,951,000	0	93,568	1,071,694,000
2004	September	3,958,000	6,344,000	52,781,000	883,250,000	138,860,000	3,178,000	0	93,806	1,088,371,000
	October	4,402,000	4,106,000	60,846,000	828,863,000	133,374,000	1,901,000	0	86,243	1,033,482,000
	November	4,758,000	5,732,000	50,256,000	853,525,000	133,217,000	4,042,000	0	88,019	1,051,530,000
	December	4,417,000	1,781,000	61,260,000	820,780,000	126,391,000	11,568,000	0	90,717	1,026,207,000
	January	5,885,000	1,713,000	48,973,000	874,484,000	144,477,000	10,287,000	0	129,188	1,085,809,000
2005	February	5,197,000	2,641,000	50,710,000	894,800,000	147,109,000	11,553,000	0	95,086	1,112,010,000
	March	3,678,000	1,993,000	54,295,000	936,646,000	158,267,000	1,071,000	0	107,775	1,155,950,000
	April	4,788,000	2,621,000	60,630,000	932,145,000	164,693,000	3,048,000	148,000	103,139	1,168,073,000
	May	4,830,000	1,360,000	48,424,000	958,770,000	169,467,000	3,582,000	0	105,297	1,187,463,000
	June	4,451,000	869,000	56,764,000	987,240,000	161,713,000	15,009,000	0	123,943	1,226,046,000
2006	July	1,132,000	3,287,000	49,901,000	939,396,000	224,156,000	12,467,000	0	122,042	1,220,339,000
	August	1,137,000	4,370,000	33,873,000	1,018,330,000	232,719,000	17,054,000	0	126,413	1,308,483,000
	September	1,868,000	2,358,000	40,538,000	1,019,475,000	235,868,000	16,623,000	0	128,832	1,310,630,000
	October	2,527,000	3,658,000	35,961,000	1,054,029,000	236,633,000	16,912,000	0	136,051	1,346,320,000
	November	2,416,000	478,000	40,314,000	1,034,256,000	250,795,000	16,500,000	0	133,385	1,344,759,000
2007	December	1,296,000	937,000	60,826,000	1,073,601,000	245,500,000	18,897,000	0	142,739	1,401,047,000
	January	1,799,000	4,665,000	46,009,000	1,105,619,000	256,512,000	20,825,868	0	144,737	1,435,429,868
	February	1,481,000	4,792,000	74,695,000	1,214,167,000	165,457,000	21,007,688	0	144,841	1,481,599,688
	March	2,658,000	515,000	71,117,000	1,282,154,000	164,502,000	15,445,868	0	156,674	1,536,391,668
	April	1,338,000	3,892,000	84,694,000	1,352,455,000	163,646,000	19,014,868	0	162,283	1,625,241,868
2008	May	1,426,000	3,934,000	96,016,000	1,408,722,000	164,823,000	23,321,868	0	168,905	1,698,742,868
	June	853,000	1,547,000	106,536,000	1,512,536,000	175,175,000	3,901,868	2,385,000	179,032	1,602,933,868
	July	741,000	1,220,000	88,601,000	1,620,994,000	199,441,000	8,538,868	2,385,000	188,045	1,921,920,868
	August	450,000	1,380,000	105,359,000	1,664,512,000	218,136,000	11,517,868	2,437,000	190,924	1,993,762,868
	September	317,000	924,000	94,959,000	1,665,891,000	220,785,000	5,636,318	5,673,000	190,852	1,984,185,318
2009	October	460,000	966,000	129,177,000	1,674,365,000	243,111,000	2,164,000	5,644,000	192,266	2,065,887,000
	November	769,000	999,000	148,554,000	1,707,638,000	251,671,000	5,049,000	5,866,000	194,361	2,120,266,000
	December	2,115,000	1,180,000	113,430,000	1,711,617,000	275,796,000	1,941,000	309,000	185,865	2,106,368,000

Source: Bank of Zambia
Note: Exchange rate used is the commercial banks' monthly weighted retail average selling rate.

STRUCTURE OF INTEREST RATES (PERCENT PER YEAR)

