



Bank Of Zambia

ANNUAL REPORT 2005



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COVER PICTURES

The Zambian economy recorded a growth of 5 percent, with manufacturing and tourism being among sectors making appreciable contributions, in spite of adverse developments in the oil industry that threatened economic activity

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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BOARD OF DIRECTORS



DR CALEB M. FUNDANGA
GOVERNOR AND CHAIRMAN

MR HASTINGS MTINE
VICE CHAIRMAN



DR SITUMBEKO MUSOKOTWANE

MS CHILESHE KAPWEPWE

MR BERLIN MSISKA



DR CHISELBWE NG'ANDWE

DR MWANGALA KAMUWANGA

DR JONATHAN CHILESHE

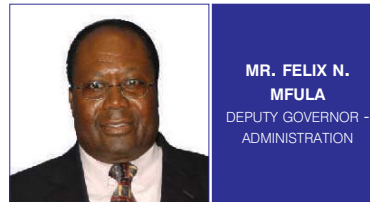
SENIOR MANAGEMENT AS AT 31 DECEMBER 2005



DR. CALEB M. FUNDANGA
GOVERNOR



DR. DENNY H. KALYALYA
DEPUTY GOVERNOR - OPERATIONS



MR. FELIX N. MFULA
DEPUTY GOVERNOR - ADMINISTRATION



DR. RICHARD K. E. CHEMBE
DIRECTOR - ECONOMICS



MR. JONATHAN CHIPILI*
ACTING DIRECTOR - FINANCIAL MARKETS



MR. CHISHA MWANAKATWE
DIRECTOR - BANK SUPERVISION



MRS. EDNA MUDENDA
DIRECTOR - NON-BANK FINANCIAL INSTITUTIONS SUPERVISION



MR. MORRIS MULOMBA
DIRECTOR - BANKING, CURRENCY & PAYMENT SYSTEMS



MR. PETER BANDA
DIRECTOR - REGIONAL OFFICE



MR. CHISHIMBA YUMBE
DIRECTOR - FINANCE



DR. TUKIYA KANKASA-MABULA
BANK SECRETARY



MR. HOBBY KAPUTA
DIRECTOR - HUMAN RESOURCES



MR. MAX CHISAKA
DIRECTOR - INFORMATION AND COMMUNICATIONS TECHNOLOGY



MR. RAPHAEL PHIRI
ACTING DIRECTOR - PROCUREMENT & MAINTENANCE



MRS. AVET M. HAMUWELE
DIRECTOR - INTERNAL AUDIT



MR. SIMON SAKALA
COORDINATOR - RISK MANAGEMENT UNIT



*MRS CAROLINE NYIMBA NG'AMBI HAD BEEN DIRECTOR OF THE FINANCIAL MARKETS DEPARTMENT UNTIL HER UNTIMELY AND TRAGIC DEMISE ON 24 SEPTEMBER 2005



1 GOVERNOR'S OVERVIEW

1.0 GOVERNOR'S OVERVIEW

In 2005, the economy showed further improvement, posting an estimated annual growth rate of 5.0%, which was comparable to the 5.4% growth rate recorded in 2004. This marked the seventh consecutive year of positive real growth of the economy. Contributing to this outturn was the favourable performance in most sectors, including mining, which continued to be driven by rising copper prices and increased production, despite operational problems experienced at some mines. Manufacturing, construction, transport and communications, and trade were the other key sectors that contributed to the growth in the economy.

Another encouraging outcome in 2005 was the attainment of an end-year annual inflation rate of 15.9%, which was broadly in line with the projection of 15.0% and lower than the 17.5% recorded in 2004. This inflation outturn was achieved despite some setbacks, that included the partial drought during the 2004/2005 agricultural season, which led to a shortfall in output of the staple crop, maize. Other setbacks were the persistent upsurge in prices of oil on the international market and the domestic fuel supply disruptions during the last quarter of 2005, following the extended shutdown of the INDENI Oil Refinery in October 2005. Further, lumpy and delayed receipt of balance of payments support posed a challenge to the conduct of monetary policy, as the resulting increase in liquidity in the domestic market added to inflationary pressures.

The impressive outturn of inflation during the year under review reflected, among other things, implementation of appropriately tight monetary policy that was supported by prudent fiscal operations. Tight monetary policy led to the slow down in money supply growth to 0.4% from 31.2% in 2005 and this, in turn, contributed to the fall in the non-food inflation rate to 14% from 18.9% the previous year. Prudent fiscal operations resulted in domestic financing of 1.9% of the Gross Domestic Product (GDP), which was broadly in line with annual target of 1.6% of GDP. The other key factor which contributed to the good outturn of inflation was the appreciation of the exchange rate of the Kwacha against major international currencies. Further, the importation of maize, duty free, contributed to improved supply, thereby moderating increases in prices of maize meal.

The year saw the Kwacha appreciate by 26.4% against the US dollar compared to an appreciation of 1.6% in 2004. This was due to excess supply of foreign exchange on the market. The improved supply of foreign exchange reflected improved performance of the external sector, principally driven by higher copper prices coupled with increased output and export volumes, and expansion in non-traditional exports. The high copper prices were mainly driven by strong international demand led by China and India. The country's attainment of the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative Completion Point also contributed to the strengthening of the Kwacha, as external debt service obligations declined while balance of payments support was as anticipated. Attainment of the Completion Point also enhanced donor and investor confidence in the economy and assisted in strengthening the Kwacha which, in turn, helped lower inflationary pressures.

With respect to the securities market, notable developments occurred in 2005, particularly the introduction of the 364-day Treasury bills, 3-year and 5-year Government bonds. These measures were intended to enable the Government to restructure its domestic debt and establish a pricing benchmark for the private sector to raise funds from the capital market for investment. Developments in interest rates were mixed. While yield rates on Government securities exhibited downward trends in the first half of 2005, on account of high liquidity levels in the market, relatively tighter monetary policy in the second half of the year led to an increase in yield rates. The composite weighted average Treasury bill yield rate stood at 16.2% in 2005, down from 17.8% recorded in 2004. Composite yield rate on Government bonds stood at 23.0%, up from 20.9% registered in 2004, and was explained by the introduction of longer-term bonds which were issued at relatively high yield rates. Commercial banks nominal lending interest rates declined as reflected in the weighted average lending base rate, which fell by 2.2 percentage points to 27.6%.





An important milestone in 2005 was the attainment of the enhanced HIPC Initiative Completion Point in April. This development reflected the sound macro-economic policies the country has pursued over a number of years. Consequently, Zambia's external debt reduced to US \$4.5 billion at end-December 2005 from US \$7.1 billion at end-December 2004.

In July 2005, the G-8 countries proposed that the IMF, World Bank and ADB should cancel 100% of their debt claims on HIPC countries in order to free up additional resources for these countries to advance towards achieving the United Nations Millennium Development Goals (MDGs). Based on this proposal, the IMF Executive Board in December 2005 completed an assessment and determined that 19 countries, which included Zambia, had qualified for debt relief under what is now termed the Multilateral Debt Relief Initiative (MDRI), which was to be implemented beginning 2006. When fully implemented, Zambia's stock of debt was expected to decline from US \$4.5 billion at the end of 2005 to about US \$0.5 billion at the end of 2006.

The financial sector, that is, banks and non-bank financial institutions under the oversight of Bank of Zambia, remained stable, in part explained by enhanced regulatory and supervisory activities. In this connection, efforts to resolve some weak institutions were stepped up through, among other things, implementation of the priority recommendations of the Financial Sector Development Plan (FSDP). Notable achievements under the FSDP included the completion of guidelines for the development of credit reference services in Zambia and microfinance lending regulations.

Capital markets continued to improve in 2005, with market capitalisation increasing by 16.8%. The Lusaka Stock Exchange All Share index grew by 61.9%.

The Zambian Interbank Payment and Settlement System (ZIPSS), also known as the Real Time Gross Settlement (RTGS) system, commissioned in June 2004, operated satisfactorily with all the banks participating actively.

In 2005, the Bank completed the implementation of the fine tuning exercise whose primary objective was to streamline its structure and operations. In this respect, recruitment, placement and training of staff to support the attainment of the mission of the Bank continued. In addition, the Bank appointed a project team to develop an appropriate risk management function. Further, the Bank developed procedures for a Good Corporate Governance Policy.

To eliminate identified weaknesses, overlaps, conflicts and inconsistencies in the regulatory and the supervisory framework of the non-bank financial institutions, the Banking and Financial Services Act, Cap 387 was amended. The Development Bank of Zambia Act, Cap 363; the National Savings and Credit Act, Cap 423; and the Building Societies Act, Cap 412 were also amended and passed in to law in October 2005 to harmonise them with the amended Banking and Financial Services Act. To this end, these changes in the law clarified the regulatory and supervisory authority of the Bank of Zambia (BoZ) and aligned it with international best practice, thereby contributing to the enhancement of financial system stability.

Looking ahead, one of the major challenges in 2006 will be attainment of a 10% annual inflation target in the face of expected persistent increases in prices of oil on the international market. Another key challenge will be lowering commercial banks' lending rates further so that they support the growth of the country's productive sectors. Consolidating and building on the gains made in the year is yet another of the many challenges likely to face the Bank.

Dr. Caleb M. Fundanga

Governor and Chairman of the Board of Directors



2 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY
Overview

In 2005, global economic growth slowed down while inflation increased as a consequence of higher oil prices. Global growth declined to 4.3% from 5.1% in 2004 (see Table 1). The growth continued to be driven by the United States of America and China, which grew by 3.5% and 9.0% in 2005, respectively. With respect to Africa, favourable growth continued inspite of increased inflation.

Demand and supply factors led to a pick up in commodity prices in 2005. The rise in crude oil prices was mainly attributed to increased global demand for fuel, especially from China, with oil prices hitting a record high of US \$65 a barrel in late August 2005. Supply side shocks, which included the effects of the Hurricane Katrina and conflicts in the Middle East, also contributed to the rising oil prices. Prices of non-fuel commodities, especially metals such as copper, also continued to increase, reflecting strong demand emanating from China. The high demand for copper led to an increase in the price by 33% in 2005 to an average of US \$1.61 per pound.

During 2005, global inflation increased in response to higher oil prices, albeit remaining at moderate levels. Among the major industrial countries, core inflation was generally contained mainly on account of lower inflationary expectations and tight monetary policies. However, in emerging markets, where inflationary expectations were high, the impact of high oil prices was more pronounced.

Table 1: World Real GDP, Inflation and Current Account Positions, 2003 - 2005
(Annual % change unless otherwise stated)

	Real GDP			Inflation			Current Account Positions (% of GDP)		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
World	4.0	5.1	4.3	n.c	n.c	n.c	n.c	n.c	n.c
Advanced Economies	1.9	3.3	2.5	1.8	2.0	2.2	-0.8	-1.0	-1.3
United States	2.7	4.2	3.5	2.3	2.7	3.1	-4.8	-5.4	-6.0
Euro area	0.7	2.0	1.2	2.1	2.1	2.1	0.3	0.8	0.2
Japan	1.4	2.7	2.0	-0.2	-0.2	-0.4	3.2	3.7	3.3
Emerging Market and Developing Countries	6.5	7.3	6.4	6.0	5.8	5.9	n.c	n.c	n.c
Regional Groups									
Asia	8.1	8.2	7.8	2.6	4.2	4.2	3.0	2.9	3.0
China	9.5	9.5	9.0	1.2	3.9	3.0	3.2	4.2	6.1
India	7.4	7.3	7.1	3.8	3.8	3.9	1.2	-0.1	-1.8
Commonwealth of Independent States	7.9	8.4	6.0	12.0	10.3	12.6	6.4	8.3	10.6
Russia	7.3	7.2	5.5	13.7	10.9	12.8	8.3	10.3	13.2
Excluding Russia	9.2	11.0	7.1	8.3	9	12.1	1.0	2.0	2.6
Middle East	6.5	5.5	5.4	7.1	8.4	10.0	8.1	12.7	21.1
Africa	4.6	5.3	4.5	10.4	7.8	8.2	-0.5	0.1	1.6
Sub-Saharan Africa	4.1	5.4	4.8	13.0	9.3	9.8	-3.0	-2.1	-1.0

Source: IMF: World Economic Outlook, September 2005
n.c : Not computed

Global Economic Performance
Advanced Countries

In advanced countries, real GDP growth declined to 2.5% in 2005 from 3.3% in 2004, driven by the slow down in economic performance of the United States, Euro-area and Japan. The current account deficit in advanced countries widened to 1.3% of GDP from 1% of GDP, mainly as a result of the increase in the US current account deficit to 6% from 5.4% over the same period. This was due to, among other things, the high oil prices and the appreciation of the US dollar during the year.

However, the advanced countries' current account deficit was moderated by the continued surpluses in the Euro-area and Japan. Inflation in advanced economies increased moderately to 2.2% in 2005 from 2.0% in 2004.

Emerging Market and Developing Countries

Growth in the developing countries slowed down to 6.4% in 2005 from 7.3% in the previous year, mainly as a result of high oil prices. Notwithstanding the oil price shock, inflation remained largely unchanged at 5.9% compared with 5.8% in 2004. In emerging Asia, GDP growth in China at 9.0% continued to exceed expectation while growth in India at 7.1% remained robust, with the continued expansion in services, information technology and industrial production.

In Latin America, economic growth slowed down, particularly in Brazil, where domestic demand declined in early 2005 in response to political uncertainty and monetary tightening to contain inflation. Overall, rising oil production, however, continued to support growth in the Middle East, accompanied by improvement in external current account and fiscal positions. Despite strong domestic demand in the Middle East, inflation, outside Iran, remained contained.

Commonwealth of Independent States (CIS)

Economic activity in the Commonwealth of Independent States slowed down with real GDP growth recorded at 6.0% in 2005 compared to 8.4% in 2004. The slow down in growth was attributed to low investment and lower oil sector growth. Further, inflation picked up to 12.3% in 2005 compared with 10.3% recorded in the previous year.

African Economies

During the year under review, Africa posted positive real GDP growth of 4.5%, albeit lower than the 5.3% in 2004, while inflation rose to 8.2% from 7.8% (see Table 2). On account of the improvement in commodity prices, the current account balance strengthened to 1.6% of GDP from 0.1% of GDP in the previous year.

Sub-Saharan African Economies

In Sub-Saharan Africa (SSA), economic growth remained buoyant in a number of countries despite continued worsening of the terms of trade of the oil importers. Average GDP growth declined slightly to 4.8% in 2005 from its strong performance of 5.4% in 2004. The slow down in economic growth was attributed to a decline in demand for imports in advanced countries as well as lower growth in the oil producing countries. Real GDP growth in non-oil producing countries averaged 4.5% in 2005, which was lower than the growth rate recorded by SSA.

Average inflation in SSA rose slightly to an estimated 9.8% in 2005. For many countries, especially the net oil importers, the task of containing inflationary pressures was made increasing difficult as oil prices rose further on account of continued strong world demand. The terms of trade of oil importers continued to deteriorate due to rising oil prices and declining prices of food and agricultural raw materials. However, in some non-oil producing countries, higher world prices for some non-oil commodities helped to offset the increases in oil prices.

Despite the above developments, many SSA countries continued to attract foreign assistance, in terms of official flows and balance of payments support. In addition, many SSA countries were granted debt relief by cooperating partners under the Enhanced HIPC Initiative resulting in a decline in the external debt as a share of GDP.



DEVELOPMENTS IN THE GLOBAL ECONOMY

Table 2: GDP and Inflation for Selected African Countries, 2003-2005
(Annual % change unless otherwise stated)

	Real GDP			Inflation		
	2003	2004	2005	2003	2004	2005
Africa	4.6	5.3	4.5	10.4	7.8	8.2
Sub-Saharan Africa	4.1	5.4	4.8	13.0	9.3	9.8
Angola	3.4	11.1	14.7	9.8	9.3	10.9
Ghana	5.2	5.8	5.8	5.2	5.8	5.8
Kenya	2.8	4.3	4.7	2.8	4.3	4.7
Nigeria	10.7	6.0	3.9	4.4	7.4	4.9
South Africa	2.8	3.7	4.3	2.8	3.7	4.3
Tanzania	7.1	6.7	6.9	7.1	6.7	6.9
Uganda	4.5	5.8	5.9	4.5	5.8	5.9

Source: IMF: Regional Economic Outlook, October 2005



3 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Overview

Against a background of strong economic performance in the previous years, in particular in 2003 and 2004, when the economy grew by an average of 5%, Government aimed at consolidating and building upon the performance of the previous years. In light of this, Government's major macroeconomic objectives in 2005 were to:

- (i) achieve a real GDP growth of at least 6.0%;
- (ii) contain inflation to no more than 15.0%; and
- (iii) increase gross international reserves to no less than 1.3 months of import cover.

In line with the growth and inflation objectives, reserve and broad money growth rates were programmed to be no more than 10.5% and 14.8%, respectively. To support the monetary policy objective, Government was to ensure fiscal prudence by limiting its domestic borrowing to 1.6% of GDP.

During the year under review, the upsurge in prices of oil on the international market and disruptions in fuel supply following the extended shutdown of the INDENI Oil Refinery Company Limited in October presented a serious challenge to monetary policy implementation. Second, the partial drought in some agricultural areas during the 2004/2005 agricultural season, resulted in a maize supply deficit of 85,000 metric tons and a consequent increase in food prices. These shocks contributed to a rise in inflationary pressures in the economy for the larger part of the year. Further, following the attainment of the Enhanced HIPC Initiative Completion Point in April 2005, donor balance of payments (budget) support inflows picked up, especially in December 2005. These higher inflows contributed to an increase in liquidity in the banking system. The challenge faced by BoZ was to ensure that the liquidity emanating from these foreign exchange inflows was managed to mitigate inflationary pressures.

The extended shut down of INDENI Oil Refinery coupled with persistent increases in prices of crude oil on the international market, among other shocks in the economy, contributed to high inflationary pressures in the year



Indeni Oil Refinery - Ndola

Notwithstanding these challenges economic performance was strong, as preliminary data show that real GDP grew by an estimated 5.0%, while annual overall inflation declined to 15.9% in December 2005 from 17.5% the previous year. With respect to the growth in national output, the recorded growth in real GDP was favourable as it was achieved against a backdrop of high oil prices on the international market, which generally had adverse growth effects in oil importing countries such as Zambia. Continued strong implementation of pro-growth economic policies and favourable developments in the global economy explained the growth in the domestic economy. It is worth noting that the high growth in China, which sustained the high demand for copper and high copper

prices, led to increased copper export earnings, that moderated the adverse growth effects of high international oil prices. Mining, manufacturing, construction, agriculture, transport and communications and trade were the sectors that made notable contributions to growth in real GDP.

The achievements with respect to inflation in part reflected the Bank of Zambia's (BoZ) continued commitment to ensuring that the inflation target for the year was attained. The BoZ mainly employed open market operations and auctions of Government securities to contain money supply growth to levels consistent with the attainment of the inflation target. Principally on account of these monetary policy operations, supported by favourable fiscal performance, money supply growth declined, which in turn contributed to the fall in the non-food inflation rate to 14% from 18.9%, 2 percentage points lower than the projected 16%. Another key factor which contributed to the fall in inflation was the appreciation of the exchange rate of the Kwacha against major international currencies. The local currency (Kwacha) generally appreciated on account of the improvement in the performance of the external sector, principally driven by favourable copper prices coupled with increased output and export volumes and an expansion in non-traditional exports. Further, heightened confidence in the economy, partly explained by the attainment of the Enhanced HIPC Initiative Completion Point in April 2005, had a positive bearing on the external sector.

3.1 MONETARY DEVELOPMENTS AND INFLATION

Monetary Policy Objective

Monetary policy in 2005 was aimed at attaining an end-year overall inflation rate of 15.0%. Consistent with this objective, annual non-food and food inflation rates were programmed to be no more than 16.0% and 14.0% at the end of 2005, respectively. To this end, reserve money and broad money growth rates were programmed to be no more than 10.5% and 14.8%, respectively during this period (see Table 3). In order to compliment the monetary policy objective, net domestic financing of the Government budget was programmed not to exceed 1.6% of GDP.

Challenges to Monetary Policy

In 2005, monetary policy faced three key challenges. Firstly, the upsurge in prices of petroleum products contributed to inflationary pressures in the economy for the larger part of the year. This was attributed to the continued increases in world prices of crude oil, which were driven by increased demand, especially from China and India owing to their high economic growth rates. Further, unfavourable weather conditions, such as Hurricanes Katrina and Ivan, impacted negatively on refining capacity. Continued uncertainty arising from political instability in some countries in the Middle East also contributed to rising crude oil prices. Secondly, prolonged dry spells in some domestic agricultural areas, which resulted in a maize supply deficit of 85,000 metric tons, contributed to a build up of food inflationary pressures. Thirdly, following the attainment of the Enhanced HIPC Initiative Completion Point in April 2005, donor budget and balance of payments support inflows rose and the challenge was to ensure that the liquidity emanating from these inflows was managed in such a manner that it did not become a source of inflationary pressures.

Monetary Policy Outcomes

Monetary policy performance in 2005 was favourable as end of year annual inflation at 15.9% was broadly in line with the target of 15.0% while money supply was kept below projections under the economic reform programme (see Table 3). The contraction in broad money was explained by the BoZ's conduct of an appropriate monetary policy, through the use of the primary auctions of Government securities and open market operations. In addition, the maintenance of the statutory reserve ratios at 14.0% and the appreciation of the Kwacha against major currencies contributed to the fall in broad money supply growth. The fall in money supply growth and the pass-through effects of the appreciation of the exchange rate of the Kwacha against major international currencies contributed to the slow down in inflation. The appreciation of the Kwacha was due to improvements in the performance of the external sector, mainly driven by favourable copper prices, growth in non-traditional exports, as well as enhanced confidence in the economy that followed the attainment of the Enhanced HIPC Initiative Completion Point.



DEVELOPMENTS IN THE ZAMBIAN ECONOMY

During the year interest rates declined marginally on account of the fall in inflation, especially in the fourth quarter of the year, although they remained relatively high.

Table 3: Actual Performance Against Projections, 2003 - 2005 (% Change)

	End-December 2003		End-December 2004		End-December 2005	
	Projection	Actual	Projection	Actual	Projection	Actual
Overall Inflation	17.1	17.2	20.0	17.5	15.0	15.9
<i>Non-food Inflation</i>	20.4	21.7	22.9	18.9	16.0	14.0
<i>Food Inflation</i>	14.5	13.5	17.4	16.3	14.0	17.5
Reserve Money	7.3	12.2	18.1	33.6	10.5	16.2
Broad Money	16.9	23.4	18.1	31.2	14.8	0.4
Domestic Credit	26.7	49.0	43.0	20.0	18.0	6.0
<i>Private Sector Credit</i>	14.8	36.4	26.6	59.9	22.3	18.7
Net Domestic Financing (% of GDP)	2.1	5.1	2.2	1.9	1.6	1.8

Source: Bank of Zambia

Monetary Developments

Liquidity Conditions

In 2005, the banking system continued to be sufficiently liquid as commercial banks positive current account balances averaged K178.8 billion compared with an average of K142.5 billion in 2004. BoZ's net purchases of foreign exchange from the market and net Government spending were the two major sources of liquidity. Consequently, short-term interest rates declined, particularly in the first half of the year. In order to mitigate the inflationary impact of these liquidity injections, the Bank tightened monetary policy through an increase in issuances of open market operations (OMOs) term deposits and, to some extent, Government securities.

Open Market Operations

During the year, the BoZ's interventions in the money market using OMOs were predominantly aimed at the withdrawal of excess liquidity from the market in order to keep reserve money growth within the programmed path. To this effect, the BoZ withdrew a total of K1,118.9 billion through the issuances of Term Deposits and K35.7 billion through Repurchase Agreements (Repos). Term deposits were issued for tenors ranging from 7 days to 3 months at average interest rates of between 13.5% and 18.9% (see Table 4).

Table 4: OMO Interventions, 2004 - 2005

Instrument Used	2004				2005			
	Amounts Withdrawn, K'bn	Average Rate, %	Amount Supplied, K'bn	Average Rate, %	Amounts Withdrawn, K'bn	Average Rates, %	Amount Supplied, K'bn	Average Rates, %
Term deposits	365.4	14.7	0.0	0.0	1,118.9	18.1	0.0	0.0
Repurchase Agreements (Repos)	95.7	23.0	0.0	0.0	35.7	15.6	0.0	0.0
Outright Sales of Treasury Bills	3.8	17.4	0.0	0.0	0.0	0.0	0.0	0.0
Secured Loans	0.0	0.0	298.5	108.5	0.0	0.0	90.0	108.5

Source: Bank of Zambia

Reserve Money

Reserve money grew by 27.1% in 2005 compared with a growth of 33.8% in 2004. In absolute terms, reserve money increased to K 2,407.9 billion at end-December 2005 from K1,894.0 billion at end-December 2004 (see Table 5). This was above the programmed reserve money growth rate target of 10.5% by 16.6 percentage points.

DEVELOPMENTS IN THE ZAMBIAN ECONOMY

The rise in reserve money was mainly attributed to an expansion in net foreign assets of 69.7% to negative K1,022.9 billion in December 2005 from negative K3,376.4 billion in 2004 while net domestic assets (NDA) declined by 34.9% to K3,430.9 billion from K5,270.4 billion over the same period. Government expenditure (K480.5 billion) and BoZ's net purchases of foreign exchange (K653.9 billion) were the main factors accounting for the supply of liquidity. To mitigate the expansionary effects of liquidity injections on reserve money, the BoZ withdrew a total of K687.5 billion from the market through net open market operations (K199.7 billion), and net sales of Government securities (K487.8 billion). Most of the reserve money supplied in 2005 was reflected by an increase in currency in circulation, as well as Kwacha and foreign currency statutory reserve balances, which rose by 7.4%, 17.6% and 38.2%, respectively.

Table 5: Sources and Uses of Reserve Money, 2003 - 2005 (K'billions)

	2003	2004	2005
Net Foreign Assets	-3,413.2	-3,376.4	-1,022.9
Net Domestic Assets	4,828.4	5,270.4	3,430.9
Net claims on government	1,073.8	1,280.6	1,070.3
Claims on non-government	363.0	329.6	374.5
Other items, net	3,391.8	3,660.2	1,986.1
Reserve Money	1,415.2	1,894.0	2,407.9
Of which:			
Currency	670.1	818.5	961.9
With banks	77.7	85.9	138.8
With non-banks	592.4	732.6	823.1
Bank deposits	745.1	1,066.0	1,434.7
Required reserves (Kwacha)	286.0	351.6	413.4
Required reserves (forex)	203.3	294.7	407.2
Settlement accounts	233.4	249.1	212.6
Other deposits	22.4	170.6	401.5
Contribution to Growth in Reserve Money (%)			
Growth in Reserve Money	11.9	33.8	27.1
Of which:			
Net Foreign Assets	70.4	2.6	124.0
Net Domestic Assets	-58.5	31.2	-97.1
Domestic Credit	24.8	11.4	-8.7
Government	11.4	13.7	-11.1
Public Enterprises	1.9	2.2	0.6
Private Enterprises	-0.1	-0.4	0.1
Households	-0.2	-0.1	0.5
Banks	7.2	-4.1	1.2
Other Items Net	-83.3	19.8	-88.4

Source: Bank of Zambia

Domestic Credit

Growth in domestic credit slowed down to 6.0% in 2005 from 12.6% in 2004 (see Table 6). This outturn was lower than the 18% envisaged under the economic reform programme. The slow down was mainly attributed to the fall in lending to Government by 5.0%, which contributed negative 2.6 percentage points to domestic credit growth. In addition, growth in banking system lending to public enterprises and private enterprises slowed down to 15.1% and 7.6% from 51.1% and 59.9%, and contributed 1.2 and 2.4 percentage points to the growth in domestic credit, respectively. The valuation effects of the appreciation in the exchange rate of the Kwacha against major currencies partly explained the slow down in growth in domestic credit.



DEVELOPMENTS IN THE ZAMBIAN ECONOMY

However, lending to households and non-bank financial institutions rose sharply as Government reduced borrowing as a ratio of GDP. Credit to households contributed 4.7 percentage points to the growth in domestic credit while lending to non-bank financial institutions contributed 0.6 percentage points. As a result, lending to the private sector rose by 18.4%, which was in line with the aim of increasing credit to the sector to support the economic growth objective.

Table 6: Developments in Domestic Credit, 2003 - 2005

	2003			2004			2005		
	K'bn	% change	% Share	K'bn	% change	% Share	K'bn	% change	% Share
Domestic credit	4,215.1	49.0	100.0	4,746.8	12.6	100.0	5,054.4	6.0	100.0
Of which:									
Net claims on Gov't.	2,708.9	57.9	64.3	2,512.8	-7.2	52.9	2,386.9	-5.0	47.2
Public enterprises	116.1	24.2	2.8	175.4	51.1	3.7	230.3	15.1	4.6
Private enterprises	1,095.4	29.1	26.0	1,751.2	59.9	36.9	1,879.2	7.6	37.2
Households	275.9	73.5	6.5	305.4	10.7	6.4	528.0	73.0	10.4
NBFIs.	18.9	62.9	0.4	1.9	-89.9	0.1	29.9	1,440.8	0.6

Source: Bank of Zambia

Commercial Banks' Loans and Advances

During the year under review, commercial banks loans and advances rose by 18.8% to K2,501.7 billion at end-December 2005. This outturn was explained by increased lending to financial services (175.4%), real estates (45.0%), wholesale and retail trade (22.1%), and construction (18.1%) sectors. Increases in loans and advances were also recorded in the transport, storage and communications (16.4%), manufacturing (11.1%), energy (10.5%), agriculture (6.6%) and mining (3.1%) sectors. In addition, personal loans or household lending also increased by 63.2% due to scaling up of marketing of financial services by banks, particularly the introduction of salary based loans and mortgages by some commercial banks. The increase in lending to the productive sectors contributed towards the strong economic growth recorded in 2005.

However, loans and advances to restaurants and hotels declined by 23.4%. Similarly, loans and advances to community, social and personal services sectors experienced a decline of 18.3% during the year. Relative to other sectors, agriculture at 27.2% continued to have the leading share of commercial banks' loans and advances. This was followed by trade (14.3%), personal loans (14.2%) and manufacturing (12.2%) (see Table 7 and Charts 1 and 2).

Table 7: Sectoral Shares of Commercial Banks' Loans and Advances, 2003 - 2005

	2003		2004		2005	
	K'mn	% Share	K'mn	% Share	K'mn	% Share
Agriculture, Forestry, Fishing and Hunting	345.6	24.7	637.2	30.3	679.4	27.2
Mining and Quarrying	68.3	4.9	93.7	4.4	96.6	3.9
Manufacturing	178.1	12.7	274.0	13.0	304.5	12.2
Electricity, Gas, Water and Energy	44.0	3.1	131.1	6.2	144.9	5.8
Construction	30.3	2.2	41.9	2.0	49.5	2.0
Wholesale and Retail Trade	201.6	14.4	292.2	13.9	356.6	14.3
Restaurants and Hotels	51.5	3.7	76.3	3.6	58.4	2.3
Transport, Storage and Communications	101.3	7.2	160.8	7.6	187.2	7.5
Financial Services	28.9	2.1	22.2	1.1	61.3	2.5
Community, Social and Personal Services	22.2	1.6	71.3	3.4	58.2	2.3
Real Estate	9.1	0.6	52.3	2.5	75.8	3.0
Personal Loans	207.3	14.8	217.1	10.3	354.3	14.2
Other Sectors	112.6	8.0	36.3	1.7	75.0	3.0
Total	1,401.0	100.0	2,106.4	100.0	2,501.7	100.0

Source: Bank of Zambia

DEVELOPMENTS IN THE ZAMBIAN ECONOMY

CHART 1: DISTRIBUTION OF LOANS AND ADVANCES AS AT END - DEC 2005

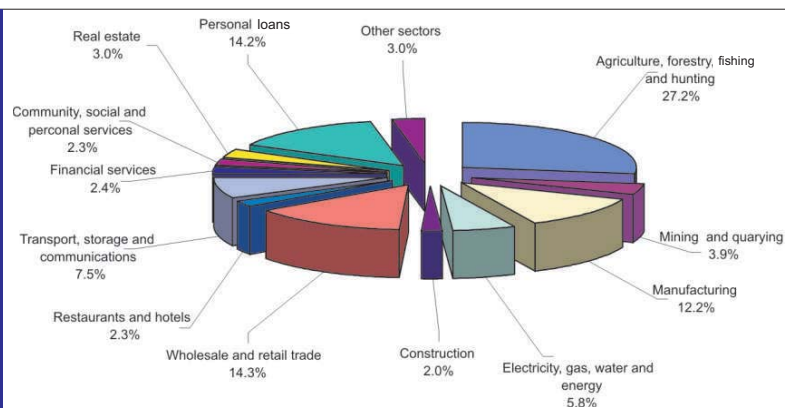
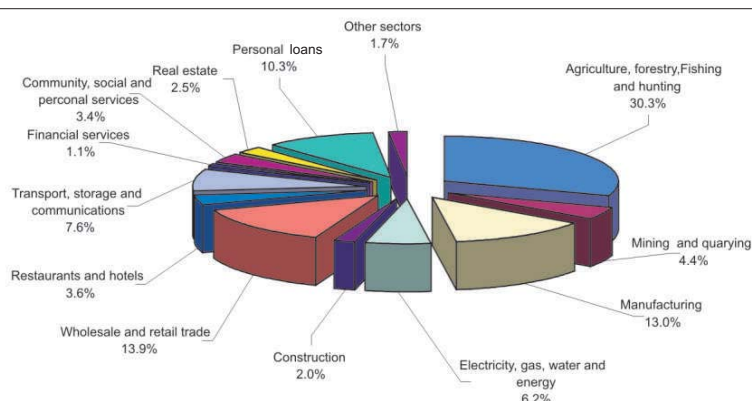


CHART 2: DISTRIBUTION OF LOANS AND ADVANCES AS AT END - DEC 2004



Broad Money

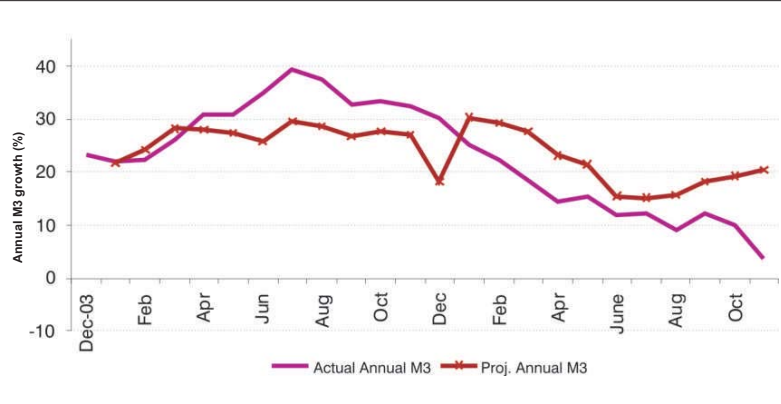
In order to achieve the inflation objective, a relatively tight monetary policy stance was adopted. Preliminary data indicate that annual broad money (M3) grew by 0.4% to K5,841.1 billion at end-December 2005 compared with a growth of 31.2% in 2004. This downturn was 14.4 percentage points below the projected growth of 14.8%. The slow down in broad money growth was explained by the 21.4% fall in net domestic assets in particular, lending to the Government and the revaluation effects on foreign currency denominated items, which contributed negative 28.6 percentage points to the growth. However, net foreign assets increased by 85.7% due to the improvement in the external sector, contributing 29.0 percentage points to the growth in broad money (see Table 8 and Chart 3).

Table 8: Developments in Broad Money Growth, 2003 - 2005 (Annual %)

	2003	2004	2005	Contributions to change in M3 in 2005
Broad money	22.6	31.2	0.4	0.4
Of which:				
Net foreign assets	21.0	15.5	85.7	29.0
Net domestic assets	2.3.0	14.4	-21.4	-28.6
Domestic credit	49.0	12.6	6.0	4.9
Net Claims on Gov't.	57.9	-7.2	-5.0	-2.2
Public Ent.	24.2	51.1	15.1	0.5
Private Ent.	29.1	59.9	7.6	2.3
Households	73.5	10.7	73.0	3.8
NBFIs	62.9	-89.9	1440.8	0.5
Other items net	-31.5	17.2	-64.7	-33.6

Source: Bank of Zambia

CHART 3: ANNUAL GROWTH IN BROAD MONEY, DEC 2003 - DEC 2005 (%)



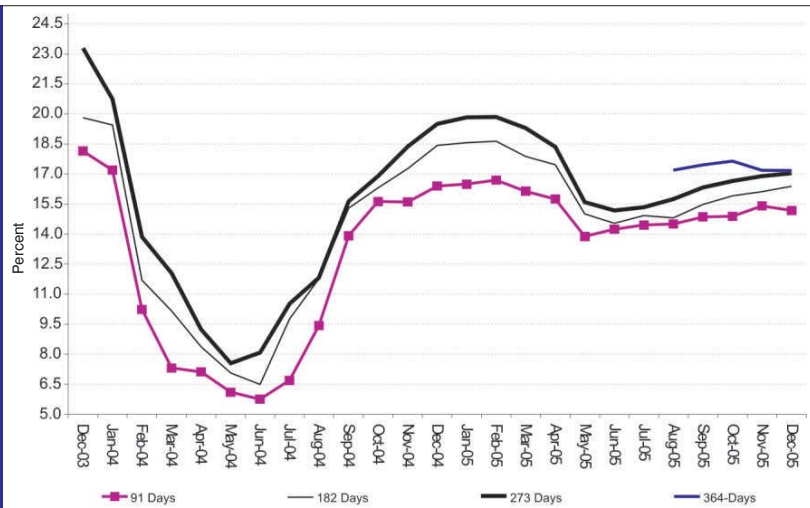
Interest Rates Developments

Yield Rates on Government Securities

As a result of high liquidity levels in the banking system, yield rates on Government securities trended downwards in the first half of 2005. However, in the second half of the year a tighter monetary policy was implemented leading to an upward trend in yield rates. Despite the upward trend in the second half of 2005, the composite weighted average Treasury bill yield rate, which ended the year at 16.2% in 2005, was lower than the 17.8% recorded in 2004. Nonetheless, the composite yield rate on Government bonds ended the year higher at 23.0% from 20.9% in 2004. The relatively higher yield rate on Government bonds is explained by the introduction of longer term bonds, which were issued at relatively high yield rates.

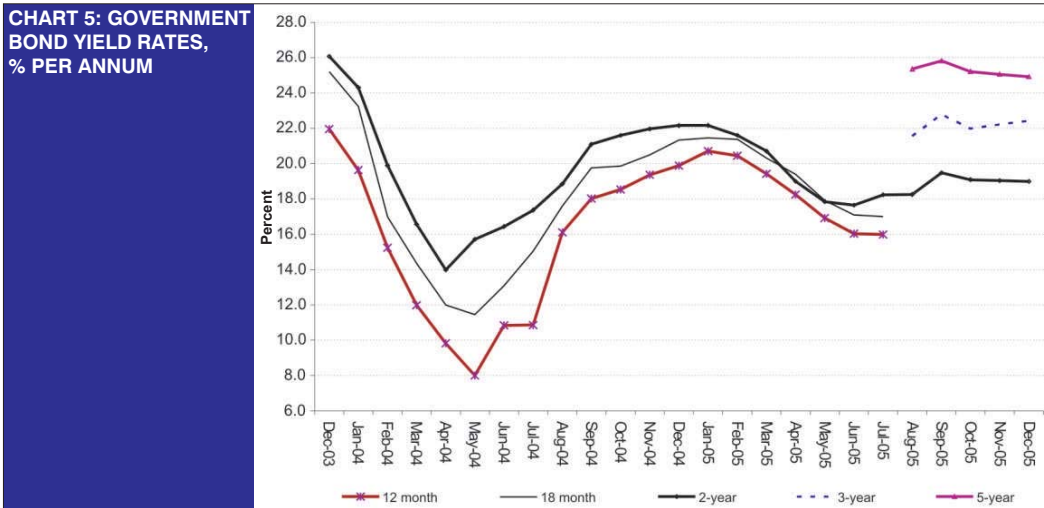
With respect to individual portfolios, the yield rate on the 91-day Treasury bills declined by 0.8 percentage points to 15.6% while that for the 182-day portfolio declined by 1.8 percentage points to 16.6% in December 2005. Similarly, the yield rate on the 273-day portfolio was 2.6 percentage points lower in 2005 at 16.9%. The yield rate on the 364-day portfolio shed 0.2 percentage points from the rate recorded on its debut in August 2005 to 17.0% in December (see Chart 4).

