Bank Of Zambia

ANNUAL REPORT 2007

  

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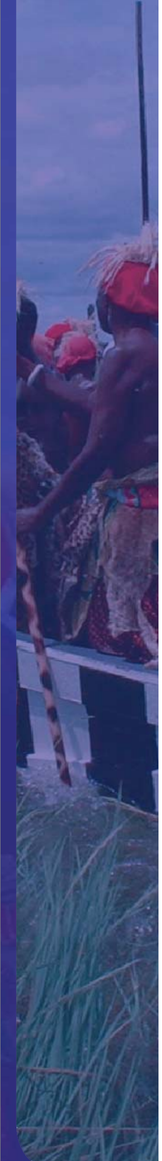
Favourable developments in the global and domestic economies led to Zambia recording a real gross domestic product (GDP) of 5.7%. On the domestic front, construction, agriculture and mining were among sectors that contributed to the GDP



MISSION STATEMENT

The mission of the Bank of Zambia is to formulate and implement monetary and supervisory policies that achieve and maintain price stability and promote financial system stability in the Republic of Zambia

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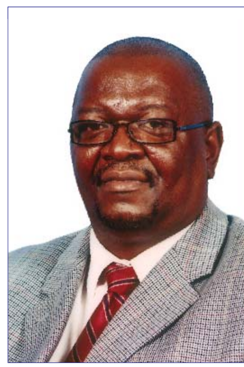

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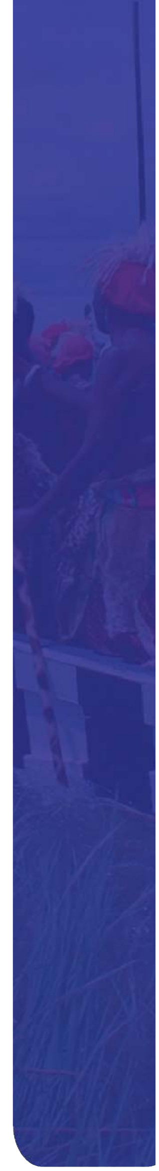

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DIRECTOR - REGIONAL OFFICE

SENIOR MANAGEMENT AS AT 31 DECEMBER 2007

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GOVERNOR

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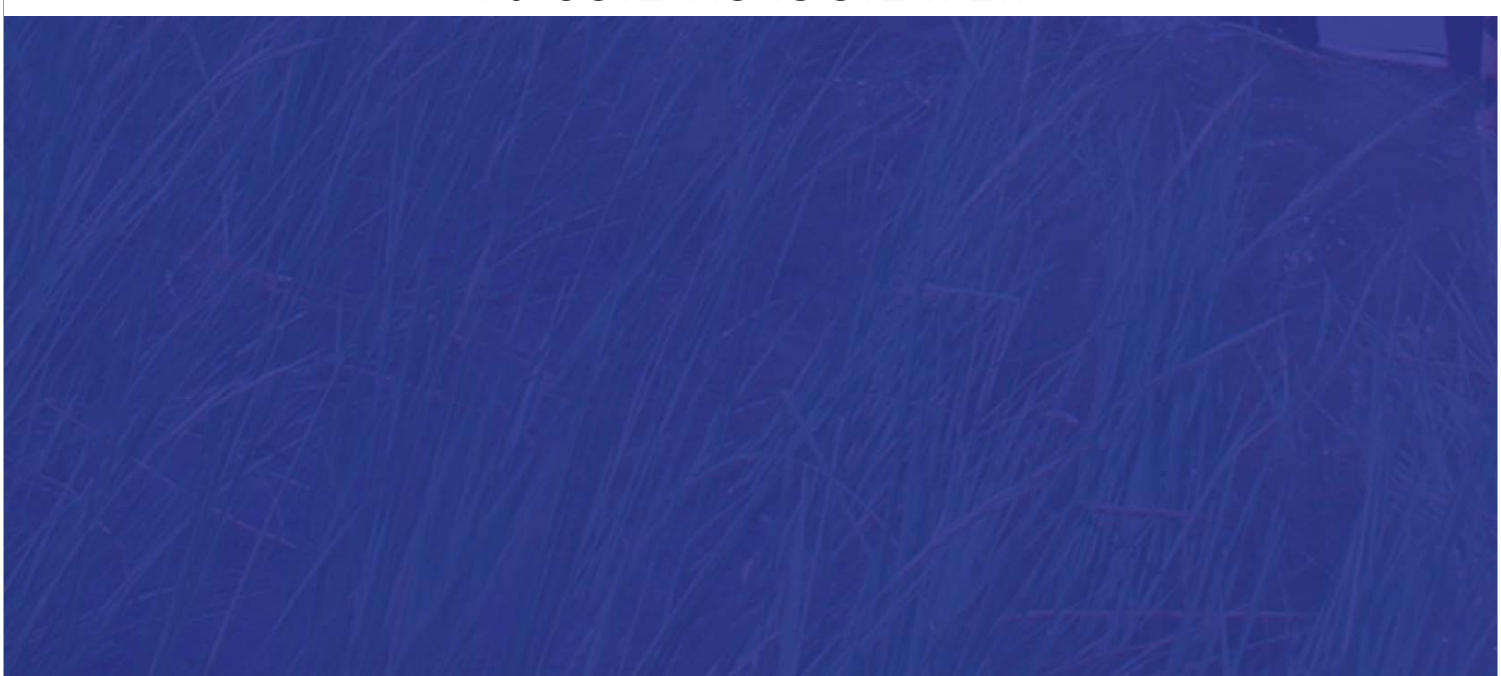
MRS. AVET M. HAMUWELE
DIRECTOR - INTERNAL AUDIT