TABLE 11

End of period	Central Bank	Penalty rate	Treasury bills					Government bonds				Commercial banks'			Weighted lending base rate	Weighted interbank rate		
			28 days	91 days	182 days	273 days	12 months	18 months	24 months	Savings	deposits 24 hr call	7-90 day	Weighted					
													base rate	interbank rate				
1995																		
December	51.5	66.7	41.7	41.5	38.9	0.0	43.6	-	N/a	28.7	31.1	36.7	47.7	33.1	36.7	47.7	33.1	
1996																		
December	70.0	82.5	57.5	60.0	61.4	0.0	37.0	-	n/a	27.1	30.5	44.6	57.4	30.5	44.6	57.4	30.5	
1997																		
December	23.3	38.8	13.8	20.3	22.3	0.0	23.3	-	n/a	18.2	14.7	14.7	37.9	14.7	14.7	37.9	13.8	
1998																		
December	43.4	59.2	34.2	33.4	31.4	0.0	43.9	-	n/a	9.3	7.1	16.4	37.4	7.1	16.4	37.4	16.0	
1999																		
December	46.2	61.1	36.1	36.2	36.4	0.0	48.1	49.2	0.0	11.2	7.9	21.0	42.6	7.9	21.0	42.6	13.2	
2000																		
December	44.1	36.5	11.5	34.1	36.7	38.6	38.7	43.3	45.8	11.5	6.5	20.0	47.5	6.5	20.0	47.5	16.4	
2001																		
January	50.2	43.1	18.1	35.2	36.9	39.3	42.6	45.7	48.4	9.8	6.6	20.3	38.8	6.6	20.3	38.8	55.0	
February	57.8	55.2	30.2	42.8	40.3	39.0	47.6	48.0	51.6	10.1	42.9	7.0	42.9	7.0	20.7	42.9	20.2	
March	68.4	65.5	40.5	53.4	45.1	44.0	51.4	49.4	53.1	11.2	8.5	22.9	49.0	8.5	22.9	49.0	36.8	
April	46.6	64.2	38.2	44.6	43.6	47.0	56.6	56.1	56.1	11.3	8.6	23.5	47.8	8.6	23.5	47.8	10.5	
May	44.5	62.3	37.8	42.5	46.9	47.7	56.3	53.5	55.6	9.5	7.5	23.3	46.0	7.5	23.3	46.0	18.9	
June	44.3	60.4	37.4	42.3	47.6	49.4	56.7	56.3	57.1	12.0	7.2	23.0	45.9	7.2	23.0	45.9	9.2	
July	48.1	60.8	40.7	46.1	47.8	52.9	57.9	57.2	58.7	9.0	7.2	23.4	45.9	7.2	23.4	45.9	9.2	
August	48.0	60.4	40.5	46.0	48.1	53.7	58.4	58.8	58.8	9.1	7.2	24.4	47.0	7.2	24.4	47.0	19.6	
September	46.7	56.6	38.7	44.7	45.9	49.5	55.9	57.2	57.5	8.6	7.0	24.0	47.2	7.0	24.0	47.2	12.4	
October	47.2	55.7	39.2	45.2	45.3	47.2	53.5	55.5	47.2	8.6	7.0	24.3	46.5	7.0	24.3	46.5	13.5	
November	50.5	58.3	40.9	48.5	48.6	47.6	54.2	54.8	55.6	8.7	7.0	24.3	46.7	7.0	24.3	46.7	13.7	
December	48.5	55.2	41.5	37.3	59.5	46.4	54.1	55.0	55.4	8.7	7.0	24.3	46.7	7.0	24.3	46.7	25.4	
2002																		
January	51.5	69.2	39.6	49.5	51.0	45.1	52.4	53.3	54.1	8.7	7.0	24.3	48.5	7.0	24.3	48.5	23.2	
February	50.4	70.4	35.6	48.4	49.0	48.1	51.6	53.6	49.1	8.7	7.0	24.3	48.5	7.0	24.3	48.5	52.7	
March	46.6	66.3	32.5	44.6	45.6	46.5	51.6	53.6	54.5	8.7	7.0	24.3	47.0	7.0	24.3	47.0	33.6	
April	41.0	59.6	28.4	41.3	39.0	40.1	49.7	52.0	50.0	8.7	7.0	25.3	46.9	7.0	25.3	46.9	13.2	
May	36.2	55.0	24.9	34.2	36.0	37.0	44.1	45.3	46.4	8.7	7.0	25.1	45.5	7.0	25.1	45.5	27.4	
June	31.8	51.8	24.0	29.8	30.5	31.6	44.1	45.3	43.3	8.7	7.0	25.1	45.5	7.0	25.1	45.5	23.3	
July	31.3	50.8	25.1	29.3	28.7	31.5	41.7	42.2	43.3	8.7	7.0	24.2	44.3	7.0	24.2	44.3	13.2	
August	32.4	55.1	25.9	30.4	30.7	30.9	39.4	39.4	40.6	8.7	6.6	22.9	43.5	6.6	22.9	43.5	71.4	
September	32.6	62.8	24.0	30.6	31.3	39.0	39.3	39.3	40.1	8.7	6.6	22.9	43.3	6.6	22.9	43.3	44.5	
October	33.4	56.4	24.7	31.4	31.5	31.9	39.0	39.3	40.1	8.0	6.6	22.9	42.8	6.6	22.9	42.8	11.2	
November	33.9	55.3	24.5	31.9	31.9	39.7	39.3	39.7	39.6	8.0	6.6	22.9	42.6	6.6	22.9	42.6	23.9	
December	36.0	55.1	25.1	34.0	33.0	34.0	44.8	46.3	43.5	8.3	7.9	22.5	43.1	7.9	22.5	43.1	9.6	
2003																		
January	35.1	51.8	24.3	33.1	34.0	34.8	44.8	46.3	43.5	8.3	7.9	22.5	45.4	7.9	22.5	45.4	43.2	
February	36.2	55.3	24.9	34.2	34.0	35.0	44.7	45.2	44.9	8.3	7.9	22.5	42.1	7.9	22.5	42.1	58.5	
March	36.7	55.0	24.8	34.7	34.9	35.7	43.8	44.6	44.6	8.3	7.9	22.5	42.9	7.9	22.5	42.9	11.7	
April	35.9	55.0	24.0	33.9	34.0	35.2	43.2	43.8	44.7	7.9	7.4	22.5	42.6	7.4	22.5	42.6	11.8	
May	34.0	55.0	24.0	32.0	33.4	34.4	42.6	42.6	43.3	7.3	6.7	27.0	41.0	6.7	27.0	41.0	10.8	
June	34.4	52.1	23.6	32.8	33.5	34.2	37.5	40.5	41.5	7.4	6.9	22.3	39.5	6.9	22.3	39.5	28.6	
July	34.3	50.2	23.3	32.3	34.7	35.5	36.3	38.7	40.0	7.6	7.5	21.5	39.8	7.5	21.5	39.8	12.1	
August	33.1	50.1	23.2	31.1	34.5	33.0	35.0	37.9	38.7	7.6	7.5	21.5	38.3	7.5	21.5	38.3	15.6	
September	34.5	50.1	23.6	32.5	33.7	34.6	33.1	36.8	38.9	7.6	7.5	21.5	38.3	7.5	21.5	38.3	34.4	
October	36.4	50.1	24.8	34.4	34.5	35.0	35.3	38.2	39.4	7.6	7.5	21.5	38.4	7.5	21.5	38.4	64.1	
November	31.8	50.0	n/a	29.8	30.5	31.4	30.5	33.7	35.7	7.6	7.5	21.5	38.1	7.5	21.5	38.1	5.4	
December	15.8	50.0	n/a	13.8	15.8	17.0	19.6	23.2	24.3	7.6	8.1	21.1	36.8	8.1	21.1	36.8	6.1	
2004																		
January	18.8	49.8	n/a	17.2	19.4	20.7	19.6	23.2	24.3	7.1	6.9	17.5	35.8	6.9	17.5	35.8	6.1	
February	15.1	49.2	n/a	10.2	11.7	13.9	15.2	17.0	20.0	7.0	6.9	15.1	33.0	6.9	15.1	33.0	5.0	
March	9.6	49.2	n/a	7.3	10.2	12.0	12.0	14.4	16.6	6.6	6.1	10.8	31.0	6.1	10.8	31.0	2.9	
April	9.3	49.2	n/a	6.9	7.9	8.5	9.8	12.0	14.0	6.6	5.6	10.5	30.5	5.6	10.5	30.5	3.5	
May	8.1	49.2	n/a	6.0	6.7	7.9	8.3	10.7	12.3	6.6	5.4	10.4	29.7	5.4	10.4	29.7	2.8	
June	7.8	49.2	n/a	5.5	6.3	8.5	8.0	11.5	15.7	6.6	5.4	10.4	28.7	5.4	10.4	28.7	3.4	
July	8.7	49.3	n/a	8.0	11.2	11.1	10.8	13.1	16.4	7.4	5.4	10.1	30.3	5.4	10.1	30.3	10.3	
August	11.2	49.1	n/a	10.1	11.9	12.0	10.9	15.0	17.4	6.1	5.4	10.1	29.7	5.4	10.1	29.7	12.3	
September	14.7	49.3	n/a	15.5	16.6	16.0	18.0	19.8	21.1	6.1	5.4	10.1	29.7	5.4	10.1	29.7	37.4	
October	17.5	49.5	n/a	15.9	16.9	18.9	18.9	19.9	21.6	5.6	5.3	10.6	29.8	5.3	10.6	29.8	9.4	
November	17.5	49.2	n/a	15.2	17.6	18.3	19.4	20.5	22.0	5.6	5.3	10.6	29.8	5.3	10.6	29.8	23.9	
December	18.3	49.3	n/a	16.5	18.5	19.8	19.9	21.3	22.2	5.6	5.3	11.1	29.8	5.3	11.1	29.8	12.6	