CHART 4: TREASURY BILL YIELD RATES, % PER ANNUM



As regards Government bonds, the yield rate on the 2-year bond declined by 3.3 percentage points in 2005 to end the year at 18.9%. However, the yield rate on the 3-year bond closed the year 0.8 percentage points higher at 22.4% from 21.6% when it was first issued while the yield rate on the 5-year bond was 0.5 percentage points lower at 24.9% in December from 25.4% at its first issue in August 2005 (see Chart 5 and Table 9).

DEVELOPMENTS IN THE ZAMBIAN ECONOMY



Commercial Banks Nominal Interest Rates

Against the backdrop of an improved macroeconomic environment, commercial banks nominal lending interest rates declined while savings rates increased marginally. The weighted average lending base rate (WALBR) and the average lending rate (ALR) declined by 2.2 percentage points and 3.2 percentage points to 27.6% and 33.9%, respectively. The average savings rate (ASR) for amounts more than K100,000 rose by 0.5 percentage points to 6.1% and the 30-day deposit rate for amounts over K20 million rose by 0.2 percentage points to 8.4% (see Chart 6).



Real Interest Rates

In the year under review, real lending rates declined while real savings rates increased, although they remained negative. The real WALBR and ALR declined to 11.7% and 18.0% from 12.3% and 19.6% the previous year, respectively. Conversely, the real 30-day deposit rate for amounts over K20 million rose to negative 7.5% from negative 9.3%, while the real ASR increased to negative 9.8% from negative 11.9% (see Chart 7). The observed decline in real lending rates was largely explained by the fall in nominal interest rates, while the rise in real savings rates was explained by the slow down in inflation during the year. With regard to yield rates on Government securities, the real yield rates remained unchanged.



DEVELOPMENTS IN THE ZAMBIAN ECONOMY

CHART 7: REAL INTEREST RATES

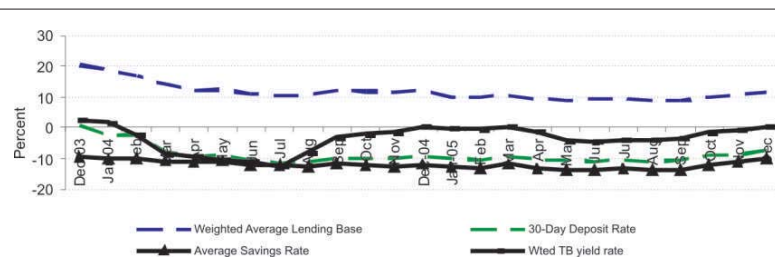


TABLE 9: Monthly Average Interest and Yield Rates, Dec 2003 - Dec 2005 (%)

	Nominal			Real		
	2003	2004	2005	2003	2004	2005
91-day Treasury bills	18.2	16.3	15.6	1.0	-1.2	-0.3
182-day Treasury bills	19.8	18.3	16.6	2.6	0.8	0.7
273-day Treasury bills	21.1	19.4	16.9	3.9	1.9	1.0
364-day Treasury bills			17.0			11.1
WATBR	19.7	17.8	16.2	2.5	0.3	0.3
12-month Bond*	27.5	19.6	-	10.3	2.1	-
18-month Bond*	30.0	20.8	-	12.8	3.3	-
24-month Bond	31.9	22.0	18.9	14.7	4.5	3.0
3-year Bond**	-	-	22.4	-	-	6.5
5-year Bond**	-	-	24.9	-	-	9.0
Composite Yield Rate on Bonds	30.0	20.9	23.0	13.0	3.4	7.1
Commercial banks' Weighted Average Lending Base Rate	37.7	29.8	27.6	20.5	12.3	11.7
Commercial banks' Average Lending Rate	45.3	37.1	33.9	28.1	19.6	18.0
Commercial banks' Average Savings Rate	7.6	5.6	6.1	-9.6	-11.9	-9.8
Deposit >K20 m (30 days)	17.9	8.2	8.4	0.7	-9.3	-7.5

Source: Bank of Zambia

Key : *The 12- and 18-month Government bond portfolios were discontinued in August 2005.

**The 3- and 5- year Government Bonds were introduced in August 2005.

Inflation

Overall Inflation

Price developments in 2005 were favourable as the annual overall inflation outturn was broadly in line with projections under the economic reform programme. This was mainly attributed to positive developments in prices of non-food items, especially in the fourth quarter following the appreciation of the Kwacha and the decline in money supply. In addition, the moderation in the increase in food prices following the improved supply of maize grain due to the importation of maize, duty free, and sale of maize to the domestic market by Food Reserve Agency (FRA) contributed to the decline in overall inflation.

Overall, inflation declined by 1.6 percentage points to 15.9% at end-December 2005 from 17.5% in 2004. This outturn was broadly in line with the inflation target of 15.0% for 2005 (see Chart 8 and Table 10). Non-food inflation declined by 4.9 percentage points to 14.0% at end-December 2005 from 18.9% at end-December 2004 and was 2.0 percentage points below the projection of 16.0%. However, annual food inflation rose by 1.2 percentage points to 17.5% in 2005 compared to the increase of 2.8 percentage points in 2004.

DEVELOPMENTS IN THE ZAMBIAN ECONOMY

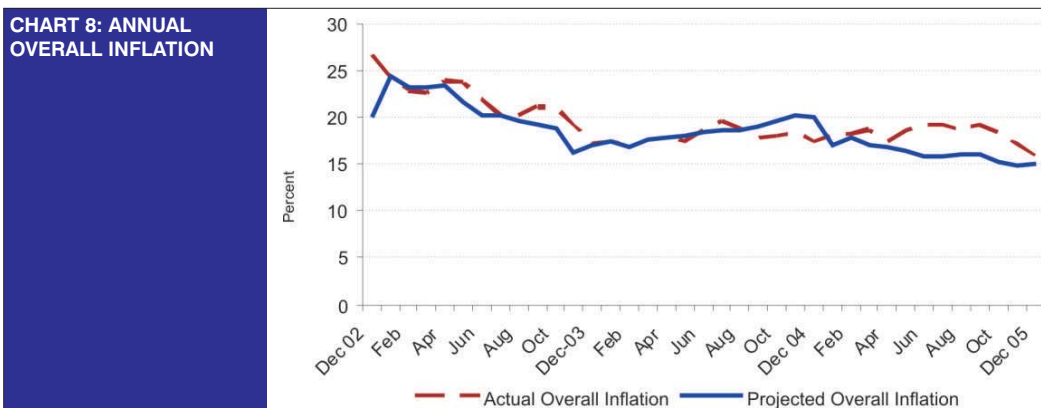


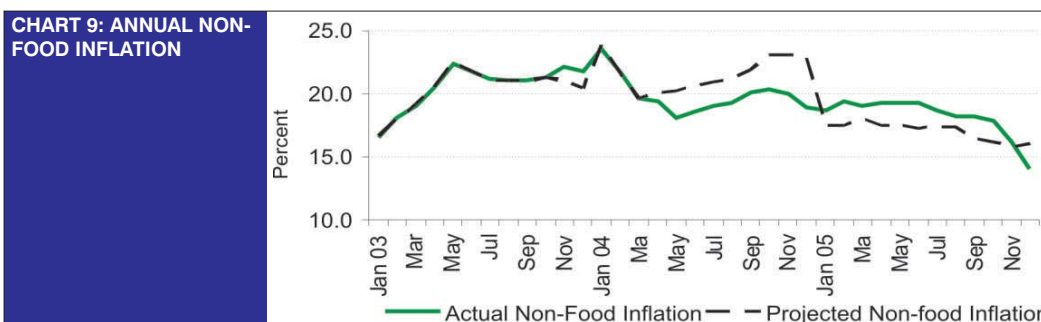
Table 10: Overall Inflation Outturn and Projections, Dec 2003 - Dec 2005

	Overall (%)					
	Monthly		Annual		Year-to-date	
	Outturn	Projection	Outturn	Projection	Outturn	Projection
Dec - 03	2.9	1.7	17.2	17.1	17.2	17.1
Dec - 04	2.2	2.6	17.5	20.0	17.5	17.5
Jan - 05	3.2	2.2	18.2	17.1	3.2	2.2
Feb - 05	1.5	1.6	18.7	17.6	4.8	3.9
Mar - 05	0.4	1.1	17.4	17.1	5.2	5.0
Apr - 05	1.2	0.1	18.6	16.8	6.6	5.0
May - 05	1.1	0.3	19.1	16.5	7.8	5.4
Jun - 05	0.8	0.3	19.2	15.9	8.7	5.6
Jul - 05	0.2	0.7	18.7	15.9	8.9	6.4
Aug - 05	1.5	1.0	19.3	16.0	10.5	7.4
Sep - 05	1.4	1.2	19.5	16.0	12.1	8.4
Oct - 05	1.1	1.4	18.3	15.3	13.2	10.4
Nov - 05	1.3	1.9	17.2	14.8	14.7	12.4
Dec - 05	1.0	2.3	15.9	15.0	15.9	15.0

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

Non-food Inflation

The outturn in non-food inflation at 14.0% was below the end-December 2005 projection of 16.0% by 2.0 percentage points (see Chart 9 and Table 11). This positive development was attributed to the pass-through effects of the appreciation in the exchange rate of the Kwacha against major currencies and the decline in money supply growth. The strengthening of the Kwacha followed the improved performance of the external sector and appropriate monetary and fiscal policies over the period. Furthermore, the developments in non-food inflation were also explained by reductions in the cost of petroleum products in the fourth quarter of the year (see Table 12) due to the appreciation of the Kwacha.



DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Table 11: Non-food Inflation Outturn and Projection, Dec 2003 - Dec 2005

	Non-Food (%)					
	Monthly		Annual		Year-to-date	
	Outturn	Projection	Outturn	Projection	Outturn	Projection
Dec - 03	2.2	1.2	21.7	20.4	21.7	20.4
Dec - 04	1.3	2.1	18.9	22.9	18.9	22.9
Jan - 05	2.7	1.7	18.7	17.5	2.7	1.7
Feb - 05	2.1	1.5	19.4	17.5	4.8	3.2
Mar - 05	0.7	1.4	19.0	18.0	5.5	4.6
Apr - 05	0.3	0.7	19.3	16.0	6.9	5.3
May - 05	1.2	1.1	19.2	17.5	8.1	6.6
Jun - 05	1.4	1.1	19.2	17.5	9.7	7.8
Jul - 05	0.5	1.0	18.7	17.2	10.2	9.0
Aug - 05	0.6	1.2	18.2	17.4	10.3	10.0
Sep - 05	1.9	1.7	18.2	17.3	13.0	11.4
Oct - 05	1.3	1.1	17.8	16.2	14.1	12.6
Nov - 05	1.0	1.5	16.3	15.7	14.6	14.6
Dec - 05	0.5	1.6	14.0	16.0	14.0	16.0

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

Table 12: Developments in Petrol and Diesel Prices, Dec 2003 - Dec 2005

	Petrol	Monthly % change	YTD %	Diesel	Monthly % change	YTD %	Crude oil (US \$/barrel)	Monthly % change	YTD %
Dec - 03	4,073	0.0	4.4	3,524	0.0	7.5	29.97	-0.3	7.5
Dec - 04	5,458	2.6	34.0	4,940	12.0	40.0	34.60	-3.6	15.4
Jan - 05	5,300	-2.9	-2.9	4,824	-2.0	-2.0	38.10	10.1	10.1
Feb - 05	4,896	-7.6	-10.3	4,500	-7.0	-9.0	39.60	3.9	14.5
Mar - 05	5,186	5.9	-5.0	4,590	2.0	-7.0	45.40	14.6	31.2
Apr - 05	5,619	8.3	2.9	4,749	3.0	-4.0	46.80	3.1	35.3
May - 05	5,856	4.2	7.3	5,099	7.0	3.0	45.00	-3.9	30.1
Jun - 05	5,716	-2.7	4.7	5,089	-1.0	3.0	50.40	12.0	45.7
Jul - 05	5,561	5.3	1.9	5,005	-1.0	1.0	52.80	4.8	52.6
Aug - 05	5,856	3.9	7.3	5,408	8.0	9.0	57.40	8.7	65.9
Sep - 05	6,082	4.3	11.4	5,793	7.0	17.0	57.70	-0.52	66.8
Oct - 05	6,335	4.2	16.1	5,732	-1.0	16.0	54.40	-5.8	57.2
Nov - 05	6,267	-0.8	15.2	5,727	-0.1	15.90	51.70	-5.0	49.1
Dec - 05	5,124	-18.2	-6.1	5,272	-7.9	6.7	53.80	4.1	55.5

Source: Bank of Zambia

Food Inflation

Prices of commodities in the food basket during 2005 exhibited an upward trend and exceeded the indicative projections for most of the year largely due to the shortfall in maize grain output in the 2004/2005 agricultural season. The annual food inflation rate was 17.5% at end-December 2005 (16.3%; December 2004). This outcome was 3.3 percentage points above the projected annual food inflation of 14.2% for December 2005 (see Chart 10 and Table 13). However, the importation of maize duty free and sale of maize by Food Reserve Agency (FRA) moderated the increase in food prices.

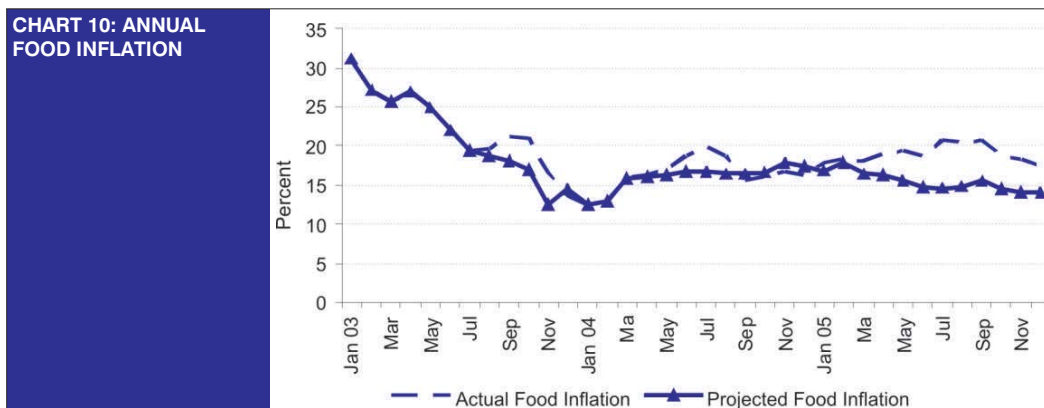


Table 13: Food Inflation Outturn and Projection, Dec 2003 - Dec 2005

	Food (%)					
	Monthly		Annual		Year-to-date	
	Outturn	Projection	Outturn	Projection	Outturn	Projection
Dec 03	3.5	2.1	13.5	14.5	13.5	14.5
Dec 04	3.0	3.1	16.3	17.4	16.3	16.3
Jan 05	3.7	2.7	17.9	16.8	3.7	2.7
Feb 05	1.2	1.8	18.3	17.8	5.0	4.5
Mar 05	0.0	0.8	16.0	16.4	4.9	5.3
Apr 05	2.0	-0.5	18.0	16.3	6.4	4.6
May 05	1.1	-0.5	19.1	15.6	7.5	4.3
Jun 05	0.3	-0.5	19.3	14.7	7.9	3.8
Jul 05	-0.1	0.3	18.7	14.6	7.8	4.1
Aug 05	2.3	1.0	20.4	14.8	10.2	5.1
Sep 05	0.9	1.2	20.7	15.5	11.2	6.4
Oct 05	1.1	1.8	18.8	14.5	12.4	8.3
Nov 05	2.1	2.3	18.3	14.1	14.7	10.8
Dec 05	2.4	3.1	17.5	14.2	17.5	14.2

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

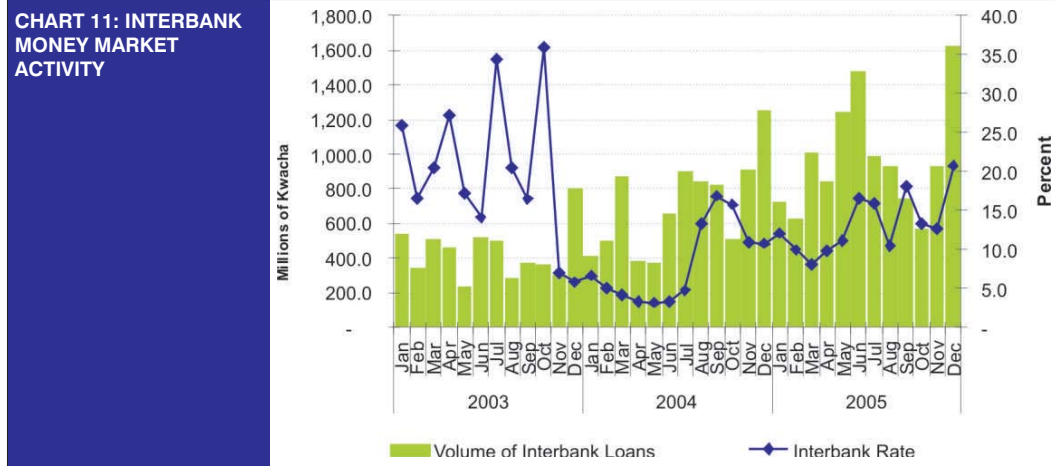
3.2 MONEY AND CAPITAL MARKETS DEVELOPMENTS

Money Market

Inter-bank Money Market

Trading activities in the inter-bank market were high for most of 2005. In the first half of the year, the volume of inter-bank loans were particularly high relative to the second half of 2005. Despite the high liquidity levels that prevailed in the market, inter-bank funds were exchanged at higher rates on account of the concentration of funds in a few banks.

In the first half of the year, a total of K5,926.2 billion was exchanged on overnight basis while the volume of loans traded for periods beyond 24 hours amounted to K1,661.5 billion. During the same period, the overnight rate averaged about 11.2% while the rate on funds traded for periods exceeding one day averaged 11.6%. In the second half of 2005, demand for both overnight loans slackened somewhat while demand for 2 to 14 days loans remained virtually unchanged. The volumes of overnight loans declined to K5,814.0 billion while the volume of loans traded for periods exceeding 24 hours increased slightly to K1,673.8 billion. However, inter-bank rates were higher during the second half of 2005, with the overnight rate averaging 15.2% while the average rate on 2 to 14 days loans was 13.4% (see Chart 11).



Government Securities Market

Notable developments in the Government securities market in 2005 included the introduction of the 364-day Treasury bill, 3- and 5-year Government bonds and the phasing out of the 12- and 18-months Government bonds. The introduction of long-term Government bonds was in recognition of the progress made towards enhanced macroeconomic stability and the need to further develop the Zambian financial system. The expectation is that the introduction of these securities would provide the much needed additional investment channels for institutional and other investors and provide a benchmark for the pricing of private long-term instruments.

In 2005, the issuance of Government securities was premised on the Government's financing requirements and the need to contain excess liquidity in order to help reduce inflation. In this regard, the weekly average Treasury bills auction size was raised to K72.4 billion from K40.8 billion in 2004 while the average Government bond auction size was increased to K78.8 billion from K47.1 billion.

The stock of Government securities increased by 20.8% to K5,256.2 billion in 2005 against an increase of 2.5% in 2004. The expansion in the stock of Government securities was a reflection of the Government's higher financing requirement for the year. In terms of the distribution, the increase in the stock of Government securities was accounted for by an expansion of 25.5% in the amount of outstanding Treasury bills to K2,021.8 billion while the stock of Government bonds rose by 6.9% to K3,234.4 billion. In 2005, interest by foreign investors in Government securities increased on account of improved macroeconomic performance. The stock of Government securities held by non-residents increased to K477.5 billion from below K1.0 billion as at end-December 2004.

DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Table 14: Government Securities Transactions, 2003 - 2005

	Subscription Rate (%)			Net Issuances (at Face Value) (K bns)		
	2003	2004	2005	2003	2004	2005
28-day bills	44.8	-	-	-	-	-
91-day bills	101.9	150.6	139.1	64.9	68.4	(149.7)
182-day bills	81.1	140.6	117.0	115.9	107.1	(108.8)
273-day bills	87.1	123.5	113.0	342.2	(62.1)	291.7
364-day bills	-	-	161.4	-	-	616.6
Total	87.2	138.3	126.6	523.0	113.4	649.8
12-month bond	131.8	198.3	202.8	(0.2)	(106.6)	(0.9)
18-month bond	121.3	163.2	137.4	220.4	(8.1)	(79.3)
24-month bond	124.8	173.5	156.9	319.1	110.5	(10.4)
3-year bond	-	-	92.2	-	-	215.1
4-year bond	-	-	-	-	-	84.4
5-year bond	-	-	88.0	-	-	262.7
10-year bond	-	-	-	1,607.9	-	(248.9)
Total	125.6	177.9	140.4	2,147.3	(4.2)	222.7

Source: Bank of Zambia

During the year, the market exhibited strong preference for the 364-day Treasury bill portfolio, particularly by domestic pension funds and foreign investors. The market's preference for the 364-day Treasury bills was evidenced by an over-subscription rate of 61.4% compared with less than 40.0% for the other portfolios. The rate of over-subscription in the 364-day bill partly reflected the market's interest in the one-year Government bond, which was over-subscribed by 102.8% by the time it was phased out. In addition, the rate of over-subscription on the phased out 18-month bond was 37.4% while the 2-year bond was over-subscribed by 56.9%. However, the market's interest in the 3- and 5-year bonds was initially rather lukewarm as they were under-subscribed by 21.7% and 13.8%, respectively as the market adjusted to these new instruments. However, as the year drew to a close the rate of subscriptions rose, with the 5-year bond being over-subscribed by 25.4% while the rate of under-subscription of the 3-year bond was 18.1% in the fourth quarter.

With a continuing strong investor demand for Government securities, virtually all auctions were fully subscribed to, although at a relatively lower rate than in 2004. The Treasury bills tenders were over-subscribed by 26.6% down from 38.3% in 2004 while the Government bond tenders were over-subscribed by 40.4% down from 77.9%. Notwithstanding the reduction in the subscription rates, the net issuance of Treasury bills rose to K649.8 billion in 2005 compared with K113.3 billion in 2004 while the net issuance of Government bonds increased to K222.7 billion from net redemptions of K4.2 billion in 2004 (see Table 14).

Following the improved macroeconomic environment and confidence in the economy, foreign investor purchases of Government securities re-emerged having last occurred in 1994. By the end of 2005, the stock of Government securities held by foreign investors increased to K477.5 billion from below K1.0 billion at the end of 2004. Of this amount, K352.2 billion was held in Treasury bills while the remainder was held in Government bonds. Within the Treasury bill portfolio, investors held the larger portion in the 364-day maturity term, which accounted for 60% of the portfolio. In the Government bonds, investors allocated 47% in 5-year bonds (see Charts 12, 13, 14 and 15).

DEVELOPMENTS IN THE ZAMBIAN ECONOMY

CHART 12: FOREIGN INVESTORS' WEEKLY TREASURY BILLS OUTSTANDING

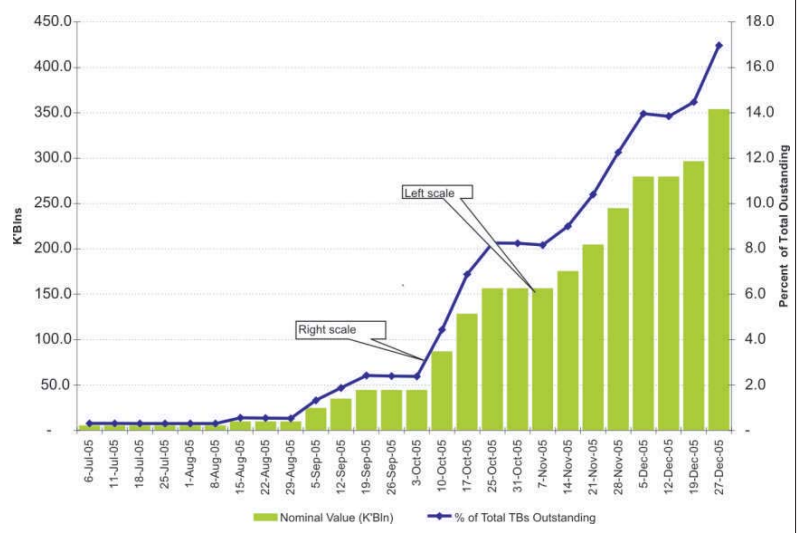
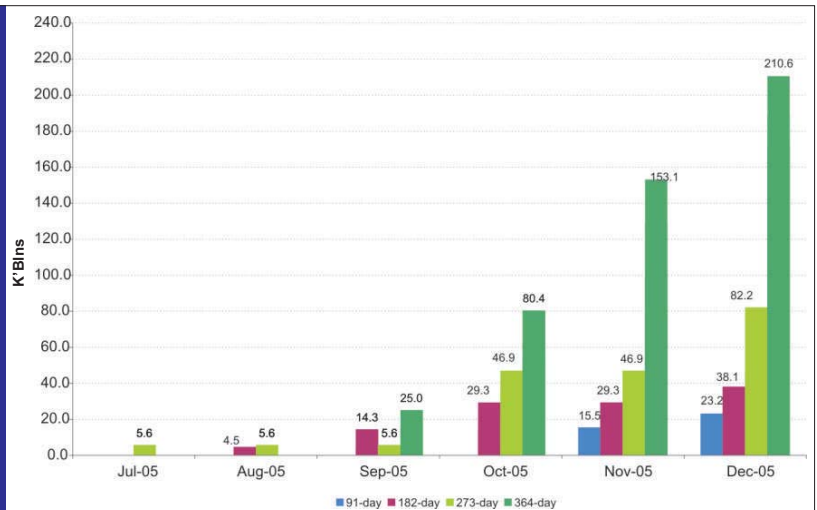
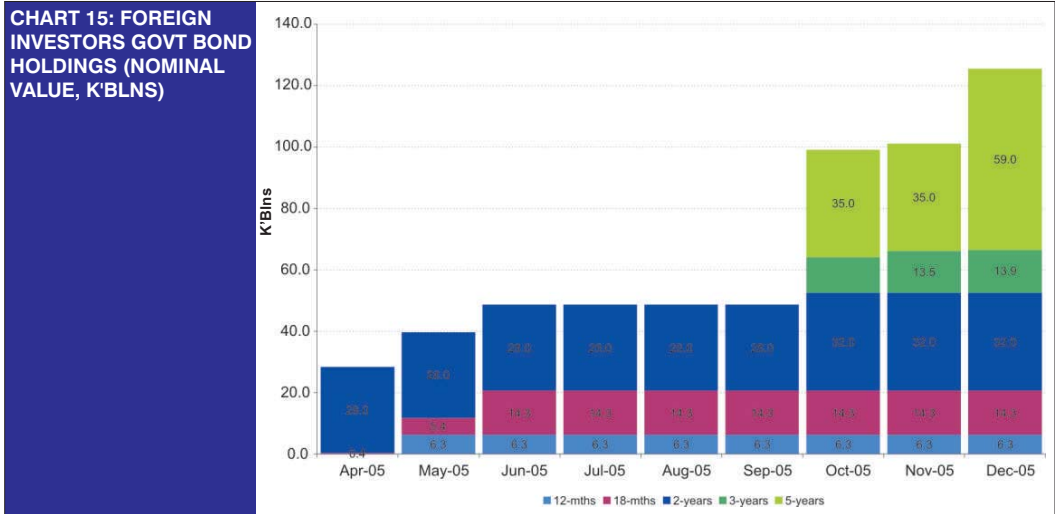


CHART 13: FOREIGN INVESTORS' NOMINAL GOVT BONDS OUTSTANDING



CHART 14: FOREIGN INVESTORS TREASURY BILLS HOLDINGS (NOMINAL VALUE, K'BLNS)





Foreign Exchange Market

In 2005, the foreign exchange market was characterised by high liquidity mainly on account of the improved external sector performance, including increased portfolio inflows. Consequently, the trading of foreign exchange in the market increased and the Kwacha strongly appreciated against the major trading-partner countries’ currencies.

Foreign Exchange Transactions

During the year, the volume of foreign exchange transactions in the market increased. In the interbank market, a total of US \$519.4 million was traded from US \$71.9 million exchanged in 2004. However, the amounts of other actively traded foreign currencies in the interbank market declined; €4.1 million was traded in the interbank market down from €15.8 million in 2004 while the traded amounts of the pound sterling and the South African rand also dropped to GBPO.3 million and ZAR17.6 million from GBP14.5 million and ZAR100.4 million, respectively.

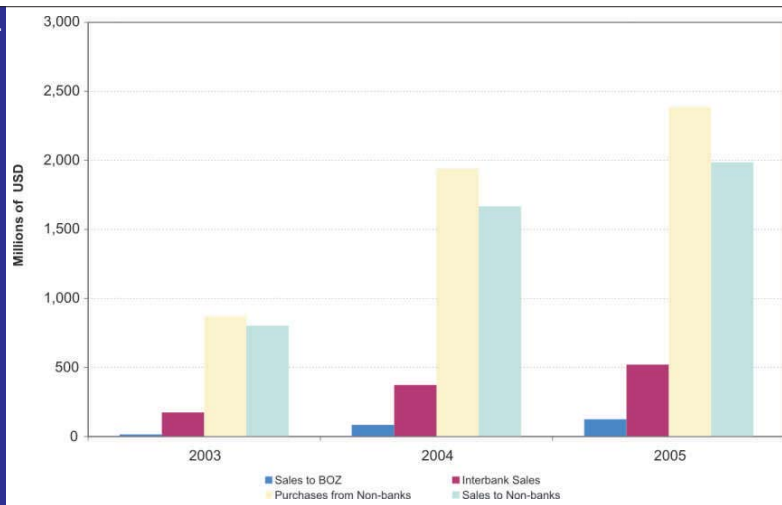
Commercial banks’ net purchases of US dollars and euros from non-banks, in 2005, increased to US\$260.3 million and €43.4 million from US \$233.6 million and €10.2 million, respectively. The amount of the pounds sterling purchased increased to £3.7 million compared with net sales of £3.8 million, while net sales of the South African rand slightly rose to ZAR1.3 million from ZAR1.1 million in 2004.

In the forward foreign exchange market, the volume of funds traded continued to rise as the need for active foreign exchange risk management increased in the face of volatile exchange rate movements. In this regard, commercial banks further increased the amount of the US dollar purchased in the forward market to US \$48.4 million from US \$15.7 million purchased in 2004 while the amount of the US dollars sold by banks in the forward market remained more or less unchanged at US \$20.1 million compared with US\$20.7 million in the previous year. Forward transactions in other currencies remained relatively low (see Chart 16).



DEVELOPMENTS IN THE ZAMBIAN ECONOMY

CHART 16: COMMERCIAL BANKS' US DOLLAR TRANSACTIONS



Nominal Exchange Rate

The performance of the Kwacha against major foreign trading-partner currencies was particularly strong, in the second half of 2005. The strengthening of the Kwacha was backed by tight monetary policy, consolidation of positive sentiments stemming from the country's attainment of the Enhanced HIPC Initiative Completion Point in April 2005, and increased inflows of foreign exchange from exporters and portfolio investors. In this regard, the exchange rate of the Kwacha appreciated by 26.4% against the US dollar to K3,416.33/US\$ against an appreciation of 1.6% in 2004¹. Furthermore, the Kwacha appreciated by 32.5% against the pound sterling to K6,052.33/GBP compared with a depreciation of 12.3% recorded in 2004. Against the Euro and South African rand, the Kwacha appreciated by 32.7% and 33.5% to end 2005 at K4,172.98/€ and K546.66/ZAR against depreciations of 11.2% and 23% in 2004, respectively (see Chart 17).

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The strong performance of the Kwacha against major currencies during 2005 resulted in a positive influence on the domestic economy. The development led to most business houses bringing down prices of goods and services following the appreciation of the Kwacha.



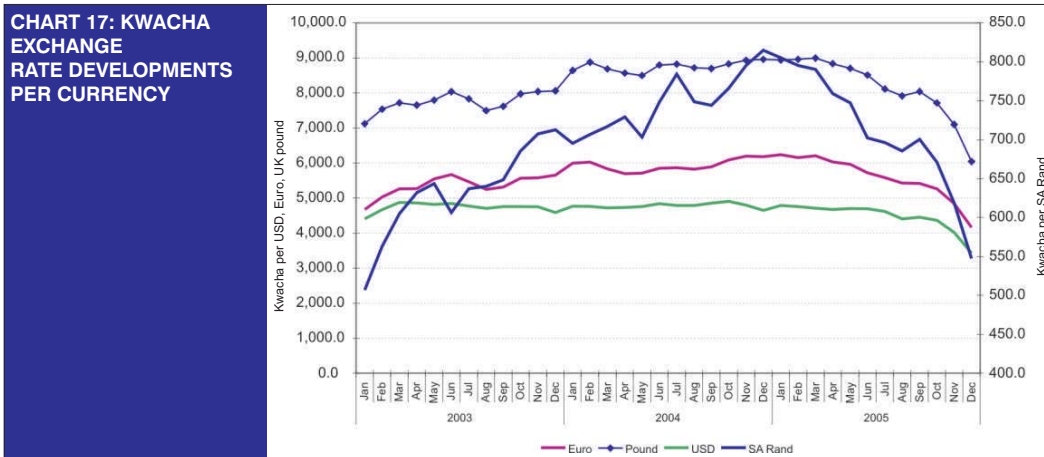
Boutique - Lusaka



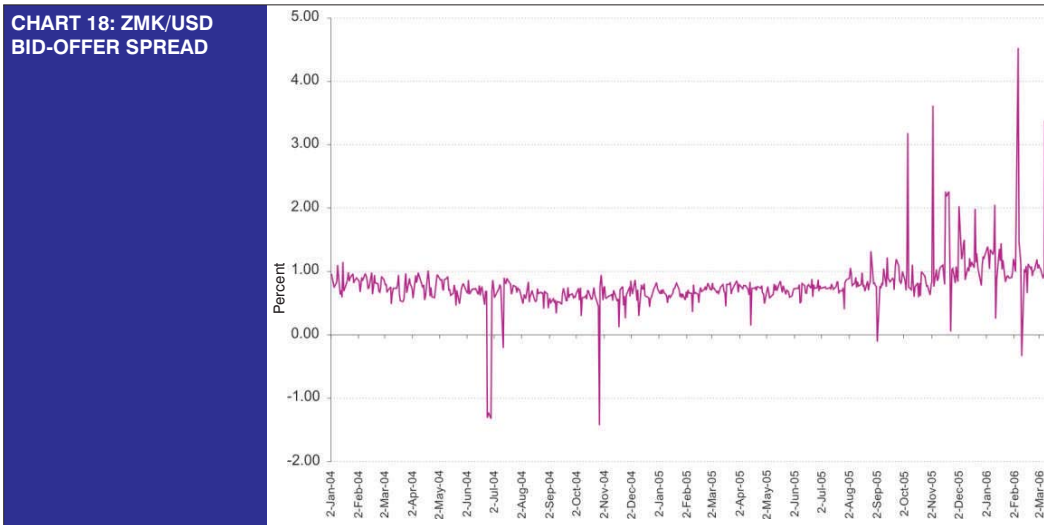
Auto spare part shop - Lusaka

¹In assessing the performance of the Kwacha against major foreign currencies, the BoZ monthly average mid-rates are used.

DEVELOPMENTS IN THE ZAMBIAN ECONOMY



For the most part of the year, the day-to-day movements in the exchange rate were largely stable supported by matched demand and supply. This stability was reflected by market bid-offer spreads that were largely below 1%. Increased volatility was observed in the last quarter of the year in the foreign exchange market following a stronger than expected appreciation of the Kwacha (see Chart 18). Consequently, the market bid-offer spread routinely exceeded 1% as market participants sought the re-establishment of a firmer equilibrium exchange rate.



Real Effective Exchange Rate

The average real effective exchange rate appreciated in 2005 in line with developments in the external sector. The average real effective exchange rate (REER)² index declined by 18.7% to 79.6 in 2005 from 97.9 in 2004 (see Table 15). The decrease in the REER was both on account of a 17.8% appreciation in the nominal effective exchange rate (NEER), and an 18.3% average domestic inflation compared with a 17.9% rise in the average foreign consumer price index.

²The Real Effective Exchange Rate (REER) is a trade weighted 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.



DEVELOPMENTS IN THE ZAMBIAN ECONOMY

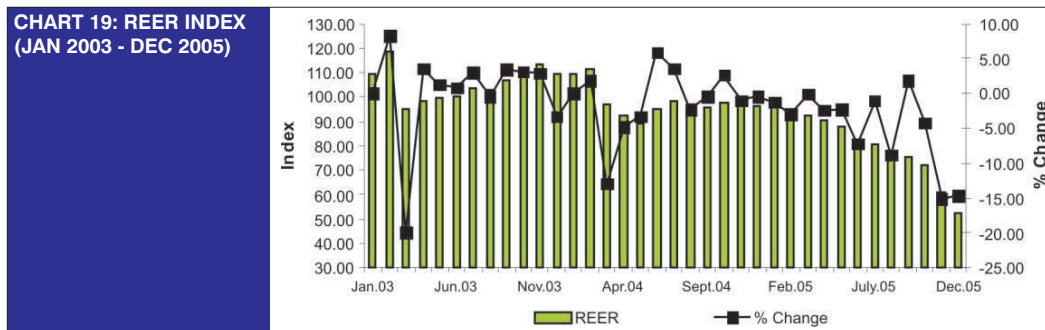


Table15: Real Effective Exchange Rate, 2003 - 2005

	2003	2004	2005
Zambia Consumer Price Index	860.5	1,015.1	1,201.1
Foreign Consumer Price Index	277.0	331.9	391.4
NEER Index	665.2	606.6	498.6
REER Index	105.6	97.9	79.6
Change over previous year (%)	7.7	- 7.2	- 18.7

Source: Bank of Zambia

Capital Markets

Stock Market

The Lusaka Stock Exchange (LuSE) All Share Index rose by 61.9% to 1,240.22 at end-2005, reflecting a strong improvement in the performance of the equities market. In addition, market capitalisation increased by 16.8% to K8,894.6 billion (see Chart 20). In US dollar terms, market capitalisation rose by 48.8% to US\$2,456.0 million. The increase in market capitalisation in US dollar terms partly reflected the appreciation in the exchange rate of the Kwacha against the US dollar. Although the number of listed companies on the stock exchange remained unchanged at 13, the market was fairly bullish throughout the year as the listed companies continued to perform favourably. The better than expected earnings of companies such as BP Zambia, National Breweries, Zambia Breweries, Zambia Sugar, Chilanga Cement and Farmers House led to healthy dividend declarations, which in turn attracted increased investor interest in the shares of these companies. Consequently, the increase in demand for the shares of these companies resulted in increased share prices (see Table 16).

Foreign participation on LuSE through net purchases of domestic corporate stocks increased in 2005 as evidenced by the net inflow of US\$9.6 million against a net outflow of almost US\$0.1 million in 2004. The net inflow of foreign portfolio investments is a reflection of heightened confidence among non-residents in the Zambian economy.

In order to enhance the participation of Zambian investors in the equities market, the Zambia Privatisation Trust Fund (ZPTF) off-loaded a total of 30.3 million residual shares in companies such as the British American Tobacco Zambia Plc, BP Zambia Plc, National Breweries Plc, Pamodzi Hotels Plc and Zambia Sugar Plc.

DEVELOPMENTS IN THE ZAMBIAN ECONOMY

CHART 20: INDICATORS OF LuSE ACTIVITY

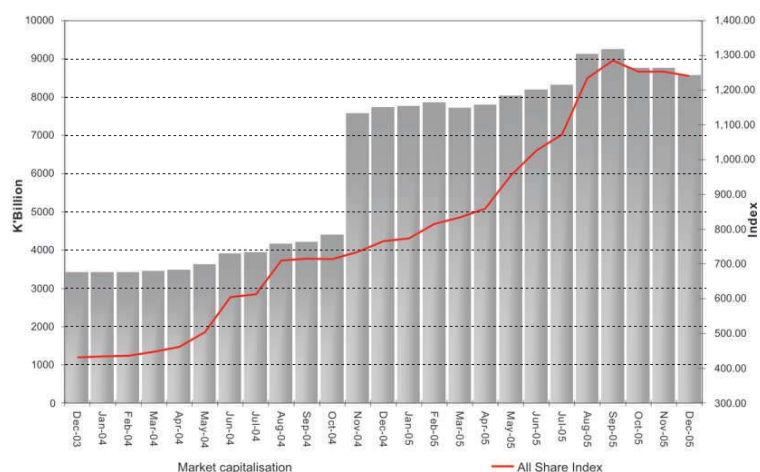


Table 16: LuSE Share Price Performance, 2003 - 2005

CORPORATE STOCK	END 2003	END 2004	END 2005	2004 - 2005 PRICE CHANGE (%)
British American Tobacco	140.0	200.4	262.30	31.2
BP Zambia	79.0	100.0	410.00	310.0
Chilanga Cement	750.0	1,399.0	1,900.00	35.8
Farmers House	1,045.0	1,045.0	1,450.00	30.6
Farmers House Preferences	4,795.0	4,900.0	4,400.00	-10.2
National Breweries	500.0	1,050.0	3,350.00	219.0
Pamodzi Hotel	149.9	150.0	170.00	13.3
Standard Chartered Bank	65.0	65.0	95.50	12.4
Shoprite	4,200.0	10,342.5	9,600.00	-7.2
Zamefa	n/a	300.0	340.00	13.3
Zambia Breweries	446.8	600.0	1,600.00	166.7
ZCCM-IH	3,500.0	3,500.0	4,250.00	21.4
Zambia Sugar	38.1	110.0	155.00	40.9

Source: Lusaka Stock Exchange
n/a: not applicable

Bonds Market

The secondary trading of Government bonds at the LuSE continued to be low in 2005. The number of trades fell sharply to 30 in 2005 from 103 in 2004 while the face value of the bonds traded declined to K20.0 billion from K61.3 billion in 2004. Notwithstanding the increase in yield rates on Government bonds in 2005 relative to 2004, the continued reduction in the trading of bonds on the stock exchange is a reflection of the rather inactive secondary market in these instruments.

3.3 BALANCE OF PAYMENTS

The attainment of the Enhanced HIPC Initiative Completion Point contributed to the improvement in the performance of the external sector during the year. Preliminary information indicates that the overall balance of payments increased to a surplus of US \$70 million in 2005 from a deficit of US \$343 million registered in 2004. This improvement in the overall balance was largely due to the favourable performance in the capital and financial accounts despite the deterioration in the current account. Project loans and grants, foreign direct investment as well as portfolio investment inflows registered significant increases, and enhanced the capacity to build-up Gross Official International Reserves (GIR) of the BoZ.

Current Account

A combination of continued strong economic activity and the appreciation of the Kwacha against major currencies led to an increase in the current account deficit through increased imports. The deficit in the current account, excluding grants, widened by 19.8% to US \$696 million in 2005 from US \$581 million registered in 2004 (see Table 17). This development is reflected the decrease in the merchandise trade balance as well as the deterioration in net services and income accounts. The merchandise trade balance declined by 61.0% to US \$32 million in 2005 from US \$82 million in 2004 while the net services and income accounts deteriorated by 10.2% and 9.9% to US \$237.0 million and US \$466.0 million, from US\$215 million and US\$424 million, respectively. The decline in the trade balance resulted from a higher increase in the value of merchandise imports than that of merchandise exports.

The value of imports increased by 25.1% to US \$2,161 million from US \$1,727 million recorded in 2004. The increase in the import bill was in part explained by the continued high investment activity in the mining sector and the rise in the price of oil on the world market. Increased domestic demand for imports was also reinforced by the strengthening of the Kwacha against major currencies. The value of metal imports increased by 17.5% to US \$336 million from US \$286 million while non-metal imports increased by 26.6% to US \$1,826 million.

Improved marketing of tourist attractions contributed to increased non-traditional export earnings.



Chishimba Falls - Kasama

DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Table 17: Balance of Payments, 2003 - 2005 (US \$ Million)

	2003	2004	2005
Current account balance	-686	-581	-696
Trade balance	-302	82	32
Exports, f.o.b.	1,061	1,779	2,161
Metal sector	669	1322	1,616
Non-traditional	392	457	545
Imports, f.o.b.	-1,393	-1,727	-2,161
Metal sector	-169	-286	-336
Non-metal	-1,224	-1,441	1,825
Goods procured in ports by carriers	29	31	32
Services (net)	-238	-215	-237
Receipts	165	232	272
Payments	-403	-447	-509
Income (net)	-143	-424	-466
Of which: interest payments	-126	-121	-110
Current Transfers (net)	-3	-25	-24
Capital Account	411	238	766
Project grants (capital)	240	239	287
Capital Transfers	0	0	1793
Financial Account	171	-1	-1314
Official loan disbursement (net)	-141	-221	-1,882
Disbursement	101	110	136
Amortization (-)	-242	-331	-2,018
Change in net foreign assets of Commercial banks	48	-90	91
Private capital (net)	264	310	477
Foreign direct investment	347	364	380
Errors and omissions, short term capital	-46	58	-328
Overall balance	-275	-343	70
Financing	321	285	258
Change in net international reserves of BoZ (-increase)	-161	-44	-377
Gross official reserves of BoZ	89	-28	-135
IMF (net)	-244	-10	-236
Debt Relief	389	264	480
Debt relief (non-HIPC)	154	245	152
Debt relief (HIPC, including IMF)	235	19	328
Of which IMF	169	0	219
BOP support grants	45	44	131
BOP support loans	10	21	24
Financing gap (+)	0	0	0
Memorandum items:			
Nominal GDP (millions of US \$)	4,326	5,440	7,270
Current account balance (% of GDP)	-15.9	-10.7	-9.6
Terms of trade (percentage change)	4.4	21.4	5.5
Copper volume (MT:000)	353	393	423
Copper price (US\$/lb)	0.78	1.20	1.56
Gross official Reserves	194	222	357
(In months of imports)	1.3	1.2	1.6
Debt service cash payments (US \$m)	184	373	166
(In % of exports)	14.6	18.3	6.7
Of which; official debt service	108	114	129

Source: Bank of Zambia and IMF Staff Estimates

DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Total export earnings in 2005 increased by 21.5%, to US \$2,161 million from US \$1,779 million in 2004, with earnings of metal and non-traditional exports (NTEs) rising by 22.2% to US \$1,616 million and by 19.3% to US \$538 million, respectively. The improvement in metal export earnings was attributed to a sharp increase in copper export earnings, which went up by 40.6% to US \$1,457.6 million on account of increased export volumes and realised unit prices. The volume of copper exports rose by 7.6% to 423,000 metric tons while copper prices increased by 30.0%, on average, to US \$1.56 per pound. The increase in copper prices was mainly due to sustained international demand particularly from China and India while export volumes edged upwards as a result of continued recapitalisation of the existing mines and commencement of full production at Kansanshi mine.

In contrast, cobalt exports declined by 44.4% to US \$158 million due to the decrease in both the volume of cobalt exports and prices. The export volume of cobalt declined by 11.5% to 5,400 metric tons while cobalt prices declined by 37.5% to US \$13.21 per pound in 2005.

The 19.3% increase in NTEs was explained by growth in the exports of copper wire, sugar, burley tobacco, cotton lint, fresh flowers, gemstones and electrical cables. Copper wire exports increased by 77.2% to US \$106.5 million in 2005 and benefited mainly from the elimination of the tariff regime under the SADC Trade Protocol and the expansion of production capacity by ZAMEFA (see Table 18). The value of sugar exports increased by 103.0% to US \$67.8 million, primarily due to guaranteed market access, through sugar quotas to the European Union and South Africa under the Everything-But-Arms Initiative and SADC Trade Protocol respectively. Burley tobacco export earnings grew by 53.0% to US \$60.3 million, mainly credited to continued investments in the industry and better yields.

The continued growth of non-traditional exports was signified by increased activity in the manufacturing sector. New product lines were introduced to meet local and export demand.



DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Table 18: Ten Major Non-Traditional Exports (C.I.F.), 2003 - 2005 (US \$' Million)

	2003	2004	2005	2004-2005 % Change
Copper wire	29.2	60.1	102.7	70.9
White Spoon Sugar	30.6	33.4	68.0	103.6
Burley Tobacco	19.0	39.4	69.9	77.4
Cotton Lint	28.6	51.4	66.8	30.0
Electrical Cables	16.2	32.7	46.2	41.3
Fresh Flowers	22.4	25.5	31.0	21.6
Cotton Yarn	22.1	23.9	23.4	-2.1
Fresh Fruit/Vegetables	26.9	23.2	21.0	-9.5
Gemstones	23.4	16.2	19.8	22.2
Gas oil	16.6	24.3	10.3	-57.6
Electricity	8.4	4.4	4.8	9.1

Source: Bank of Zambia

The deficit in the services account deteriorated to US \$237 million in the past year, reflecting large net payments made on trade-related services. With respect to the income account, the deficit widened by 9.9% to US \$466 million. This increase was in spite of a 9.1% decline in official interest payments on external debts to US \$110 million from US \$121 million over this period³.

Capital and Financial Account

The surplus on the capital and financial account rose to US \$766 million in 2005 from US \$238 million in 2004. This was largely due to increased donor inflows, foreign direct investment, portfolio investments and the draw down of Net Foreign Assets (NFA) of commercial banks. Project grants increased by 20.1% to US \$287 million, while there was a draw down of US \$97 million in the NFA of commercial banks compared to an accumulation of US \$90 million in the previous year. Further, there was an increase of 53.9% in net private capital inflows to US \$477 million. Increased external capital inflows partly resulted from the rise in investor and donor confidence following the attainment of the enhanced HIPC Initiative Completion Point in April 2005, which resulted in the external debt write-off of US \$1,793 million during the year.

Financing

In addition to the surplus of US \$70 million in the overall balance of payments (BoP), there was extra financing mainly by debt relief of US \$480 million, inflows of BoP support grants amounting to US \$131 million and BoP support loans of US \$24.0 million.

Balance of Payments Support

During the year, Zambia received a total of US \$154.9 million from its cooperating partners as BoP support. Specifically, Zambia received US \$86.7 million from the European Union (EU), US \$27.5 million from the British Government under the Poverty Reduction Budgetary Support (PRBS) to finance priority poverty reduction programmes, US \$22.9 million from the World Bank, US \$9.0 million from the African Development Bank (ADB), US \$7.0 million from Norway, US \$2.0 million from Finland, and US \$0.5 million from Sweden.

3.4 EXTERNAL DEBT

External Debt Stock

Preliminary data indicates that Zambia's stock of outstanding and disbursed external debt stock declined by 36.2% to US \$4,519.3 million at end-2005 from the US \$7,080.0 million recorded at end-2004 (see Table 19). As a percentage of GDP, the debt stock at end-2005 represented a ratio of 60.9%.

³ Income receipts relate to estimates of interest earnings by commercial banks on foreign deposits, interest by the monetary authorities on foreign exchange reserves, as well as imputations of interest by the metal and non-metal sectors on the deposits abroad assumed to be made from their export earnings.



down from 130.6% recorded in 2004. The significant reduction in the external debt stock was due to substantial debt cancellation by both bilateral and multilateral creditors following the attainment of the Enhanced HIPC Initiative Completion Point and repayment of debt service obligations.

An analysis of the structure of Zambia's external debt stock reveals that the bulk of it was owed to multilateral institutions, which accounted for 82.2% of the total. Bilateral creditors accounted for 8.9% while a further 8.9% share was accounted for by private creditors. The debt stock owed to multilateral creditors decreased by 4.0% to US \$3,715.7 million from US \$3,872.0 million at end-2004, while the stock of bilateral debt decreased sharply by 85.5% to US \$399.4 million from US \$2,748.0 million in 2004. The debt stock owed by the private sector declined by 12.1% to US \$404.0 million.

Table 19: Zambia's Debt Stock by Creditor, 2003 - 2005¹

Creditor	2003		2004		2005*	
	US\$' mn	%share	US\$' mn	%share	US\$' mn	%share
Bilateral	2,245.4	35.2	2,748.0	38.8	399.4	8.9
Paris Club	2,000.0	31.2	2,483.0	35.1	110.9	2.5
Non Paris Club	245.4	3.8	265.0	3.7	288.5	6.4
Multilateral	3,569.8	56.0	3,872.0	54.7	3,715.7	82.2
IMF	931.9	14.6	890.0	12.6	591.1	13.1
World Bank Group	2,294.4	36.0	2,359.0	33.3	2,436.4	53.9
Others	343.5	5.4	623.0	8.8	688.2	15.2
Other Creditors	562.8	8.8	460.0	6.5	404.2	8.9
Total	6,378.0	100.0	7,080.0	100.0	4,519.3	100.0

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

Notes: Total debt stock for 2005 is preliminary*.

External Debt Service

In 2005, scheduled external debt service payments before IMF HIPC Assistance was US \$381.2 million. However, upon attainment of the Enhanced HIPC Completion Point in April 2005, a total of US \$224.7 million was provided by the IMF as HIPC grant assistance. Therefore, the actual debt service amounted to US \$156.5 million. This represents a decrease of 57.8% from US \$370.9 million actual debt service recorded in 2004 (see Table 20). Of the total actual debt service, US \$71.5 million was paid to bilateral and US \$85.0 million to multilateral creditors. Zambia's debt service to the IMF was scheduled to be approximately US \$251.1 million in 2005 without the Enhanced HIPC assistance. However, with the provision of the enhanced HIPC grant assistance (US \$224.7 million), the actual amount paid to the IMF was US \$26.4 million.

Table 20: Zambia's Debt Service by Creditor, 2003 - 2005 (US \$'Million)

Creditor	2003	2004	2005
Bilateral	72.2	58.4	71.5
Paris Club	47.0	42.5	50.3
Others	25.2	15.9	23.3
Multilateral (Without IMF HIPC Assistance)	290.5	314.8	309.7
Multilateral (With IMF HIPC Assistance)	121.6	312.5	85.0
IBRD/IDA	19.9	17.4	17.4
IMF	249.7	259.5	251.1
o/w HIPC Relief	-168.9	-2.3	-224.7
Others	20.9	37.9	41.2
Total before IMF HIPC Relief	362.7	373.2	381.2
Total after IMF HIPC Relief	193.8	370.9	156.5

Source: Bank of Zambia

¹These figures reflect HIPC Initiative relief.

External Debt Relief

Following satisfactory performance and progress made in meeting conditionalities under the Enhanced HIPC Initiative, Zambia attained the Completion Point under the initiative in April 2005. As a result, the country was granted debt relief amounting to US \$3.9 billion in nominal terms.

Under the proportional burden sharing approach, multilateral creditors provided interim assistance and delivered their share of the Enhanced HIPC Initiative debt relief amounting to approximately US \$2.1 billion in nominal terms. Multilaterals provided this debt relief through various modalities, which included writing off the whole or part of the outstanding debt, providing grants to pay for debt service as it falls due or refinancing the outstanding debt on very soft terms. As part of their share in this total debt relief under the Enhanced HIPC Initiative, Paris Club creditors cancelled US \$1.4 billion. The Paris Club creditors, on a bilateral basis, also extended further debt relief in an amount of US \$393 million, which was beyond debt relief committed under the HIPC Initiative. This brought the total debt write-off by the Paris Club to US \$1.8 billion, leaving a balance of US \$124 million owed to the Russian Federation (see Table 21).

Table 21: Zambia: Enhanced HIPC Initiative: Assistant Levels Under a Proportional Burden-sharing Approach 1/ (In US \$ Millions at End-December 1999 NPV Terms; Unless otherwise Indicated)2/

	Total	Multilaterals	Bilaterals	Commercial Banks	Common Reduction Factor 3/ (%)	Memo items Required NPV debt reduction on comparable treatment on bilateral debt based overall exposure 4/ (%)
NPV of debt-to-exports target (%)	150.00					
Debt relief under baseline scenario	2,499.00	1,331.00	1,145.00	23.00	62.60	
NPV of debt at end-1999 5/	3,991.00	2,126.00	1,828.00	37.00		
Three-year export average	994.00					
NPV of debt-to-export ratio (%) 6/	401.00					
Paris Club Creditors:	1,739.00					87.5
of which pre-cod non-ODA	834.00					110.2
Non-Paris Club Creditors:	126.00					87.5
Of which pre-cod non-ODA	6.00					513.4

Source: Zambian authorities; and IMF staff estimates and projections

Notes

1/ Assumes proportional burden-sharing as described in "HIPC Initiative: Estimated Costs and Burden-Sharing Approaches".

2/ Using six-month discount and end-of-period exchange rates as of end-December 1999

3/ Each creditors' NPV reduction at the decision point in percent of its exposure at the decision point.

4/ Includes traditional debt relief.

5/ After a hypothetical stock-of-debt operation on Naples terms at end-December 1999.

6/ Based on the three-year backward looking average of exports of goods and non-factor services (e.g. 1997-99).

Multilateral Debt Relief Initiative (MDRI)

In July 2005, the G-8 countries proposed that the IMF, World Bank and ADB should cancel 100 percent of their debt claims on HIPC countries in order to free up additional resources for these countries to advance towards meeting the United Nations Millennium Development Goals (MDGs). Based on this proposal, the IMF Executive Board in December 2005 completed an assessment and determined that 19 countries, which included Zambia, had qualified for debt relief under what is now termed the MDRI, which would be implemented beginning 2006. When fully implemented, Zambia's stock of debt would reduce from US \$4.5 billion at the end of 2005 to about US \$0.5 billion at the end of 2006.



Under the MDRI initiative, the IMF would provide 100 percent debt relief on all debt outstanding as at 31st December 2004. This IMF MDRI relief amounts to SDR 403 million (US \$575 million) and would clear the bulk of the outstanding PRGF loans which stood at SDR 414 million (US \$591 million) at end-December 2005. Similarly, additional debt relief under the MDRI is expected from the World Bank and the African Development Bank in 2006.

3.5 FISCAL SECTOR DEVELOPMENTS

Fiscal Policy Objectives

During 2005, fiscal policy was aimed at consolidating and building on the gains achieved in macroeconomic stability in 2004. In this regard, the domestic deficit was to be limited to 3.8% of GDP while domestic financing was to be no more than 1.6% of GDP.

Preliminary data indicate that fiscal performance was favourable during the review period. The overall budget recorded a deficit of 3.2% of GDP in 2005 compared with the target of 5.1% of GDP. Similarly, the domestic budget deficit at 2.6% of GDP was 1.2 percentage points lower than the budgeted deficit of 3.8% of GDP. The favourable fiscal outturn was attributed to expenditure restraint (see Table 22). The outturn in domestic financing at 1.9% of GDP was higher than the programmed 1.6%.

Table 22: Central Government Fiscal Operations, 2003 - 2005

	2003		2004		2005 (Target)		2005 (Preliminary Outturn)	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Revenue and Grants	5,104.0	24.9	6,181.3	23.9	7,743.0	23.7	7,743.7	23.7
Domestic Revenue	3,680.0	17.9	4,748.3	18.4	5,722.2	17.5	5,643.2	17.3
Of which:								
Tax Revenue	3,548.0	17.3	4,554.3	17.6	5,511.4	16.9	5,518.3	16.9
Non-tax Revenue	132	0.6	194.0	0.8	210.8	0.6	124.9	0.4
Grants	1,424.0	6.9	1,433.0	5.6	2,020.8	6.2	2,100.5	6.4
Exp. & Net Lending	6,336.0	30.9	6,939.4	26.9	9,395.1	28.8	8,845.8	27.1
Of which:								
Current Expenditure	4,001.0	19.5	4,653.9	18.0	6,670.1	20.4	6,056.2	18.5
Capital Expenditure	2,335.0	11.4	2,285.5	8.9	2,725.0	8.3	2,789.6	8.5
Net Lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in balances	-116.0	-0.6	-316.3	1.2	0.0	0.0	68.2	0.2
Overall bal. (Cash)	-1,348.0	-6.6	-441.8	-1.7	-1,652.1	-5.1	-1,033.9	-3.2
Of which:								
Domestic balance. (Cash)	-599.0	-2.9	-338.1	-1.3	-1,243.7	-3.8	-848.1	-2.6

Source: Ministry of Finance and National Planning

Expenditure and Net Lending

As a ratio of GDP, total expenditure was 27.1% of GDP, and was 1.7 percentage points below the target of 28.8%. Total expenditure, at K8,845.8 billion, was 5.8% lower than the target of K9,395.1 billion (see Table 23). This outturn was mainly attributed to less than budgeted expenditure in the current expenditure budget.

Current Expenditure

Current expenditure at K6,056.2 billion was 9.2% below the budgeted expenditure of K6,670.1 billion. This was mainly due to less than budgeted expenditure on transfers and pensions, interest on domestic public debt and personal emoluments, which were below budget. In addition, expenditure on the public sector reform programme (PRSP) and other current expenditure were below the budgeted amounts. As a proportion of GDP, current expenditure at 18.5% was 1.9 percentage points below the budgeted expenditure of 20.4%.

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Expenditure on transfers and pensions were lower than budgeted by 34.2% largely due to less than programmed expenditure on terminal benefits, especially in respect of early retirement.

Domestic debt interest was 17.4% below the budgeted amount mainly due to lower than projected interest rates for 2005. Similarly, interest on foreign debt was 32.5% below the programmed expenditure following external debt relief received after the attainment of the Enhanced HIPC Initiative Completion Point.

Expenditure on personal emoluments was 2.3% below the target, while expenditure on salaries was consistent with the budget. Expenditure on other emoluments, particularly leave travel benefits, was lower than programmed. As a proportion of GDP, personal emoluments decreased to 7.5% from 7.7% of GDP in 2004.

Capital Expenditure

Capital expenditure at K2,789.6 billion was 2.4% above the programmed expenditure of K2,725.0 billion. Domestically financed capital expenditure at K565.1 billion in 2005 was 15.7% above the target of K488.5 billion. This was mainly due to higher than programmed releases from fuel levy on account of higher than programmed collections. Foreign financed capital expenditure, on the other hand, at K2,224.5 billion was broadly in line with the target of K2,236.5 billion.

Table 23: Central Government Expenditure, 2003 - 2005

	2003		2004		2005 (Target)		2005 (Preliminary Outturn)	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Expend. & Net Lending	6,336.0	30.9	6,939.4	26.9	9,395.1	28.8	8,845.8	27.1
Current Expenditure	4,001.0	19.5	4,653.9	18.0	6,670.1	20.4	6,056.2	18.5
Wages and Salaries	1,728.0	8.4	2,011.8	7.8	2,513.2	7.7	2,455.0	7.5
Public Service Reform	10.0	0.0	20.1	0.1	65.7	0.2	43.9	0.1
RDCs	648.0	3.2	835.1	3.2	1,372.8	4.2	1,449.7	4.4
Transfers and Pensions	361.0	1.8	446.1	1.7	1,207.0	3.7	794.0	2.4
Interest on Public Debt	792.0	3.9	897.6	3.5	1,042.7	3.2	861.5	2.6
Domestic Debt	563.0	2.7	745.6	2.9	850.0	2.6	731.5	2.2
Foreign Debt	229.0	1.1	152.0	0.6	192.7	0.6	130.0	0.4
Other Current Expenditure	456.0	2.2	430.0	1.7	459.1	1.4	442.2	1.4
Contingency	6.0	0.0	13.2	0.1	9.6	0.0	9.9	0.0
Payment of Dom. Arrears	0.0	-	-	-	-	-	-	-
Capital Expenditure	2,335.0	11.4	2,285.5	8.9	2,725.0	8.3	2,789.6	8.5
Domestically Financed	507.0	2.5	584.5	2.3	488.5	1.5	565.1	1.7
Foreign Financed	1,828.0	8.9	1,701.0	6.6	2,236.5	6.9	2,224.5	6.8
Net Lending	-	-	-	-	0.0	0.0	0.0	0.0

Source: Ministry of Finance and National Planning

Revenue and Grants

During 2005, total revenue and grants were K7,743.7 billion, and were thus marginally above the target of K7,743.0 billion. This outturn was largely attributed to favourable inflows of grants, which were above the programmed level by 3.9%. However, domestic revenue was 1.4% below the target amount of K5,722.2 billion, due to lower than the programmed non-tax revenue (see Table 24).

As a proportion of GDP, total revenue and grants at 23.7% were in line with the projection. The inflows of grants were 6.4% of GDP compared with the target of 6.2%, while domestic revenues, at 17.3%, were slightly lower than the target of 17.5%.

Tax Revenue

In 2005, tax revenue at K5,518.3 billion was marginally above the target of K5,511.4 billion. The favourable outturn in tax revenue was mainly due to higher collection of taxes on domestic goods and services and on income. As a percentage of GDP, tax revenue at 16.9% was the same as the target.

Tax on Domestic Goods and Services

The revenue outturn from taxes on domestic goods and services at K1,390.4 billion was 3.9% above the budgeted amount. Both excise duty and domestic value added tax (VAT) were above their targeted amounts of K728.9 billion and K609.0 billion by 5.3% and 2.3%, respectively. The favourable outturn on excise duty was attributed to higher fuel levy collection following the revocation of concessions on duty free importation by the mines, in particular Konkola Copper Mines. The higher than programmed domestic VAT was mainly due to lower refunds than was originally projected.

As a proportion of GDP, revenue from taxes on domestic goods and services was 4.3% against the target of 4.1%. Similarly, excises duties at 2.4% of GDP were above the target of 2.2% of GDP. Nonetheless, domestic VAT remained unchanged at 1.9% of GDP.

Income Tax

Income tax at K2,461.7 billion exceeded the target of K2,425.2 billion by 1.5%. As a proportion of GDP, income tax revenue was 7.5% of GDP compared with the target of 7.4%. This outturn was mainly due to exceptionally higher mineral extraction royalties of K39.2 billion compared to the target of K4.1 billion. Extraction royalties increased following the expiry of tax concessions awarded to some mining companies through development agreements. In addition, company tax was above the target of K448.1 billion by 0.7% although as a percentage of GDP it was in line with the projection of 6.0%.

International Trade Taxes

The outturn in international trade taxes was generally unfavourable in 2005. Total revenue under this category at K1,666.2 billion was lower than the projection of K1,748.3 billion. As a proportion of GDP, international trade taxes were 5.1%, which was 0.3 percentage points lower than the budgeted 5.4%. This outturn was largely explained by the lower than programmed import duty amounting to K649.5 billion, compared with the budgeted amount of K744.7 billion. Lower import duties were due to the domination of imports by hydrocarbon products, which attract lower import duty than crude oil. This followed the temporary closure of the INDENI Petroleum Refinery during the year.

In addition, export duties at K6.5 billion were below the budgeted amount of K24.6 billion, largely attributed to the removal of export duty on timber. Furthermore, the strengthening of the Kwacha against major foreign currencies impacted negatively on revenues from exports and imports.

Non-Tax Revenue

Non-tax revenue was K124.9 billion in 2005, which was 40.7% below the budgeted amount of K210.8 billion. As a proportion of GDP, non-tax revenue at 0.4% was 0.2 percentage points below the programmed level of 0.6%. This outturn was mainly attributed to lower than programmed fertiliser loan recoveries, failure to remit energy regulation fees, and non-revision of fees and fines. In addition, non-repayment of on-lent funds, following the swapping of a number of loans in this category under the domestic debt portfolio, contributed to the unsatisfactory performance in non-tax revenue.

Grants

Following satisfactory macroeconomic performance, cooperating partners responded favourably by increasing grants. Total grants were K2,100.5 billion, which was 3.9% above the budgeted amount of K2,020.8 billion. As a proportion of GDP, total grants at 6.4% were 0.2 percentage points above the target of 6.2%. Of the total grants, programme support was K598.8 billion, compared with the budgeted K382.0 billion. However, projects support at K1,501.7 billion was 8.4% below the budgeted amount of K1,638.8 billion.

Table 24: Central Government Revenue, 2003 - 2005 (K' Billion)

	2003		2004		2005 (Target)		2005 (Preliminary Outturn)	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Revenue and Grants	5,104.0	24.9	6,181.3	23.9	7,743.0	23.7	7,743.7	23.7
Domestic Revenue	3,680.0	17.9	4,748.3	18.4	5,722.2	17.5	5,643.2	17.3
Tax Revenue	3,548.0	17.3	4,554.3	17.6	5,511.4	16.9	5,518.3	16.9
Income Tax	1,622.0	7.9	2,037.7	7.9	2,425.2	7.4	2,461.7	7.5
Personal Tax	1,137.5	5.5	1,700.1	6.6	1,970.3	6.0	1,968.2	6.0
Company Tax	327.6	1.6	333.2	1.3	444.9	1.4	448.1	1.4
Extraction Royalty	7.0	0.0	4.4	0.0	4.1	0.0	39.2	0.1
Other Taxes	0.0	0.0	0.0	0.0	5.9	0.0	6.2	0.0
Domestic Goods & Services	875.0	4.3	1,062.4	4.1	1,337.9	4.1	1,390.4	4.3
Excise Taxes	482.0	2.3	610.1	2.4	728.9	2.2	767.5	2.4
Domestic VAT	393.0	1.9	452.3	1.8	609.0	1.9	622.9	1.9
International Trade Taxes	1,051.0	5.1	1,454.2	5.6	1,748.3	5.4	1,666.2	5.1
Import Tariffs	409.0	2.0	545.1	2.1	744.7	2.3	649.5	2.0
Import VAT	642.0	3.1	909.1	3.5	979.0	3.0	1,010.2	3.1
Export Duties					24.6	0.1	6.5	0.0
Non-tax Revenue	132.0	0.6	194.0	0.8	210.8	0.6	124.9	0.4
Fees and Charges	78.0	0.4	131.8	0.5	111.0	0.3	68.3	0.2
Dividends	0.0	0.0	0.0	0.0	19.8	0.1	20.3	0.1
Other Receipts	54.0	0.3	62.2	0.2	80.0	0.2	36.3	0.1
Grants	1,424.0	6.9	1,433.0	5.6	2,020.8	6.2	2,100.5	6.4
Programme	229.0	1.1	258.0	1.0	382.0	1.2	598.8	1.8
Projects	1,195.0	5.8	1,175.0	4.6	1,638.8	5.0	1,501.7	4.6

Source: Ministry of Finance and National Planning

Budget Financing

The overall budget deficit of K1,033.9 billion in 2005 was financed using both domestic and external financing. Domestic financing at K596.3 billion was 1.9% of GDP, which exceeded the programmed financing of 1.6% of GDP. This level of domestic financing was necessitated by the need to reduce domestic arrears which led to the issuance of additional Government securities amounting to K120 billion.

Table 25: Budget Deficit Financing, 2003 - 2005 (K' Billion)

	2003	2004	2005	2005	% of GDP
			Target	Prel. Outturn	
Total Financing	1,348.0	441.8	1,652.1	1,033.9	3.2
Domestic	1,040.5	211.8	500.0	596.3	1.9
Bank	978.7	45.0	342.0	439.5	1.4
Non-bank	61.8	166.8	158.0	156.8	0.5
External	307.5	230.0	1,152.1	437.6	1.3
Programme Loans	45.9	96.0	1,234.9	153.7	0.5
Project Loans	632.6	526.0	301.0	722.8	2.2
Amortisation	-371.0	-392.0	-383.8	-438.9	-1.3

Source: Ministry of Finance and National Planning

3.6 REAL SECTOR DEVELOPMENTS

National Output

Preliminary data show that real Gross Domestic Product (GDP) continued with its strong performance posting an estimated growth of 5.0% in 2005 (see Table 26). This favourable performance was due to positive developments in both the domestic and global economies. Contributing to this outturn was the favourable performance in most sectors including mining, manufacturing, construction, agriculture, transport and communications, and trade. This was despite a slow down in the growth of agriculture on account of prolonged dry spells in certain parts of the country. Growth in the domestic economy also benefited from the strong global demand and the sustained high prices for non-fuel commodities such as copper.

Table 26: Sectoral Contribution To Real GDP Growth, 2003 - 2005 (In Constant 1994 Prices)

	2003	2004	2005
Growth in real GDP (%)	5.1	5.4	5.0
Agriculture, forestry and fisheries	0.8	0.6	0.4
Mining and quarrying	0.3	1.1	0.2
Manufacturing	0.8	0.6	0.4
Electricity, gas and water	0.0	0.0	0.1
Construction	1.3	1.4	1.6
Wholesale and retail trade	1.1	0.9	1.0
Restaurants, bars and hotels	0.2	0.2	0.3
Transport, storage and Communications	0.3	0.4	0.5
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	0.0	0.3
Taxes on products	-0.3	-0.2	-0.4
Financial Intermediary Services Indirectly Measured	-0.1	-0.1	-0.1
Growth in real GDP per capita (%)	1.0	4.7	5.2

Source: Central Statistical Office

Sectoral Developments

Agriculture, Forestry and Fisheries

Growth in the agriculture, forestry and fisheries sector slowed down to 2.8% compared with the growth of 4.3% in 2004 largely due to prolonged dry spells during the 2004/2005 agricultural season. The growth in the sector contributed 0.4 percentage points to real GDP growth compared with 0.6 percentage points in 2004. This slow down was partly on account a fall in maize output, which declined by 28.6% to 866,187 metric tons (mt) from 1,214,000 mt in the previous year (see Table 27).

Notwithstanding the decline in maize output, the positive growth in the sector was due to increase in the output of wheat, virginia tobacco, coffee, cotton, soya beans, cassava and paddy rice. Continued Government support to the agricultural sector through initiatives such as the Fertiliser Support Programme contributed to the positive growth recorded by the sector.

Table 27: Output In Selected Crops, 2003/2004 - 2004/2005 Agricultural Seasons

Crop	2003/2004 Agric. Season (Metric Tons)	2004/2005 Agric. Season (Metric Tons)	% Change
Maize	1,213,601	866,187	(28.6)
Sorghum	24,467	18,714	(23.5)
Rice (paddy)	11,699	13,337	14.0
Soya beans	54,687	89,660	64.0
Wheat	82,858	136,833	65.1
Seed Cotton	144,307	155,213	7.6
Cassava	897,049	1,056,000	17.7
Tobacco (Burley)	9,308	13,094	40.7
Tobacco (Virginia)	12,769	23,211	81.8

Source: Central Statistical Office

Mining and Quarrying

Growth in the mining and quarrying sector slowed down to 2.8% compared with 12.6% the previous year. Mining and quarrying sector contributed 0.2 percentage points to real GDP growth in 2005 compared to 1.1 percentage points in 2004. The slow down in the growth was attributed to operational problems experienced at some mines such as smelter break-downs, industrial unrest, water pump failures, mine accidents and breakdowns of diesel loaders and locomotives. In addition, the temporary closures of the INDENI Petroleum Refinery Company Ltd contributed to the operational problems. Consequently, metal production increased by a mere 1.7% compared with 13.5% in the previous year. Copper output rose by 7.9% to 441,963.3 mt compared with a growth of 13.9% in 2004. The favourable copper prices assisted the mines in mitigating the effects of the operational problems on output.

Cobalt output declined by 8.9% to 5,539.1 mt from 6,081.6 mt produced in 2004. The continued unsatisfactory performance in cobalt output was explained by poor international prices coupled with the operational constraints experienced by the mines.

Manufacturing

Growth in the manufacturing sector slowed down to 3.7% in 2005 compared with a growth of 4.7% in 2004 and contributed 0.4 percentage points to the real GDP growth compared to 0.6 percentage points the previous year. Accounting for the slow down in growth was the decline in textile output due to the closure of some textile companies that could not withstand stiff competition from cheap textile imports. The positive growth in the sector mainly emanated from growth in the food, beverage and tobacco, wood and wood products, paper and paper products, chemicals, rubber and plastic products, and non-metallic mineral products sub-sectors.

The food, beverage and tobacco sub-sector continued to be the key driver of growth in the sector, with tobacco and sugar performing favourably due to continued good access to markets in the region and Europe. In addition, manufacturers of non-durable goods, namely, foodstuffs and beverages expanded their output to take advantage of regional export markets.

Transport, Storage and Communications

The transport, storage and communications sector continued with its strong performance, growing by 8.5% compared with 6.5% in 2004 and its contribution to real GDP rising to 0.5 percentage points from 0.4 percentage points the previous year. The favourable performance in the sector was explained by growth in road transport, air transport, and communications. The growth in road transport was due to the continued increase in economic activities in several sectors such as mining, manufacturing, trade and energy. With regard to air transport, sustained growth in tourism



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and business activities, explained the growth in the sub-sector. In the telecommunications sub-sector, growth was spurred by strong investment activities by the mobile service providers (Celtel, MTN and Cell Z).

Construction

The construction sector continued to be robust, registering a growth rate of 19.9% and contributed 1.6 percentage points to real GDP growth compared with 1.4 percentage points the previous year. Some of the key activities explaining the expansion in the sector were continued construction of housing, shopping, office and lodging facilities.

Tourism

The tourism sector also registered a strong growth of 12.1% compared with 6.4% in 2004 contributing 0.3 percentage points to real GDP growth. The continued increase in international tourist arrivals, following the implementation of aggressive marketing and promotional strategies particularly under the "Visit Zambia 2005 Campaign", largely explained the growth in the sector. For instance, international arrivals at Livingstone International Airport, one of the country's key tourist destinations, increased to 68,677 passengers in 2005 from 56,527 passengers in 2004. The growth in the sector was also supported by a number of Government initiatives such as the continuation of the Tourism Development Credit Facility, which aimed at enhancing participation in tourism by Zambian entrepreneurs. Continued improvement in communication infrastructure such as roads, airport and telecommunication facilities also boosted tourism.

Increased arrivals of tourists wanting to see the unmatched scenery of Zambia including Chishimba Falls (see picture below) in the Northern Province of the country led to the country posting a robust growth in the tourism sector in the year under review.



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Table 28a: GDP By Kind Of Economic Activity at Constant 1994 Prices, 2003 - 2005 (K' Billion)

Kind of Activity	2003	2004	2005	Growth in 2005 (%)
Agriculture, Forestry and Fishing	432.5	450.8	468.8	2.8
Agriculture	202.4	214.7	221.1	3.0
Forestry	152.8	159.4	166.8	4.3
Fishing	77.3	76.8	76.2	(0.7)
Mining and Quarrying	220.0	250.9	257.8	2.8
Metal Mining	215.8	245.1	249.2	1.7
Other mining and quarrying	4.2	5.8	8.6	49.7
Primary Sector	652.5	698.7	721.4	2.8
Manufacturing	311.4	327.6	338.0	3.7
Food, Beverages and Tobacco	187.7	197.3	208.1	4.8
Textile and Leather Industries	51.3	52.4	48.0	(4.7)
Wood and Wood Products	24.4	26.1	27.3	7.5
Paper and Paper Products	8.6	8.8	9.7	9.6
Chemicals, Rubber and Plastic Products	26.4	28.8	30.1	5.1
Non-Metallic Mineral Products	5.6	6.3	6.8	6.9
Basic Metal Products	1.4	1.5	1.4	(3.9)
Fabricated Metal Products	6.1	6.4	6.6	4.2
Electricity, Gas and Water	78.3	76.9	81.0	5.4
Construction	196.8	225.5	284.3	19.9
Secondary Sector	586.5	639.9	703.3	11.7
Wholesale and Retail Trade	536.4	565.2	592.4	6.1
Restaurants, Bars and Hotels	67.2	71.0	80.2	12.1
Transport, Storage and Communications	173.0	184.2	199.8	8.5
Rail Transport	10.8	10.9	10.0	(5.9)
Road Transport	81.9	85.3	89.2	4.6
Other Transport and Allied Services	29.6	34.5	42.0	21.4
Communications	51.0	53.5	58.8	9.4
Financial Intermediaries and Insurance	220.0	227.7	236.6	3.5
Real Estate and Business Services	267.6	278.2	289.2	4.0
Community, Social and Personal Services	210.5	211.7	219.3	3.6
Public Admin. & Defence; Public and Sanitary Service	109.6	109.9	111.0	1.0
Education	62.8	63.0	68.2	9.8
Health	15.2	15.1	14.3	(5.0)
Recreation, Religious and Culture	9.0	9.3	9.9	6.1
Personal Services	13.9	14.4	14.9	3.5
Tertiary Sector	1,474.8	1,537.9	1,621.4	5.5
Less: FISIM	(131.3)	(134.6)	(138.0)	2.5
Total Gross Value Added	2,582.6	2,731.9	2,908.1	6.0
Taxes on Products	264.1	256.9	245.4	(4.1)
Total GDP at Market Prices	2,846.7	2,988.9	3,153.6	
Real Growth Rates	5.1	5.0	5.0	
Real GDP per capita (1994 Prices)	257,398	269,518	283,546	5.2

Source: Central Statistical Office

DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Table 28b: Gross Domestic Product by Kind Of Economic Activity at Current Prices, 2003 - 2005 (K'Billion)

Kind of Economic Activity	2003	2004	2005
Agriculture, Forestry and Fishing	4,244.6	5,568.2	6,856.6
Agriculture	1,008.2	1,249.5	1,526.0
Forestry	2,960.3	3,998.5	4,953.6
Fishing	276.1	320.2	377.0
Mining and Quarrying	564.8	809.6	980.5
Metal Mining	558.2	798.3	960.4
Other Mining and Quarrying	6.6	11.3	20.0
Primary Sector	4,809.4	6,377.7	7,837.0
Manufacturing	2,241.0	2,827.7	3,458.1
Food, Beverages and Tobacco	1,397.2	1,726.6	2,145.5
Textile, and Leather Industries	352.9	450.7	491.2
Wood and Wood Products	164.7	222.2	283.7
Paper and Paper products	93.1	123.6	161.0
Chemicals, rubber and plastic products	178.9	231.7	286.3
Non-metallic mineral products	30.0	41.0	51.6
Basic metal products	3.1	4.0	4.6
Fabricated metal products	21.0	27.7	34.2
Electricity, Gas and Water	595.1	694.7	922.7
Construction	1,590.0	2,402.1	3,689.8
Secondary Sector	4,426.1	5,924.5	8,070.6
Wholesale and Retail trade	3,873.8	4,843.7	6,079.7
Restaurants, Bars and Hotels	527.7	670.9	895.9
Transport, Storage and Communications	1,058.2	1,252.3	1,408.3
Rail Transport	89.5	100.8	99.9
Road Transport	393.9	464.0	546.7
Air Transport	152.7	203.0	246.7
Communications	422.1	484.6	515.0
Financial Intermediaries and Insurance	1,847.7	2,282.7	2,776.9
Real Estate and Business services	1,341.2	1,691.8	2,105.8
Community, Social and Personal Services	1,757.0	2,046.5	2,529.1
Public Administration and Defence	683.0	723.9	869.4
Education	688.6	867.7	1,127.1
Health	252.4	292.8	329.1
Recreation, Religious, Culture	26.4	28.8	36.1
Personal services	106.6	133.3	167.3
Tertiary Sector	10,405.6	12,787.9	15,795.8
Less: FISIM	(1,061.8)	(1,311.8)	(1,595.8)
Total Gross Value Added	18,579.3	23,778.3	30,107.6
Taxes on Products	1,899.9	2,219.1	2,541.1
Total GDP at Market Prices	20,479.2	25,997.4	32,648.6
Growth Rates in GDP	25.97	29.95	25.58
Current GDP per Capita (Current Prices)	1,852,017.00	2,317,860.00	2,909,857.00

Source: Central Statistical Office

Investment Pledges

Investment pledges more than doubled to US \$264.5 million in 2005 from US \$123.5 million in 2004. Of the total pledged investment, the manufacturing sector accounted for US \$114.9 million, followed by mining with US \$61.9 million. Agriculture, tourism and services sectors attracted US \$32.4 million, US \$24.6 million and US \$20.6 million, respectively. In addition, the construction

DEVELOPMENTS IN THE ZAMBIAN ECONOMY

The contribution of the construction industry to the country's GDP continued to be impressive during 2005. A lot of new buildings, residential units included, reflected this positive performance of the industry.



sector attracted US \$5.4 million whereas the transport and health sectors attracted pledges worth US \$4.6 million, and US \$0.1 million, respectively.