Source: Bank of Zambia

COMMERCIAL BANKS' INTEREST RATES (PERCENT PER YEAR)

TABLE 12

End of Period	Weighted lending base rate	Weighted interbank rate	Savings rates		More than K100,000	24 hr call	7 day	Deposits over K20 million					180 day
			less than K100,000	More than K100,000				14 day	30day	60 day	90 day	180 day	
1995	47.7	33.1	28.7	30.6	31.1	31.3	38.2	40.9	40.0	36.7	33.1		
1996	57.4	30.4	27.1	30.2	30.5	31.1	40.7	47.0	47.0	44.6	32.0		
1997	37.9	13.8	14.8	18.0	14.6	19.1	23.5	27.2	28.5	25.4	24.3		
1998	37.4	16.0	9.3	7.1	7.1	8.3	6.0	14.9	13.6	16.4	13.3		
1999	42.6	13.2	7.6	7.9	7.9	14.8	14.0	19.5	21.3	21.0	19.8		
2000	37.5	16.4	10.2	11.5	6.5	11.9	18.2	17.8	18.8	20.0	12.7		
2001	38.8	55.0	7.1	9.8	6.6	12.0	15.4	17.9	19.3	20.3	16.9		
January	42.9	20.2	7.1	10.1	7.0	12.5	16.0	19.9	20.7	20.7	18.3		
February	49.0	35.8	7.1	11.2	8.5	14.8	19.0	22.2	22.9	22.9	23.1		
March	47.8	10.1	7.1	11.3	8.6	15.1	19.4	19.6	22.4	23.5	23.3		
April	46.0	18.9	5.1	9.5	7.5	14.0	18.3	22.1	22.1	23.3	26.1		
May	45.9	12.0	4.1	9.0	7.2	13.7	17.8	19.0	21.8	23.0	27.1		
June	45.9	9.2	4.1	9.0	7.2	13.9	17.9	22.1	23.4	23.4	27.1		
July	47.0	19.6	4.1	9.1	7.2	13.9	18.1	19.6	23.0	24.4	27.1		
August	47.2	12.4	4.1	8.6	7.0	13.4	17.6	19.4	22.6	24.0	26.8		
September	46.5	13.5	4.1	8.6	7.0	13.3	17.8	19.8	23.1	24.3	26.8		
October	46.7	13.7	4.1	8.7	7.0	13.3	17.8	19.8	23.1	24.3	26.8		
November	46.7	13.7	4.1	8.7	7.0	13.3	17.8	19.8	23.1	24.3	26.8		
December	46.7	25.4	4.1	8.7	7.0	13.3	17.8	19.8	23.1	24.3	26.8		
2002	49.5	23.2	4.1	8.7	7.0	13.3	17.8	19.8	23.1	24.3	26.8		
January	49.2	33.6	4.1	8.7	7.0	13.3	17.8	19.8	23.1	24.3	26.8		
February	47.0	33.6	4.1	8.7	7.0	13.3	17.6	19.7	23.1	24.3	26.8		
March	46.9	13.2	4.1	8.7	7.0	13.3	17.6	19.7	23.1	24.3	26.8		
April	45.5	27.4	4.1	8.7	7.0	13.2	17.1	20.2	23.8	25.1	33.0		
May	45.5	23.3	4.1	8.7	7.0	13.2	17.1	20.2	23.8	25.1	33.0		
June	44.3	13.2	4.1	8.7	7.0	13.2	17.1	21.5	23.8	25.1	33.0		
July	43.5	71.4	4.1	8.7	6.6	12.8	16.6	20.2	23.7	22.9	34.0		
August	43.3	44.5	4.1	8.7	6.6	12.8	16.5	20.3	21.9	22.9	29.3		
September	42.8	11.2	4.1	8.3	6.6	10.9	13.5	22.9	22.9	22.9	22.8		
October	42.6	23.9	4.1	8.0	6.6	10.9	13.5	20.3	21.9	22.9	22.8		
November	42.6	23.9	4.1	8.0	6.6	10.9	13.5	20.3	21.9	22.9	22.8		
December	43.1	9.6	4.1	8.0	6.6	10.9	13.5	18.3	21.3	22.5	22.3		
2003	45.4	43.2	5.7	8.3	7.9	11.5	12.2	16.3	21.3	22.5	22.3		
January	42.1	58.5	5.7	8.3	7.9	11.5	12.2	16.3	21.3	22.5	22.3		
February	42.9	11.7	5.7	8.3	7.9	11.5	12.2	16.3	21.3	22.5	22.3		
March	42.6	11.8	5.7	8.3	7.4	11.5	12.2	16.4	21.3	22.5	22.3		
April	41.0	10.6	5.7	7.3	6.7	11.5	12.2	16.4	21.0	22.0	21.9		
May	39.5	28.6	5.7	7.3	6.7	11.5	12.4	16.2	21.0	22.3	22.3		
June	39.8	12.1	5.5	7.6	7.5	13.0	13.0	18.0	20.7	21.5	20.8		
July	39.4	15.6	5.5	7.6	7.5	13.0	13.0	17.8	20.5	21.5	20.8		
August	38.3	10.3	5.5	7.6	7.5	13.0	13.0	17.8	20.5	21.5	20.8		
September	38.4	64.1	5.5	7.6	7.5	13.0	13.0	17.8	20.5	21.5	20.8		
October	35.1	5.4	5.5	7.6	7.5	13.0	13.0	17.8	20.5	21.5	20.8		
November	36.8	6.1	5.5	7.6	8.1	12.4	12.4	17.3	20.4	21.1	20.4		
December	35.8	6.1	6.4	7.1	6.9	12.9	12.6	13.3	17.2	17.5	15.6		
2004	33.0	5.0	6.1	7.0	6.9	11.3	11.4	11.6	14.7	15.1	15.7		
January	31.0	2.9	4.9	6.6	6.1	5.4	5.9	9.5	12.1	11.8	10.0		
February	30.5	3.5	4.9	6.6	5.6	4.6	5.0	8.2	11.0	10.5	10.2		
March	29.7	2.8	4.9	6.6	5.4	4.6	5.0	8.3	11.0	10.4	10.0		
April	30.3	3.4	4.6	6.6	5.4	4.6	5.0	8.3	10.9	10.4	10.0		
May	30.3	3.4	4.6	6.6	5.4	4.6	5.0	8.3	10.9	10.4	10.0		
June	30.3	3.4	4.6	6.6	5.4	4.6	5.0	8.3	10.9	10.4	10.0		
July	29.7	12.3	3.9	6.1	5.4	4.6	5.0	8.0	10.5	10.1	9.6		
August	29.7	37.4	3.9	6.1	5.4	4.6	5.0	8.0	10.5	10.1	9.6		
September	29.8	9.4	3.9	5.6	5.3	4.6	5.0	8.3	10.9	10.1	9.6		
October	29.7	23.9	3.9	5.6	5.3	4.6	5.0	8.3	10.9	10.1	9.6		
November	29.7	23.9	3.9	5.6	5.3	4.6	5.0	8.3	10.9	10.1	9.6		
December	29.8	12.6	3.6	5.6	5.3	4.6	5.0	8.2	10.9	11.1	10.4		