The realisation of these pledges was expected to result in the creation of 9,023 jobs with the highest number of employment opportunities of 3,556 jobs from manufacturing followed by agriculture and mining with 1,722 and 1,668 jobs, respectively. The rest of the jobs were to be created in the following sectors: services (1,453), tourism (560), construction (234), transport (151) and health (4).

Privatisation and Parastatal Reforms

In 2005, Government continued to implement the privatization programme, with Kafue Textiles Zambia Limited and Monarch Zambia Limited being privatised and their operations revamped. Government also divested its 37.5% shareholding in Zambia Seed Company to the management and employees. This brought the total number of privatised enterprises and units to 262, leaving a balance of 22 state owned entities which were at various stages in the privatisation process.



4 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION
Overview

During 2005, the overall financial condition and performance of the financial sector was satisfactory with both the banking and Non-Bank Financial Institutions (NBFI) sub-sectors performing fairly well. The banking sub-sector continued to be adequately capitalised, and asset quality, liquidity and earnings performance was satisfactory. In addition, all banks met the prudential capital adequacy minimum ratios.

Overall the financial condition and performance of the NBFI sub-sector was assessed to be fairly satisfactory during the year. In particular, the performance of the building societies continued to improve while those of the micro-finance institutions and bureaux de change were rated as satisfactory.

4.1 BANKING SECTOR
Financial Performance

Consistent with the favourable macroeconomic environment, the overall financial condition and performance of the banking sector improved during the year. Total assets registered a growth of 11.2% to K7,784.8 billion at end-December 2005 from K7,002.6 billion at end-December 2004. The sector continued to be adequately capitalised with all banks meeting the minimum regulatory capital requirement in the year. The asset quality was satisfactory with the level of interest earning assets accounting for 76.2% of total assets at end-December 2005 compared to 70.0% at end-December 2004. The sector's earnings performance for the year was satisfactory. Income before tax increased by 122.8% to K442.8 billion from K198.7 billion recorded in the preceding year. The banking sector's liquidity position at 71.2% was satisfactory with all banks meeting the prudential minimum ratio of 50% (see Tables 29a and 29b).

Table 29a: Performance Rating for Banks, Dec 2003 - Dec 2005⁵

Performance	Capital Adequacy Number of Banks			Asset Quality Number of Banks			Earnings Number of Banks			Liquidity Number of Banks		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Strong	13	12	13	7	4	6	4	2	8	2	1	1
Satisfactory	1	1	0	6	6	7	7	6	2	7	5	7
Fair - Needs Improvement	0	0	0	1	3	0	2	3	2	5	7	5
Marginal	0	0	0	0	0	0	1	2	1	0	0	0
Unsatisfactory	0	0	0	0	0	0	0	0	0	0	0	0
Total	14	13	13	14	13	13	14	13	13	14	13	13

Source: Bank of Zambia

⁵The performance of banks is assessed using several ratios based on Capital, Asset quality, Earnings performance and Liquidity (CAEL). 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 29b: Composite Rating⁶ for Banks, Dec 2003 - Dec 2005

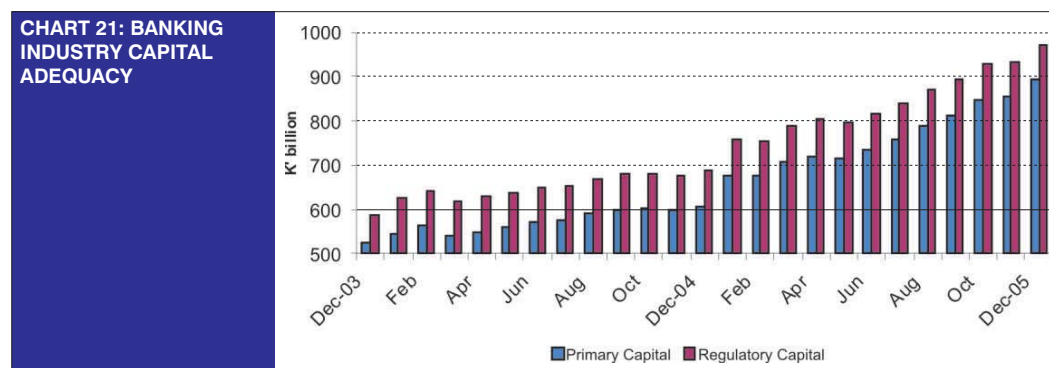
Performance Category	Number of Banks			Proportion of Industry Assets (%)		
	2003	2004	2005	2003	2004	2005
Current Condition Satisfactory	10	7	10	74.5	55.3	96.7
Possible Emerging Problem	3	4	3	4.6	21.6	3.3
Watch	1	2	0	20.9	23.1	0
Problem	0	0	0	0	0	0
Total	14	13	13	100	100	100

Source: Bank of Zambia

Capital and Liabilities

Capital Adequacy⁷

As at end-2005, all banks met their minimum regulatory capital requirements. The industry's net worth improved by 42.9% to K971.0 billion as at 31 December 2005 from K679.6 billion as at 31 December 2004. All the banks were rated strong in capital adequacy. The primary (core) capital for the industry increased by 48% to K895.3 billion as at 31 December 2005 from K605.1 billion as at 31 December 2004. Total capital also increased by 41.7% to K972.1 billion as at 31 December 2005 from K686.1 billion in the preceding year (see Chart 21).

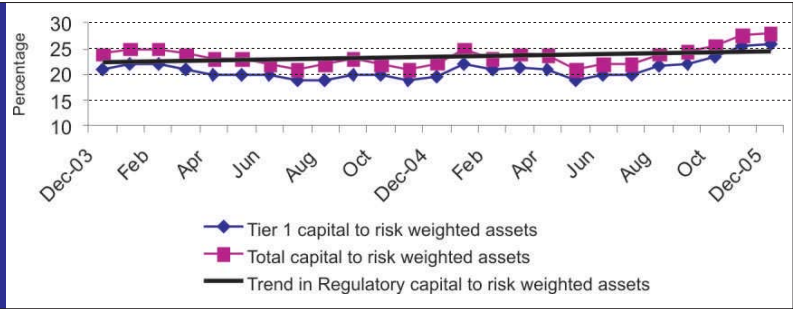


The primary and total regulatory capital to risk weighted assets ratios improved to 26% and 28% at end-December 2005 compared to 20% and 22%, respectively at end-December 2004. The ratios remained high above the prudential benchmarks of 5% and 10% for primary and regulatory capital, respectively. The increase in capital adequacy ratios was mainly due to net profit after tax of K344.3 billion recorded during the year (see Chart 22).

⁶A bank is rated **Current Condition Satisfactory** when generally, the institution is doing well in all respects with regards to its major areas of operation, i.e. 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 two 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**.

⁷Capital 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. A bank's capital should be commensurate with the level of risk a bank takes to protect depositors as well as other providers of funds.

CHART 22: CAPITAL RATIOS



Deposits and other Liabilities

Total liabilities increased by 7.8% to close the year at K6,813.7 billion but remained largely unchanged as a percentage of liabilities and shareholders' funds at 88% (December 2004: 90%).

Deposits, which accounted for 71% of total liabilities and shareholder's funds, increased by less than 1% to K5,499.8 billion from K5,497.8 billion at end-December 2004 (see Charts 23 and 24). Demand deposits were the largest component of total deposits and accounted for 66% at end-December 2005 (December 2004: 70%). The predominance of short term deposits largely reflected the short-term nature of the investment profile on the asset side of the balance sheet.

CHART 23: BANKING INDUSTRY DEPOSITS

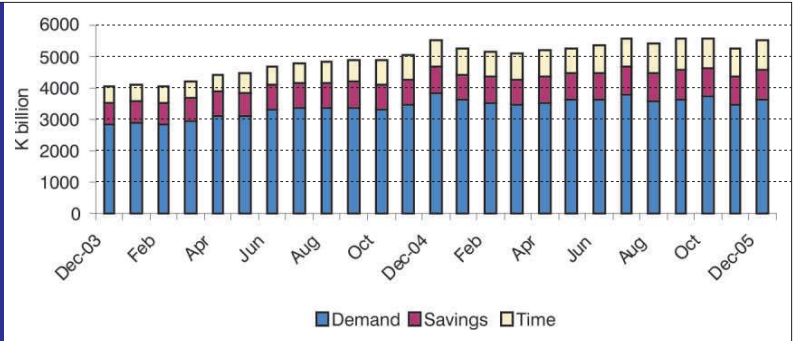
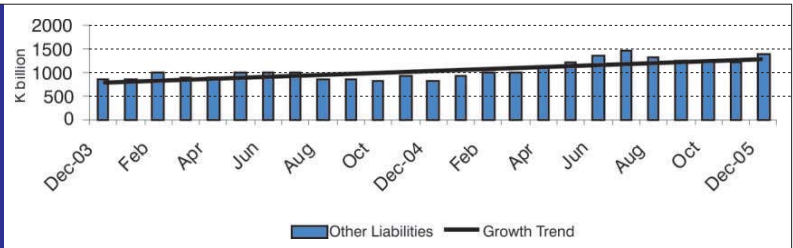


CHART 24 : BANKING INDUSTRY - OTHER LIABILITIES



Asset Quality⁸

The asset quality of the banking sector during the year was satisfactory. Interest earning assets represented 76.2% of total assets at end-December 2005 compared with 79.0% at end-December 2004. Gross non-performing loans increased by 40.2% to K217.9 billion from K155.8 billion and accounted for 8.9% of total loans compared to 7.6% in the preceding year. The allowance for losses to non-performing loans was at 60.9% of the gross non-performing loans at end-December 2005 compared with 102.8% recorded at end-December 2004. Total assets for the banking sector registered a growth of 11.2% to K7,784.8 billion at end-December 2005 from K7,002.6 billion as at end-December 2004. The assets that showed strong growth included open market operations and collateral deposits (162%) and net loans and leases (22%). Net loans and leases, government

⁸The 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.



FINANCIAL SYSTEM REGULATION AND SUPERVISION

securities and balances with financial institutions abroad together accounted for 66% (2004: 70%) of total assets or individually 30%, 21% and 15% compared to 27%, 21% and 22% at end-December 2004, respectively. 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 of K422.9 billion and dominated the industry's total assets at 30% (see Charts 25 and 26).

CHART 25: BANKING INDUSTRY TOTAL ASSETS

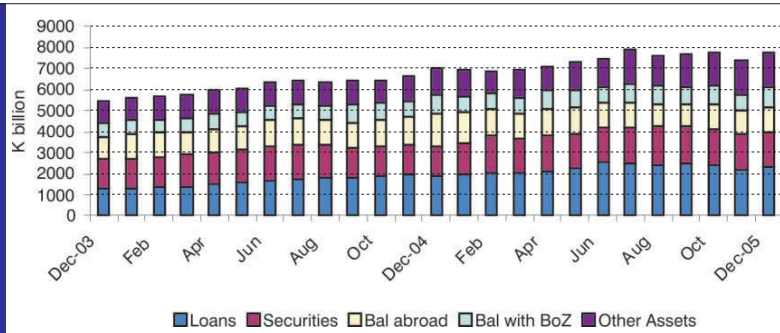
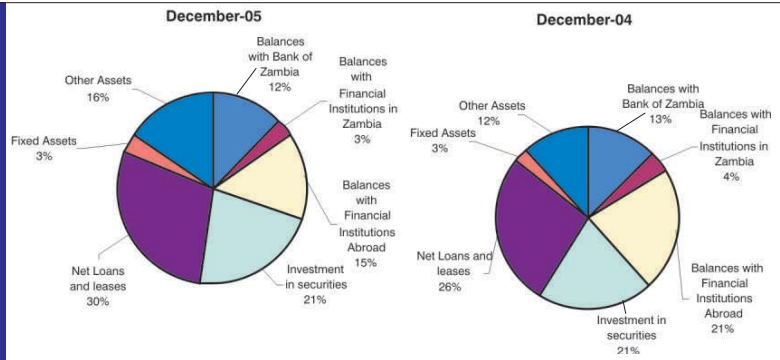


CHART 26: BANKING INDUSTRY ASSET STRUCTURE



Earnings Performance⁹

The banking sector's earnings performance in 2005 was satisfactory with income before tax increasing by 123% to K442.8 billion from K198.7 billion recorded in the preceding year. The increase in the profit before tax for the year was largely on account of interest income which increased by 31% (see Table 30).

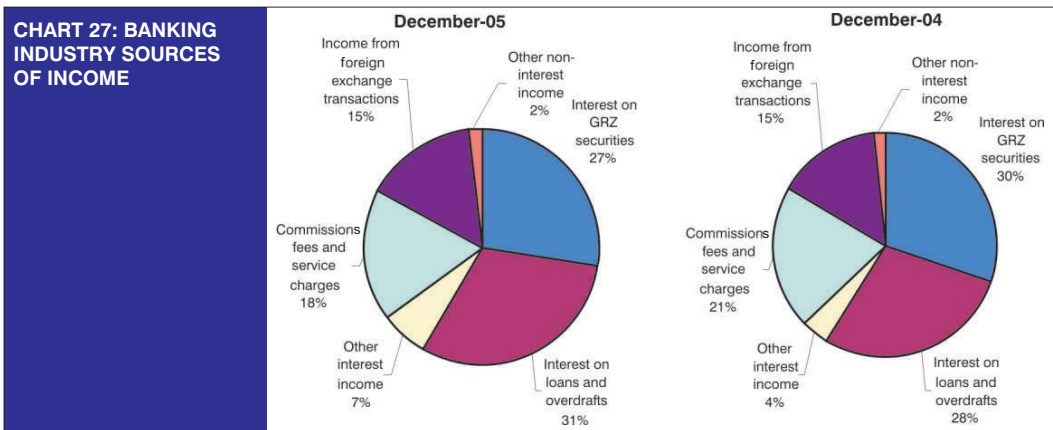
Table 30: Earnings Performance, 2003 - 2005 (K'Billions)

Particulars	2003	2004	2005
Interest Income	725.8	676.5	886.5
Interest Expenses	227.0	104.7	135.3
Net Interest Income	498.8	571.7	751.3
Non-Interest Income	376.8	400.3	480.3
Net Operating Income	875.6	972.0	1,231.6
Non-Interest Expenses	597.6	665.4	746.8
Gross Profit	278.0	306.6	484.8
Loan Loss Provisions	3.1	107.9	42.0
Profit Before Taxation	274.9	198.7	442.8
Taxation	69.0	49.6	98.5
Net Profit	205.9	149.1	344.3

Source: Bank of Zambia

⁹Earnings 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.

Total interest income increased by 31% to K886.5 billion from K676.5 billion recorded in the preceding year. The increase in interest income was on account of the growth of income from loans and overdrafts by 39% or K117.1 billion. This is consistent with the growth in net loans by 22.4%. The principal sources of income for the banking sector in order of significance were loans and leases (31%), government securities (27%), commissions, fees and service charges (18%) and foreign exchange income (15%) compared to 28%, 30%, 21% and 15% for 2004 respectively (see Chart 27).



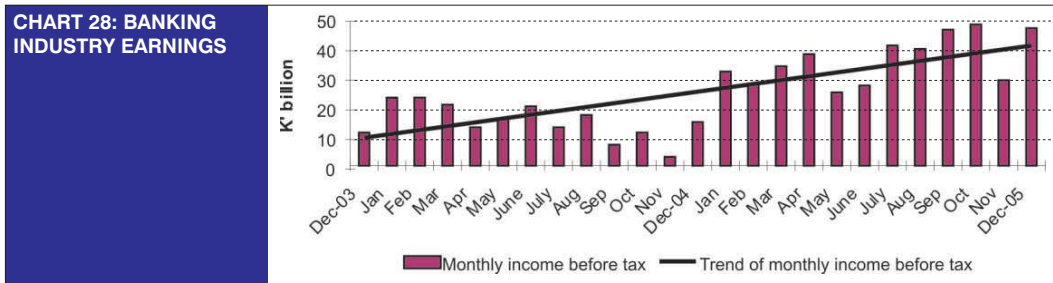
Interest expenses increased by 29% to K135.3 billion from K104.7 billion in the preceding year. The increase was largely on account of interest payments to banks and other financial institutions which increased by K17.7 billion.

Overall net interest income before loan loss provisions increased by 31% to close the year at K751.3 billion. However, net interest income after provisions increased by a bigger margin of 53% to K709.3 billion. This was largely due to a decrease in loan loss provisions by 61% to K42.0 billion from K107.9 billion in the preceding year.

Total non-interest income was higher by 20% to close the year at K480.3 billion. This is attributed to the high income from realised trading gains which posted an increase of 46% to K175.3 billion from K120.1 billion recorded in the preceding year. The gains accounted for 83% of total foreign exchange income. Fees from foreign exchange transactions also increased by 75% to K44.5 billion.

Non-interest expenses for the year amounted to K746.8 billion, representing a rise of 12%. These higher overheads were mainly attributed to salaries and employee benefits due to redundancy costs which increased by K32.6 billion. Salaries and employee benefits continued to account for the largest component of total expenses at 45% compared with 43% for the year 2004.

Overall, the banking sector registered satisfactory return on assets (ROA) of 6.0% and return on equity (ROE) of 52.8% compared with 3.1% and 29.8% respectively for 2004. The banking sector's performance in earnings shows a growing trend over the period December 2003 to December 2005 (see Chart 28).

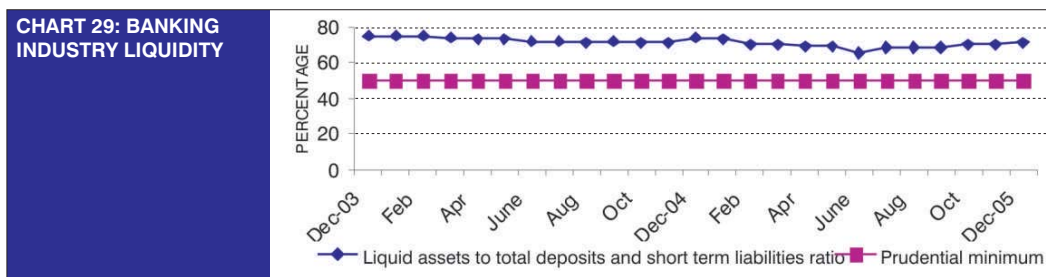


Liquidity and Funds Management

The banking sector's liquidity position was satisfactory although the ratio of liquid assets to total deposits and short-term liabilities declined slightly to 71% from 74% in the preceding year (see



Chart 29). 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%.



Sensitivity Tests¹⁰

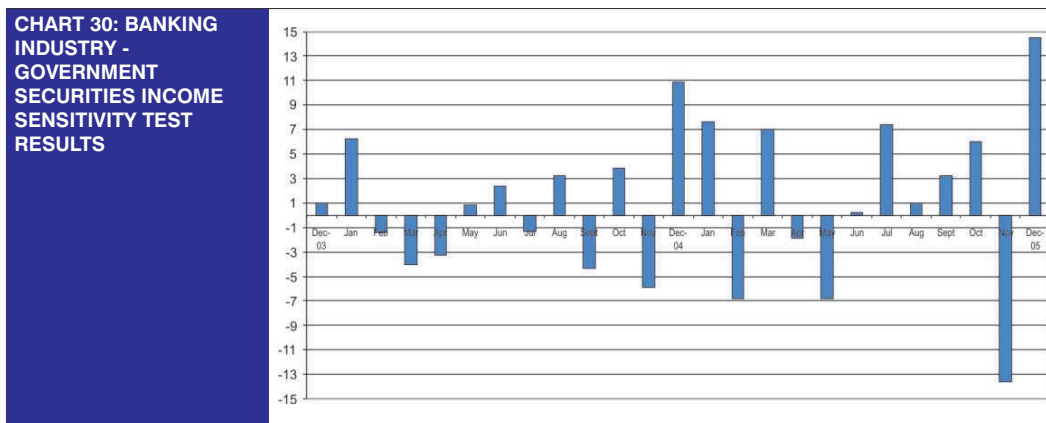
During the year 2005, the overall Government securities income sensitivity tests results reflected that the commercial banks could bear reduced income streams from Government securities. The reduced sensitivity was largely on account of the commercial banks progressively substituting their interest income flows from Government paper to loans and leases.

Meanwhile, the foreign exchange trading income sensitivity test results reflected a stabilised management of trading income flows as the year progressed. The stable management was conducted in the midst of a gaining Kwacha against other currencies while the commercial banks widened their spreads between the buying and selling rates.

Government Securities Trading Income Tests

During the year 2005, the income earned from Government securities trading by commercial banks amounted to K374.9 billion compared to the previous year's income of K328.1 billion. This was despite yield rates on both Treasury bills and Government bonds trending downwards during the first half of the year before bottoming out in June and rising during the second half of the year.

The increase in net income before tax at K442.8 billion in 2005 from K198.8 billion in 2004 was far greater than that recorded for the Government securities income flows. As a result, the Government securities income sensitivity tests results reflected that the commercial banks could bear reduced income streams from Government securities in eight out of 12 months during the year; specifically January, March, June to October and December (see Chart 30).



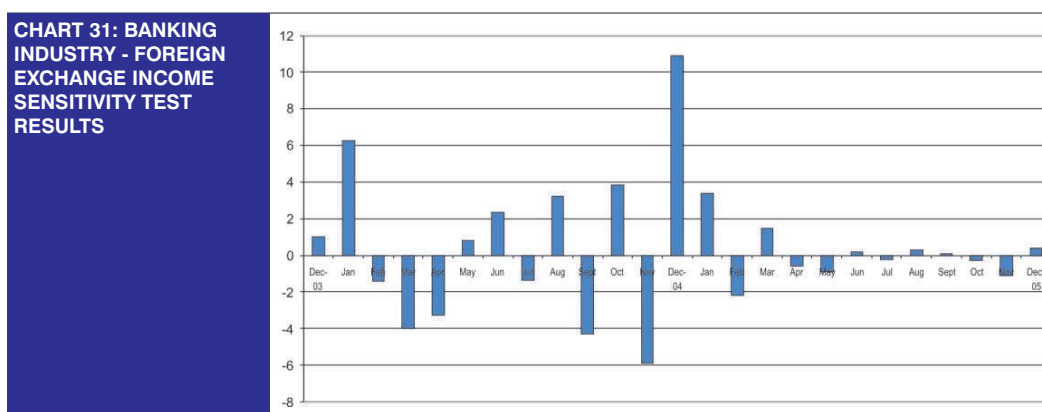
¹⁰The government security trading income sensitivity rate measures the banking sector's dependence on government security income, that is, the extent to which the government security yield rate can fall before the consolidated commercial bank's income statement experiences losses while the foreign exchange trading income sensitivity rate also measures the banking sector's dependence on realised gains from foreign exchange trading.

Meanwhile, the months of February, April, May 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.

Foreign Exchange Income Trading Tests

Income from foreign exchange trading increased to K175.3 billion in 2005 from K120.1 billion during 2004. In the midst of the appreciation of the Kwacha against major currencies during the year, the commercial banks ensured profitable returns from foreign exchange trading through increased spreads on a month by month basis.

The results of the foreign exchange trading tests showed that the capacity of commercial banks to bear losses from foreign exchange trading during the year evened out. This was reflected by a balance of the positive test results for the months of January, March, June, August, September and December against the negative results for other months (see Chart 31).



Market Share

Assets, Loans and Deposits

Subsidiaries of foreign banks¹¹ continued to dominate the banking industry in terms of assets, loans and deposits as they controlled 62% of the banking industry's total assets, 74% of total loans and 60% of total deposits during the year. Government owned banks¹² on the other hand accounted for 27% of the industry's total assets, 14% of total loans and 30% of total deposits. Further, local banks¹³ accounted for 11% of the industry's total assets, 12% of total loans and 10% of total deposits (see Table 31)

Table 31: Distribution of the Banking Sector's Assets, Loans And Deposits By Type of Ownership, 2004 - 2005 (K' Billion)

	2005							2004						
	No.	Assets	%	Loans	%	Deposits	%	No.	Assets	%	Loans	%	Deposits	%
Subsidiaries of foreign banks	7	4,327	62	1,399	74	3,296	60	7	3,334	61	1,062	83	2,414	60
Government banks	2	1,882	27	259	14	1,651	30	2	1,520	28	112	9	1,225	30
Local banks	4	794	11	232	12	551	10	4	633	11	106	8	396	10
Total	13	7,003	100	1,889	100	5,498	100	13	5,487	100	1,280	100	4,036	100

Source: Bank of Zambia

¹¹These are locally incorporated subsidiaries of foreign banks.

¹²Banks which are wholly or partially owned by the Government of the Republic of Zambia.

¹³Other banks incorporated locally which are neither subsidiaries of foreign banks nor Government owned.

4.2 NON-BANK FINANCIAL INSTITUTIONS

Overall Performance

The overall financial condition and performance of the non-bank financial sector was fair. In the year, four operating licences for non-bank financial institutions were approved and two were revoked. Consequently, as at 31 December 2005, the number of non-bank institutions in the sector was 48.

Regulation and Supervision

Licences Issued and Revoked

Four operating licences for non-bank financial institutions were approved and issued during the year. Two were for the microfinance institutions and the other two were for bureaux de change. However, two applications for voluntary withdrawal were approved. The first one related to Stanbic Financial Services, which converted into one of the divisions under its parent company Stanbic Bank Zambia Limited, while Continental Bureau de Change applied to withdraw due to operational reasons.

As at 31 December 2005, the structure of the non-bank financial sector under the BoZ's supervisory authority comprised eight leasing companies, three building societies, one development bank, one savings and credit bank, four microfinance institutions, and 31 bureaux de change.

Financial Sector Legislation

In 2005, the amendments to the primary pieces of legislation relating to various state-owned non-bank financial institutions were made. The amendment Bills for the Building Societies Act, the Development BoZ Act, and the National Savings and Credit Act were passed by Parliament in September 2005. The amendments, which were signed into law in October 2005, gave the Central Bank a clear regulatory and supervisory authority over these institutions.

Credit Reference Service

In order to improve the credit culture in the country, the BoZ developed and approved the Credit Reference Services (Licensing) Guidelines and the Credit Data (Privacy) Code. The former prescribes the minimum requirements to be met by applicants for a Credit Reference Services licence, while the latter provides for data and consumer protection.

The guidelines, issued under Section 130 of the BFSAs, are intended to provide an interim regulatory framework for Credit Reference Services in Zambia, while the substantive law is being drafted. These guidelines are expected to take effect during the first quarter of 2006 after publication in the Government Gazette.

Microfinance Regulations

The Banking and Financial Services (Microfinance) Regulations were issued in December 2005 as a statutory instrument by the Ministry of Finance and National Planning. The Regulations will facilitate the effective regulation and supervision of both deposit and non-deposit taking microfinance institutions. The introduction of these regulations is aimed at setting standards for microfinance institutions and will enforce compliance.

Developments in the micro-finance sector in 2005 offered an alternative source of financing, especially to the cottage industry. Assistance was rendered mainly to women in small scale enterprises to boost their operations and incomes.



Performance of the Non-Bank Financial Sector

Leasing Sector

The overall financial condition and performance¹⁴ of the leasing sector was rated satisfactory during the year under review. On average, leasing companies maintained adequate capital and reserves relative to their risk profiles. Out of the eight leasing companies in operation as at 31 December 2005, seven (7) met the prescribed minimum capital adequacy ratio of 10% while one leasing company did not meet the prescribed minimum regulatory capital (see Table 32).

¹⁴The financial condition and performance of the NBFIs was evaluated on the basis of their performance in the parameters of 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. A five-tier rating system was utilised as follows:

- 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; and
- Unsatisfactory (rating 5) : Poor performance in most components and violates minimum statutory requirements.

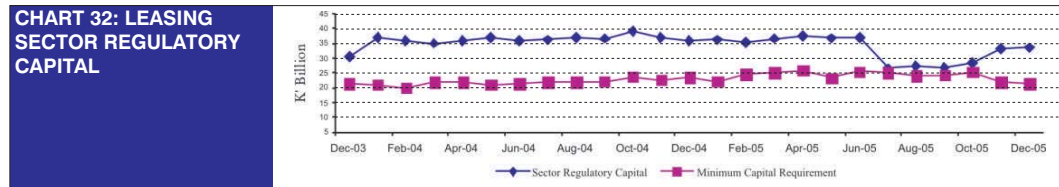
Table 32: Year End Performance Rating for the Leasing Sector

Performance Category	Capital Adequacy No. Of Leasing companies			Asset Quality No. of Leasing companies			Earnings No. of Leasing companies			Liquidity No. of Leasing companies		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Strong	5	6	4	3	2	2	1	1	1	3	2	2
Satisfactory	1	1	3	0	5	3	0	5	3	1	2	2
Fair Needs Improvement	0	0	0	2	0	2	4	0	1	1	2	1
Marginal	0	1	0	0	0	0	0	0	2	0	3	2
Unsatisfactory	1	1	1	2	2	1	2	3	1	2	0	1
Total	7	9	8	7	9	8	7	9	8	7	9	8

Source: Bank of Zambia

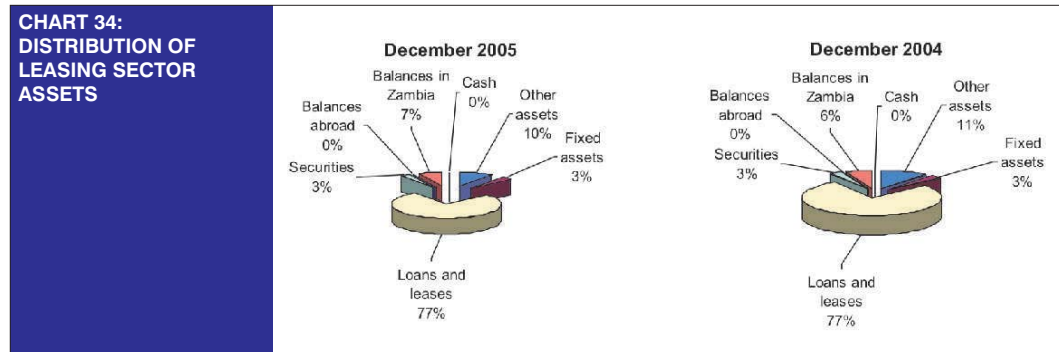
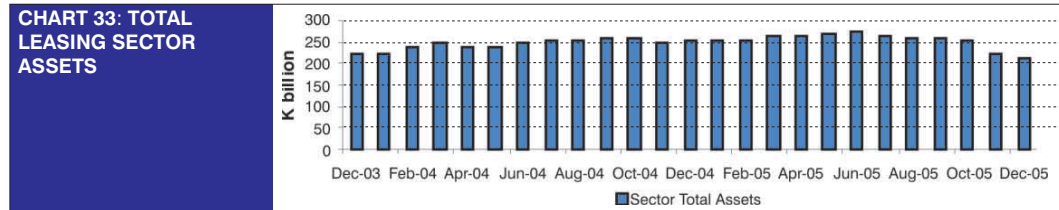
Capital Adequacy

The sector's regulatory capital of K33,454 million as at 31 December 2005 was higher than the minimum regulatory capital of K20,746 million (see Chart 32). However, due to payments of dividends amounting to K7,172 million as well as the exclusion of Stanbic Financial Services Zambia Limited (SFSL), this regulatory capital was below the K35,960 million recorded at end-December 2004.



Asset Quality

As at 31 December 2005, the total assets of the leasing sector declined by 16% to K211,456 million (see Charts 33 and 34) largely due to the appreciation of the Kwacha against major currencies. Albeit, this decline overall asset quality remained satisfactory, with non-performing loans and leases at 11% of total loans and leases as at 31 December 2005. The major component of total assets was loans and leases accounting for 80%, out of which 81% of total loans and leases was denominated in foreign currency.



Earnings

The earnings performance of the leasing sector was rated satisfactory with profit before tax increasing by 218% to K12,565 million (see Table 33). The increase in earnings performance was largely attributed to the growth in interest income to K39,756 million from K31,839 million in the previous year as well as recoveries amounting to K6,487 million on loans and leases that were provided for in 2004.

The average return on assets (ROA) increased by 3 percentage points to 5% while the return on capital increased by 24 percentage points to 35 %.

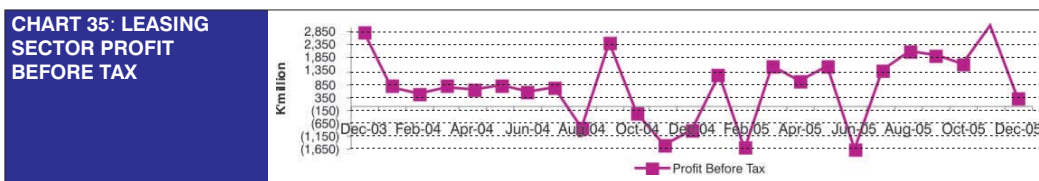
Table 33: Earnings Performance, 2003 - 2005 (K'Million)

	2003	2004	2005
Interest income	19,855	31,839	39,756
Interest expenses	11,819	11,541	13,572
Net interest income	19,855	20,187	26,184
Provisions	1,313	7,076	589
Net interest income after provisions	18,542	13,256	25,594
Non-interest income	4,627	3,430	3,262
Total net income	23,169	16,752	28,857
Non-interest expenses	12,032	12,646	16,292
Profit before tax	11,137	3,953	12,565
Tax	1,708	1,322	1,443
Profit after tax	9,429	2,631	11,122

Source: Bank of Zambia

The principal source of income for the leasing sector continued to be interest income from loans and leases at 92% of total income (see Chart 35). Interest income increased by 25% to K39,756 million, largely due to the growth in loans and lease portfolio in the year. The average loan portfolio in 2005 increased by 8% to K197,148 million.

Notwithstanding the increase in interest income, the appreciation of the Kwacha against major currencies led to exchange losses amounting to K2,168 million in 2005 from an exchange gain of K1,249 million in 2004 as the sector loans and lease portfolio shrunk by 17% to K171,738 million as at 31 December 2005.



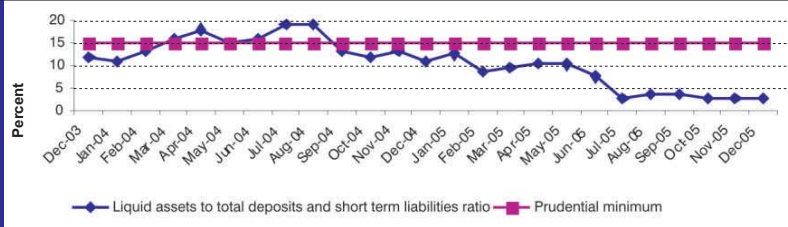
Liquidity

The average liquidity of the leasing sector as measured by the ratio of liquid assets to total deposits and short-term liabilities was 7% which was below the BoZ recommended minimum prudential level of 15%, and was therefore rated unsatisfactory as at 31 December 2005.

Four out of the eight leasing companies failed to meet the minimum prudential liquidity ratio of 15% for NBFIs (see Chart 36).



CHART 36 : LEASING SECTOR LIQUIDITY



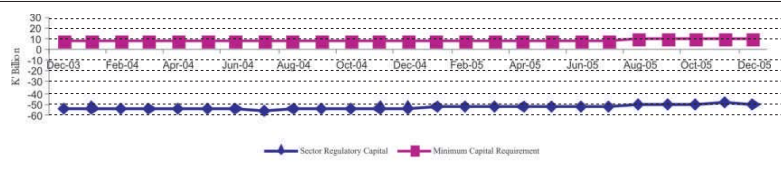
Building Societies

The financial condition and performance of the building societies sector, although improved in the year, as reflected in capital adequacy, remained unsatisfactory.

Capital Adequacy

As at 31 December 2005, the building societies sector aggregate regulatory capital improved by 8% to negative K49,525 million (see Chart 37). The improvement in the capital position was largely due to the profit after tax recorded in the year. Out of the three building societies in operation, one met the minimum regulatory capital prescribed for deposit taking non-bank financial institutions.

CHART 37: BUILDING SOCIETY SECTOR REGULATORY CAPITAL



Asset Quality

The asset quality of the building societies sector was rated marginal during the year. Total assets of the sector increased by 46% to K82,787 million as at 31 December 2005 largely on account of an expansion in the mortgage portfolio, which rose by 93% to K26,115 million and was financed by a 29.6% increase in deposit liabilities to K74,789 million. The proportion of non-performing loans was 2% in 2005 compared to 3% in 2004.

Earnings Performance

The earnings performance of the building societies sector was satisfactory in the period, with profit before tax rising by 1,788% to K4,419 million (see Chart 38). The improvement in earnings performance was mainly due to the increase in interest income by 109.2% to K10,993 million mainly on account of the growth in the mortgage portfolio.

CHART 38: BUILDING SOCIETY SECTOR PROFIT BEFORE TAX



Liquidity

The average liquidity of the building societies sector, as measured by the ratio of liquid assets to total deposits and short-term liabilities, was 16% which was marginally above the desired minimum ratio of 15% for NBFIs and was therefore rated fair (see Chart 39).

CHART 39 : BUILDING SOCIETY SECTOR LIQUIDITY



Micro Finance Institutions (MFIs)

The financial condition and performance of the MFIs was rated satisfactory. The aggregate capital of the MFIs rose by 216% to K32,365 million during the year. The increase was largely due to the profit before tax recorded in the year amounting to K18,983 million. Total assets amounted to K81,182 million, out of which 89% related to loans and advances.