Source: Bank of Zambia

KWACHA/US DOLLAR EXCHANGE RATES^a (MONTHLY AVERAGE)

Period	Bank of Zambia Rates			Commercial Banks' Rates ^b			Bureau Rates		
	Weighted Retail Average			Weighted Retail Average			Weighted Retail Average		
	Buying	Selling	Mid	Buying	Selling	Mid	Buying	Selling	Mid
1995	937.78	956.53	947.16	924.50	964.82	944.56	937.78	956.53	947.16
1996	1,272.27	1,292.62	1,282.45	1,273.05	1,303.48	1,288.27	1,294.97	1,328.81	1,263.38
1997	1,382.90	1,405.03	1,393.97	1,385.38	1,421.60	1,403.49	1,410.16	1,487.67	1,448.92
1998	2,263.34	2,289.55	2,281.41	2,272.41	2,338.63	2,305.52	2,329.97	2,445.95	2,387.96
1999	2,573.00	2,614.17	2,593.59	2,578.58	2,688.46	2,633.52	2,643.93	2,727.98	2,686.96
2000	4,079.32	4,141.36	4,110.34	4,087.77	4,209.79	4,148.78	4,227.64	4,418.45	4,323.05
2001	3,982.59	4,056.50	4,024.55	3,966.30	4,096.13	4,031.22	4,125.61	4,388.00	4,256.81
January	3,574.09	3,631.27	3,602.66	3,580.07	3,650.53	3,615.30	3,751.19	3,840.09	3,795.64
February	3,323.00	3,376.17	3,349.59	3,340.39	3,406.74	3,373.57	3,464.12	3,538.85	3,500.49
March	3,079.84	3,129.12	3,104.48	3,070.23	3,131.12	3,100.68	3,214.71	3,288.85	3,251.78
April	3,286.67	3,349.41	3,323.04	3,340.33	3,403.21	3,341.25	3,476.25	3,576.25	3,517.86
May	3,575.85	3,633.06	3,604.46	3,562.60	3,635.77	3,599.19	3,712.60	3,812.25	3,777.92
June	3,656.05	3,714.30	3,685.18	3,663.67	3,736.13	3,699.90	3,755.25	3,836.87	3,796.06
July	3,565.77	3,622.41	3,594.09	3,566.93	3,628.87	3,592.90	3,670.91	3,758.25	3,714.59
August	3,696.00	3,707.20	3,671.73	3,687.08	3,719.05	3,683.39	3,804.13	3,867.68	3,845.91
September	3,713.78	3,773.20	3,743.49	3,709.88	3,765.08	3,747.48	3,801.89	3,863.42	3,842.56
October	3,770.68	3,831.01	3,800.85	3,788.66	3,850.57	3,825.34	4,039.57	4,119.30	4,079.44
November	3,790.01	3,850.65	3,820.33	3,824.47	3,890.73	3,857.60	4,114.04	4,203.50	4,158.77
December	3,818.10	3,879.19	3,848.65	3,826.83	4,002.78	3,964.81	4,236.38	4,319.60	4,277.99
2002	3,873.26	3,935.23	3,904.25	4,177.97	4,145.16	4,111.56	4,323.86	4,401.17	4,362.51
January	3,895.52	3,961.91	3,930.72	4,187.70	4,247.20	4,217.45	4,283.02	4,373.33	4,331.59
February	3,907.77	3,970.29	3,939.03	4,040.39	4,111.52	4,075.95	4,108.88	4,191.09	4,149.98
March	4,130.13	4,193.13	4,161.63	4,142.36	4,217.43	4,179.89	4,247.20	4,336.07	4,291.64
April	4,320.10	4,389.22	4,354.66	4,376.79	4,446.12	4,416.45	4,469.66	4,555.52	4,512.59
May	4,463.52	4,534.94	4,499.23	4,460.32	4,548.73	4,504.53	4,590.12	4,670.57	4,630.34
June	4,457.12	4,528.39	4,492.73	4,463.54	4,540.91	4,497.23	4,575.65	4,650.32	4,615.37
July	4,463.34	4,555.07	4,512.21	4,463.80	4,532.49	4,493.15	4,547.51	4,623.46	4,585.49
August	4,566.73	4,639.80	4,603.27	4,536.60	4,614.35	4,575.48	4,603.75	4,682.50	4,642.50
September	4,716.00	4,791.46	4,753.73	4,726.34	4,831.21	4,783.78	4,894.56	4,923.30	4,878.95
October	4,702.43	4,777.67	4,740.05	4,732.81	4,842.02	4,797.42	4,897.96	5,000.82	4,949.39
November	4,874.13	4,942.82	4,907.63	4,884.32	4,969.97	4,927.15	4,782.10	4,862.77	4,812.44
December	4,631.66	4,705.77	4,668.71	4,600.90	5,008.61	4,970.25	5,037.77	5,134.31	5,102.04
2003	4,838.81	4,916.24	4,877.52	4,842.57	4,942.57	4,892.97	5,025.56	5,134.33	5,079.94
January	4,827.78	4,905.02	4,866.40	4,797.25	4,895.85	4,846.55	4,925.06	5,022.39	4,973.72
February	4,785.48	4,854.76	4,823.76	4,842.03	4,942.03	4,793.68	4,882.07	4,972.89	4,927.48
March	4,808.57	4,885.51	4,847.04	4,754.29	4,850.14	4,802.21	4,891.89	4,980.93	4,936.41
April	4,740.19	4,818.44	4,779.32	4,746.03	4,839.46	4,792.75	4,865.90	4,957.58	4,911.74
May	4,863.25	4,933.89	4,898.57	4,888.56	4,712.41	4,705.48	4,814.76	4,911.33	4,863.04
June	4,712.46	4,778.85	4,745.65	4,746.57	4,760.80	4,753.68	4,844.38	4,899.37	4,854.36
July	4,720.89	4,783.14	4,752.02	4,743.64	4,773.10	4,758.37	4,827.35	4,914.99	4,871.17
August	4,724.80	4,777.74	4,751.27	4,726.55	4,771.18	4,753.86	4,782.59	4,867.87	4,825.23
September	4,548.02	4,607.49	4,577.75	4,583.79	4,598.38	4,581.08	4,672.50	4,769.25	4,720.88
October	4,737.89	4,797.40	4,767.64	4,745.86	4,785.95	4,765.91	4,788.44	4,856.97	4,812.70
November	4,734.32	4,790.70	4,762.51	4,744.65	4,783.57	4,764.11	4,794.59	4,866.03	4,827.22
December	4,694.22	4,749.76	4,722.06	4,705.15	4,740.20	4,722.67	4,747.20	4,819.98	4,783.59
2004	4,707.67	4,762.23	4,734.95	4,716.31	4,753.01	4,735.01	4,821.45	4,784.47	4,781.08
January	4,728.32	4,783.08	4,754.70	4,737.43	4,771.79	4,754.61	4,813.06	4,856.68	4,819.06
February	4,804.97	4,860.28	4,832.62	4,816.11	4,850.40	4,833.25	4,905.61	4,971.64	4,926.61
March	4,753.92	4,812.35	4,783.13	4,771.76	4,807.29	4,789.53	4,834.95	4,915.90	4,875.45
April	4,761.13	4,813.40	4,787.26	4,777.05	4,806.83	4,791.94	4,821.77	4,887.51	4,854.67
May	4,883.25	4,936.28	4,856.28	4,849.73	4,875.80	4,862.81	4,872.48	4,926.56	4,899.53
June	4,892.26	4,921.59	4,896.31	4,891.69	4,916.69	4,901.21	4,926.10	4,993.67	4,959.88
July	4,768.46	4,826.01	4,797.64	4,789.65	4,818.83	4,804.24	4,861.95	4,942.67	4,902.02
August	4,821.82	4,881.36	4,851.51	4,839.23	4,870.94	4,855.08	4,700.06	4,794.46	4,747.28

Source: Bank of Zambia
Note: ^aIn 2003, Bank of Zambia established a broad-based foreign exchange trading system as the new mechanism for determining the exchange rate in Zambia. The Bank of Zambia therefore ceased to auction foreign exchange to the market on behalf of major foreign exchange earners. Foreign exchange earners now transact directly with commercial bank of their choice.
^bWith effect from August 2003, the interbank rates have been used

COMMERCIAL BANKS FOREIGN EXCHANGE RATES (KWACHA PER FOREIGN CURRENCY)

TABLE 14

Date	Non Banks US\$			Bureaux US\$			INTERBANK US\$			UK Pound			EURO			SAR			ZIM Dollar			
	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	
Monthly Avg.																						
2003																						
August	4,688.83	4,747.91	4,718.42	4,795.70	4,712.41	4,705.48	7,355.82	7,566.64	7,461.23	5,184.12	5,322.77	5,253.45	630.79	649.18	639.98	5.69	5.82	5.75				
September	4,728.03	4,775.83	4,751.93	4,830.74	4,760.80	4,755.66	7,536.45	7,700.06	7,618.25	5,257.89	5,349.08	5,303.49	638.19	658.71	648.45	5.76	5.87	5.82				
October	4,738.84	4,770.89	4,754.87	4,824.93	4,773.10	4,759.37	7,862.74	8,061.76	7,972.25	5,508.07	5,613.89	5,580.98	674.43	696.38	685.41	5.36	5.85	5.61				
November	4,736.56	4,761.77	4,749.17	4,799.56	4,771.18	4,753.86	7,938.53	8,113.03	8,026.28	5,505.66	5,640.45	5,573.06	694.38	715.90	705.14	5.67	6.04	5.85				
December	4,588.78	4,600.96	4,584.87	4,650.84	4,588.38	4,581.08	7,950.13	8,143.45	8,046.79	5,581.91	5,710.97	5,646.44	698.34	721.86	710.10	5.54	5.86	5.70				
2004																						
January	4,723.75	4,754.64	4,739.19	4,800.72	4,745.86	4,765.95	8,520.16	8,716.23	8,616.20	5,908.47	6,052.58	5,980.53	682.80	705.03	693.91	5.67	5.97	5.82				
February	4,739.09	4,765.87	4,752.48	4,806.95	4,744.65	4,764.11	8,775.54	8,955.26	8,865.40	5,955.34	6,093.42	6,024.38	696.44	716.80	706.62	4.97	5.17	5.07				
March	4,704.23	4,729.24	4,716.73	4,771.66	4,705.15	4,729.67	8,679.71	8,786.03	8,682.87	5,763.93	5,794.57	5,774.25	706.26	727.32	716.79	1.07	1.13	1.10				
April	4,710.89	4,736.96	4,723.93	4,776.61	4,716.31	4,735.01	8,486.67	8,674.96	8,580.82	5,641.86	5,688.63	5,740.24	721.32	741.38	731.35	1.01	1.05	1.03				
May	4,728.25	4,755.43	4,741.84	4,797.13	4,737.43	4,754.61	8,408.52	8,590.10	8,498.81	5,649.90	5,772.83	5,711.36	693.33	713.09	703.21	0.89	0.94	0.91				
June	4,799.44	4,828.81	4,814.12	4,873.47	4,816.11	4,833.25	8,696.17	8,935.27	8,817.22	5,779.73	5,917.79	5,848.76	737.84	759.24	748.54	0.88	0.93	0.90				
July	4,764.14	4,792.28	4,778.21	4,845.15	4,771.76	4,789.53	8,715.84	8,913.26	8,814.55	5,800.37	5,936.68	5,868.82	772.74	794.47	783.60	0.88	0.92	0.90				
August	4,760.19	4,789.15	4,774.67	4,829.96	4,777.05	4,791.94	8,613.37	8,811.86	8,712.82	5,758.28	5,897.29	5,827.78	739.35	759.87	749.61	0.85	0.89	0.87				
September	4,823.99	4,866.91	4,850.30	4,894.51	4,849.73	4,875.90	8,857.10	9,052.81	8,954.96	6,021.69	6,161.60	6,091.65	731.75	753.95	742.85	0.85	0.89	0.87				
October	4,868.07	4,899.29	4,892.06	4,944.83	4,895.74	4,916.69	8,739.39	8,970.12	8,854.76	6,006.88	6,149.04	6,077.96	755.40	777.29	766.34	0.87	0.92	0.90				
November	4,785.15	4,826.06	4,835.77	4,864.72	4,789.65	4,818.83	8,838.83	9,033.32	8,934.57	6,123.17	6,267.06	6,195.11	794.75	803.38	794.07	0.83	0.88	0.85				
December	4,632.00	4,706.63	4,655.29	4,723.04	4,639.23	4,670.94	8,871.69	9,062.65	8,967.17	6,118.46	6,272.23	6,195.34	803.82	827.20	815.51	0.81	0.85	0.83				

Source: Bank of Zambia

Notes: (1) Effective 23rd July 2003, Bank of Zambia issued directives for commercial banks to provide more information on the exchange rates for other currencies traded in the inter-bank market.
 (2) Table 14 has been introduced to reflect market rates in the different currencies as captures by Bank of Zambia from the financial markets. The exchange rates reflect the monthly average bid/offer prices obtaining in the market.
 (3) Non Banks cover all market players other than bureaux and commercial banks.
 (4) For Bureaux, only the selling rate is shown because sells of foreign exchange by bureaux to commercial banks are treated the same way as any other purchase from the non banks.