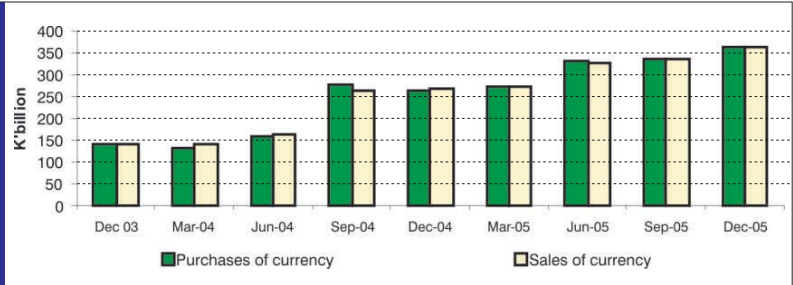
Bureaux de Change

As at 31 December 2005, the bureaux de change sector was adequately capitalised. Further, all the 31 operating bureaux de change met the minimum capital requirement of K40 million. The aggregate capital and reserves increased by 44% to K9,228 million largely due to retained profits for the year amounting to K4,179 million.

As at end of the year, total assets rose by 25% to K12,099 million. The increase in total assets was largely due to the profits earned in the year and the licensing of two new bureaux de change in 2005.

The volume of purchases and sales of foreign currency by bureaux amounted to K1,308,1 billion (US \$300 million) and K1,303.0 billion (US \$299 million), respectively, compared to K848.6 billion (US \$175.4 million) and K842.4 billion (US \$174.2 million) the previous year. This represented an increase of 54% in the volume of transactions (see Chart 40).

CHART 40: BUREAU DE CHANGE VOLUMES OF TRANSACTIONS



4.3 FINANCIAL SECTOR DEVELOPMENT PLAN

The implementation of the Financial Sector Development Plan (FSDP) continued in 2005. In this regard, members of the FSDP Steering and Implementation Committees were appointed by the Minister of Finance and National Planning to effectively coordinate the implementation of the FSDP. In addition, the FSDP Working Groups, composed of subject experts, were constituted to focus on the technical aspects of implementing the recommendations of the FSDP. The following are the FSDP Working Groups:

- Accounting and Auditing;
- Banking;
- Contractual Savings;
- Financial Markets;
- Human Resources;
- Legal/Regulatory;
- Macro-economics;

- Non-Bank financial Institutions;
- Payments System;
- Taxation;
- Financial Access; and
- Corporate Governance.

The FSDP implementation continued to receive donor support by way of technical assistance and monetary support. Support was received from a number of cooperating partners including the International Monetary Fund (IMF), the World Bank, the Swedish International Development Agency (Sida), the United Kingdom's Department for International Development (DFID), the United States Treasury and FIRST Initiative of UK. Further, the BoZ provided administrative, technical and financial support.

Among the priority areas identified under the FSDP was the need to address the limited market knowledge and research information about financial services in Zambia. In this regard, the FinScope Survey, aimed at providing information on the demand for and supply of financial services in Zambia, commenced in November 2005. The field survey which covered 4,000 respondents in all the 72 districts was completed in December 2005. The draft report for this survey is targeted for the second quarter of 2006. The results of the survey are expected to assist policy-makers and financial service providers in the development of strategies aimed at improving financial access and building a more inclusive financial system particularly for the rural and poor population.

In addition, Parliament passed amendments aimed at harmonising the various pieces of legislation related to pensions and insurance. On 23 December, 2005, the President assented to the Pension Scheme Regulation (Amendment) Bill, 2005 and the Insurance (Amendment) Bill, 2005. The Insurance Act became effective on 23 December 2005 when the Act was assented to while the Pension Scheme Regulation Act shall be effected when the Minister of Finance and National Planning signs the Statutory Instrument, expected in early 2006.



5 BANKING, CURRENCY AND PAYMENT SYSTEMS

5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

Overview

During the year, the BoZ continued to strengthen its capacity in the delivery of banking services to Government and commercial banks. In addition, it strengthened its capacity in the support of economic growth through its continued administration of the Zambia Agriculture Marketing and Processing Infrastructure Project (ZAMPIP) credit facility and the Multi-Purpose Credit Facility (MCF). Further, pursuant to its Clean Note Policy, the Bank continued to withdraw unfit banknotes from circulation.

Other activities included the enhancement of the usage of various payment systems, which included the Zambian Interbank Payment and Settlement System (ZIPSS), the Physical Inter-bank Clearing (PIC) system and the Direct Debits and Credit Clearing (DDACC) system.

5.1 BANKING

Management Of Project Loans

Zambia Agriculture Marketing And Processing Infrastructure Project

The BoZ continued to administer the Zambia Agriculture Marketing and Processing Infrastructure Project (ZAMPIP) credit facility on behalf of the Government. Disbursements in 2005 to Participating Commercial Banks (PCB) increased by 85% to US \$624,000.

Total outstanding loans to Participating Commercial Banks as at 31st December 2005 amounted to US \$961,027.65, with the balance on the Kwacha and US dollar Revolving Fund accounts at K16.6 billion and US \$1.3 million, respectively. The balance on the Kwacha Revolving Fund account, however, remained unchanged while there was a marked movement on the US dollar Revolving Fund account from US \$1.7 million at end-2004.

Multi-purpose Credit Facility Under The Enterprise Development Project

The Multi-Purpose Credit Facility (MCF), which is administered by the Apex Unit, under the Enterprise Development Project (EDP) continued to provide competitive term-finance to the private sector. The amount of loans approved and disbursed under this facility, however, decreased by 50% to US \$7.8 million given to 26 companies in 2005 from US \$15.9 million to 42 companies in 2004. This decline was attributed to the moratorium provided to the Investment Credit Facility, which accounts for the largest share of the MCF. This reduced the amount of funds available for onward lending under the facility, as demand for credit continued to outstrip the available funds.

Cumulatively, the number of successful applications, as at 31st December 2005, stood at 290, with a total value of US \$83.33 million (see Charts 41 and 42).

CHART 41: ANNUAL DISBURSEMENTS FROM JAN 2000 - DEC 2005

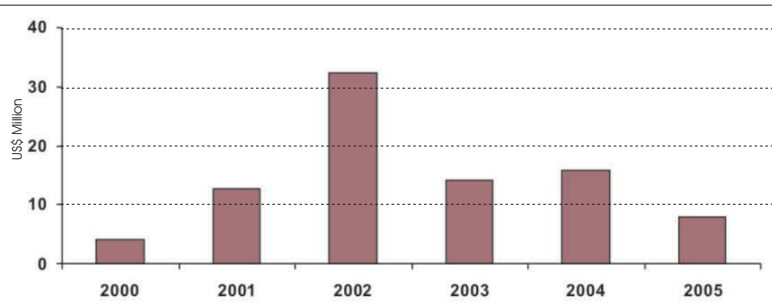
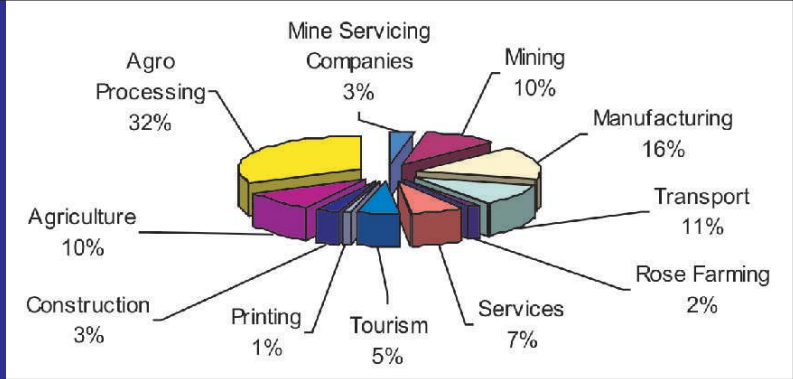


CHART 42: CUMULATIVE DISBURSEMENTS BY SECTOR (IN % OF TOTAL DISBURSEMENTS), 1999 - 2005



5.2 CURRENCY

As at 31st December 2005, currency in circulation (CIC) increased by 18.2% to K964.2 billion from K815.5 billion recorded the previous year. This was largely on account of the increase in economic activity. With respect to the composition of CIC, the share holding for each denomination is shown in Charts 43 and 44.

CHART 43: VALUE OF CURRENCY IN CIRCULATION, 2001 - 2005

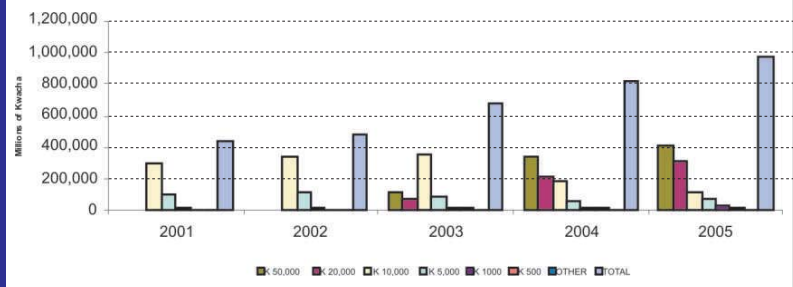
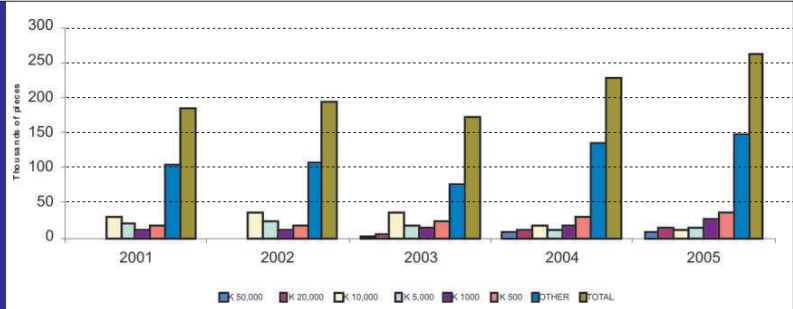


CHART 44: PIECES OF BANKNOTES IN CURRENCY IN CIRCULATION, 2001 - 2005



Withdrawal of unfit banknotes from circulation

Pursuant to its Clean Note Policy, the Bank continued to withdraw unfit banknotes from circulation. To this end, a total of 86.7 million pieces of unfit banknotes were removed from circulation compared to 117.9 million pieces the previous year. The K100 banknote accounted for the highest volume of banknotes removed from circulation, largely due to the banknote's relatively high velocity of circulation.

5.3 PAYMENT SYSTEMS

Performance of the Zambian Inter-bank Payment and Settlement System

During the year, the Zambian Interbank Payment and Settlement System (ZIPSS), also known as the Real Time Gross Settlement (RTGS) system¹⁵ operated satisfactorily, with all commercial banks

¹⁵The BoZ implemented the Real Time Gross Settlement (RTGS) system in June 2004.



BANKING, CURRENCY AND PAYMENT SYSTEMS

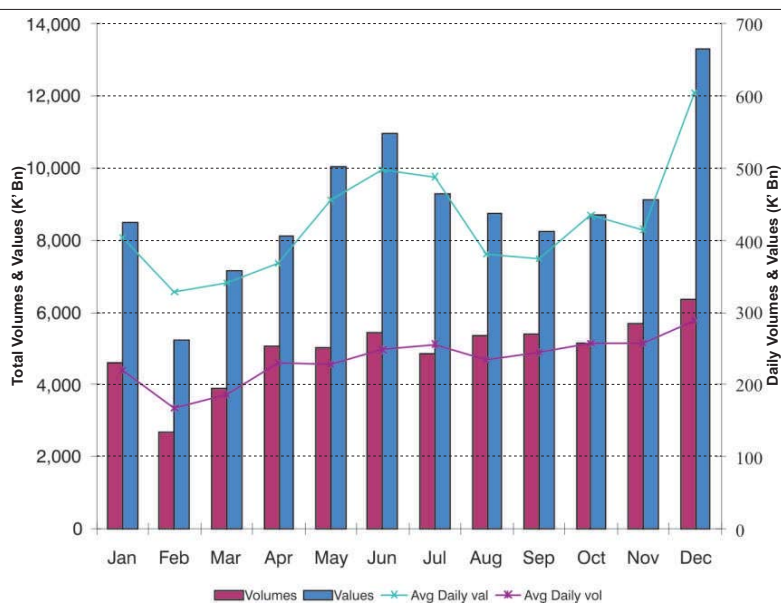
participating actively. The total number of transactions processed through this system amounted to 59,590, with a total value of K107 trillion (see Table 34 and Chart 45). On average, the system processed 236 transactions per day with an average value of K426 billion.

Table 34: RTGS Volumes and Values, 2005

Month	Total Volume of Transactions	Daily Average Volume for the month	Value (In K'Bn)	Daily Average Value for the month	% change in volume	% change in value
Jan	4,614	220	8,482	404		
Feb	2,679	167	5,246	328	-42	-38
Mar	3,906	186	7,165	341	46	37
Apr	5,076	231	8,104	368	30	13
May	5,021	228	10,038	456	-1	24
Jun	5,468	249	10,957	498	9	9
Jul	4,868	256	9,277	488	-11	-15
Aug	5,372	234	8,755	381	10	-6
Sep	5,400	245	8,250	375	1	-6
Oct	5,142	257	8,691	435	-5	5
Nov	5,675	258	9,135	415	10	5
Dec	6,369	290	13,304	605	12	46
Total	59,590	236	107,404	426		

Source: Bank of Zambia

CHART 45: 2005 RTGS TRANSACTION VOLUMES & VALUES



Performance of the Physical Interbank Clearing System

During the year, the number of cheques processed through the Physical Inter-bank Clearing (PIC) system increased by 6.6% to 2.24 million, with a total value of K 26,763 billion compared to 2.1 million cheques with a total value of K23,388 billion processed the previous year (see Table 35). This increase was attributed to increased economic activity and the measures which the BoZ implemented to enhance confidence in the usage of cheques. Compared to transactions processed through the RTGS system, the PIC became the preferred system for processing small value transactions.

Table 35: Physical Inter-Bank Clearing - Volumes & Values, 2003 - 2005

Month	2003 Volumes	2004 Volumes	2005 Volumes	% Increase in Volumes (2004 to 2005)	2003 Values (in K'bn)	2004 Values (in K'bn)	2005 Values (in K'bn)	% Increase in Values (2004 to 2005)
Jan	166,680	167,073	171,061	2.39	1,610	1,803	1,967	9.10
Feb	151,881	162,427	176,048	8.39	1,341	1,705	1,846	8.27
Mar	163,185	185,726	181,308	-2.38	1,414	1,897	1,925	1.48
Apr	165,429	169,799	187,446	10.39	1,583	1,892	2,163	14.32
May	163,925	173,998	189,185	8.73	1,572	1,828	2,216	21.23
Jun	168,160	182,576	196,870	7.83	1,556	1,988	2,365	18.96
Jul	177,857	178,339	181,561	1.81	1,822	1,910	2,332	22.09
Aug	161,818	182,196	202,159	10.96	1,613	1,919	2,431	26.68
Sep	178,583	188,482	197,424	4.74	1,778	2,014	2,395	18.92
Oct	180,672	178,248	181,973	2.09	1,891	1,975	2,318	17.37
Nov	159,265	195,011	190,130	-2.50	1,667	2,244	2,392	6.60
Dec	181,697	192,528	185,000	-3.91	2,034	2,213	2,413	9.04
Total	2,019,152	2,156,403	2,240,165	3.88	19,881	23,388	26,763	14.43
Monthly Average	168,263	179,700	186,680		1,657	1,949	2,230	

Source: Zambia Electronic Clearing House Limited

Performance of the Direct Debit and Credit Clearing System

In 2005, the number of transactions processed through the Direct Debits and Credit Clearing (DDACC) system increased by 17% to 564,117, with a total value of K2,255 billion compared to 480,598 items amounting to K2,985 billion in 2004 (see Table 36). This was attributed to the continued popularity, among bank customers, of the DDACC system for the transfer and settlement of small value payment instructions such as payment of utility bills and school fees.

Table 36: DDACC Volumes and Values, 2003 - 2005

Month	2003 Volumes	2004 Volumes	2005 Volumes	% Change in Volumes (2004 to 2005)	2003 Values	2004 Values	2005 Values	% Change in Values (2004 to 2005)
Jan	13,680	31,938	38,541	20.67	132	303	180	-40.59
Feb	14,309	43,182	43,449	0.62	133	259	173	-33.20
Mar	13,778	36,019	41,177	14.32	133	346	186	-46.24
Apr	16,917	42,569	41,032	-3.61	182	302	180	-40.40
May	17,973	33,562	51,998	54.93	157	342	165	-51.75
Jun	17,578	36,849	46,857	27.16	191	414	183	-55.80
Jul	23,455	38,156	38,528	0.97	240	156	179	14.74
Aug	16,039	39,287	51,483	31.04	234	147	226	53.74
Sep	23,537	42,580	47,265	11.00	207	162	192	18.52
Oct	30,584	37,344	44,974	20.43	237	165	172	4.24
Nov	28,706	45,468	52,274	14.97	280	189	210	11.11
Dec	44,693	53,644	66,539	24.04	357	200	209	4.50
Total	261,249	480,598	564,117	17.38	2,483	2,985	2,255	-24.46
Monthly Average	21,771	40,050	47,010	17.39	207	249	188	24.50

Source: Zambia Electronic Clearing House Limited

Mid-Term Review of the National Payment Systems Vision and Strategy 2002-2006

The Bank continued with its consultative approach in furtherance of its National Payment Systems strategic objectives. Accordingly, in May 2005, the Bank convened a mid-term consultative stakeholders' workshop to review the progress towards the achievement of the objectives and strategies contained in the National Payment Systems Vision and Strategy: 2002-2006.

Implementation of the Liquidity Optimisation Mechanism (LOM) Module

During the year, the Bank implemented, on a pilot test basis, the LOM module, whose objectives are to facilitate the effective and optimum use of liquidity for settlement of intra-day transactions.

Launch of the E-Switch/Zam-Link System

The effectiveness of the payment system was enhanced by the launch of the E-switch/Zam-Link system. This enables the customers of participating banks to share Automated Teller Machines (ATMs) and other payment delivery channels, like point of sale (PoS) terminals¹⁶. The other benefit of the system is a cash-back facility that allows customers to request for cash withdrawal at PoS.

¹⁶ Membership of E-switch comprises Finance Bank, Investrust Bank, Indo-Zambia Bank and First Alliance Bank.



6 ADMINISTRATION AND SUPPORT SERVICES

6.0 ADMINISTRATION AND SUPPORT SERVICES
Overview

In 2005, the BoZ completed the implementation of the fine tuning exercise to streamline its structure and operations. In line with this exercise, recruitment, placement and training of staff to support the attainment of the mission of the BoZ continued. In addition, the BoZ continued to provide for the general welfare of employees. Other support services included ensuring sound budgetary and financial control. Further, several milestones in the area of information and communication technology were achieved.

6.1 HUMAN RESOURCE MANAGEMENT

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

Structure

At the beginning of the year the BoZ implemented the fine-tuning exercise which, among other things, led to the creation of the Risk Management Unit and the fusing of the Change Department into the Human Resources Department. In addition, the BoZ establishment was increased from 606 to 672.

Staffing

As at end-December 2005, the staff compliment stood at 580 against the approved establishment of 672 (see Table 37). Negative variances indicate vacancies while employment above establishment is shown by positive variances.

Table 37: Establishment and Staffing Levels, 2003 - 2005

Functions	2003			2004			2005		
	Estab	Actual	Var	Estab	Actual	Var	Estab	Actual	Var
Executive	8	8	0	8	9	1	10	9	-1
Subtotal	8	8	0	8	9	1	10	9	-1
Core Departments									
Economics	45	45	0	45	37	-8	49	36	-13
Bank Supervision	36	38	2	36	36	0	37	33	-4
Non Banks Financial Institutions Supervision	34	27	-7	34	33	-1	34	31	-3
Financial Markets	28	27	-1	28	30	2	33	27	-6
Banking, Currency & Payment Systems	80	70	-10	80	65	-15	93	70	-23
Regional Office	106	122	16	106	128	22	120	120	0
Subtotal	329	329	0	329	329	0	366	317	-49
Support Services									
Finance	42	50	8	42	44	2	44	40	-4
Procurement & Maintenance Services	69	67	-2	69	62	-7	73	61	-12
Human Resources	38	30	-8	38	27	-11	38	39	1
Information & Communications Technology	35	28	-7	35	24	-11	39	25	-14
Bank Secretariat	15	14	-1	15	14	-1	19	13	-6
Security Services	48	61	13	48	60	12	53	51	-2
Internal Audit	22	20	-2	22	20	-2	26	21	-5
Risk Management Unit	0	0	0	0	0	0	4	3	-1
Subtotal	269	270	1	269	251	-18	296	253	-43
TOTAL	606	607	1	606	589	-17	672	580	-92

Source: Bank of Zambia

ADMINISTRATION AND SUPPORT SERVICES

The BoZ continued to hire all new staff on fixed term contracts of employment in line with its new policy. As at the end of the year, 553 employees were on permanent and pensionable service while 26 were on fixed term employment contracts (see Table 38).

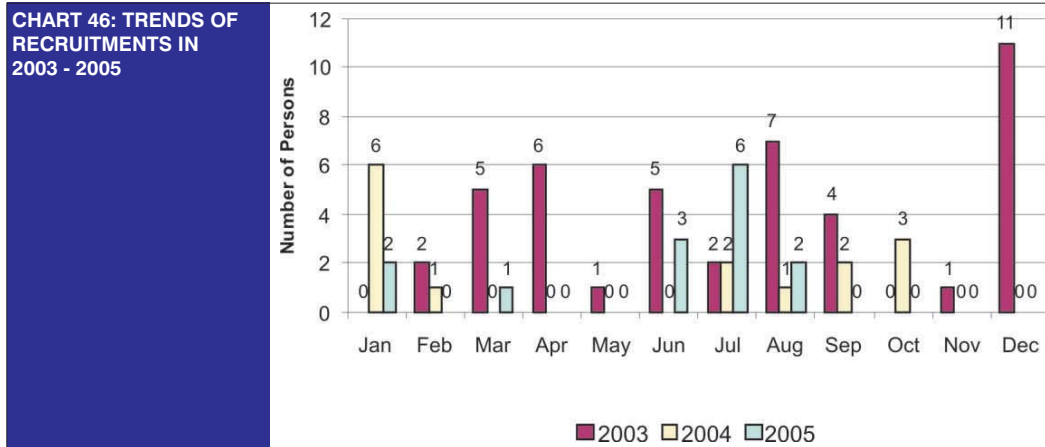
Table 38: Distribution of Permanent, Pensionable and Contract Staff, 2005

Office	Permanent & Pensionable Staff			Contract Staff			Grand Total
	Male	Female	Subtotal	Male	Female	Subtotal	
Lusaka	294	136	430	12	8	20	450
Ndola	83	40	123	3	3	6	129
Subtotal	377	176	553	15	11	26	579

Source: Bank of Zambia

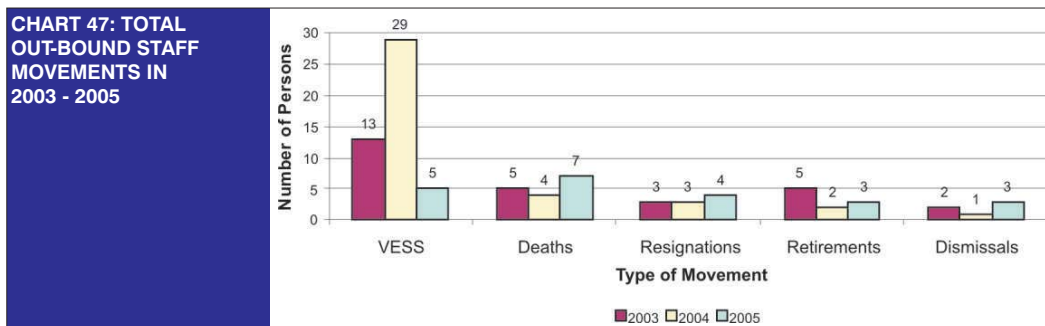
Recruitment

A total of 14 new employees were recruited by the BoZ during the year compared with 15 employees in 2004 (see Chart 46).



Separations

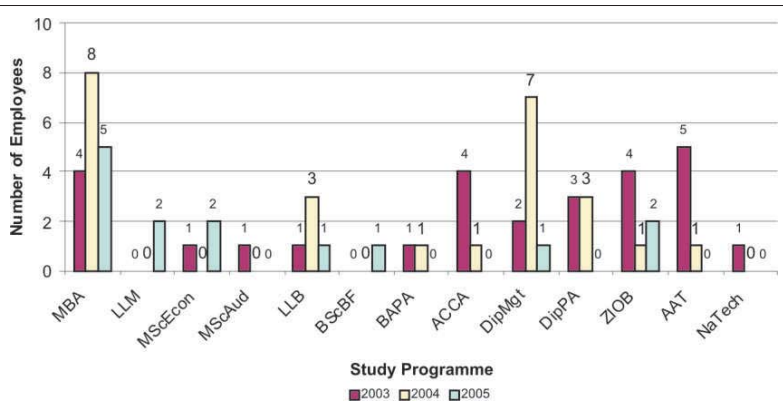
The BoZ recorded a staff turnover of 3.0% in 2005 compared to 6.0% in 2004. A total of 22 employees separated from the services of the BoZ through various modes in 2005, in comparison with 16, 28 and 39 in 2002, 2003 and 2004, respectively (see Chart 47).



Capacity Building Programmes

In order to enhance the delivery of its mandated services, the BoZ continued to build capacity among its staff by providing scholarships and offering tuition in various disciplines at its In-Service Training Centre. In 2005, 25 employees, the same number as the previous year, successfully completed their study programmes through various training interventions including fulltime, day release and distance learning (see Chart 48). In addition, the BoZ broadened its affiliation to institutions offering access to electronic information resources, such as the International Network for the Availability of Scholarly Publications, as a way of enhancing organisational learning and research. Further, the BoZ in conjunction with the French Embassy facilitated the training of 76 employees in the French language.

CHART 48: EMPLOYEES WHO COMPLETED STUDIES IN 2003 - 2005



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 BoZers, BAPA = Bachelor of Arts in Public Administration, MScEcon = Master of Science in Economics, MScAud = Master of Science in Auditing, NaTech = National Accounting Technicians, BScBF = Bachelor of Science in BoZing & Financial Services

Performance Management System

Following the fine tuning exercise, the BoZ conducted sensitisation workshops in performance management in an effort to entrench performance culture in the BoZ. A total of 127 employees from all the Departments of the BoZ attended the workshops.

University Chairs

The BoZ continued to provide support to the Department of Economics at the University of Zambia and the School of Business at the Copperbelt University through monthly salary supplementation to lecturers in the two faculties. The objective of this initiative was to help stem the staff turnover at the two Universities. The BoZ also continued to provide support to the institutions through fully funded scholarships to five outstanding students in economics and five in accountancy.

Organisational Development

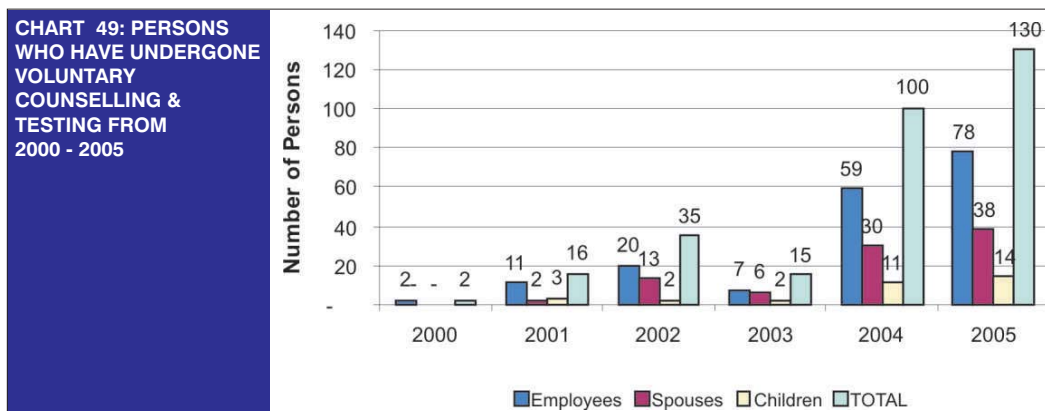
In line with the Strategic Plan 2004 - 2007, three policies, namely the Code of Ethics, Whistle Blower and Communications Polices were developed. Training on Corporate Governance was provided to some members of staff as a way of enhancing the values of good corporate governance in the BoZ.

Employee Relations

The BoZ enjoyed healthy industrial relations throughout the year and signed an interim Collective Agreement resulting in an upward adjustment of salaries and improved morale. In addition, the BoZ provided entrepreneurial training to staff that went on retirement in order to prepare them for life after BoZ employment.

Staff Welfare

To reduce the adverse impact of HIV/AIDS on the BoZ staff, sensitisation campaigns were intensified resulting in an increase in the number of staff and their family members undergoing Voluntary Counseling and Testing (VCT) (see Chart 49). Furthermore, in its quest to improve the quality of medical services provided to staff and their immediate families, the BoZ increased the number of medical service providers from three to five.



Pension

In 2005, the active membership of the fund as at 31st December 2005 was 549 while the value of its assets grew from K92.00 Billion the previous year to K118.72 Billion.

With regard to the administration of the BoZ Pension Trust Fund, an independent Board of Trustees was appointed to manage the Fund in line with the Pensions and Insurance Authority (PIA) regulations. The Fund will operate as an independent company under the business name of Kwacha Pension Trust Fund.

6.2 INTERNAL AUDIT

The BoZ, through internal audit activities, continued with evaluations of the effectiveness of internal controls over accounting, operational and administrative functions. This was conducted in accordance with the Standards for the Professional Practice of Internal Auditing and the Control Objectives for information and Related Technology (COBIT). In addition, computer assisted audit tools namely autoAudit, and Audit Command Language (ACL) continued to be utilised.

6.3 FINANCE

In 2005, the BoZ ensured sound budgetary and financial control and prepared audited financial statements for the year 2004 using International Financial Reporting Standards (IFRS). Compliance with IFRS was achieved a year earlier than the required date set by the Zambia Institute of Chartered Accountants (ZICA). The 2004 audited financial statements were approved by the Board in May 2005, well within the statutory requirement of six months.

6.4 BANK SECRETARIAT

The Board of Directors held eight scheduled meetings in 2005 at which a number of important decisions were made to guide the operations of the BoZ. These included, among other things, the approval of the following:

- Audit Policy (for the appointment and rotation of External Auditors);
- Staff Training and Development Policy;
- Monetary Policy Statement (January - July 2005);
- Monetary Policy Statement (July - December 2005); and
- BoZ Procurement Policy.

In addition, the Audit and Finance, the Appointments and Remuneration, and the Monetary Policy Advisory committees of the Board held meetings. Further, 15 management meetings were convened.

In 2005, the BoZ appointed a project team tasked with the responsibility of developing an appropriate risk management framework and procedures. This was pursuant to a Board decision of 2003 to adopt a Good Corporate Governance Policy for the BoZ, of which implementation of a BoZ-wide risk management framework was one of the key elements. The project team developed a draft risk management framework, incorporating the philosophy, policy and procedures to guide BoZ operations in the management of risks and the development of appropriate governance structures providing for the independence of the risk management function.

To eliminate identified weaknesses, overlaps, conflicts and inconsistencies in the regulatory and the supervisory framework of the non-bank financial institutions, the Banking and Financial Services Act, Cap 387 was amended. Equally the Development Bank of Zambia Act, Cap 363; the National Savings and Credit Act, Cap 423; and the Building Societies Act, Cap 412 were amended and passed in to law in October 2005 to harmonise them with the amended Banking and Financial Services Act. To this end, the law was made more certain, and in line with international best practice, thereby contributing to the enhancement of financial system stability. Moreover, Microfinance Regulations and the Credit Reference Guidelines were issued while progress was made to finalise the Payment Systems legislation.

In order to improve awareness of the operations and activities of the BoZ and the performance of the economy, the BoZ continued to disseminate information to the public. This was done through; publications (Zambanker, Quarterly Financial and Statistical Review Reports, Annual Report and Monetary Policy Statement); the website; and close interaction with the Members of Parliament, the business community, the media as well as various stakeholders. Information was further disseminated through participation at the Zambia International Trade Fair and the Zambia Agricultural and Commercial Show.

6.5 INFORMATION AND COMMUNICATIONS TECHNOLOGY

During 2005, several developments were recorded in the area of Information and Communications Technology (ICT). These included upgrades of the base computer applications, Real Time Gross Settlements and the Banking Supervision Application and SWIFT network. Improvements to the BoZ website continued, which culminated in the launch of a new website in October 2005. Further, there were improvements in the wide area network, which improved connectivity with the Regional Office.

In addition, the BoZ continued with the implementation of the ICT Governance framework based on the Control Objectives for Information Related Technologies (CobiT). The first phase was completed with the major processes aligned to CobiT. The next stage will involve adopting various international standards and world-class practices.

6.6 SECURITY ACTIVITIES

The BoZ carried out a joint operation with the Zambia Police Service on counterfeit cases during which ten suspects were apprehended and K234 million worth of counterfeit notes were recovered. Six of the suspects were appearing in court. In addition, the BoZ dealt with 182 counterfeit cases. Of these, 98 were foreign currency counterfeit cases and the rest were Kwacha counterfeit notes.

6.7 PROCUREMENT AND MAINTENANCE

During the year, the BoZ completed the improvement of the rear access lane at Regional Office. This improved security and facilitated easier access into the BoZ. In addition, a new parking area opposite the National Pension Scheme Authority has been re-surfaced. This was expected to improve and increase the parking area for members of staff.



7 REGIONAL OFFICE

7.0 REGIONAL OFFICE

In line with the BoZ's mission statement, the Regional Office carried out a number of key activities during the year, which included carrying out on-site inspections of commercial banks' branches in the Northern region and pre-inspections of non-bank financial institutions to ensure compliance with financial system regulatory requirements and guidelines.

In addition, the Regional Office participated in carrying out several surveys. These included the Quarterly Survey of Business Opinions and Expectations, Quarterly Private Sector External Debt Reconciliation Survey, and Travel Survey. In addition, the Regional Office attended to queries from the public and distributed various BoZ publications to enhance economic information flow in the Region.



8 FINANCIAL STATEMENTS



BANK OF ZAMBIA

FINANCIAL STATEMENTS

for the year ended 31 December 2005

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BANK OF ZAMBIA

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.

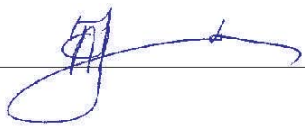

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, Deloitte, have audited the annual financial statements and their report appears on page 80.

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 loss of the Bank for the year ended 31 December 2005;
- 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 2005; 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
)
)
)
)

_____) DIRECTOR



REPORT OF THE AUDITORS

To the members of
Bank of Zambia

We have audited the accompanying balance sheet of Bank of Zambia (the "Bank") as of 31 December 2005 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Bank's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly the financial position of the Bank as of 31 December 2005 and of the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Bank of Zambia Act No.43 of 1996 and that the accounting and other records and registers have been properly kept in accordance with the Act.

Deloitte & Touche

DELOITTE & TOUCHE

19 June 2006

BANK OF ZAMBIA**INCOME STATEMENT**

for the year ended 31 December 2005

Kwacha million

	Notes	2005	2004
INTEREST INCOME			
Interest income	3	227,438	206,684
Interest expense		<u>(29,702)</u>	<u>(9,111)</u>
Net interest income		<u>197,736</u>	<u>197,573</u>
OTHER OPERATING INCOME			
Other income	4	11,441	7,982
Supervision fees		<u>10,160</u>	<u>7,751</u>
Net interest income and other operating profit		<u>21,601</u>	<u>15,733</u>
		<u>219,337</u>	<u>213,306</u>
OPERATING EXPENSES			
Personnel expenses		163,875	147,335
Administrative expenses		24,281	16,550
Depreciation expense	18	13,601	10,646
Asset management expenses		5,596	4,277
Note printing and distribution expenses	7	37,522	673
Banking office expenses		20	589
Redundancy costs	5	1,063	-
Pension deficit funding		<u>-</u>	<u>2,405</u>
		<u>245,958</u>	<u>182,475</u>
(LOSS)PROFIT FROM OPERATIONS BEFORE EXCHANGE (LOSSES) GAINS			
		(26,621)	30,831
Exchange (losses) gains		<u>(324,499)</u>	<u>72,117</u>
(LOSS) PROFIT FOR THE YEAR		<u><u>(351,120)</u></u>	<u><u>102,948</u></u>



BANK OF ZAMBIA**STATEMENT OF CHANGES IN EQUITY**
for the year ended 31 December 2005

Kwacha millions

	Share capital	Property revaluation reserve	General reserve fund	Total
Balance at 1 January 2004	10,020	36,878	80,051	126,949
Amortisation of revaluation surplus	-	(793)	793	-
Profit for the year	-	-	102,948	102,948
Balance at 31 December 2004	10,020	36,085	183,792	229,897
Revaluation surplus	-	117,803	-	117,803
Elimination of accumulated depreciation on revaluation	-	1,460	-	1,460
Loss for the year	-	-	(351,120)	(351,120)
Amortisation of revaluation surplus	-	(671)	671	-
Balance at 31 December 2005	10,020	154,677	(166,657)	(1,960)

BANK OF ZAMBIA**BALANCE SHEET**

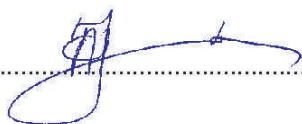
at 31 December 2005

Kwacha millions

	Notes	2005	2004
ASSETS			
Inventory of domestic cash		2,430	985
Foreign currency cash and bank accounts	8	279,247	340,790
Foreign currency investments and claims	9	4,673,100	4,421,826
Loans and receivables	10	327,881	439,097
Credit to the Government of the Republic of Zambia	11	2,094,441	4,242,173
Held to maturity financial assets	12	1,650,530	1,693,129
Held for trading financial assets	14	78	81,967
Credit to financial institutions	15	2,875	2,612
Credit to other institutions	16	330,712	60,859
Other assets	17	91,885	78,328
Property, plant and equipment	18	192,149	78,969
Available for sale investments	20	2,839	2,832
Total assets		9,648,167	11,443,567
LIABILITIES			
Notes and coins issued	21	964,384	819,506
Foreign currency liabilities to other institutions	22	640,278	685,270
Foreign currency liabilities to international institutions	23	2,341,338	4,489,071
Domestic currency liabilities to non resident institutions	24	3,480,142	3,275,575
Credit from the Government of the Republic of Zambia	25	866,241	799,771
Credit from financial institutions	26	1,303,127	1,085,638
Credit from other institutions	27	2,111	2,146
Provisions	28	2,734	3,799
Other financial liabilities	29	49,772	52,894
Total liabilities		9,650,127	11,213,670
CAPITAL AND RESERVES			
Capital	30	10,020	10,020
Property revaluation reserve		154,677	36,085
General reserve fund		(166,657)	183,792
Total capital and reserves		(1,960)	229,897
Total liabilities, capital and reserves		9,648,167	11,443,567

These financial statements were approved for issue by the Board of Directors on 24 May 2006 and were signed on its behalf by:

GOVERNOR.....



DIRECTOR.....



BANK OF ZAMBIA**STATEMENT OF CASH FLOWS**

for the year ended 31 December 2005

Kwacha millions

	Notes	2005	2004
OPERATING ACTIVITIES			
Interest received		227,438	206,684
Interest paid		(29,702)	(9,111)
Other operating income		21,601	15,733
Operating expenses		(244,895)	(180,070)
Depreciation	18	13,601	10,646
Provisions made during the year		-	597
Funding of Pension fund deficit		-	(2,405)
Redundancy costs		(1,063)	-
Exchange (losses) gains		(324,499)	72,117
Property, plant and equipment adjustments	18	33	-
		<u>(337,486)</u>	<u>114,191</u>
Movement in operating assets:			
Increase in investment and claims		(251,274)	(32,313)
Decrease (increase) in loans and receivables		111,216	(149,156)
Decrease in credit to the Government of the Republic of Zambia		2,147,731	3,124,847
(Increase) decrease in credit to financial institutions		(263)	864
Increase in credits to other institutions		(269,852)	(9)
(Increase) decrease in other assets		(13,557)	57,992
Increase in available for sale investments		(7)	-
Increase in currency issued		144,879	147,684
(Decrease) increase in foreign currency liabilities to other institutions		(44,992)	5,830
(Decrease) increase in liability to international institutions		(2,147,733)	148,020
Increase in liabilities to non resident institutions		204,567	2,064
Increase (decrease) in credit from the Government of the Republic of Zambia		66,470	(3,541,460)
Increase in credit from financial institutions		217,489	317,599
(Decrease) increase in credit from other institutions		(35)	200
Decrease in provisions	28	(838)	-
(Decrease) increase in other liabilities		(3,123)	87
		<u>(176,808)</u>	<u>196,440</u>
Cash (used in) generated from operating activities			
Payments made in respect of provisions	28	(227)	(2,539)
		<u>(177,035)</u>	<u>193,901</u>
Net cash (outflows) inflows from operating activities			

BANK OF ZAMBIA**STATEMENT OF CASHFLOWS (CONT'D)**
for the year ended 31 December 2005

Kwacha millions

	Notes	2005	2004
INVESTING ACTIVITIES			
Net movement in held to maturity financial assets		42,599	8,464
Net movement in held for trading financial assets		81,889	(77,519)
Purchase of property, plant and equipment		(7,818)	(21,725)
Proceeds from sale of property, plant and equipment		<u>267</u>	<u>169</u>
Net cash inflows (outflows) from investing activities		<u>116,937</u>	<u>(90,611)</u>
Net (decrease) increase in cash and cash equivalents		(60,098)	103,290
Cash and cash equivalents at the beginning of year		<u>341,775</u>	<u>238,485</u>
Cash and cash equivalents at the end of year		<u><u>281,677</u></u>	<u><u>341,775</u></u>
Comprised of:			
Inventories of domestic cash		2,430	985
Foreign currency cash and bank accounts		<u>279,247</u>	<u>340,790</u>
		<u><u>281,677</u></u>	<u><u>341,775</u></u>



ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared on an historic cost basis modified to include the revaluation of certain property, plant and equipment, in accordance with International Financial Reporting Standards.

During the year 2004 the International Accounting Standards Board carried out an extensive improvement programme for International Financial Reporting Standards. As a result, 15 International Financial Reporting Standards were revised or amended with a view of eliminating or reducing alternatives, redundancies and conflicts within the standards. These revisions and amendments were with effect from 1 January 2005.

The Bank has complied with all revisions to the Standards which are relevant to its operations.

These financial statements are presented in millions of Zambian Kwacha.

COMPARATIVES

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

INCOME RECOGNITION

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 from 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, property, plant and equipment 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

Loans and receivables

The Bank has classified the following financial assets as loans and receivables:

- Staff loans and advances;
- Call accounts;
- Amounts due from the Government of the Republic of Zambia ("GRZ");

BANK OF ZAMBIA

ACCOUNTING POLICIES (CONT'D)

- Foreign deposits;
- Trade and other debtors; and
- Cash and cash equivalents.

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;
- Other GRZ bonds;
- 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's equity investments are being actively marketed for disposal, they are classified 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 the Government of the Republic of Zambia;
- 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 the Bank 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, 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.

Measurement

Financial instruments are initially measured at cost and subsequently 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 or 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



ACCOUNTING POLICIES (CONT'D)

financial assets and liabilities approximate their fair values. Financial instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured are stated at cost including transaction costs less impairment losses.

De-recognition

The Bank de-recognises financial assets or a portion thereof when the Bank loses control of the contractual rights arising from the financial instrument through realisation, expiry or surrender of those rights.

A financial liability is de-recognised when it is extinguished.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment 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.

INVENTORIES

Inventories are stated at cost. Our inventory comprises office stationery and other office consumables. It is not ordered for sale but entirely for day to day business use. Cost is calculated using weighted average cost method.

DEPRECIATION

Depreciation is charged to write off the cost or valuation of property, plant and equipment over their expected useful lives on a straight line basis, at the following annual rates:

Leasehold buildings	2%
Fixtures and fittings	4%
Plant and machinery	5%
Furnitures and furnishings	10%
Integrated security system	10%
Security and other equipment	20%
Motor vehicles	25%
Computer equipment - hardware	25%
- software	33.3%
Office equipment	33.3%

A review of the assets' residual values and useful lives was undertaken. In the opinion of management based on information available no adjustments were required to the carrying values of property, plant and equipment. Management may engage experts if necessary to ensure re-examination of assumptions and judgements on its determination of the residual values and useful lives of property, plant and equipment.

Capital work in progress is not depreciated.

IMPAIRMENT

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.

ACCOUNTING POLICIES (CONT'D)

REVALUATION RESERVE

The surplus arising on revaluation of property, plant and equipment 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.

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.

Specific provisions for bad and doubtful debts are made for advances where recovery is deemed to be in serious doubt. The provision is the estimated amount necessary to reduce the carrying value of the advances to their expected net realisable value including estimated value of underlying collateral.

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.

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

The Board of Directors has ultimate responsibility for ensuring sound risk management practices are in place that enable the Bank efficiently and effectively meet its objectives. The approach of the Board is to ensure the following conditions are enhanced:

- i) Active Board and senior management oversight. Management maintains an interest in the operations and ensures appropriate intervention is available for identified risks.
- ii) Implementation of adequate policies, procedures and guidelines. To maintain their relevancy existing policies, procedures and guidelines have been reviewed and communicated to relevant users.
- iii) Maintain risk identification, measurement, monitoring and control systems. Management reviews risk management strategies and ensures that they are reviewed and updated to remain relevant.



- iv) Adequate internal controls. Improved internal control structures and culture emphasizing the highest level of ethical conduct have been implemented to ensure safe and sound practices.
- v) Correction of deficiencies. The Bank has implemented a transparent system of reporting control weakness and following up on corrective measures.

In its ordinary operation, the Bank is exposed to various financial and operational risks. The identified risks are monitored and managed according to an existing and elaborate internal control framework. To underscore the importance of risk management in the Bank the Board has since established a Risk Management Department, whose role is to review the Bank-wide framework for risk management and establish risk standards and management strategies for the management and mitigation of risk.

The following is our current position on the risks identified below:

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 looking at the organizations involved.

- (c) Fixed term deposits

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

- (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 mitigated by security over property and mortgage protection insurance. The risk on other loans is mitigated 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.

ACCOUNTING POLICIES (CONT'D)

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) Currency 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 making investment decisions that ensure maximum utilization of foreign reserves at minimal risk.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows and the net exposure as at 31 December 2005 was as shown in the table below.

	USD	GBP	EUR	RMB	SDR	Other	Total
At 31 December 2005							
Foreign currency assets							
Foreign currency cash and bank balances	182,545	1,910	94,660	-	-	132	279,247
Foreign currency investments and claims	628,439	109,820	399,743	-	3,535,098	-	4,673,100
Credit to other institutions	-	-	-	330,712	-	-	330,712
Total foreign currency assets	810,984	111,730	494,403	330,712	3,535,098	132	5,283,059
Foreign currency liabilities							
Foreign currency liabilities to other institutions	(28,966)	-	(11,567)	(330,712)	(269,033)	-	(640,278)
Foreign currency liabilities to international institutions	-	-	-	-	(2,341,338)	-	(2,341,338)
Total foreign currency liabilities	(28,966)	-	(11,567)	(330,712)	(2,610,371)	-	(2,981,616)
Net exposure 2005	782,018	111,730	482,836	-	924,727	132	2,301,443
At 31 December 2004							
Total foreign currency assets	579,852	64,760	724,069	60,859	3,393,539	396	4,823,475
Total foreign currency liabilities	(128,184)	-	(45,954)	(60,859)	(4,939,344)	-	(5,174,341)
Net exposure 2004	451,668	64,760	678,115	-	(1,545,805)	396	(350,866)

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 approves levels of borrowing and lending that are appropriate for the Bank to meet its objective of maintaining price stability at reasonable cost.

Foreign currency deposits are subject to floating interest rates. Interest rate changes threaten levels of income and expected cash flows. The Bank holds a net asset position of reserves and interest income far outweighs interest charges.

Substantial liabilities including currency in circulation, equity and reserves and balances for commercial banks and government ministries attract no interest.

BANK OF ZAMBIA**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2005

Kwacha millions**1. PRINCIPAL ACTIVITY**

The Bank of Zambia's (the "Bank" or "BOZ") principal activity, which is governed by the requirements of the Bank of Zambia Act No. `

2. (LOSS) PROFIT FROM OPERATIONS

	2005	2004
(Loss) profit from operations is stated after crediting:		

Interest received from treasury bills and Government bonds

Interest on overseas investments and deposits	124,583	129,514
Interest on overdrawn accounts and other assets	49,640	24,863
Profit on disposal of property, plant and equipment	101	-
	399	-

and after charging:

Depreciation

Interest expense	13,601	10,646
Donations	29,702	9,111
	46	204

INTEREST INCOME**3.**

Income from Government securities

Interest on advances to Government	124,583	129,514
Interest on overseas investments and deposits	52,603	50,893
Interest on core liquid assets shortfalls	49,640	24,863
Interest on overdrawn accounts and other advances to banks	510	1,098
	102	316

OTHER INCOME**4.**

Bureaux licence and stationery fees

Other banking income	579	503
Sundry income	6,487	1,378
	4,375	6,101

REDUNDANCY COSTS**5.**

These costs relate to a member of staff declared redundant in 2005.

INCOME TAX**6.**

The Bank is exempt from income tax under section 56 of the Bank of Zambia Act, No. 43 of 1996.

BANK OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2005

Kwacha millions

7. NOTE PRINTING AND DISTRIBUTION EXPENSES 2005 2004

The expenditure in 2005 was high because of the backlog in currency procurement emanating from minimal activity in 2004.

	<u>37,522</u>	<u>673</u>
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8. FOREIGN CURRENCY CASH AND BANK ACCOUNTS

Current account balances with non-resident banks	312,097	283,167
Clearing correspondent accounts with central banks	1,604	89,348
Foreign currency cash with banking office	<u>944</u>	<u>3,673</u>

	<u>314,645</u>	<u>376,188</u>
	<u>(35,398)</u>	<u>(35,398)</u>

Provision against deposits held in Meridien BIAO Bank	<u>279,247</u>	<u>340,790</u>
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9. FOREIGN CURRENCY INVESTMENTS AND CLAIMS

IMF subscription	3,479,315	3,274,976
Deposits with non-resident banks	1,138,002	1,028,385
Special Drawing Rights ("SDR's")	<u>55,783</u>	<u>118,465</u>

	<u>4,673,100</u>	<u>4,421,826</u>
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The IMF subscription represents membership quota amounting to SDR 489,100,000 assigned to the Government by the IMF and forms the basis for it's financial and organisational relationship with the IMF.

10. LOANS AND RECEIVABLES

Budgetary advance to the Ministry of Finance	288,986	409,629
Staff loans	38,808	29,425
Staff advances	<u>87</u>	<u>43</u>

	<u>327,881</u>	<u>439,097</u>
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Loans and advances to staff are offered within appropriate business considerations. Credit quality is enhanced by insurance and collateral demanded. In the opinion of the Directors, the applicable interest rates for the loans and advances approximate effective interest rates. Therefore, the carrying amounts are representative of their fair values at effective interest rates.

Average rate interest rates on staff loans were as follows:

House loans	10%	10%
Multi-purpose loans	12.5%	12.5%
Personal loans	10%	10%



BANK OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
for the year ended 31 December 2005

Kwacha millions

11. CREDIT TO THE GOVERNMENT OF THE REPUBLIC OF ZAMBIA

	2005	2004
Enhanced Structural Adjustment Facility (ESAF) obligations (Note 23)	2,092,737	4,240,335
Accrued charges - SDR Allocation	<u>1,704</u>	<u>1,838</u>
	<u><u>2,094,441</u></u>	<u><u>4,242,173</u></u>

The Bank acts as an agent to the IMF. The credit to the GRZ is interest free.

12. HELD TO MATURITY FINANCIAL ASSETS

The Government of the Republic of Zambia ("GRZ") Consolidated bond (Note 13)	1,646,743	1,646,743
Other GRZ bonds	202	29,876
Accrued interest on Government securities	1	12,577
Staff savings security	<u>3,584</u>	<u>3,933</u>
	<u><u>1,650,530</u></u>	<u><u>1,693,129</u></u>

13. THE GOVERNMENT OF THE REPUBLIC OF ZAMBIA (GRZ) CONSOLIDATED BOND

On 27 February 2003 GRZ and the Bank signed an agreement whereby all the debts owed by the Government of the Republic of Zambia to the Bank were converted into a consolidated debt. In consideration of such consolidation of debt, GRZ undertook and agreed to issue, effective 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%. Interest is paid monthly.

The following amounts owed by GRZ were included in the consolidated debt:

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	<u>853,510</u>
	<u><u>1,646,743</u></u>

The bond is stated at cost as it is unique to the Bank and there is no readily comparable instrument traded in an active market to reliably measure its fair value. However, the carrying amount at cost approximates the amortised cost at an effective interest rate of 6%.

The bond is also reviewed regularly for any impairment.

BANK OF ZAMBIA**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
for the year ended 31 December 2005**Kwacha millions**

14. HELD FOR TRADING FINANCIAL ASSETS	2005	2004
Treasury bills under repurchase agreements	78	81,967
Analysed down as follows:		
91 days	-	87
182 days	-	14,294
273 days	78	67,586
	<u>78</u>	<u>81,967</u>
15. CREDIT TO FINANCIAL INSTITUTIONS		
Overdrawn current accounts	76,632	78,373
Other credits to banks	27,295	22,031
	<u>103,927</u>	<u>100,404</u>
Provision for doubtful receivables	(101,052)	(97,792)
	<u>2,875</u>	<u>2,612</u>
16. CREDIT TO OTHER INSTITUTIONS		
Credit to non-financial public enterprises	<u>330,712</u>	<u>60,859</u>
This balance relates to 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 ASSETS		
Settlement position at the clearing house		
Sundry receivables	86,638	69,179
Stationery stocks	13,030	10,317
Prepayments	1,154	1,148
Accounts receivable	1,173	922
	<u>159</u>	<u>10</u>
Provision for doubtful receivables	102,154	81,576
	<u>(10,269)</u>	<u>(3,248)</u>
	<u>91,885</u>	<u>78,328</u>

BANK OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2005

Kwacha millions

18. PROPERTY, PLANT AND EQUIPMENT	Leasehold land and buildings	Furniture, fittings, computer, plant and equipment	Motor vehicles	Capital work-in progress	Total
Cost or valuation					
At 1 January 2005	46,116	57,798	11,892	231	116,037
Additions	55	4,547	10	3,206	7,818
Transfers	139	1,611	-	(1,750)	-
Disposals	(254)	(463)	(293)	-	(1,010)
Adjustments	-	(33)	-	-	(33)
Valuation	117,803	-	-	-	117,803
At 31 December 2005	163,859	63,460	11,609	1,687	240,615
Depreciation					
At 1 January 2005	4,680	26,539	5,850	-	37,069
Charge for the year	1,116	10,075	2,410	-	13,601
Disposals	(27)	(424)	(293)	-	(744)
Transfer to Reserves	(1,460)	-	-	-	(1,460)
At 31 December 2005	4,309	36,190	7,967	-	48,466
Net book value					
At 31 December 2005	159,550	27,270	3,642	1,687	192,149
At 31 December 2004	41,437	31,258	6,043	231	78,969

(a) The Bank's business premises were revalued on 24 November 2005 by registered valuation surveyors, DW Zyambo and Associates. Due to the absence of evidence of market based fair values the basis of valuation was the depreciated replacement cost. The assumption was that the assets were of a specialised nature without an observable reference market price. The carrying amount of premises before revaluation was K27,045 million. The revaluation surplus of K117,803 million 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	2005	2004
Authorised by the Directors but not contracted for	<u>12,090</u>	<u>9,218</u>

The funds to meet the capital commitments will be sourced from internally generated funds.

BANK OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2005

Kwacha millions

20.	AVAILABLE FOR SALE INVESTMENTS	2005	2004
	Zambia Electronic Clearing House Limited	1,847	1,847
	African Export Import Bank	939	939
	Development Bank of Zambia	53	46
		<u>2,839</u>	<u>2832</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. ZECHL has a unique feature of being set up as a non profit making concern whose members are expected to contribute monthly to its operating expenses and any additional requirements.

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. Divestment is motivated by legal requirements to reduce conflict of interest and is expected to be completed as soon as a willing buyer of the shares is found. Before amendment of the Banking and Financial Services Act in December 2000 DBZ was not under the Bank's regulatory and supervisory jurisdiction. However, the amendment to the Banking and Financial Services Act brought DBZ under the supervisory ambit of the Bank. It therefore, became necessary to divest to avoid conflict of interest where the Bank is both an investor and a supervisor.



BANK OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2005

Kwacha millions

21. NOTES AND COINS ISSUED	2005	2004
Bank notes issued by denomination		
K20	667	613
K50	2,910	2,773
K100	5,102	4,890
K500	14,929	14,084
K1,000	18,777	15,481
K5,000	57,541	55,931
K10,000	82,278	179,827
K20,000	356,613	209,905
K50,000	425,340	335,775
Bank notes issued	<u>964,157</u>	<u>819,279</u>
Coins issued	<u>227</u>	<u>227</u>
	<u><u>964,384</u></u>	<u><u>819,506</u></u>
22. FOREIGN CURRENCY LIABILITIES TO OTHER INSTITUTIONS		
Deposits and loans from other governments	640,278	679,114
Deposits and loans from non-resident institutions	-	6,049
Interest payable on foreign loans	<u>-</u>	<u>107</u>
	<u><u>640,278</u></u>	<u><u>685,270</u></u>
23. FOREIGN CURRENCY LIABILITIES TO INTERNATIONAL INSTITUTIONS		
International Monetary Fund:		
Enhanced Structural Adjustment Facility (ESAF) loan obligations (note (a))	2,092,737	4,240,335
Allocation of Special Drawing Rights (SDR) (note (b))	246,897	246,897
Accrued charges SDR payable Trust Fund loans	<u>1,704</u>	<u>1,839</u>
	<u><u>2,341,338</u></u>	<u><u>4,489,071</u></u>

(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 the trust instrument.

(B) The allocation of Special Drawing Rights represents **SDR68,298,000**. This is the liability to the International Monetary Fund in respect of Special Drawing rights allocated by the Fund. This liability has been translated into Zambian Kwacha at the rates of exchange ruling at 31 December 1999.

BANK OF ZAMBIA

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the year ended 31 December 2005

Kwacha millions

24.	DOMESTIC CURRENCY LIABILITIES TO NON-RESIDENT INSTITUTIONS	2005	2004
	International Monetary Fund:		
	Securities account	3,470,477	3,266,657
	No. 1 account	8,928	8,187
	No. 2 account	140	132
	Other international financial institutions	563	565
	Other central banks	<u>34</u>	<u>34</u>
		<u><u>3,480,142</u></u>	<u><u>3,275,575</u></u>
	The liabilities are held on behalf of GRZ and are interest free.		
25.	CREDIT FROM THE GOVERNMENT OF THE REPUBLIC OF ZAMBIA		
	Deposits of the Ministry of Finance and National Planning	<u>866,241</u>	<u>799,771</u>
		<u><u>866,241</u></u>	<u><u>799,771</u></u>
26.	CREDIT FROM FINANCIAL INSTITUTIONS		
	Commercial bank current accounts	213,073	249,233
	Minimum reserve requirements	688,480	665,663
	Credit and other deposits of banks	401,364	170,614
	Term deposits from financial institutions	<u>210</u>	<u>128</u>
		<u><u>1,303,127</u></u>	<u><u>1,085,638</u></u>
27.	CREDIT FROM OTHER INSTITUTIONS		
	Deposits from non-financial public enterprises	1,882	1,884
	Other deposits	<u>229</u>	<u>262</u>
		<u><u>2,111</u></u>	<u><u>2,146</u></u>
28.	PROVISIONS		
	At 1 January 2005	3,799	5,741
	Provisions made during the year	-	597
	Reversals during the year	(838)	-
	Payments made during the year	<u>(227)</u>	<u>(2,539)</u>
	Balance at end of the year	<u><u>2,734</u></u>	<u><u>3,799</u></u>
	Made up as follows:		
	Provision for pipeline debt	2,311	3,149
	Provision for staff litigations	<u>423</u>	<u>650</u>
		<u><u>2,734</u></u>	<u><u>3,799</u></u>



BANK OF ZAMBIA**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
for the year ended 31 December 2005**Kwacha millions**

29. OTHER FINANCIAL LIABILITIES	2005	2004
Staff savings, deposits and clearing accounts	22,849	27,114
Unclaimed government securities	2,008	5,319
Accrued expenses payable	16,175	18,698
Accounts payable	8,740	1,763
	<u>49,772</u>	<u>52,894</u>

30. CAPITAL

Authorised, issued and fully paid of no denomination	<u>10,020</u>	<u>10,020</u>
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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. In a majority of cases the possibility of loss is remote and where loss is likely, liability is insignificant.

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.

Kwacha millions

32. RETIREMENT BENEFITS INFORMATION (CONT'D)

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.

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 plan assets were **K71,366 million** and liabilities were **K94,287 million** resulting in a deficit of **K22,921 million**. The Bank 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.



BANK OF ZAMBIA**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**
for the year ended 31 December 2005

Kwacha millions

33. RELATED PARTY TRANSACTIONS (CONT'D) **2005** **2004**

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.

All transactions with related parties were made on an arms length basis.

In the current year a number of transactions took place culminating into the following balances:

Advances to Government of the Republic of Zambia	288,986	409,629
Deposits from Government Institutions	(774,314)	(581,786)
Deposits from Statutory Corporations	(87,942)	(217,985)
Directors fees	247	221
Remuneration for key management personnel		
Salaries and allowance	12,138	9,800
Pension contributions	513	298
	513	298

34. EVENTS AFTER THE BALANCE SHEET DATE

On 5 January, 2006, the International Monetary Fund Executive Board cancelled Zambia's debt totalling SDR402,592,000 under the Multilateral Debt relief Initiative (MDRI). MDRI is intended to achieve cancellation of debt for eligible countries to help them advance toward the United Nation's Millennium Development Goals, which are focused on halving poverty by 2015.

This debt relief has led to a reduction of PRGF trust loans, after year end, by K2,069 million.



9 ANNUAL STATISTICAL REPORT FOR 2005

2005 Annual Statistical Report

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ANALYTICAL ACCOUNTS OF THE COMMERCIAL BANKS (IN MILLIONS OF KWACHA)

TABLE 3

Monetary Account/Period	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
FOREIGN ASSETS (NET)	415,090	469,480	799,912	1,159,482	930,412	1,369,843	1,865,180	1,116,023	972,169	962,275	987,711	730,813	623,293	825,438	807,887	741,281	
Gross assets	457,279	530,165	893,035	1,272,128	1,058,173	1,593,901	1,958,089	1,330,077	1,399,937	1,399,937	1,263,551	1,211,268	1,095,406	1,291,903	1,198,701	1,205,252	
Liabilities	-42,190	-60,685	-93,123	-112,646	-162,761	-204,058	-192,909	-215,054	-267,768	-376,662	-300,840	-480,455	-472,113	-466,465	-368,814	-463,971	
RESERVES (CREDIT TO BOZ)	154,732	175,586	322,673	475,560	731,302	769,021	1,003,983	955,275	984,858	991,159	1,012,055	1,006,929	1,292,429	1,321,514	1,266,312	1,483,901	
Cash in vaults	25,895	38,894	43,027	57,051	77,690	85,916	90,515	101,490	105,120	83,861	119,049	98,896	107,880	140,234	129,576	138,934	
Other balances at BOZ	141,915	137,272	280,004	418,479	653,612	683,105	913,468	853,785	879,738	907,298	892,906	908,033	1,184,549	1,181,280	1,136,736	1,344,967	
Statutory reserves at BOZ (kwacha and forex)	63,027	81,900	189,606	320,362	489,760	643,623	825,910	620,450	696,326	696,749	697,734	696,615	735,960	707,455	699,557	715,064	
Money market placements	3,850	41,200	26,800	61,800	0	136,750	188,750	128,750	118,500	181	156,730	155,081	349,231	318,621	376,664	369,171	
CREDIT TO DOMESTIC ECONOMY	582,840	666,789	1,412,842	1,817,702	3,040,112	3,359,904	3,620,722	3,792,238	3,846,768	3,962,233	4,063,496	4,433,273	4,289,359	4,106,925	3,822,174	3,835,147	
Claims on general government (net)	67,903	95,992	266,745	649,259	786,064	1,633,077	1,424,741	1,477,698	1,482,099	1,584,155	1,573,466	1,634,927	1,570,884	1,478,622	1,400,386	1,316,617	
Claims on general government	155,958	232,046	357,181	777,590	916,345	1,836,107	1,707,941	1,772,600	1,881,463	1,992,238	1,962,401	1,981,845	1,984,901	1,958,015	1,835,616	1,834,263	
Treasury bills	142,331	187,097	228,139	510,124	616,232	1,091,252	865,361	894,282	1,000,045	987,320	1,020,822	1,016,822	1,016,822	890,214	887,967	913,332	
Other assets	13,227	44,949	129,042	267,228	400,088	744,855	842,580	868,001	922,336	951,718	941,318	941,579	965,273	1,008,401	946,648	920,921	
Deposits of general government	-47,855	-136,053	-60,436	-128,091	-130,260	-425,030	-475,181	-337,889	-346,097	-417,308	-357,773	-327,474	-410,562	-481,993	-432,429	-517,947	
Claims on parastatals & state enterprise	119,855	249,535	299,672	246,778	63,041	61,763	114,590	128,893	108,779	132,403	132,403	131,900	121,071	102,467	116,937	134,003	
Claims on private enterprises	333,971	435,352	761,730	775,945	800,686	1,078,893	1,265,445	1,262,963	1,750,620	1,683,353	1,854,135	2,147,630	2,111,022	2,080,133	1,873,033	1,965,592	
Claims on households	56,326	85,470	60,329	126,125	126,331	245,736	451,774	473,317	468,009	481,200	483,571	483,430	458,430	417,888	399,786	493,030	
Claims on nonbank fin. inst.	5,906	2,870	4,366	11,568	19,887	1,941	2,390	3,863	3,313	15,344	22,922	25,009	27,662	31,714	32,992	29,906	
Claims on nongov./nonprofit inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
OTHER ITEMS (NET)	-178,108	-222,853	-444,079	-705,039	-912,137	-884,112	-758,024	-919,155	-972,913	-982,042	-993,052	-1,071,189	-910,519	-866,105	-856,496	-901,986	
Assets	917,391	458,059	378,012	375,972	947,151	525,598	743,929	790,433	789,296	725,212	856,888	819,779	883,815	784,245	948,074	988,930	
Balances held with comm. banks	35,816	36,479	91,623	125,207	190,450	119,341	265,496	242,590	205,199	124,144	233,903	193,932	223,654	209,035	199,232	253,184	
Balances with branches	706,948	291,872	55,075	30,675	46,985	64,533	7,161	1,240	5,229	16,838	18,540	20,996	6,884	21,545	37,186	63,854	
Bank premises	83,176	88,940	107,052	118,412	174,997	183,718	187,744	217,357	218,523	232,842	233,191	228,112	228,571	229,522	227,096	231,622	
Other assets	91,651	60,713	122,320	101,578	545,218	159,006	288,238	324,101	352,289	351,653	371,353	367,738	424,826	524,143	487,539	440,269	
Liabilities	-1,035,499	-680,992	-820,091	-1,080,911	-1,459,288	-1,409,710	-1,502,064	-1,725,121	-1,709,589	-1,707,833	-1,844,039	-1,827,967	-1,794,434	-1,782,351	-1,874,569	-1,909,916	
Liabilities to comm. banks	-20,332	-30,826	-44,491	-85,791	-122,212	-75,760	-156,440	-117,525	-147,630	-45,792	-164,000	-160,195	-124,006	-95,560	-128,188	-189,915	
Balances with branches	-647,388	-165,940	-48,194	-39,227	-28,926	-19,788	-6,984	-43,031	-18,758	-24,728	-18,526	-34,899	-11,553	-8,916	-30,421	-8447	
Capital	-172,970	-223,257	-363,414	-396,055	-610,197	-598,703	-676,362	-746,397	-794,198	-906,164	-901,346	-820,878	-966,397	-921,025	-939,937	-967,930	
Reserves	-15,337	-9,778	-12,984	-61,778	-65,151	-108,827	-125,469	-151,453	-159,871	-142,975	-135,876	-135,119	-116,218	-110,703	-94,214	-94,035	
Other liabilities	-239,572	-251,092	-353,628	-448,148	-686,173	-652,298	-610,255	-649,193	-688,094	-724,491	-672,677	-656,260	-646,147	-661,780	-680,669		
LIABILITIES TO NONGOVERNMENT SECTOR	933,123	1,212,416	2,140,302	2,339,894	3,173,272	3,819,554	4,550,368	4,856,289	4,794,134	4,795,610	4,858,508	5,052,599	5,191,635	5,121,893	4,877,121	5,006,781	
Demand deposits in Kwacha	226,409	289,862	456,813	611,061	886,703	1,101,150	1,309,243	1,340,363	1,262,636	1,262,616	1,380,957	1,407,697	1,458,296	1,390,458	1,450,697	1,454,654	
Demand deposits in forex	356,633	482,977	1,089,491	1,010,081	1,324,467	1,491,550	2,094,041	1,877,510	1,621,650	1,778,149	1,681,560	1,891,168	1,799,518	1,873,489	1,614,903	1,683,957	
Savings deposits in Kwacha	145,599	188,204	296,405	340,086	464,694	673,178	839,447	820,697	823,164	832,405	832,200	846,890	896,391	884,511	858,636	898,404	
Savings deposits in forex	3,162	3,463	10,030	9,842	11,494	13,493	14,076	12,710	13,306	13,324	12,453	15,016	14,910	14,854	14,938	19,657	
Time deposits in Kwacha	155,979	190,977	231,244	328,307	391,617	473,181	489,206	483,328	509,043	473,111	520,262	602,316	642,364	627,048	622,701	672,567	
Time deposits in forex	34,038	47,062	31,732	18,659	79,478	65,990	323,385	327,661	320,982	338,213	331,223	299,404	380,072	361,447	319,599	272,858	
Bills payable	11,803	9,871	34,587	21,929	4,830	22	131	53	29	73	134	128	85	87	88	175	
Acceptances payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
CREDIT FROM THE BOZ	21,430	78,507	39,091	30,514	23,075	39,401	38,084	65,092	36,748	93,136	132,673	101,227	102,927	153,877	92,756	12,162	
Vertical check	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

Source: Bank of Zambia

SOURCES OF LIQUIDITY (IN MILLIONS OF KWACHA)

TABLE 4

End of period.	Government Transactions						Total primary Influence.		
	Revenue	Expenditure.	Dome.stic. interest.	Other Gov't Transactions	Total Gov't Influence.	Foreign Exchange Influence.		Other BOZ Influence.	Non-bank TB & Bond Influence
1995									
December	53,956	38,625	6,173	16,651	7,274	-13,656	1,594	-5,110	
January	58,932	65,932	8,396	16,022	-1,297	23,440	2,404	27,347	
February	111,550	111,576	6,182	196,640	338	17,424	831	22,906	
March	103,265	103,365	4,142	122,676	30,474	1,732	753	96,298	
April	150,550	28,220	6,015	128,124	10,612	5,730	5,622	10,656	
May	226,202	59,145	11,150	182,939	36,692	169,900	2,598	96,247	
June	385,773	152,326	11,096	166,561	0	0	0	-30,490	
July	274,245	74,509	8,966	182,053	-8,717	-6,900	-229	-15,656	
August	272,839	18,588	18,588	196,543	10,671	41,975	1,061	53,707	
September	263,096	55,356	8,007	156,600	43,133	-9,516	0	-62,402	
October	253,726	21,730	14,709	296,985	79,668	9,873	0	88,558	
November	310,835	89,793	15,613	217,246	11,867	72,778	1,183	97,210	
December	352,652	19,715	18,774	293,602	48,279	263,300	1,470	78,138	
January	333,123	78,889	14,737	293,613	54,115	27,050	2,371	85,040	
February	298,115	26,208	12,307	366,002	177,702	2,528	189,827	189,827	
March	341,545	29,213	17,377	274,935	-20,000	193,775	1,225	37,513	
April	250,146	16,145	11,635	268,648	64,002	39,951	1,781	104,275	
May	289,907	48,406	26,507	351,910	139,376	-63,675	1,624	78,072	
June	446,664	143,591	16,787	227,217	-59,069	36,482	6,515	-14,626	
July	340,472	113,504	16,448	181,079	-29,443	41,141	-7,814	-1,259	
August	239,050	13,112	29,964	277,571	81,597	-15,643	2,467	66,660	
September	339,470	92,800	26,625	363,199	91,934	32,487	2,280	125,586	
October	406,790	141,585	24,333	238,876	-17,754	7,524	6,617	6,617	
November	340,049	103,686	29,258	158,068	-48,807	57,599	16,809	-27,320	
December	392,445	67,673	25,037	339,988	40,453	7,226	91,7	99,183	
January	346,826	93,690	21,134	235,959	103,394	12,421	676	26,622	
February	369,530	24,678	20,740	207,460	-24,646	72,756	4,394	-19,464	
March	510,968	112,548	22,461	488,628	135,224	-17,762	2,308	120,674	
April	439,228	164,405	26,300	257,978	9,455	-1,048	905	16,940	
May	433,693	159,863	27,379	454,172	207,511	-79,609	6,476	126,128	
June	561,564	210,315	26,623	347,600	5,474	-103,32	-1,759	-30,080	
July	289,951	29,646	25,325	190,226	-43,854	507	-32,383	-2,653	
August	259,885	11,762	25,714	291,12	29,112	164,36	-602	27,963	
September	413,989	12,706	33,000	269,882	-97,681	151,228	17,995	66,536	
October	352,670	21,885	28,309	453,056	147,280	182,962	1,566	328,815	
November	329,399	9,543	29,289	263,717	-25,800	49,046	-1,741	32,799	
December	444,890	23,004	29,332	248,571	-137,953	74,302	4,089	-54,114	
January	316,556	20,607	26,353	351,941	83,145	2,188	5,846	12,666	
February	389,759	31,875	31,197	479,798	153,111	12,102	698	167,038	
March	447,321	36,767	32,512	315,253	32,422	42,789	-1,373	-53,569	
April	379,016	19,007	37,028	413,584	90,603	706	18,394	109,407	
May	394,281	26,970	33,121	521,095	186,595	11,946	532	265,397	
June	450,147	19,511	37,571	389,541	-3,124	5,983	2,526	16,855	
July	387,077	30,709	31,413	223,716	-101,227	239,19	476	-60,381	
August	443,043	19,184	40,459	420,144	36,744	64,434	17,745	117,516	
September	566,596	32,518	36,497	447,915	-49,606	107,773	7,436	62,987	
October	369,621	16,139	18,789	309,007	-16,406	54,716	-80	56,921	
November	512,231	28,490	12,694	470,442	605	54,752	6,680	60,159	
December	531,921	20,941	18,723	481,379	-11,278	61,436	-10,034	52,708	
January	464,214	23,000	12,109	346,008	-83,067	35,765	-6,095	-54,807	
February	526,000	17,620	11,635	480,046	-12,469	129,142	2,257	112,895	
March	551,945	21,674	23,198	443,608	63,465	-10,972	-2,713	-92,455	
April	484,917	13,375	17,384	498,077	33,919	-18,878	14,028	59,421	
May	527,757	13,075	13,290	678,972	176,990	65,775	3,446	167,314	
June	602,177	12,711	20,964	473,518	-95,684	47,925	-726	-96,304	
July	372,894	17,632	30,364	302,169	-22,839	42,315	241	-51,609	
August	589,370	16,804	23,978	391,636	61,683	81,172	-1,397	6,976	
September	516,993	13,722	16,288	442,832	-44,131	109,878	-9,682	-1,782	
October	502,051	18,177	15,289	536,454	37,879	59,756	1,083	56,458	
November	513,951	11,212	45,108	460,266	2,635	97,094	-945	95,912	
December	613,098	14,290	19,676	692,510	113,391	147,290	-2,442	235,088	
January	583,718	15,633	16,205	623,041	81,272	24,342	-1,067	-1,803	
February	614,890	27,623	36,205	590,919	30,067	15,518	-742	86,495	
March	666,655	23,455	47,803	633,532	38,235	17,399	68	44,811	
April	635,342	19,410	21,928	583,790	-5,216	10,424	1,569	-34,295	
May	620,299	17,689	18,385	687,606	283,182	17,515	17,088	317,795	

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	-21,834.0
1996							
December	27,347.0	-1,915.0	-11,610.0	-15,944.0	386.0	161.0	-1,625.0
1997							
December	22,856.0	-10,590.0	-10,488.0	347.0	2,743.0	-558.0	4,200.0
1998							
December	36,298.0	-23,600.0	-29,324.0	-3,815.0	31,515.0	-2,745.0	8,333.0
1999							
December	10,856.0	-33,839.0	-7,219.0	-4,689.0	-19,765.0	-11,725.0	-55,639.0
2000							
December	56,247.0	-44,760.0	-13,217.0	-63,981.0	19,069.0	-11,225.0	-48,767.0
2001							
January	30,460.0	35,281.0	34,467.0	-47,697.0	4,560.5	285.5	-17,254.9
February	15,856.0	300.0	11,971.0	7,823.0	1,721.0	3.0	9,884.0
March	53,708.0	1,701.0	39,057.0	64,543.0	19,655.0	-1.0	98,169.0
April	42,402.0	-10,185.0	-14,038.0	8,167.0	-14,700.0	-2.0	-79,532.0
May	86,556.0	856.0	-20,048.0	-6,279.0	20,499.0	-2.0	78,682.0
June	97,268.0	3,964.0	-3,964.0	-32,937.0	-31,075.0	-1.0	-19,464.0
July	78,138.0	-27,165.0	-24,597.0	-8,966.0	78.0	0.0	17,459.0
August	65,046.0	-821.0	-46,035.0	-6,421.0	-29,131.0	4.0	2,636.0
September	189,827.0	-445.0	-46,523.0	-7,864.0	-93,063.0	3.0	25,835.0
October	37,513.0	-5,540.0	-27,635.0	-4,694.0	33,543.0	0.0	-41,839.0
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	-86,377.0	-16,611.0	4.0	-93,828.0
2002							
January	-14,927.0	65,273.0	-26,143.0	1,081.0	34,293.0	2.0	57,579.0
February	-31,258.0	12,257.0	-22,570.0	-4,837.0	-13,251.0	3.0	-59,756.0
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	32,957.0	-7,038.0	-4.0	98,573.0
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	-3,955.0	30,569.0	0.0	32,486.0
August	26,822.0	-15,538.0	-22,246.0	-20,413.0	-3,348.0	-7.0	-36,570.0
September	22,250.0	15,539.0	-34,369.0	-13,563.0	-31,115.0	2.0	-31,216.0
October	120,974.0	846.0	-9,303.0	7,361.0	2,027.0	-16.0	136,680.0
November	16,490.0	6,632.0	32,663.0	-15,877.0	-6,040.0	-26.0	-21,314.0
December	126,127.0	-33,022.0	10,314.0	-79,433.0	62,919.0	-47.0	86,578.0
2003							
January	-33,078.8	22,735.0	-75,656.8	-2,350.0	20,545.0	-5.0	-69,010.8
February	-32,393.3	5,995.0	-46,432.0	-16,471.0	35,995.0	0.0	-53,366.3
March	27,563.2	-26,090.0	-19,454.0	-15,907.0	17,924.0	0.0	-14,863.8
April	68,536.0	-7,846.0	-60,035.0	19,504.0	-60,725.0	16.0	-43,550.0
May	328,815.0	-47,442.0	-59,561.0	-11,653.0	-39,399.0	-1.0	179,759.0
June	32,799.0	-7,396.0	-60,420.0	-5,353.0	-98,083.0	-3.0	-138,646.0
July	-54,114.0	-50,328.0	19,307.0	-4,166.0	36,239.0	-2.0	-53,084.0
August	112,566.0	-22,801.0	-12,094.0	-3,280.0	-28,396.0	-2.0	40,055.0
September	167,036.0	12,240.0	-22,846.0	-10,880.0	9,133.0	-11.0	154,666.0
October	-53,928.0	-11,331.0	-61,100.0	-62,671.0	-4,417.0	-7.0	-118,748.0
November	109,407.0	-18,079.0	-30,091.0	66,471.0	-19,334.0	-7.0	108,369.0
December	265,387.0	-81,723.0	-125,568.0	-31,642.0	-27,037.0	-10.0	19,407.0
2004							
January	16,955.0	47,534.0	28,204.0	-9,317.0	84,770.0	-5.0	-57,844.0
February	60,381.0	2,254.0	-48,591.0	-2,065.0	88,855.0	4.0	-40,555.0
March	117,815.0	-9,768.0	-74,668.0	-2,470.0	23,936.0	-6.0	54,644.0
April	62,087.0	-70,688.0	-53,868.0	-23,662.0	3,521.0	-8.0	-82,616.0
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	-39,900.0
August	-54,907.0	-11,482.0	10,247.0	-16,000.0	10,893.0	0.0	-31,279.0
September	112,365.0	55,955.0	47,260.0	-12,715.0	-15,758.0	6.0	51,113.0
October	92,455.0	6,686.0	-26,859.0	13,616.0	29,773.0	1.0	132,722.0
November	59,421.0	47,432.0	-121,821.0	-27,565.0	-40,468.0	0.0	-83,001.0
December	187,314.0	-16,306.0	15,790.0	-24,233.0	-48,069.0	-6.0	114,500.0
2005							
January	-96,304.0	33,772.0	-25,008.0	-10,425.0	-88,200.0	4.0	-186,161.0
February	-31,892.0	15,655.0	-10,861.0	7,327.0	48,441.0	-1.0	28,639.0
March	134,592.2	-2,028.0	-26,912.0	-30,676.0	-23,475.0	-1.2	-14,500.0
April	56,103.0	-33,166.0	-27,951.0	-15,955.0	179,909.0	0.0	169,304.0
May	56,458.0	-51,095.0	-4,148.0	-43,697.0	-130,726.0	0.0	-164,673.0
June	95,912.0	-66,131.0	-22,689.0	-7,881.0	-4,168.0	1.0	3,038.0
July	92,072.0	-76,372.7	-21,147.0	-22,944.5	-17,100.0	1.0	97,465.0
August	66,495.0	32,391.0	-46,642.0	-7,765.0	-116,181.0	0.0	-51,721.8
September	44,912.0	11,992.0	-4,013.1	4,245.0	-46,875.6	4.0	-41,336.8
October	15,622.0	112.0	-2,041.0	13,365.0	47,975.0	0.0	75,037.0
November	-27,518.0	51,278.0	-60,546.0	18,462.0	-43,924.0	2.0	-62,246.0
December	310,314.0	-84,638.0	-55,622.0	-31,862.0	-35,037.0	4.0	122,838.0