FOREIGN EXCHANGE TRANSACTIONS (IN MILLIONS OF DOLLARS)

TABLE 15

Period Monthly/Annual Totals	Purchases from Mining Companies (1)			Bank of Zambia Inflows			Bank of Zambia Outflows			Gross International Reserves (3)
		Donor Inflows	Non-GRZ (2)	Dealing and/or Net sales to Banks	Other Non-GRZ	GRZ Debt Service	GRZ Other Uses			
1995	393.79	302.09	43.25	458.88	51.09	330.98	72.07	210.53		
1996	85.80	175.12	214.60	154.90	37.84	218.54	97.45	211.00		
1997	45.05	141.21	114.20	36.96	20.49	150.06	68.72	237.88		
1998	28.00	5.24	28.44	30.80	19.89	130.82	52.16	68.56		
1999	16.36	196.64	9.60	25.30	23.95	153.98	40.08	45.33		
2000	0.00	237.42	120.79	27.40	49.52	139.28	50.53	293.34		
2001										
January	7.15	0.00	1.93	-0.40	3.30	22.87	1.50	274.32		
February	18.32	0.00	3.07	23.00	4.48	4.98	4.49	258.76		
March	0.00	0.00	0.61	-15.85	8.11	3.72	9.36	254.02		
April	0.00	32.12	1.46	10.30	6.46	2.73	3.61	284.51		
May	0.00	0.00	1.20	-1.56	3.01	7.97	4.62	251.66		
June	16.65	21.89	3.90	-0.80	2.76	108.06	1.78	182.12		
July	25.20	14.18	11.58	16.02	1.47	17.59	4.13	193.86		
August	15.90	2.06	8.77	12.07	1.68	4.11	10.34	192.39		
September	0.00	0.00	0.00	0.00	0.00	0.00	0.00	192.39		
October	0.00	0.00	0.00	0.00	0.00	0.00	0.00	192.39		
November	18.40	0.91	2.04	38.90	0.23	115.22	1.46	116.46		
December	16.66	0.91	8.35	38.90	0.23	115.22	1.46	116.46		
2002										
January	14.75	4.50	2.48	7.66	3.18	0.12	2.61	149.62		
February	12.90	0.45	15.79	15.79	3.31	3.85	2.85	137.76		
March	12.75	1.47	1.28	14.57	2.27	4.23	2.95	129.25		
April	8.52	0.95	19.08	10.60	-0.86	15.8	3.79	128.80		
May	14.00	0.68	1.91	18.75	1.86	2.55	2.04	120.18		
June	17.95	0.38	274.14	17.27	-5.00	113.52	1.86	285.00		
July	14.95	0.61	13.23	21.67	4.79	7.25	1.86	278.22		
August	18.65	1.92	1.92	14.95	4.27	5.34	2.47	272.34		
September	17.00	2.61	1.31	18.89	5.87	1.32	2.02	300.33		
October	13.30	0.55	2.57	17.44	11.56	0.74	3.70	283.30		
November	15.80	11.57	3.68	15.22	8.59	10.49	1.93	278.13		
December	15.60	337.35	0.18	-33.50	0.40	113.67	2.68	488.78		
2003										
January	12.50	1.28	1.41	-14.20	0.51	10.65	3.93	477.59		
February	16.70	2.47	0.81	-14.60	0.42	2.30	5.39	472.91		
March	11.30	0.00	0.33	-9.86	1.15	6.08	1.74	463.46		
April	10.25	6.21	15.31	-0.86	0.80	4.51	2.73	485.92		
May	17.80	3.92	40.26	6.99	1.45	19.27	5.70	526.82		
June	13.10	0.19	5.91	-4.97	5.28	128.33	1.17	405.60		
July	13.85	2.13	11.22	0.20	11.97	9.02	3.14	411.19		
August	0.00	0.67	6.48	4.41	15.71	9.02	2.41	401.99		
September	0.00	0.00	14.97	0.00	7.01	11.60	5.17	383.70		
October	0.00	1.76	10.74	2.00	11.46	38.25	7.86	372.38		
November	0.00	6.86	0.00	0.00	20.27	2.97	3.19	354.62		
December	0.00	45.29	14.14	1.00	2.63	124.81	2.35	285.70		
2004										
January	0.00	3.51	6.14	0.00	6.94	2.02	3.45	268.47		
February	1.50	0.00	12.94	-3.00	10.35	31.56	2.22	242.78		
March	6.75	0.00	9.20	-14.56	5.95	5.95	2.08	250.32		
April	1.50	0.00	8.68	-11.55	10.22	1.41	0.76	259.65		
May	0.00	8.39	19.64	-11.20	8.87	14.83	1.40	273.76		
June	0.00	9.65	120.30	-10.62	10.86	134.73	0.50	268.24		
July	0.00	0.37	17.61	-12.00	14.91	1.99	3.18	278.14		
August	0.00	13.86	13.86	-7.20	13.26	16.60	1.48	263.12		
September	0.00	8.41	12.58	-25.00	9.60	12.55	0.69	306.26		
October	0.00	13.90	3.50	3.50	8.26	10.25	2.31	296.85		
November	0.00	1.60	14.45	4.00	10.70	7.37	1.72	287.90		
December	0.00	169.91	21.48	-1.00	8.60	133.67	0.79	337.23		

Source: Bank of Zambia

Note: (1) Inflows from mining companies relate to regular purchases by Bank of Zambia

(2) Non-GRZ Inflows include interest receipts, exchange gains, transfers, etc

(3) Gross International Reserves are as at the end of each month

CONSUMER PRICE INDICES BY INCOME GROUP, AT 1994 WEIGHTS (CPI BASE 1994=100)