Source: Bank of Zambia

COMMERCIAL BANKS' LIQUIDITY AND OPERATING RATIOS

TABLE 6

Advances plus bills
of exchanges
percentage of total
deposits

Year	End of period	Core liquid assets (a)	Minimum required	Other liquid assets (b)	Total
1995	December	57.1	30.0	40.6	97.7
1996	December	27.8	43.5	55.7	83.5
1997	December	33.9	30.0	26.9	60.7
1998	December	28.1	25.0	16.6	44.7
1999	December	29.6	25.0	16.9	46.4
2000	December	44.3	24.2	24.2	68.5
2001	January	32.8	25.0	32.4	65.2
	February	31.9	25.0	33.3	65.2
	March	49.0	35.0	38.6	87.6
	April	40.7	35.0	37.5	78.2
	May	50.1	35.0	37.0	87.1
	June	46.0	35.0	38.5	84.5
	July	51.9	35.0	42.5	94.4
	August	55.0	35.0	42.6	97.6
	September	66.4	35.0	49.4	115.8
	October	59.4	35.0	49.0	108.4
	November	52.2	35.0	50.2	102.4
	December	48.0	35.0	48.8	96.8
2002	January	47.7	35.0	49.5	97.2
	February	46.6	35.0	46.8	93.4
	March	54.6	35.0	49.3	103.9
	April	66.5	35.0	52.5	119.0
	May	59.5	35.0	49.7	109.2
	June	52.0	35.0	47.2	99.2
	July	49.3	35.0	55.8	105.1
	August	41.9	35.0	53.3	95.2
	September	38.8	35.0	57.2	97.0
	October	58.6	35.0	58.9	117.5
	November	46.7	35.0	58.2	104.9
	December	60.8	35.0	56.0	116.8
2003	January	55.0	35.0	57.1	110.1
	February	52.2	35.0	55.1	107.3
	March	49.3	35.0	59.1	107.4
	April	50.0	35.0	60.1	113.1
	May	64.4	35.0	67.5	131.9
	June	65.9	35.0	65.7	131.6
	July	53.3	35.0	62.4	115.7
	August	58.9	35.0	63.7	122.6
	September	64.2	35.0	61.6	125.8
	October	56.8	35.0	64.5	121.3
	November	63.4	35.0	62.8	126.2
	December	64.2	35.0	60.8	125.0
2004	January	58.7	35.0	60.4	119.1
	February	59.2	35.0	62.1	121.3
	March	61.4	35.0	61.7	123.1
	April	60.3	35.0	60.7	121.0
	May	60.3	35.0	62.3	122.6
	June	54.7	35.0	57.4	112.1
	July	59.1	35.0	57.7	116.8
	August	48.4	35.0	54.8	103.2
	September	52.5	35.0	57.3	109.8
	October	54.7	35.0	54.3	109.0
	November	57.9	35.0	54.8	112.7
	December	60.2	35.0	54.2	114.4
2005	January	54.3	35.0	55.3	109.6
	February	54.1	35.0	56.0	110.1
	March	56.9	35.0	58.0	114.9
	April	57.8	35.0	58.6	97.8
	May	54.6	35.0	40.2	94.8
	June	53.9	35.0	39.8	93.7
	July	46.8	35.0	43.2	90.0
	August	60.8	35.0	40.5	101.3
	September	58.8	35.0	42.1	100.9
	October	59.0	35.0	59.6	118.6
	November	65.5	35.0	61.3	126.8
	December	65.2	35.0	63.9	127.1

Source: Bank of Zambia

TABLE 8

CURRENCY IN CIRCULATION (IN THOUSANDS OF KWACHA)

End of period	Issued				At banks				Outside banks			
	Total	Notes	Coin	Total	Total	Notes	Coin	Total	Total	Notes	Coin	
1995	91,917,584	91,783,860	133,724	15,936,098	13,971,123	18,975	18,975	77,981,486	77,981,486	77,866,737	114,749	
1996	128,033,024	127,853,028	199,516	20,200,660	19,819,475	471,185	471,185	107,762,364	107,762,364	106,034,033	(271,669)	
1997	157,709,077	157,709,020	27,257	21,189,415	21,149,995	38,420	38,420	136,246,662	136,246,662	136,559,825	188,837	
1998	193,056,549	193,056,549	27,251	25,985,688	26,985,000	1,000	1,000	171,061,249	171,061,249	170,834,888	226,351	
1999	251,662,500	251,435,822	226,678	36,884,000	36,884,000	140,000	140,000	212,765,500	212,765,500	212,881,162	86,878	
2000	331,736,286	331,511,141	227,127	43,027,000	43,027,000	1,000	1,000	288,711,288	288,711,288	286,485,141	226,127	
2001	296,993,464	296,766,079	227,376	42,260,000	42,259,000	1,000	1,000	254,733,454	254,733,454	254,507,078	226,376	
January	286,194,689	286,194,689	227,342	42,972,000	42,972,000	0	0	253,450,011	253,450,011	253,222,669	227,342	
February	296,909,000	296,909,000	227,342	35,427,000	35,427,000	0	0	263,708,342	263,708,342	263,482,000	227,342	
March	307,514,239	307,514,239	227,269	40,824,000	40,824,000	0	0	266,917,508	266,917,508	266,690,239	227,269	
April	308,808,089	308,808,089	226,623	43,212,000	43,212,000	0	0	263,596,089	263,596,089	263,369,466	226,623	
May	338,985,099	338,985,099	226,623	36,177,000	36,177,000	0	0	303,034,722	303,034,722	302,808,099	226,623	
June	296,309,000	296,309,000	227,342	45,965,000	45,965,000	0	0	252,344,000	252,344,000	252,117,342	227,342	
July	374,490,904	374,490,904	226,623	30,066,000	30,066,000	0	0	335,630,717	335,630,717	335,404,094	226,623	
August	374,716,177	374,716,177	226,657	42,379,000	42,379,000	0	0	331,613,870	331,613,870	331,387,213	226,657	
September	377,032,544	377,032,544	226,657	40,592,000	40,592,000	0	0	327,410,544	327,410,544	327,183,887	226,657	
October	394,982,842	394,787,168	226,674	44,598,000	44,598,000	0	0	340,405,842	340,405,842	340,179,168	226,674	
November	432,338,205	432,111,131	226,674	58,147,000	58,147,000	0	0	374,191,205	374,191,205	373,964,531	226,674	
December	366,014,016	366,787,262	226,694	48,540,000	48,540,000	0	0	317,474,016	317,474,016	317,247,322	226,694	
January	394,227,449	394,227,449	226,690	50,326,000	50,326,000	0	0	303,998,129	303,998,129	303,771,449	226,690	
February	398,367,422	398,140,766	226,656	42,017,000	42,017,000	0	0	326,356,422	326,356,422	326,129,766	226,656	
March	384,651,718	384,425,145	226,573	50,163,000	50,163,000	0	0	334,488,718	334,488,718	334,262,145	226,573	
April	413,957,983	413,730,520	226,573	49,513,000	49,513,000	0	0	364,444,083	364,444,083	364,217,520	226,573	
May	445,901,619	445,674,566	226,563	50,216,000	50,216,000	0	0	395,458,956	395,458,956	395,232,500	226,563	
June	459,139,929	459,139,929	226,563	55,331,000	55,331,000	0	0	403,808,929	403,808,929	403,582,366	226,563	
July	472,904,329	472,904,329	226,579	52,489,000	52,489,000	0	0	420,415,329	420,415,329	420,188,759	226,579	
August	457,952,218	457,952,218	226,573	58,918,000	58,918,000	0	0	398,034,218	398,034,218	397,807,645	226,573	
September	456,550,440	456,550,440	226,580	53,717,000	53,717,000	0	0	402,833,440	402,833,440	402,606,870	226,580	
October	448,320,270	448,320,270	226,580	45,308,000	45,308,000	0	0	403,012,270	403,012,270	402,785,690	226,580	
November	481,227,530	481,000,950	226,580	57,051,000	57,051,000	0	0	424,176,530	424,176,530	423,949,950	226,580	
December	456,966,815	456,739,815	226,556	45,150,164	45,150,164	0	0	411,816,207	411,816,207	411,589,651	226,556	
January	450,778,530	450,552,827	226,503	43,340,364	43,340,364	0	0	407,211,663	407,211,663	406,984,116	226,503	
February	477,553,917	477,327,114	226,503	63,419,464	63,419,464	0	0	413,907,950	413,907,950	413,680,346	226,503	
March	487,276,912	487,050,069	226,503	50,143,164	50,143,164	0	0	437,133,748	437,133,748	436,907,245	226,503	
April	54,403,483	54,403,483	226,503	50,102,064	50,102,064	0	0	46,253,419	46,253,419	46,029,196	226,503	
May	542,169,213	541,958,710	226,503	56,827,394	56,827,394	0	0	485,331,346	485,331,346	485,105,547	226,503	
June	591,131,790	591,131,790	226,503	64,453,264	64,453,264	0	0	526,678,526	526,678,526	526,452,264	226,503	
July	614,066,500	613,839,987	226,503	47,729,364	47,729,364	0	0	566,137,136	566,137,136	565,911,633	226,503	
August	602,444,506	602,444,506	226,503	69,659,464	69,659,464	0	0	532,785,042	532,785,042	532,558,544	226,503	
September	590,797,881	590,571,408	226,474	50,839,364	50,839,364	0	0	540,158,517	540,158,517	539,932,044	226,474	
October	609,852,732	609,626,228	226,474	57,542,464	57,542,464	0	0	552,310,268	552,310,268	552,085,794	226,474	
November	671,262,287	671,009,873	226,414	77,690,063	77,690,063	0	0	593,319,810	593,319,810	593,094,337	226,414	
December	623,459,704	623,233,648	226,656	63,801,964	63,801,964	0	0	559,657,740	559,657,740	559,431,684	226,656	
January	621,613,939	621,387,930	226,009	62,406,564	62,406,564	0	0	559,207,375	559,207,375	558,981,366	226,009	
February	632,693,320	632,467,211	226,009	67,067,764	67,067,764	0	0	565,396,547	565,396,547	565,170,000	226,009	
March	664,092,984	663,866,385	226,009	55,314,764	55,314,764	0	0	608,551,621	608,551,621	608,324,064	226,009	
April	710,941,040	710,415,031	226,009	79,541,764	79,541,764	0	0	631,099,276	631,099,276	630,872,267	226,009	
May	786,698,969	786,472,960	226,009	83,564,264	83,564,264	0	0	703,134,695	703,134,695	702,908,686	226,009	
June	859,851,904	859,625,895	226,009	71,445,064	71,445,064	0	0	788,400,831	788,400,831	788,174,822	226,009	
July	888,892,066	888,666,057	226,009	98,013,364	98,013,364	0	0	790,882,692	790,882,692	790,656,683	226,009	
August	816,277,074	816,051,065	226,009	80,803,864	80,803,864	0	0	735,473,210	735,473,210	735,247,201	226,009	
September	811,480,596	811,254,557	226,009	76,613,864	76,613,864	0	0	734,866,732	734,866,732	734,640,688	226,009	
October	801,756,087	801,530,078	226,009	84,073,164	84,073,164	0	0	717,672,913	717,672,913	717,446,864	226,009	
November	826,196,707	826,000,000	226,009	85,916,164	85,916,164	0	0	740,280,543	740,280,543	740,054,534	226,009	
December	786,014,768	785,788,759	226,009	90,515,164	90,515,164	0	0	695,573,595	695,573,595	695,347,586	226,009	
January	770,185,054	770,185,054	226,009	101,490,164	101,490,164	0	0	668,694,890	668,694,890	668,468,881	226,009	
February	772,710,564	772,710,564	226,009	105,120,164	105,120,164	0	0	667,590,400	667,590,400	667,364,391	226,009	
March	806,324,633	806,098,624	226,009	83,361,164	83,361,164	0	0	723,737,469	723,737,469	723,511,460	226,009	
April	856,851,977	856,625,968	226,009	119,048,688	119,048,688	0	0	737,803,280	737,803,280	737,577,271	226,009	
May	913,395,112	913,395,112	226,009	98,896,164	98,896,164	0	0	814,498,948	814,498,948	814,272,939	226,009	
June	986,396,492	986,396,492	226,009	111,518,164	111,518,164	0	0	874,878,329	874,878,329	874,652,320	226,009	
July	957,150,347	957,150,347	226,009	111,543,164	111,543,164	0	0	845,605,183	845,605,183	845,379,174	226,009	
August	945,186,000	945,186,000	226,009	107,060,164	107,060,164	0	0	838,125,836	838,125,836	837,900,827	226,009	
September	945,884,221	945,884,221	226,009	140,234,164	140,234,164	0	0	805,649,057	805,649,057	805,423,048	226,009	
October	889,839,414	889,839,414	226,009	128,576,164	128,576,164	0	0	761,263,250	761,263,250	761,037,241	226,009	
November	964,157,696	964,157,696	225,956	139,834,164	139,834,164	0	0	824,343,532	824,343,532	824,117,523	225,956	
December												

Source: Bank of Zambia

TABLE 9

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

End of Period	Government	Statutory Bodies	Parastatal Bodies	Public	Individuals and households	Other Fin. Institutions	Non-resident	(Kwacha)	Foreign Currency US \$	Total
1996										
December	48,279,680	18,675,113	47,674,139	352,768,626	6,500,015	6,667,653	2,799,000	948,373,000	231,773	1,905,835,000
January	49,018,238	17,603,893	47,331,816	353,292,406	6,500,015	6,667,653	2,799,000	948,373,000	231,773	1,905,835,000
February	49,018,238	17,603,893	47,331,816	353,292,406	6,500,015	6,667,653	2,799,000	948,373,000	231,773	1,905,835,000
March	49,018,238	17,603,893	47,331,816	353,292,406	6,500,015	6,667,653	2,799,000	948,373,000	231,773	1,905,835,000
April	49,018,238	17,603,893	47,331,816	353,292,406	6,500,015	6,667,653	2,799,000	948,373,000	231,773	1,905,835,000
May	49,018,238	17,603,893	47,331,816	353,292,406	6,500,015	6,667,653	2,799,000	948,373,000	231,773	1,905,835,000
June	49,018,238	17,603,893	47,331,816	353,292,406	6,500,015	6,667,653	2,799,000	948,373,000	231,773	1,905,835,000
July	49,018,238	17,603,893	47,331,816	353,292,406	6,500,015	6,667,653	2,799,000	948,373,000	231,773	1,905,835,000
August	49,018,238	17,603,893	47,331,816	353,292,406	6,500,015	6,667,653	2,799,000	948,373,000	231,773	1,905,835,000
September	49,018,238	17,603,893	47,331,816	353,292,406	6,500,015	6,667,653	2,799,000	948,373,000	231,773	1,905,835,000
October	49,018,238	17,603,893	47,331,816	353,292,406	6,500,015	6,667,653	2,799,000	948,373,000	231,773	1,905,835,000
November	49,018,238	17,603,893	47,331,816	353,292,406	6,500,015	6,667,653	2,799,000	948,373,000	231,773	1,905,835,000
December	49,018,238	17,603,893	47,331,816	353,292,406	6,500,015	6,667,653	2,799,000	948,373,000	231,773	1,905,835,000
2001										
January	112,044,000	73,313,000	46,949,000	296,476,000	423,091,000	1,790,000	2,799,000	948,373,000	231,773	1,905,835,000
February	129,585,000	58,774,000	44,347,000	286,890,000	435,478,000	1,989,000	2,799,000	967,609,000	265,080	1,927,740,000
March	97,790,000	92,098,000	78,165,000	304,765,000	439,996,000	1,615,000	2,996,000	79,329,000	229,681	1,799,818,000
April	106,799,000	66,169,000	168,914,000	395,751,000	443,301,000	6,899,000	4,175,000	831,576,000	265,584	1,917,254,000
May	148,151,000	89,988,000	173,884,000	398,026,000	448,873,000	2,822,000	4,175,000	871,182,000	262,603	2,051,566,000
June	141,174,000	73,874,000	203,767,000	303,634,000	8,640,000	6,940,000	1,199,000	933,936,000	256,874	2,159,619,000
July	186,649,000	78,361,000	148,052,000	301,138,000	503,123,000	6,507,000	2,055,000	913,343,000	244,462	2,140,278,000
August	159,358,000	107,159,000	134,137,000	337,219,000	533,666,000	1,785,000	7,617,000	1,006,649,000	277,125	2,286,590,000
September	254,985,000	85,768,000	222,365,000	327,387,000	554,543,000	9,912,000	2,968,000	998,934,000	268,969	2,466,842,000
October	221,305,000	77,188,000	188,091,000	322,804,000	568,638,000	9,516,000	2,727,000	1,007,132,000	268,079	2,387,406,000
November	95,733,000	74,363,000	162,009,000	332,933,000	564,098,000	10,317,000	3,216,000	997,303,000	268,303	2,230,942,000
December	119,688,000	53,277,000	143,173,000	464,176,000	578,625,000	8,128,000	1,754,000	1,045,153,000	268,626	2,353,958,000
2002										
January	70,041,000	61,640,000	168,713,000	242,734,507	538,686,000	3,946,000	2,154,000	1,208,636,000	301,489	2,284,225,507
February	85,405,000	59,971,000	153,254,000	325,225,000	588,922,000	2,284,000	2,285,000	1,165,671,000	281,213	2,386,257,000
March	62,899,000	65,669,000	138,129,000	376,965,000	538,122,000	13,721,000	2,193,000	1,119,778,000	263,651	2,318,655,000
April	126,164,000	70,947,000	127,386,000	394,249,000	575,966,000	6,866,000	3,030,000	1,096,790,000	266,760	2,400,890,000
May	120,690,000	54,119,000	161,374,000	465,597,000	580,060,000	5,663,000	3,124,000	1,299,081,000	309,927	2,629,698,000
June	73,349,000	57,738,000	203,346,000	389,879,000	588,925,000	5,221,000	3,759,000	1,371,715,000	307,827	2,883,433,000
July	138,875,000	66,967,000	180,146,000	373,864,000	651,628,000	5,261,000	2,690,000	1,277,513,000	280,850	2,707,304,000
August	91,551,000	57,072,000	186,856,000	385,533,000	666,300,000	6,818,000	4,071,000	1,454,826,000	300,383	2,821,030,000
September	97,715,000	59,204,000	201,081,000	382,250,000	654,206,000	7,940,000	2,495,000	1,317,426,000	290,663	2,802,416,000
October	103,920,000	63,900,000	267,706,000	446,043,939	8,889,000	6,114,000	2,794,000	1,412,910,000	306,199	2,917,001,939
November	74,625,000	61,264,000	239,571,000	638,017,000	581,423,000	10,124,000	2,627,000	1,472,745,000	304,840	3,078,396,000
December	121,857,000	57,601,000	247,631,000	726,643,000	582,472,000	11,513,000	2,034,000	1,428,013,000	295,127	3,178,764,000
2003										
January	146,333,000	55,992,000	66,839,000	661,336,000	621,125,000	9,481,000	3,070,000	1,598,127,000	349,264	3,160,323,000
February	132,698,000	60,969,000	68,643,000	682,494,000	589,846,000	13,678,000	4,843,000	1,596,966,000	318,451	3,281,207,000
March	102,672,000	40,867,000	265,544,000	624,857,000	634,317,000	13,651,000	3,785,000	1,546,827,000	312,932	3,265,203,000
April	107,993,000	73,812,000	236,890,000	678,913,000	620,224,000	10,489,000	3,507,000	1,509,995,000	369,219	3,241,562,000
May	195,364,000	90,956,000	174,170,000	670,279,000	653,154,000	12,188,000	6,834,000	1,514,947,000	312,792	3,357,061,000
June	171,014,000	84,756,000	212,357,000	716,679,000	638,715,000	11,469,000	3,131,000	1,578,960,000	325,673	3,429,638,000
July	103,385,000	57,667,000	230,101,000	683,694,000	653,819,000	14,702,000	5,841,000	1,546,191,000	319,497	3,395,398,000
August	127,242,000	91,572,000	217,019,000	712,328,000	699,886,000	13,208,000	6,905,000	1,503,543,000	316,675	3,371,105,000
September	182,266,000	67,706,000	203,909,000	760,540,000	705,100,000	13,844,000	5,215,000	1,618,797,000	338,954	3,587,878,000
October	128,892,000	48,286,000	308,887,000	708,571,000	737,834,000	9,495,000	7,227,000	1,552,078,000	325,323	3,501,500,000
November	197,338,000	121,971,000	230,402,000	892,492,000	758,818,000	16,182,000	5,157,000	1,554,710,000	326,488	3,666,890,000
December	214,607,000	103,790,000	216,459,000	843,870,000	866,514,000	25,079,000	5,886,000	1,619,097,000	351,904	3,895,402,000
2004										
January	183,559,000	92,426,000	227,741,000	865,396,000	863,201,000	17,071,000	6,284,000	1,693,627,000	358,205	3,949,302,000
February	129,352,000	121,242,000	256,491,000	934,519,000	804,519,000	16,844,000	6,714,000	1,716,635,000	360,183	3,917,268,000
March	189,700,000	117,427,000	217,799,000	899,172,000	821,276,000	25,600,000	8,696,000	1,799,988,000	379,976	4,076,618,000
April	215,130,000	108,607,000	234,465,000	877,738,000	891,600,000	29,600,000	9,011,000	1,836,070,000	387,695	4,201,841,000
May	183,254,000	122,703,000	238,209,000	860,512,000	875,666,000	31,605,000	6,544,000	1,888,267,000	397,076	4,296,160,000
June	192,746,000	133,130,000	216,229,000	944,130,000	927,770,000	31,866,000	4,773,000	2,032,922,000	425,058	4,503,165,000
July	245,903,000	162,864,075	162,864,075	989,890,000	928,975,000	29,892,000	5,920,000	2,088,151,000	439,941	4,529,202,075
August	210,284,000	146,025,000	206,136,000	995,069,000	894,836,000	30,451,000	5,374,000	2,138,794,000	450,136	4,653,944,000
September	290,995,000	138,471,000	168,693,000	994,743,000	929,186,000	35,339,000	6,827,000	2,196,706,000	439,444	4,698,988,000
October	354,627,000	156,769,000	216,775,000	992,387,000	940,937,000	31,278,000	5,705,000	2,094,706,000	425,512	4,868,562,000
November	322,893,000	107,489,000	230,623,000	930,877,000	935,977,000	35,152,000	6,130,000	2,202,600,000	456,604	4,860,985,000
December	467,357,000	153,666,000	203,059,000	1,037,898,000	980,051,000	39,234,000	5,290,000	2,438,540,000	518,320	5,326,098,000
2005										
January	329,465,000	136,937,000	247,464,000	996,899,000	354,807,000	33,866,000	6,585,000	2,347,117,000	486,735	4,453,260,000
February	307,583,000	120,306,000	240,056,000	1,094,952,000	926,670,000	34,975,000	7,698,000	2,247,137,000	468,743	4,978,913,000
March	337,670,000	135,361,000	190,077,000	1,096,747,000	933,976,000	25,860,000	6,356,000	2,188,731,000	459,284	4,888,144,000
April	408,878,000	95,144,168	110,887,313	1,095,141,225	954,065,677	19,881,000	6,743,000	2,199,612,714	459,533	4,893,617,789
May	347,343,616	102,097,168	173,758,313	1,071,017,125	962,830,677	21,725,000	7,005,000	2,231,366,000	471,769	4,917,141,099
June	319,044,512	106,783,168	168,529,723	1,162,171,125	987,126,677	26,667,000	7,826,000	2,291,567,000	470,030	5,019,512,205
July	477,497,388	167,404,168	165,813,313	1,102,221,125	1,022,558,677	34,778,000	6,864,000	2,176,482,000	463,346	5,162,081,271
August	419,083,516	209,296,168	1,106,071,125	1,027,467,677	26,068,000	67,930,000	2,075,235,000	2,216,280,000	464,154	5,073,326,729
September	402,535,242	146,004,168	207,910,313	1,135,373,125	1,029,879,677	42,081,000	2,082,000	2,215,633,000	463,349	5,279,089,629
October	473,586,000	144,321,168	1,129,587,296	1,167,853,000	1,015,143,177	57,542,000	19,509,000	2,272,800,000	515,186	5,279,488,659
November	454,822,559	97,596,063	1							

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	4,050,090	3,797,086	3,547,136	205,023,479	52,826,887	240,235	22,500	267,224,776	
1996									
December	6,222,398	3,635,246	46,073,920	230,324,722	2,961,623	380,095	34,327	397,322,081	
1997									
December	4,077,988	5,734,139	35,124,460	205,965,728	9,110,118	279,907	60,639	412,200,044	
1998									
December	2,658,000	15,581,000	103,504,000	320,218,000	56,295,000	473,000	71,437	688,902,711	
1999									
December	3,425,000	5,486,000	243,449,000	420,113,000	86,470,000	1,140,000	90,043	799,870,000	
2000									
December	3,009,000	3,321,000	286,351,000	722,598,000	60,329,000	943,000	123,912	1,077,349,000	
2001									
January	2,287,000	5,211,000	222,453,000	738,016,000	72,377,000	985,000	121,184	1,040,081,000	
February	4,034,000	5,907,000	224,386,000	682,133,000	76,852,000	799,000	80,522	996,492,000	
March	3,264,000	5,670,000	225,082,000	682,180,000	82,897,000	1,585,000	127,186	981,809,000	
April	3,013,000	5,907,000	217,709,000	691,746,000	66,554,000	1,404,000	82,080	987,836,000	
May	3,674,000	6,189,000	216,342,000	764,914,000	69,832,000	821,000	82,752	1,026,397,000	
June	4,205,000	8,128,000	220,359,000	761,893,000	62,943,000	427,000	115,994	1,067,971,000	
July	2,166,000	291,891,000	6,705,000	705,893,000	100,691,000	880,000	118,395	1,108,462,000	
August	4,327,000	7,270,000	227,937,000	751,473,000	122,602,000	124,000	114,194,000	1,149,194,000	
September	5,122,000	5,370,000	243,891,000	749,892,000	99,683,000	0	86,131	1,103,727,000	
October	2,834,000	7,186,000	242,379,000	707,585,000	102,754,000	0	72,208	1,063,666,000	
November	2,711,000	6,390,000	213,083,000	751,650,000	126,383,000	0	77,719	1,103,227,000	
December	3,410,000	6,246,000	240,532,000	748,981,000	126,125,000	0	107,051	1,126,058,000	
2002									
January	4,155,000	7,489,000	232,593,000	780,015,330	134,095,000	0	110,641	1,184,846,330	
February	5,181,000	6,394,000	238,885,000	746,940,000	111,698,000	0	93,789	1,121,975,000	
March	3,386,000	7,797,000	289,259,000	775,722,000	130,627,000	0	106,705	1,419,872,000	
April	4,698,000	6,300,000	268,141,000	782,292,000	123,673,000	0	140,405	1,168,730,500	
May	3,542,000	6,607,000	272,741,000	823,462,000	116,798,000	0	146,879	1,228,225,000	
June	4,500,000	7,423,000	299,301,000	825,191,000	136,233,000	0	138,738	1,279,063,000	
July	4,121,000	6,640,000	50,885,000	849,719,000	136,319,000	0	82,931	1,051,820,000	
August	4,170,000	5,689,000	52,693,000	871,305,000	134,696,000	0	93,568	1,071,504,000	
September	3,958,000	6,344,000	52,791,000	833,250,000	138,860,000	0	93,806	1,088,371,000	
October	4,402,000	4,106,000	60,846,000	828,863,000	133,374,000	0	86,243	1,033,492,000	
November	4,758,000	5,732,000	60,256,000	853,625,000	133,217,000	0	88,019	1,081,520,000	
December	4,417,000	1,781,000	61,280,000	820,790,000	126,381,000	0	90,717	1,026,207,000	
2003									
January	5,865,000	1,713,000	48,973,000	874,464,000	144,477,000	0	129,188	1,085,806,000	
February	5,197,000	2,641,000	50,710,000	894,900,000	147,109,000	0	95,086	1,112,010,000	
March	3,676,000	1,993,000	54,295,000	936,646,000	158,287,000	0	107,775	1,155,960,000	
April	4,786,000	2,621,000	60,630,000	932,145,000	164,695,000	148,000	103,139	1,168,075,000	
May	4,830,000	1,850,000	59,770,000	939,467,000	169,467,000	0	105,297	1,187,433,000	
June	4,451,000	889,000	56,784,000	987,240,000	161,713,000	0	123,943	1,226,046,000	
July	1,132,000	3,287,000	49,801,000	939,386,000	224,156,000	0	122,042	1,320,389,000	
August	1,137,000	4,370,000	33,673,000	1,019,330,000	232,719,000	0	126,413	1,308,483,000	
September	1,868,000	3,393,000	40,538,000	1,013,475,000	235,968,000	0	128,832	1,310,830,000	
October	2,527,000	3,983,000	35,851,000	1,054,029,000	236,633,000	0	138,051	1,346,320,000	
November	2,416,000	4,783,000	40,314,000	1,034,256,000	250,795,000	0	133,385	1,344,759,000	
December	1,296,000	937,000	60,826,000	1,073,601,000	245,500,000	0	142,739	1,401,047,000	
2004									
January	1,798,000	4,609,000	46,009,000	1,105,619,000	236,512,000	0	144,737	1,425,429,888	
February	1,481,000	4,782,000	41,782,000	1,214,167,000	165,457,000	0	144,841	1,481,998,888	
March	2,658,000	1,573,000	71,617,000	1,282,154,000	164,502,000	0	156,674	1,526,301,888	
April	1,338,000	3,892,000	64,884,000	1,332,465,000	163,648,000	0	162,283	1,465,241,888	
May	1,426,000	3,934,000	96,016,000	1,438,722,000	164,823,000	0	169,905	1,486,742,888	
June	863,000	1,547,000	106,536,000	1,426,536,000	175,175,000	2,385,000	179,032	1,492,933,888	
July	741,000	1,220,000	88,601,000	1,620,964,000	199,441,000	2,385,000	188,045	1,821,920,888	
August	450,000	1,380,000	105,350,000	1,694,517,000	218,136,000	2,487,000	190,924	1,893,762,888	
September	317,000	944,000	94,859,000	1,665,891,000	220,785,000	5,673,000	190,852	1,894,185,318	
October	460,000	986,000	129,177,000	1,674,365,000	243,111,000	5,644,000	192,266	2,055,887,000	
November	768,000	999,000	148,554,000	1,707,638,000	251,671,000	5,586,000	194,381	2,102,266,000	
December	2,115,000	1,160,000	113,430,000	1,711,617,000	275,796,000	309,000	185,865	2,106,386,000	
2005									
January	405,000	6,647,000	103,481,000	1,598,024,000	451,774,000	2,351,000	203,485	4,511,466,000	
February	304,000	1,573,000	105,222,000	1,707,029,000	473,317,000	1,646,000	216,903	4,540,072,000	
March	1,003,000	719,000	130,851,000	1,659,716,000	488,009,000	1,635,000	213,219	4,487,784,000	
April	1,212,451	679,986	134,710,400	1,738,193,302	481,200,434	1,617,805	220,961	4,504,517,470	
May	1,372,381	1,666,986	130,748,600	1,828,301,786	480,571,363	1,635,011	231,766	4,598,572,175	
June	1,168,381	2,890,986	130,049,000	2,118,464,694	493,577,238	25,008,548	275,333	4,891,746,237	
July	1,238,381	1,774,996	115,693,000	2,080,864,974	503,674,991	5,104,000	266,483	4,809,792,132	
August	1,342,381	1,522,986	112,971,400	2,034,366,672	466,962,501	4,283,000	269,487	4,707,060,419	
September	3,116,381	739,986	120,331,400	2,058,723,986	486,430,383	4,312,000	291,972	4,824,108,899	
October	2,921,000	799,000	101,689,000	2,057,592,000	417,860,000	4,250,000	277,099	4,813,005,099	
November	3,904,000	884,000	115,293,000	1,949,414,000	399,796,000	3,450,000	271,465	4,854,814,465	
December	4,080,000	664,000	133,339,000	1,842,074,000	486,030,000	2,637,000	223,517	4,801,953,517	

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

COMMERCIAL BANKS' INTEREST RATES (PERCENT PER YEAR)

TABLE 12

End of Period	Weighted lending base rate	Weighted interbank rate	Savings rates		24 hr call	7 day	14 day	30day	60 day	90 day	180 day
			less than K100,000	More than K100,000							
1995											
December	47.7	33.1	28.7	30.6	31.1	31.3	38.2	40.9	40.0	36.7	33.1
1996											
December	57.4	50.4	30.2	30.5	30.5	31.1	40.7	47.0	47.3	44.6	32.0
1997											
December	37.9	13.8	14.8	18.0	14.6	18.1	23.5	27.2	26.5	25.4	24.3
1998											
December	37.4	16.0	8.3	7.1	7.1	8.3	6.0	14.9	13.6	16.4	13.3
1999											
December	42.6	13.2	7.6	7.9	7.9	14.8	14.0	19.5	21.3	21.0	19.8
2000											
December	37.5	16.4	10.2	11.5	6.5	11.9	18.2	17.8	18.8	20.0	12.7
2001											
January	38.6	55.0	7.1	8.8	6.6	12.0	15.4	17.9	19.3	20.3	16.9
February	42.9	20.2	7.1	10.1	7.0	12.9	16.0	16.2	19.9	20.7	16.3
March	49.0	35.8	7.1	11.2	14.8	9.5	13.0	14.8	22.2	22.9	23.1
April	47.8	10.1	7.1	11.2	8.8	15.1	19.4	19.6	22.4	23.5	23.3
May	46.0	18.9	5.1	9.5	7.5	14.0	18.3	18.3	22.1	23.3	26.1
June	45.9	12.0	4.1	9.0	7.2	13.7	17.8	19.0	21.8	23.0	27.1
July	45.9	9.2	4.1	9.0	7.2	13.8	17.9	19.2	22.1	23.4	27.1
August	47.0	19.6	4.1	9.1	7.2	13.9	18.1	19.6	23.0	24.4	27.1
September	47.2	12.4	4.1	8.6	7.0	13.4	17.6	19.4	22.6	24.0	26.8
October	46.5	13.5	4.1	8.6	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											
January	49.5	23.2	4.1	8.7	7.0	13.3	17.8	19.8	23.1	24.3	26.8
February	49.2	52.7	4.1	8.7	7.0	13.3	17.8	19.8	23.1	24.3	26.8
March	47.0	33.6	4.1	8.7	7.0	13.3	17.6	19.7	23.1	24.3	32.5
April	46.9	13.2	4.1	8.7	7.0	13.3	17.6	19.7	23.1	24.3	32.4
May	45.1	27.4	4.1	8.7	7.0	13.2	17.1	20.2	23.8	25.1	33.0
June	45.5	20.3	4.1	8.7	7.0	13.2	17.1	20.2	23.8	25.1	33.0
July	44.3	13.2	4.1	8.7	7.0	13.2	17.1	20.2	23.8	25.1	30.7
August	43.5	71.4	4.1	8.7	6.6	12.8	16.6	18.6	23.7	22.9	34.0
September	43.3	44.5	4.1	8.7	6.6	12.8	16.6	18.6	23.7	22.9	29.3
October	42.8	11.2	4.1	8.3	6.6	10.9	13.5	20.1	22.9	22.9	22.8
November	42.6	23.9	4.1	8.0	6.6	10.9	13.5	20.3	22.9	22.9	22.8
December	43.1	9.6	4.1	8.0	6.6	10.9	13.5	20.3	22.9	22.9	22.8
2003											
January	45.4	43.2	5.7	8.3	7.9	11.5	12.2	16.3	21.3	22.5	22.3
February	42.1	58.5	5.7	8.3	7.9	11.5	12.2	16.3	21.3	22.5	22.3
March	42.9	11.7	5.7	8.3	7.9	11.5	12.2	16.3	21.3	22.5	22.3
April	42.6	11.8	5.7	8.3	7.4	11.5	12.2	16.4	21.3	22.5	22.3
May	41.0	10.8	5.7	8.3	6.7	11.5	12.2	18.4	21.3	22.5	22.3
June	39.5	28.6	5.7	7.3	6.7	11.5	12.4	18.2	21.0	22.3	21.9
July	39.8	12.1	5.5	7.6	6.7	11.5	12.4	18.2	21.0	22.3	22.3
August	39.4	15.6	5.5	7.6	7.5	13.0	13.0	18.0	20.7	21.5	20.8
September	38.3	10.3	5.5	7.6	7.5	13.0	13.0	17.8	20.5	21.5	20.8
October	38.4	64.1	5.5	7.6	7.5	13.0	13.0	17.8	20.5	21.5	20.8
November	38.1	5.4	5.5	7.6	7.5	13.0	13.0	17.8	20.5	21.5	20.8
December	36.8	6.1	5.5	7.6	6.1	12.4	12.4	17.3	20.4	21.1	20.4
2004											
January	35.8	6.1	6.4	7.1	6.9	12.9	12.6	13.3	17.2	17.5	15.6
February	33.0	5.0	6.1	7.0	6.9	11.3	11.4	11.6	14.7	15.1	15.7
March	31.0	2.9	4.9	6.6	6.1	5.4	5.9	9.5	12.1	11.8	10.0
April	30.5	3.5	4.9	6.6	5.6	4.8	5.0	8.2	11.0	10.5	10.2
May	29.7	2.8	4.9	6.6	5.4	4.6	5.0	8.3	11.0	10.4	10.0
June	29.7	3.4	4.9	6.6	5.4	4.6	5.0	8.3	10.9	10.4	10.0
July	30.3	10.3	3.9	5.4	5.4	4.6	5.0	7.4	10.5	10.1	9.6
August	12.3	4.6	3.9	6.1	5.4	4.6	5.0	8.0	10.5	10.1	9.6
September	29.7	37.4	3.9	6.1	5.4	4.6	5.0	8.0	10.5	10.1	9.6
October	29.8	9.4	3.9	5.6	5.3	4.6	5.0	8.3	10.9	10.6	10.4
November	29.7	23.9	3.9	5.6	5.3	4.6	5.0	8.3	10.9	10.6	10.4
December	29.8	12.6	3.6	5.6	5.3	4.6	5.0	8.2	10.9	11.1	10.9
2005											
January	28.0	14.3	3.6	5.6	5.3	4.6	5.0	8.2	10.9	11.1	10.9
February	28.6	9.8	3.6	5.6	5.3	4.6	5.0	8.2	10.9	11.1	10.9
March	28.1	8.6	3.6	5.6	5.2	4.6	5.0	8.2	10.9	11.2	11.0
April	28.0	10.6	3.6	5.6	4.6	4.6	5.0	8.4	11.1	11.5	12.0
May	28.1	10.8	3.6	5.6	4.9	4.6	5.0	8.4	11.1	11.5	12.4
June	28.6	14.2	3.6	5.3	4.9	4.6	5.0	8.4	11.1	11.5	12.1
July	28.2	17.5	3.6	5.3	4.9	4.6	5.0	8.4	11.2	11.3	11.4
August	28.3	10.4	3.6	5.5	4.9	4.6	5.0	8.5	11.3	11.4	11.5
September	28.2	17.8	3.6	5.7	5.1	4.6	5.0	8.9	11.5	12.0	10.2
October	28.2	14.5	3.6	6.1	5.3	4.6	5.0	9.2	11.8	12.3	10.4
November	28.2	13.8	3.6	6.1	4.8	4.6	5.0	8.6	11.0	10.9	10.4
December	27.6	20.6	3.6	6.1	4.6	4.6	6.7	8.4	10.7	10.4	9.5

Source: Bank of Zambia

KWACHA/US DOLLAR EXCHANGE RATES ^{ab}

TABLE 13

Period Monthly Average	Bank of Zambia Rates			Bureau Rates		
	Buying	Selling	Mid	Buying	Selling	Mid
1995						
December	937.78	956.53	947.16	937.78	956.53	947.16
1996						
January	1,272.27	1,282.62	1,282.45	1,284.97	1,284.97	1,283.38
February	1,362.90	1,403.03	1,383.97	1,410.16	1,407.07	1,448.82
March	2,263.34	2,289.55	2,281.45	2,293.97	2,293.97	2,387.96
April	2,573.00	2,614.17	2,593.59	2,643.93	2,643.93	2,685.96
May	4,079.32	4,141.36	4,110.34	4,227.64	4,227.64	4,323.05
June						
July						
August						
September						
October						
November						
December						
2001						
January	3,992.59	4,056.50	4,024.55	4,126.61	4,388.00	4,256.61
February	3,574.09	3,631.27	3,602.68	3,751.19	3,840.09	3,795.64
March	3,323.00	3,376.17	3,349.59	3,464.12	3,546.05	3,500.49
April	3,078.84	3,128.12	3,103.48	3,214.71	3,288.65	3,251.78
May	3,246.67	3,323.04	3,284.84	3,341.25	3,411.25	3,376.25
June	3,575.65	3,633.06	3,604.46	3,643.24	3,712.60	3,677.92
July	3,656.05	3,714.30	3,685.18	3,755.25	3,826.67	3,796.06
August	3,565.77	3,622.41	3,594.09	3,670.91	3,758.25	3,714.58
September	3,649.00	3,707.20	3,678.10	3,807.31	3,887.68	3,845.91
October	3,713.78	3,773.20	3,743.49	3,803.69	3,883.42	3,842.96
November	3,770.68	3,831.01	3,800.85	4,039.57	4,118.30	4,079.44
December	3,790.01	3,850.65	3,820.33	4,114.04	4,203.50	4,158.77
2002						
January	3,818.10	3,878.19	3,848.65	4,236.38	4,318.60	4,277.99
February	3,873.26	3,936.25	3,904.25	4,323.86	4,401.17	4,362.51
March	3,899.52	3,961.91	3,930.72	4,293.02	4,373.33	4,331.59
April	3,907.77	3,970.29	3,939.03	4,108.88	4,191.09	4,149.98
May	4,065.09	4,130.13	4,097.61	4,247.20	4,326.07	4,291.64
June	4,320.10	4,389.22	4,354.66	4,489.66	4,555.52	4,512.59
July	4,463.52	4,534.94	4,498.23	4,590.12	4,670.57	4,630.34
August	4,457.12	4,528.39	4,492.73	4,575.05	4,650.32	4,615.37
September	4,483.34	4,555.07	4,519.21	4,623.46	4,702.46	4,685.49
October	4,566.73	4,638.80	4,602.27	4,603.75	4,681.24	4,642.50
November	4,716.00	4,797.46	4,756.73	4,834.59	4,923.30	4,878.95
December	4,702.43	4,777.82	4,740.05	4,897.96	5,000.62	4,948.99
2003						
January	4,374.13	4,442.62	4,408.63	4,782.10	4,862.77	4,812.44
February	4,631.66	4,705.77	4,668.71	5,057.77	5,146.31	5,102.04
March	4,639.81	4,716.24	4,678.52	5,025.56	5,114.33	5,079.94
April	4,827.78	4,905.02	4,866.40	4,925.06	5,022.39	4,973.72
May	4,785.48	4,854.76	4,820.12	4,882.07	4,972.69	4,927.48
June	4,809.57	4,886.51	4,848.04	4,891.89	4,980.93	4,936.41
July	4,740.19	4,818.44	4,779.32	4,865.90	4,957.58	4,911.74
August	4,663.25	4,738.89	4,701.07	4,698.57	4,811.33	4,750.04
September	4,712.46	4,788.85	4,750.65	4,814.76	4,924.36	4,869.37
October	4,720.89	4,793.14	4,757.02	4,827.35	4,914.99	4,871.17
November	4,724.80	4,777.74	4,751.27	4,829.59	4,897.97	4,862.23
December	4,546.02	4,607.49	4,571.75	4,672.50	4,739.25	4,720.88
2004						
January	4,737.89	4,797.40	4,767.64	4,788.44	4,856.97	4,812.70
February	4,734.52	4,790.70	4,762.61	4,794.59	4,865.03	4,827.22
March	4,694.22	4,750.76	4,722.06	4,749.98	4,819.98	4,783.59
April	4,707.67	4,762.23	4,734.95	4,747.45	4,821.45	4,794.47
May	4,726.52	4,781.08	4,751.70	4,761.30	4,826.68	4,819.08
June	4,804.97	4,860.28	4,832.63	4,852.63	4,905.51	4,871.64
July	4,753.92	4,813.35	4,783.13	4,834.95	4,915.90	4,875.45
August	4,761.13	4,813.40	4,787.26	4,821.77	4,884.57	4,854.67
September	4,829.32	4,883.25	4,856.28	4,872.46	4,926.56	4,899.53
October	4,867.26	4,921.59	4,894.31	4,926.10	4,983.67	4,959.89
November	4,768.46	4,826.01	4,797.64	4,861.35	4,942.07	4,902.02
December	4,621.82	4,681.36	4,651.59	4,700.06	4,734.46	4,747.26
2005						
January	4,756.35	4,814.90	4,785.12	4,819.86	4,882.88	4,856.32
February	4,728.72	4,786.34	4,757.53	4,794.05	4,855.56	4,824.80
March	4,681.90	4,739.25	4,710.58	4,733.96	4,802.29	4,766.97
April	4,653.18	4,697.12	4,675.15	4,714.76	4,767.84	4,751.30
May	4,661.43	4,722.14	4,691.79	4,732.89	4,801.20	4,767.07
June	4,659.50	4,712.04	4,685.77	4,741.72	4,813.68	4,777.70
July	4,636.73	4,683.19	4,659.46	4,697.07	4,773.40	4,736.24
August	4,370.77	4,432.80	4,401.83	4,527.67	4,617.53	4,572.60
September	4,408.69	4,470.86	4,439.67	4,519.90	4,607.93	4,577.96
October	4,316.50	4,381.89	4,349.08	4,463.22	4,548.96	4,506.09
November	3,983.73	4,048.61	4,016.17	4,082.97	4,166.95	4,144.89
December	3,368.32	3,448.36	3,408.34	3,442.77	3,520.17	3,396.47

Source: Bank of Zambia

Note: ^a In 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.
^b With effect from August 2003, the interbank rates have been used.

TABLE 14

COMMERCIAL BANKS FOREIGN EXCHANGE RATES (KWACHA PER FOREIGN CURRENCY)

Date	Non Bankers 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	Buying	Selling	Mid-rate
Monthly Avg.																				
2003																				
August	4,689.93	4,747.91	4,718.42	4,795.70	4,698.56	4,747.13	4,705.48	4,712.41	7,595.82	7,566.64	7,461.23	5,184.12	5,322.77	5,253.45	630.79	646.18	639.98	5.69	5.62	5.75
September	4,739.03	4,776.83	4,755.93	4,830.74	4,733.68	4,784.21	4,753.68	4,750.80	7,636.45	7,607.26	7,492.25	5,257.89	5,349.08	5,283.45	638.19	656.71	645.45	5.76	5.67	5.82
October	4,739.84	4,779.87	4,759.87	4,824.93	4,743.64	4,778.24	4,758.37	4,753.10	7,682.74	7,651.76	7,537.25	5,268.07	5,359.07	5,293.88	674.43	693.38	682.41	5.86	5.65	5.61
November	4,735.56	4,761.77	4,749.17	4,799.56	4,736.55	4,771.18	4,753.66	4,736.53	7,938.53	7,913.03	7,805.28	5,505.66	5,640.45	5,573.06	694.38	715.90	705.14	5.67	6.04	5.85
December	4,667.78	4,600.96	4,634.37	4,650.84	4,563.79	4,607.31	4,581.08	4,588.38	7,950.13	8,143.45	8,046.79	5,591.91	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	4,775.91	4,765.91	4,765.91	8,520.16	8,716.23	8,618.20	5,508.47	5,632.58	5,580.53	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	4,778.11	4,764.11	4,763.57	8,779.54	8,955.26	8,856.40	5,565.34	5,689.42	5,624.38	696.44	716.80	706.62	4.97	5.17	5.07
March	4,704.23	4,729.24	4,716.73	4,761.66	4,705.15	4,738.43	4,728.67	4,726.01	8,973.71	9,150.03	9,021.57	5,618.01	5,744.57	5,680.57	706.26	727.32	717.79	4.87	5.13	5.10
April	4,719.89	4,739.96	4,729.93	4,782.91	4,726.31	4,754.11	4,739.71	4,733.61	9,486.67	9,663.02	9,524.84	5,641.86	5,767.03	5,702.25	721.32	741.38	731.35	5.01	5.05	5.03
May	4,729.25	4,754.43	4,741.84	4,792.13	4,735.43	4,773.78	4,754.61	4,749.62	9,690.10	9,867.10	9,728.60	5,649.90	5,772.83	5,711.36	693.33	713.09	703.21	4.89	4.94	4.91
June	4,739.44	4,826.81	4,814.12	4,873.47	4,816.11	4,845.29	4,832.25	4,830.25	9,690.17	9,867.17	9,728.60	5,779.73	5,917.79	5,848.76	737.84	759.24	748.54	4.88	4.93	4.90
July	4,764.14	4,792.28	4,778.21	4,845.15	4,778.61	4,812.94	4,795.75	4,793.94	8,915.84	9,092.56	8,954.26	5,800.37	5,936.88	5,872.62	772.74	794.47	783.60	4.88	4.92	4.90
August	4,761.19	4,789.15	4,774.67	4,829.96	4,771.76	4,808.83	4,791.94	4,789.64	8,811.86	9,012.66	8,891.96	5,793.28	5,929.29	5,865.78	739.35	759.87	748.61	4.85	4.89	4.87
September	4,823.99	4,866.91	4,845.30	4,894.51	4,838.73	4,876.61	4,862.81	4,857.10	9,792.81	9,979.12	9,885.96	5,821.69	5,961.60	5,891.65	731.75	752.56	742.85	4.85	4.89	4.87
October	4,863.07	4,896.29	4,879.68	4,928.06	4,871.83	4,909.21	4,895.74	4,891.21	8,739.39	8,926.12	8,854.76	6,008.88	6,148.04	6,077.96	755.40	777.29	766.34	4.87	4.92	4.90
November	4,785.15	4,826.06	4,805.61	4,854.72	4,798.65	4,848.24	4,833.83	4,830.24	8,895.83	9,082.57	8,959.20	6,123.17	6,267.06	6,195.11	784.75	803.38	794.07	4.83	4.88	4.85
December	4,622.00	4,706.63	4,664.31	4,723.04	4,659.23	4,740.94	4,685.08	4,681.69	9,682.65	9,869.17	9,725.41	6,118.46	6,272.23	6,195.34	803.82	827.20	815.51	4.81	4.85	4.83
2005																				
January	4,759.39	4,821.97	4,771.26	4,839.35	4,775.58	4,807.00	4,791.29	4,793.87	8,853.87	9,040.11	8,944.99	6,164.62	6,318.29	6,241.46	739.37	761.90	750.13	4.84	4.89	4.86
February	4,729.77	4,793.96	4,761.87	4,833.18	4,765.62	4,777.64	4,761.63	4,761.63	8,807.64	9,067.75	8,958.30	6,078.02	6,234.34	6,156.18	784.69	805.88	795.28	4.81	4.85	4.83
March	4,689.36	4,752.67	4,721.02	4,793.00	4,730.60	4,741.36	4,734.36	4,734.36	8,807.64	9,067.75	8,958.30	6,078.02	6,234.34	6,156.18	784.69	805.88	795.28	4.81	4.85	4.83
April	4,642.76	4,709.83	4,676.30	4,742.03	4,680.28	4,692.08	4,675.18	4,675.18	8,715.14	8,961.28	8,833.21	5,969.65	6,111.11	6,035.38	746.15	772.62	759.39	4.76	4.80	4.78
May	4,680.32	4,729.79	4,695.05	4,754.78	4,682.72	4,715.27	4,698.89	4,698.89	8,615.56	8,861.59	8,728.37	5,928.07	6,032.86	5,957.46	750.03	776.05	767.05	4.74	4.78	4.76
June	4,657.10	4,726.44	4,691.77	4,753.19	4,680.00	4,713.53	4,696.66	4,696.66	8,404.49	8,651.27	8,517.27	5,851.31	5,979.24	5,904.28	690.52	716.27	705.40	4.52	4.56	4.54
July	4,605.50	4,674.87	4,639.99	4,703.90	4,613.28	4,647.78	4,630.53	4,630.53	8,029.53	8,241.66	8,136.59	5,513.58	5,639.13	5,565.86	686.18	709.91	697.05	4.46	4.50	4.48
August	4,386.55	4,471.01	4,428.78	4,514.51	4,385.38	4,432.64	4,414.01	4,414.01	7,815.68	8,034.56	7,925.12	5,369.02	5,508.63	5,438.32	675.68	698.51	686.10	4.25	4.26	4.25
September	4,414.57	4,489.13	4,451.85	4,529.76	4,428.91	4,468.08	4,448.49	4,448.49	7,927.02	8,154.03	8,040.53	5,349.23	5,491.30	5,420.28	687.86	713.37	700.61	4.18	4.25	4.21
October	4,331.49	4,410.60	4,371.04	4,443.71	4,341.10	4,376.52	4,358.81	4,358.81	7,465.42	7,705.73	7,592.08	5,179.53	5,303.45	5,234.49	658.14	682.59	670.36	4.15	4.16	4.15
November	4,025.56	4,117.17	4,071.36	4,147.90	4,005.46	4,049.31	4,027.39	4,027.39	6,892.49	7,123.09	7,007.79	4,760.86	4,911.99	4,846.42	607.08	630.96	619.01	4.07	4.09	4.08
December	3,402.23	3,509.19	3,454.71	3,528.19	3,407.90	3,428.69	3,428.69	3,428.69	5,263.88	5,493.12	5,398.42	4,089.74	4,233.91	4,168.53	534.32	560.02	547.27	3.66	3.67	3.66

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 US DOLLARS)

TABLE 15

Period	Bank of Zambia Inflows			Bank of Zambia Outflows			Gross International Reserves (3)
	Monthly/Annual Totals	Purchases from Mining Companies (1)	Donor Inflows	Dealing and/or Net sales to Banks	Non-GRZ (Other)	GRZ Debt Service	
1996	3957.9	43.25	302.09	498.88	51.09	300.98	210.53
1996	8580	214.60	175.12	154.90	37.84	215.54	211.00
1997	4505	114.20	141.21	36.96	20.49	150.06	237.88
1998	2800	28.44	5.24	30.80	19.89	130.82	68.56
1999	1638	9.60	199.64	25.30	23.95	153.98	45.33
2000	120.79	297.42	49.52	27.40	49.52	139.28	293.34
2001	7.15	1.93	0.00	-0.40	3.30	22.87	274.52
January	1632	3.07	0.00	23.00	4.48	4.98	258.76
February	0.00	0.61	0.00	-15.85	8.11	3.72	254.02
March	0.00	32.12	1.46	10.30	3.61	7.97	284.51
April	0.00	1.20	0.00	-1.96	3.01	4.62	251.66
May	1665	3.90	21.89	-0.60	2.76	100.06	182.12
June	25.20	11.59	14.18	16.02	1.47	17.59	193.86
July	15.90	8.77	2.06	12.07	1.68	4.11	192.39
August	0.00	0.00	0.00	0.00	0.00	0.00	192.39
September	0.00	0.00	0.00	0.00	0.00	0.00	192.39
October	18.40	2.04	0.91	38.90	0.23	115.22	116.46
November	16.66	8.35	0.91	38.90	0.23	115.22	116.46
December	14.75	2.48	4.50	7.66	3.18	0.12	149.62
2002	12.90	0.59	0.45	15.79	3.31	3.85	137.76
January	12.75	1.47	1.28	14.57	2.27	2.85	129.25
February	8.52	19.08	0.95	10.60	-0.86	3.79	128.60
March	14.00	1.91	0.88	18.75	1.86	2.55	120.18
April	17.95	0.38	2741.14	17.27	-5.00	113.52	285.00
May	14.95	0.61	0.19	21.67	4.79	7.25	276.22
June	18.65	1.92	0.58	14.95	4.27	5.34	247
July	17.00	2.61	1.31	18.89	5.87	1.32	300.33
August	13.30	2.57	0.55	17.44	11.56	0.74	283.30
September	15.80	3.69	11.57	15.22	8.59	10.49	278.13
October	15.60	0.18	387.35	-33.50	0.40	113.67	489.78
November	12.50	1.41	1.28	-14.20	0.51	10.65	383
December	16.70	0.81	2.47	-14.60	0.42	2.30	472.91
2003	11.30	0.33	1.15	-0.86	1.15	6.08	463.48
January	10.25	15.31	6.21	0.66	0.80	4.51	485.92
February	17.80	40.26	3.92	6.99	1.45	19.27	570
March	13.10	5.91	0.19	-4.97	5.28	128.33	405.60
April	13.85	11.22	2.13	0.20	1.97	9.02	314
May	0.00	6.48	0.67	4.41	15.71	9.02	411.19
June	0.00	14.97	0.00	0.00	7.01	11.60	401.99
July	0.00	10.74	1.76	2.00	11.46	38.25	383.70
August	0.00	6.96	0.00	0.00	20.27	2.97	372.38
September	0.00	14.14	45.29	1.00	2.63	124.81	354.62
October	0.00	6.14	3.51	0.00	6.94	2.02	285.70
November	1.50	12.94	0.00	-3.00	10.35	31.56	289.47
December	6.75	9.20	0.00	-14.96	14.95	5.95	242.78
2004	1.50	8.69	0.00	-11.55	10.22	1.41	250.32
January	0.00	19.64	8.39	-11.20	14.83	1.40	259.65
February	0.00	9.65	120.30	-10.62	10.86	14.83	273.76
March	0.00	17.61	0.37	-12.00	1.99	1.40	289.24
April	0.00	13.86	0.00	-7.20	14.91	3.18	278.14
May	0.00	8.41	15.25	-25.00	13.26	1.48	283.12
June	0.00	13.90	12.58	3.50	9.60	16.60	306.26
July	0.00	0.00	0.00	3.50	8.26	10.25	295.85
August	0.00	14.45	1.60	4.00	10.70	7.37	287.90
September	0.00	21.48	16.931	-1.00	8.60	133.67	337.23
October	0.00	11.04	22.11	-10.00	19.52	25.06	383.51
November	0.00	13.32	1.17	-6.00	14.57	17.70	321.28
December	0.00	10.67	13.26	-16.90	13.06	11.05	386.68
2005	0.00	10.16	18.932	-23.00	12.37	23.54	522.27
January	0.00	8.65	0.00	-12.00	15.30	4.68	516.49
February	0.00	61.33	61.33	-19.70	21.52	128.02	456.22
March	0.00	23.42	13.61	-35.50	16.51	3.24	502.41
April	0.00	25.45	4.42	-5.50	20.31	0.65	494.99
May	0.00	8.64	1.40	0.00	9.85	8.60	483.43
June	0.00	28.96	2.91	0.00	23.83	1.50	488.04
July	0.00	3.21	39.03	0.00	10.95	0.00	550.25

Source: Bank of Zambia

- (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.

TABLE 16

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

Year	Period	TOTAL INDEX Nos (1994=100)		Non Metropolitan Group Percentage Change		Metropolitan Low-income Group Percentage Change		Metropolitan High-income Group Percentage Change		Weighted Average Percentage Change		Monthly Non-Food Inflation % Change	
		Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual
1995	December	3.3	49.5	3.4	46.1	2.2	40.8	3.0	46.0	42.3	3.2	42.3	3.2
1996	December	4.2	34.8	5.1	36.4	3.7	38.4	4.3	35.2	65.5	2.5	65.5	2.5
1997	December	2.3	19.0	2.0	17.2	1.6	19.1	2.0	18.6	27.0	-0.8	27.0	-0.8
1998	December	3.3	30.7	5.9	31.1	5.0	30.6	5.0	30.6	93.4	1.2	93.4	1.2
1999	December	1.5	20.2	1.6	18.5	2.1	20.6	1.7	20.2	22.3	-0.7	22.3	-0.7
2000	December	2.4	28.3	2.2	27.1	3.4	28.6	2.6	30.1	36.1	2.9	36.1	2.9
2001	January	3.3	28.0	4.0	27.9	3.2	34.8	3.5	30.0	51.1	2.3	51.1	2.3
	February	4.6	28.4	4.7	28.1	0.1	31.3	2.9	29.1	46.9	1.5	46.9	1.5
	March	2.2	28.0	2.2	28.0	1.5	30.8	2.0	28.8	26.8	1.4	26.8	1.4
	April	-0.5	25.3	-0.7	24.8	-0.7	24.7	-0.6	24.8	-7.0	0.1	-7.0	0.1
	May	-1.9	22.4	-2.5	20.2	-2.2	23.2	-1.5	22.2	-16.6	1.5	-16.6	1.5
	June	-0.9	20.4	-2.1	17.4	-0.4	22.4	-0.9	20.2	-10.3	1.2	-10.3	1.2
	July	1.4	17.8	1.3	14.2	1.8	18.6	1.5	17.1	19.6	2.4	19.6	2.4
	August	0.9	17.5	1.6	14.9	0.9	17.5	1.1	16.8	14.0	1.0	14.0	1.0
	September	1.7	18.5	0.9	15.6	1.4	17.4	1.4	17.4	18.2	1.6	18.2	1.6
	October	2.3	18.6	1.5	15.1	1.4	16.6	1.8	17.2	23.9	1.2	23.9	1.2
	November	2.8	19.7	2.7	16.8	1.9	15.6	1.7	17.7	34.5	1.4	34.5	1.4
	December	4.0	21.7	4.1	19.0	2.1	14.1	3.5	18.7	51.1	1.4	51.1	1.4
2002	January	4.9	23.6	4.9	20.1	2.7	13.5	4.3	19.6	65.7	1.7	65.7	1.7
	February	2.9	21.6	3.5	16.6	2.4	16.1	2.9	19.2	40.9	2.0	40.9	2.0
	March	0.8	19.9	0.9	17.1	1.4	16.0	1.0	16.1	12.7	1.7	12.7	1.7
	April	-1.8	18.3	-0.8	16.0	-0.8	16.9	-0.8	17.8	-9.2	0.1	-9.2	0.1
	May	0.8	21.6	1.5	22.8	1.1	18.3	1.0	20.9	12.7	0.9	12.7	0.9
	June	1.3	24.3	1.4	26.6	1.4	20.1	1.2	23.6	15.4	1.4	15.4	1.4
	July	0.9	24.1	1.6	26.9	1.3	19.5	1.3	25.4	16.8	1.0	16.8	1.0
	August	1.6	24.9	1.4	26.0	1.4	20.0	1.3	23.7	16.8	1.0	16.8	1.0
	September	1.7	24.7	1.8	27.1	1.3	19.9	1.5	23.8	19.6	1.1	19.6	1.1
	October	1.9	24.2	2.0	27.7	1.5	20.2	1.8	23.8	23.9	1.0	23.9	1.0
	November	4.0	25.6	4.4	29.7	2.9	21.2	2.4	25.3	56.4	1.5	56.4	1.5
	December	4.6	26.2	5.5	31.5	3.8	23.2	4.6	26.7	71.5	2.5	71.5	2.5
2003	January	2.7	23.6	3.0	21.1	1.1	21.2	2.3	24.3	31.4	1.1	31.4	1.1
	February	1.6	23.0	1.2	26.2	2.5	21.3	1.7	22.9	22.4	3.3	22.4	3.3
	March	0.1	21.1	0.5	25.7	2.1	22.1	0.8	22.6	10.0	2.6	10.0	2.6
	April	-0.5	22.8	0.4	26.1	1.2	23.5	0.4	23.9	2.4	1.3	2.4	1.3
	May	0.2	22.2	0.8	25.3	2.1	24.8	0.9	23.9	11.4	2.5	11.4	2.5
	June	-0.4	20.2	-0.7	23.2	0.4	20.2	-0.2	21.9	-2.4	0.9	-2.4	0.9
	July	0.1	18.8	-0.5	20.8	-0.1	21.8	-0.1	20.2	-1.2	0.5	-1.2	0.5
	August	1.6	18.8	1.5	21.5	1.3	21.7	1.4	20.3	18.2	1.0	18.2	1.0
	September	2.5	19.9	1.9	22.4	1.9	22.4	2.1	21.1	28.8	1.1	28.8	1.1
	October	2.0	20.0	1.7	21.3	1.7	22.7	1.8	21.7	23.9	1.2	23.9	1.2
	November	1.8	17.5	2.1	18.6	2.0	19.1	2.0	19.1	26.8	2.2	26.8	2.2
	December	3.5	16.3	3.0	15.8	2.0	18.8	2.9	17.2	40.9	2.2	40.9	2.2
2004	January	2.7	16.3	2.4	15.1	2.5	21.5	2.6	17.4	36.1	2.9	36.1	2.9
	February	1.4	16.0	1.0	15.0	0.8	18.6	1.1	16.8	14.0	1.4	14.0	1.4
	March	1.6	17.9	1.8	16.4	1.0	17.6	1.5	17.6	19.6	1.0	19.6	1.0
	April	-1.0	18.3	0.3	18.1	0.3	18.1	0.3	17.8	3.7	1.1	3.7	1.1
	May	0.1	18.1	0.8	16.4	1.4	17.3	0.7	17.4	8.7	1.1	8.7	1.1
	June	0.7	19.3	0.8	18.2	0.9	17.9	0.8	18.6	10.0	1.3	10.0	1.3
	July	0.8	20.2	0.1	18.9	0.7	18.9	0.6	19.5	7.4	0.9	7.4	0.9
	August	1.1	19.7	0.3	17.5	1.4	18.9	1.0	18.9	12.7	1.1	12.7	1.1
	September	1.3	18.2	0.7	16.1	1.5	18.5	1.1	17.8	14.0	1.9	14.0	1.9
	October	1.9	18.0	2.4	16.9	1.0	18.0	2.1	18.0	28.3	1.3	28.3	1.3
	November	2.4	18.7	2.2	17.1	1.8	18.2	2.1	18.3	31.4	1.9	31.4	1.9
	December	2.6	17.8	2.7	16.7	1.1	17.8	2.2	17.5	28.8	1.3	28.8	1.3
2005	January	3.1	18.2	3.2	17.6	3.4	18.8	3.2	18.2	45.9	2.7	45.9	2.7
	February	1.3	18.1	1.2	17.8	2.3	20.5	1.5	18.7	19.6	2.1	19.6	2.1
	March	0.9	17.2	-0.3	15.3	0.2	19.6	0.4	17.4	4.9	0.7	4.9	0.7
	April	1.0	17.5	1.7	16.9	1.3	20.2	1.3	18.6	16.8	1.3	16.8	1.3
	May	1.1	19.7	1.2	17.4	1.1	19.9	1.1	19.1	14.0	1.2	14.0	1.2
	June	0.8	19.9	0.8	17.4	0.9	18.8	0.8	19.2	10.0	1.4	10.0	1.4
	July	0.1	19.0	0.3	17.5	0.2	18.2	0.2	18.7	6.4	0.5	6.4	0.5
	August	1.8	19.9	1.0	19.2	0.8	18.6	1.5	19.3	19.6	0.8	19.6	0.8
	September	1.2	19.9	1.2	19.6	1.1	19.6	1.4	19.5	16.2	1.9	16.2	1.9
	October	1.5	18.7	1.0	18.2	1.2	18.7	1.1	18.2	14.0	1.0	14.0	1.0
	November	1.0	17.7	1.8	17.7	1.0	16.1	1.3	17.2	16.8	1.0	16.8	1.0
	December	1.5	16.4	1.7	16.6	-0.4	14.4	1.0	15.9	12.7	0.6	12.7	0.6

Source: Central Statistics Office

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

TABLE 17

Period	Treasury Bills Tendered					Total Sales	Maturities	Special Taxes & Off-tender Sales	Re-discounts	Total Outstanding Bills
	28 Days	91 Days	182 Days	273 Days	361 Days					
1995										
January	947,454.8	133,789.5	35,563.5	0.0	1,113,807.8	1,067,059.6	1,111,683.1	113,222.0	93,620.3	211,403.3
February	1,460,300.4	46,956.8	1,828,626.4	0.0	1,957,371.6	1,790,302.5	1,790,302.5	97,341.5	178,153.8	231,802.0
March	586,489.5	154,862.0	1,346,526.2	0.0	1,217,575.8	1,346,526.2	1,346,526.2	54,276.0	70,101.9	248,032.5
April	481,137.0	403,880.0	35,075.0	0.0	920,130.0	857,231.7	857,231.7	1,010,197.4	49,850.0	217,960.9
May	1,040,240.0	414,286.0	47,970.0	0.0	1,502,496.0	1,440,115.7	1,558,906.6	102,462.9	46,516.0	283,413.2
June	295,340.0	586,940.0	311,120.0	28,210.0	1,181,610.0	1,074,191.2	1,181,610.0	1,065,054.0	1,065,054.0	4,016,753.9
July										
August										
September										
October										
November										
December										
2001										
January	2,830.0	17,745.0	10,590.0	3,685.0	34,950.0	30,987.1	86,242.0	9,778.5	5,950.0	303,140.8
February	39,770.0	89,770.0	18,755.0	0.0	148,300.0	148,300.0	148,300.0	77,821.5	72,400.0	305,339.6
March	29,200.0	74,980.0	30.0	20.0	104,390.0	94,589.7	95,952.5	7,288.8	4,095.0	321,045.9
April	21,530.0	46,285.0	16,210.0	8,000.0	92,025.0	81,799.2	89,380.0	56,367.3	1,000.0	380,070.2
May	34,355.0	71,190.0	16,445.0	1,000.0	122,990.0	111,817.2	113,176.7	8,687.2	0.0	396,750.7
June	22,045.0	51,300.0	41,825.0	8,484.0	122,320.0	108,809.1	132,498.0	8,484.0	0.0	395,056.7
July	22,790.0	87,705.0	21,000.0	11,290.0	142,785.0	149,615.0	125,758.5	11,330.0	10,000.0	430,443.2
August	33,660.0	72,270.0	25,410.0	18,605.0	149,945.0	131,282.2	113,705.6	7,917.4	15,400.0	474,600.0
September	38,525.0	47,685.0	45,175.0	40,130.0	171,515.0	146,154.3	125,542.9	12,542.9	1,020.0	554,869.1
October	35,530.0	87,910.0	48,710.0	20,680.0	192,830.0	173,114.0	166,742.6	12,610.0	560.0	599,941.5
November	39,070.0	78,540.0	32,365.0	20,680.0	170,655.0	149,236.1	122,062.2	9,107.3	2,850.0	657,641.6
December	28,825.0	70,350.0	43,290.0	23,270.0	145,735.0	142,233.9	160,514.0	13,717.0	4,280.0	676,701.6
2002										
January	25,130.0	72,235.0	47,210.0	17,500.0	162,075.0	139,110.0	145,107.0	17,645.0	42,020.0	711,461.6
February	25,000.0	89,705.0	35,315.0	4,500.0	147,520.0	140,329.9	140,329.9	12,525.0	950.0	731,251.2
March	12,705.0	74,645.0	63,020.0	29,240.0	179,610.0	151,866.2	155,390.9	14,035.0	21,781.0	769,632.3
April	6,400.0	69,835.0	54,175.0	44,390.0	174,800.0	167,881.5	147,754.4	15,460.0	1,500.0	792,253.8
May	7,795.0	59,375.0	40,345.0	22,390.0	129,895.0	147,457.3	147,457.3	12,109.0	13,900.0	788,939.5
June	34,630.0	42,365.0	34,055.0	31,860.0	132,900.0	113,334.1	169,954.0	9,667.0	15,620.0	759,799.5
July	28,420.0	62,560.0	49,890.0	49,890.0	190,810.0	194,937.0	176,920.0	7,900.0	7,900.0	771,166.5
August	21,075.0	57,590.0	48,430.0	20,090.0	147,185.0	134,447.3	152,442.0	15,657.0	7,030.0	784,928.5
September	22,745.0	67,740.0	37,180.0	34,445.0	162,110.0	180,647.0	141,044.0	14,151.5	1,160.0	775,926.5
October	23,830.0	64,085.0	33,485.0	24,280.0	145,680.0	131,565.4	137,988.0	7,932.1	0.0	971,756.9
November	32,245.0	44,485.0	11,850.0	11,850.0	110,770.0	101,432.0	170,834.0	17,345.0	841,943.8	841,943.8
December	19,080.0	61,270.0	33,035.0	36,220.0	149,605.0	132,868.3	185,077.0	10,878.0	12,650.0	817,612.8
2003										
January	46,960.0	134,695.0	75,041.2	50,190.0	306,937.2	251,807.2	221,807.2	10,445.0	912,129.3	912,129.3
February	36,930.0	49,275.0	42,335.0	43,620.0	172,165.0	172,165.0	176,473.0	10,137.0	6,328.5	669,742.1
March	26,910.0	79,530.0	41,950.0	52,640.0	199,130.0	175,362.1	227,656.0	16,720.0	9,455.0	988,370.1
April	25,270.0	132,360.0	99,552.9	77,660.0	335,872.9	278,548.9	257,106.2	3,456.0	1,030.0	1,068,909.9
May	9,910.0	91,730.0	59,959.0	66,720.0	217,329.0	188,432.9	164,619.9	2,879.0	0.0	1,094,088.0
June	9,385.0	91,715.0	61,050.0	96,360.0	219,060.0	213,941.0	163,082.0	7,580.0	1,157,923.0	1,157,923.0
July	9,400.0	77,290.0	67,165.0	60,900.0	214,715.0	189,330.6	243,226.0	4,890.0	28,368.8	1,172,442.0
August	4,210.0	96,975.0	41,150.0	50,365.0	150,050.0	143,326.0	143,326.0	0.0	4,050.0	1,122,314.0
September	7,785.0	77,890.0	57,910.0	46,085.0	179,660.0	161,688.7	362,140.0	362,140.0	1,441.0	1,188,443.0
October										
November										
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August										
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October										
November										
December										

Source: Bank of Zambia

GRZ BONDS OUTSTANDING (IN MILLIONS OF KWACHA)

TABLE 18

By Holder

End of period	Commercial banks (1)	Others (2)	Total Outstanding
1995			
December	3,949.6	10,810.6	14,760.2
1996			
December	17,324.2	14,371.0	31,695.2
1997			
December	30,176.0	6,189.2	36,365.2
1998			
December	19,714.0	5,880.2	25,594.2
1999			
December	44,835.0	19,090.0	63,925.0
2000			
December	1,26,033.1	75,671.9	201,705.0
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	114,006.5	487,102.2	601,107.7
June	143,255.2	482,096.5	625,351.7
July	168,682.2	528,847.9	697,530.1
August	179,865.5	572,081.4	751,946.9
September	231,366.7	651,249.3	882,616.0
October	265,566.0	706,660.9	974,216.9
November	273,389.3	109,399.7	383,239.0
December	289,266.5	113,219.5	402,566.0
2002			
January	265,993.9	160,240.1	426,233.9
February	310,069.4	146,132.5	456,201.9
March	272,478.4	170,129.5	442,601.9
April	286,269.1	146,452.8	437,721.9
May	326,910.2	179,759.7	506,669.9
June	330,127.6	186,045.3	516,172.9
July	306,465.8	161,780.3	468,246.1
August	330,046.0	277,286.1	607,332.1
September	376,946.1	274,489.0	651,435.1
October	386,898.1	267,463.9	654,362.0
November	383,082.7	225,953.3	609,036.0
December	395,675.7	237,897.3	633,573.0
2003			
January	397,897.2	277,370.8	675,268.0
February	418,691.7	298,655.3	717,347.0
March	427,591.4	282,011.6	709,603.0
April	495,798.0	277,857.0	773,655.0
May	549,943.0	298,307.0	848,250.0
June	579,897.5	289,361.5	869,259.0
July	597,714.6	316,763.4	914,478.0
August	602,453.8	318,136.2	920,590.0
September	629,002.0	410,432.0	1,039,434.0
October	696,474.1	395,974.9	1,092,449.0
November	726,715.3	382,833.7	1,109,549.0
December	721,380.5	412,723.5	1,134,104.0
2004			
January	791,376.6	383,804.4	1,175,181.0
February	732,853.5	486,790.5	1,219,644.0
March	774,376.5	407,296.5	1,181,677.0
April	764,392.7	421,120.3	1,206,113.0
May	807,541.9	395,324.1	1,202,866.0
June	849,834.0	373,835.0	1,223,669.0
July	891,143.9	364,715.1	1,255,859.0
August	883,399.2	319,044.9	1,202,444.0
September	878,035.9	324,652.1	1,202,688.0
October	851,423.7	289,549.5	1,140,973.2
November	836,320.6	286,719.6	1,123,040.2
December	841,366.6	287,965.6	1,129,332.2
2005			
January	896,625.3	277,409.9	1,174,034.2
February	919,281.6	266,369.9	1,202,250.2
March	925,962.9	269,461.3	1,222,463.8
April	939,074.9	278,039.0	1,227,017.9
May	949,572.4	269,313.5	1,236,886.2
June	972,434.0	385,310.0	1,317,885.9
July	971,006.9	391,726.3	1,357,744.0
August	962,156.3	388,262.1	1,352,743.2
September	1,005,479.5	389,796.7	1,394,416.4
October	947,743.8	438,068.8	1,389,845.6
November	916,851.0	513,331.6	1,430,182.6
December			

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	2,931
1996	327,474	313,923	3,866	4,829
1997	300,718	312,457	4,673	4,028
1998	257,394	272,437	5,319	4,961
1999	251,333	255,894	3,408	4,378
2000	200,574	221,167	2,996	2,877
2001	26,794	23,090	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	26,453	25,282	273	320
November	24,566	23,288	298	356
December	246,397	246,446	4,379	4,108
2002	27,676	24,995	447	363
January	26,158	23,785	305	357
February	25,159	23,033	379	377
March	28,164	25,916	367	365
April	23,181	27,437	360	334
May	31,824	27,780	381	325
June	28,735	31,679	420	323
July	26,179	28,513	254	332
August	26,855	26,516	344	360
September	26,912	25,000	276	317
October	26,077	26,433	266	317
November	26,017	27,513	206	230
December	323,964	337,367	4,025	3,990
2003	25,686	23,495	313	266
January	25,946	22,296	275	206
February	27,677	26,539	168	279
March	29,537	28,204	144	272
April	31,454	33,389	417	295
May	33,104	25,827	297	292
June	28,401	32,106	271	300
July	35,326	31,941	233	337
August	25,439	28,173	281	317
September	25,439	31,432	413	205
October	32,096	31,362	294	260
November	29,449	33,369	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	209
March	31,655	34,295	149	172
April	36,359	32,047	209	194
May	31,383	32,013	175	175
June	34,300	33,919	224	214
July	33,102	32,090	233	212
August	33,488	33,547	173	200
September	30,359	31,960	210	268
October	31,047	33,468	137	138
November	384,229	396,154	2,328	2,309
December	26,792	32,013	499	511
2005	23,074	29,254	389	437
January	30,779	30,972	518	588
February	30,861	30,506	471	439
March	36,266	37,858	460	460
April	36,266	37,858	479	486
May	34,945	37,129	450	475
June	39,429	37,593	420	432
July	38,469	38,596	549	482
August	37,984	43,336	465	471
September	33,022	40,218	373	378
October	47,850	44,327	413	421
November	421,113	444,514	5,432	5,535
December				

Source: Bank of Zambia