TABLE 16

Year	Period	TOTAL INDEX Nos (1994=100)	Non Metropolitan Group Percentage Change		Metropolitan Income Group Percentage Change		Weighted Average Percentage Change		Monthly Non-Food Inflation % Change	
			Monthly	Annual	Monthly	Annual	Monthly	Annual		
			Monthly	Annual	Monthly	Annual	Monthly	Annualised		
1995	December	161.6	3.3	46.5	3.4	46.1	3.0	46.0	42.3	3.2
	January	161.6	4.2	34.8	5.1	28.4	4.3	35.2	65.5	2.5
	February	161.6	2.3	19.0	2.0	17.2	1.6	18.6	27.0	-0.8
	March	161.6	5.9	30.7	5.0	31.1	5.6	30.6	93.4	1.2
	April	161.6	1.5	20.0	1.6	18.5	1.7	20.6	22.3	-0.7
	May	161.6	2.4	28.3	2.2	27.1	2.6	30.1	36.1	2.9
	June	161.6	3.3	28.0	4.0	27.9	3.2	30.0	51.1	2.3
	July	161.6	4.6	28.4	4.7	28.1	4.1	29.1	46.9	0.5
	August	161.6	2.2	28.0	2.2	28.0	2.0	28.8	26.8	1.4
	September	161.6	-0.5	25.3	-0.7	24.7	-0.6	24.8	-7.0	0.1
	October	161.6	-1.9	22.4	-2.5	20.8	-2.2	22.2	-16.6	1.5
	November	161.6	-0.9	20.4	-2.1	17.4	-0.9	20.2	-10.3	1.2
December	161.6	1.4	17.8	1.3	14.2	1.5	17.1	19.6	2.4	
1996	January	161.6	0.9	17.5	1.6	14.9	1.1	16.6	14.0	1.0
	February	161.6	1.7	18.5	0.9	15.6	1.4	17.4	18.2	1.6
	March	161.6	2.3	18.6	1.5	15.1	1.4	17.2	23.9	1.2
	April	161.6	2.8	19.7	2.7	16.8	2.5	17.7	34.5	1.4
	May	161.6	2.8	19.7	2.7	16.8	2.5	17.7	34.5	1.4
	June	161.6	4.0	21.7	4.1	19.0	3.5	18.7	51.1	1.4
	July	161.6	4.9	23.6	4.9	20.1	4.3	19.6	65.7	1.7
	August	161.6	2.9	21.6	3.5	18.6	2.9	19.2	40.9	2.0
	September	161.6	0.6	19.9	0.9	17.1	1.0	18.1	12.7	1.7
	October	161.6	-1.8	18.3	0.0	16.0	-0.8	17.8	-9.2	0.1
	November	161.6	0.8	21.6	1.5	18.3	1.1	20.9	12.7	0.9
	December	161.6	1.3	24.3	0.9	22.8	1.4	23.6	15.4	1.4
1997	January	161.6	1.3	24.1	1.3	19.5	1.3	23.4	16.8	1.0
	February	161.6	1.6	24.9	1.6	20.0	1.3	23.7	16.8	1.0
	March	161.6	1.6	24.7	1.8	19.9	1.5	23.8	19.6	1.1
	April	161.6	1.9	24.2	2.0	27.7	1.8	23.8	23.9	1.0
	May	161.6	4.0	25.6	4.4	21.2	3.8	25.3	56.4	1.5
	June	161.6	4.6	26.2	5.5	31.5	4.6	26.7	71.5	2.5
	July	161.6	2.7	23.6	3.0	29.1	2.3	24.3	31.4	1.1
	August	161.6	1.6	22.0	1.2	21.3	1.7	22.9	22.4	3.3
	September	161.6	0.1	21.1	0.5	22.1	0.8	22.6	10.0	2.6
	October	161.6	-0.5	22.8	0.4	26.1	0.2	23.9	2.4	1.3
	November	161.6	0.2	22.2	0.8	25.3	0.9	23.9	11.4	2.5
	December	161.6	-0.4	20.2	-0.7	23.2	-0.2	21.9	-2.4	0.9
1998	January	161.6	0.1	18.8	0.4	23.5	0.4	21.9	-2.4	0.9
	February	161.6	1.6	18.8	-0.5	20.8	-0.1	20.2	-1.2	0.5
	March	161.6	1.5	18.8	1.3	21.8	1.4	20.2	-1.2	0.5
	April	161.6	2.5	19.9	1.9	21.6	2.2	21.1	18.2	1.0
	May	161.6	2.0	20.0	1.7	21.3	1.8	21.1	29.8	1.1
	June	161.6	2.0	20.0	1.7	21.3	1.8	21.1	29.8	1.1
	July	161.6	1.8	17.5	2.1	22.7	2.0	21.9	26.8	2.2
	August	161.6	3.5	16.3	3.0	15.8	2.9	17.2	40.9	2.2
	September	161.6	2.7	16.3	2.4	15.1	2.6	17.4	36.1	2.9
	October	161.6	1.4	16.0	1.0	15.0	1.1	16.8	14.0	1.4
	November	161.6	1.6	17.9	1.8	16.4	1.5	17.6	19.6	1.0
	December	161.6	-1.0	18.3	0.3	16.4	0.3	17.8	3.7	1.1
1999	January	161.6	0.1	18.1	0.8	16.4	0.7	17.4	8.7	1.3
	February	161.6	0.7	19.3	0.8	18.2	0.8	18.6	10.0	1.3
	March	161.6	1.0	20.2	0.1	18.9	0.6	19.5	7.4	0.9
	April	161.6	0.8	20.2	0.7	18.8	0.6	19.5	7.4	0.9
	May	161.6	1.1	19.7	0.3	17.5	1.0	18.9	12.7	1.1
	June	161.6	1.1	18.2	0.7	16.1	1.1	17.8	14.0	1.9
	July	161.6	1.3	18.0	2.4	16.9	1.8	18.0	28.3	1.3
	August	161.6	1.9	18.0	2.4	17.1	2.1	18.3	31.4	1.9
	September	161.6	2.4	18.7	2.2	17.1	1.8	18.3	31.4	1.9
	October	161.6	2.4	17.8	2.7	16.7	1.7	17.5	29.8	1.3
	November	161.6	2.6	17.8	2.7	16.7	1.7	17.5	29.8	1.3
	December	161.6	1.099.0							

Source: Bank of Zambia

TREASURY BILL TRANSACTIONS (FACE VALUE UNLESS OTHERWISE INDICATED) (IN MILLIONS OF KWACHA)

TABLE 17

Period	Treasury Bills Tender Sales					Special Taps & Off-Tender Sales	Maturities	Re-discounts	Total Outstanding Bills
	28 Days	91 Days	182 Days	273 Days	Total Sales				
1995									
1996	947,454.8	133,789.5	32,563.5	n/a	1,113,807.8	1,067,059.6	1,111,683.1	93,620.3	211,403.3
1997	1,460,360.5	321,309.4	46,956.8	n/a	1,828,626.4	1,597,371.6	1,700,309.5	178,163.8	231,802.0
1998	586,437.0	564,869.5	154,602.0	n/a	1,306,108.5	1,217,575.8	1,346,526.2	70,101.9	246,032.5
1999	481,695.0	403,860.0	35,075.0	n/a	920,630.0	837,764.4	1,010,197.4	49,905.0	217,960.9
2000	1,040,240.0	414,286.0	47,970.0	n/a	1,502,496.0	1,440,115.7	1,558,906.6	46,518.0	263,413.2
2001	255,340.0	596,940.0	311,120.0	28,210.0	1,181,610.0	1,074,191.2	1,182,147.8	106,054.0	4,016,755.9
2002									
2003									
2004									
2005									
2006									
2007									
2008									
2009									
2010									
2011									
2012									
2013									
2014									
2015									
2016									
2017									
2018									
2019									
2020									
2021									
2022									
2023									
2024									
2025									
2026									
2027									
2028									
2029									
2030									

Source: Bank of Zambia

GRZ BONDS OUTSTANDING (IN MILLIONS OF KWACHA)

TABLE 18

End of period	By Holder			Total Outstanding
	Commercial Banks	Others (2)		
1995				
December	3,948.6	10,810.6		14,760.2
1996	17,324.2	14,371.0		31,695.2
December	30,176.0	6,165.2		36,341.2
1997	19,714.0	5,690.2		25,394.2
1998	44,835.0	19,090.0		63,925.0
December	126,033.1	75,671.9		201,705.0
2000				
2001				
January	121,561.9	403,438.9		525,000.8
February	186,576.5	333,233.1		519,809.6
March	112,045.8	417,710.1		529,755.9
April	120,918.0	475,512.2		596,430.2
May	114,008.5	487,102.2		601,110.7
June	143,255.2	492,096.5		635,351.7
July	168,682.2	526,847.9		697,530.1
August	179,865.5	572,081.4		751,946.9
September	231,366.7	651,249.3		882,616.0
October	265,556.0	708,660.9		974,216.9
November	273,389.3	109,939.7		383,329.0
December	288,366.5	113,219.5		402,586.0
2002				
January	265,993.8	160,240.1		426,233.9
February	310,089.4	146,132.5		456,201.9
March	272,478.4	170,123.5		442,601.9
April	288,269.1	149,452.8		437,721.9
May	328,810.2	179,758.7		508,568.9
June	330,127.6	185,045.3		515,172.9
July	306,465.8	181,790.3		488,256.1
August	333,648.0	217,286.1		550,934.1
September	364,648.1	224,160.0		588,808.1
October	386,699.1	237,465.9		624,165.0
November	383,062.7	225,955.3		599,018.0
December	395,675.7	237,887.3		633,563.0
2003				
January	387,997.2	277,370.8		665,368.0
February	418,691.7	288,855.3		707,547.0
March	427,591.4	262,011.6		689,603.0
April	485,758.0	277,857.0		773,615.0
May	546,943.0	286,307.0		837,250.0
June	579,997.5	289,361.5		869,359.0
July	597,714.6	316,763.4		914,478.0
August	602,453.8	318,136.2		920,590.0
September	628,602.0	410,432.0		1,040,034.0
October	696,474.1	395,974.9		1,092,449.0
November	726,715.3	362,833.7		1,109,549.0
December	721,380.5	412,723.5		1,134,104.0
2004				
January	791,376.6	363,804.4		1,155,181.0
February	752,853.5	409,790.5		1,162,644.0
March	774,378.5	407,298.5		1,181,677.0
April	784,982.7	421,120.3		1,206,103.0
May	807,541.9	395,523.1		1,203,065.0
June	849,834.0	373,835.0		1,223,669.0
July	858,143.9	364,715.1		1,222,859.0
August	883,389.2	319,644.8		1,203,044.0
September	876,033.9	324,852.1		1,200,886.0
October	851,423.7	289,549.5		1,140,973.2
November	836,920.6	296,719.6		1,133,640.2
December	841,966.6	287,956.6		1,129,923.2

Source: Bank of Zambia
 Note: (1) Commercial banks holdings of GRZ ordinary Bonds excludes ZANACO Bond of K250.0 billion.
 (2) Others includes BoZ and Non-bank holdings of GRZ ordinary Bonds

METAL PRODUCTION AND EXPORTS (METRIC TONS)

TABLE 19

Date	Copper		Cobalt	
	Exports	Production	Exports	Production
1995	344,297	307,558	2,469	2,381
1996	327,474	313,923	3,866	4,029
1997	300,716	312,457	4,673	4,026
1998	257,394	272,437	5,319	4,361
1999	251,333	255,894	3,408	4,278
2000	200,574	221,167	2,996	2,877
2001	26,764	23,060	178	150
January	21,303	21,333	303	324
February	22,776	22,452	330	347
March	24,203	20,727	386	391
April	22,350	24,706	437	423
May	25,558	26,933	420	374
June	23,556	24,776	536	425
July	28,037	23,268	367	334
August	24,213	26,678	497	410
September	24,608	27,963	355	329
October	28,433	28,262	273	320
November	24,566	26,288	288	356
December	296,387	296,446	4,379	4,182
2002	27,676	24,985	447	363
January	26,158	23,785	305	357
February	25,159	29,033	379	377
March	29,164	25,916	357	365
April	23,181	27,437	350	334
May	31,824	27,780	381	325
June	28,735	31,679	420	323
July	26,179	28,513	254	332
August	26,835	26,516	344	360
September	26,612	32,000	276	317
October	32,424	32,200	276	307
November	26,017	27,513	236	230
December	329,984	337,367	4,025	3,990
2003	25,686	23,485	313	266
January	25,946	22,286	275	206
February	27,677	26,539	168	279
March	25,537	28,204	144	272
April	31,454	33,369	417	295
May	33,104	25,827	297	292
June	38,401	32,106	271	300
July	35,328	31,341	233	337
August	33,307	28,454	318	316
September	25,439	31,432	413	265
October	32,086	31,382	294	280
November	29,449	33,389	231	184
December	353,414	349,814	3,374	3,211
2004	30,076	31,764	132	172
January	27,459	29,235	190	150
February	33,241	35,789	315	269
March	31,655	34,295	149	172
April	36,359	32,047	209	194
May	31,383	35,013	175	175
June	31,760	35,027	181	205
July	34,300	33,919	224	214
August	33,102	32,090	233	212
September	33,488	33,547	173	200
October	30,359	31,960	210	268
November	31,047	33,468	137	138
December	384,229	398,154	2,328	2,309

Source: Compiled by Bank of Zambia from various mining companies