MR. MAX CHISAKA
DIRECTOR - PROCUREMENT & MAINTENANCE

*Mr. Felix N. Mfula former Deputy Governor-Administration left the Bank and was replaced by Dr. Tukiya Kankasa-Mabula

1.0 GOVERNOR'S OVERVIEW



1.0 GOVERNOR'S OVERVIEW

Dr. Fundanga

In 2007, the global economy grew by 4.9% compared to 5.0% in 2006. While strong growth was maintained in emerging and developing countries, growth in advanced economies slowed down. China, Russia and India were the key drivers of global growth. This mitigated the lower than expected growth in the United States of America (USA). The USA experienced a significant reduction in investment in residential property following the collapse of the sub-prime mortgage market. Emerging and developing countries benefitted from the strong momentum of domestic demand and prudent macroeconomic policies. In commodity exporting countries, growth edged upwards on account of high metal and energy prices. In the advanced economies, inflationary pressures eased, reflecting slowing demand. On the other hand, in emerging and developing countries, inflation rose, mainly on account of higher food and energy prices.

Economic developments in Africa were encouraging with growth rising to 6.0% from 5.8%, while inflation remained at the same level, 6.3%. Growth in Sub-Saharan Africa rose to 6.1% in 2007 from 5.7% the previous year, while inflation increased to 7.6% from 7.3%, principally on account of by increased oil and food prices.

Favourable developments in the global and domestic economies led to Zambia recording growth in real gross domestic product (GDP) of 5.7%, though it was lower than 6.2% in 2006. This marked the fifth consecutive year of economic growth exceeding 5%. The observed growth in GDP was driven by continued investment in various sectors of the economy, notably, transport and communications, construction, mining, manufacturing, tourism, and agriculture. During the year, the Zambian economy continued to benefit from higher copper prices, which underpinned the continued growth of the mining and other sectors connected to mining. Further, continued confidence in the local economy led to a sustained increase in foreign direct investment. These positive developments culminated into favourable external sector performance and hence increased international reserves to US $947 million from US $595 million the previous year.

A further notable achievement in 2007 was the attainment of single-digit inflation, for the second consecutive year. Annual overall inflation at end-December 2007 was recorded at 8.9%. This was on account of a slow down in non-food inflation, which declined to 11.9% in December 2007 from 18.1% in December 2006. Implementation of appropriate monetary and fiscal policies, coupled with the appreciation of the local currency, were the major contributing factors. This was despite high international oil prices and disruptions in domestic supply of petroleum products. On the other hand, food inflation rose to 5.9% from negative 0.2%, reflecting mainly higher prices of beef and dairy products. Lower supply, due to the ban on the movement of livestock to and from the Southern Province, was behind this development. The ban was necessitated by the need to control the spread of livestock diseases, notably, contagious bovine pleural pneumonia (CBPP).

With respect to the external sector, Zambia continued to record positive developments. These were partly reflected in the surplus in the overall balance of payments and an increase in international reserves. This was underpinned by an increase in both metal and non-metal export earnings, which grew by 15.5% and 24.0%, respectively.

The positive outturn in the country's economic fundamentals was also supported by Government's continued strong fiscal performance. The overall Government budget recorded a deficit of 0.2% of GDP compared to the programmed deficit of 3.9%. This development, in part, reflected challenges in budget execution, especially with regard to capital projects.

During the year, overall financial performance and condition of the financial sector were satisfactory. The banking sector was adequately capitalised and it’s asset quality and earnings performance were satisfactory. Similarly, the non-bank financial sector registered satisfactory performance. Improved regulation and supervision by the Bank of Zambia contributed to the favourable financial sector performance.

During the year under review, implementation of the Financial Sector Development Plan (FSDP) gathered pace with a number of achievements. These included Cabinet approval for obtaining the first sovereign credit rating for Zambia, enactment of the National Payments Systems Act 2007, issuance of the Pensions and Insurance Levy Regulation 2007, introduction of bonds with tenors of 7, 10 and 15 years, and the launch of the first credit reference bureau.

To improve the country's financial architecture further, the Bank, together with other stakeholders in the financial sector, introduced the Zambia Revenue Authority (ZRA) Tax Payment Stream in April 2007. This

allowed tax payments to be made using Zambia Interbank Payment and Settlement System (ZIPSS) or the Real Time Gross Settlement (RTGS) system. Under this arrangement, tax payers issue payment instructions to commercial banks to transfer funds through RTGS to the appropriate ZRA Tax Accounts at Bank of Zambia. The mechanism has enhanced Government's efficiency in collecting tax revenue as payments made to tax accounts are received in real time.

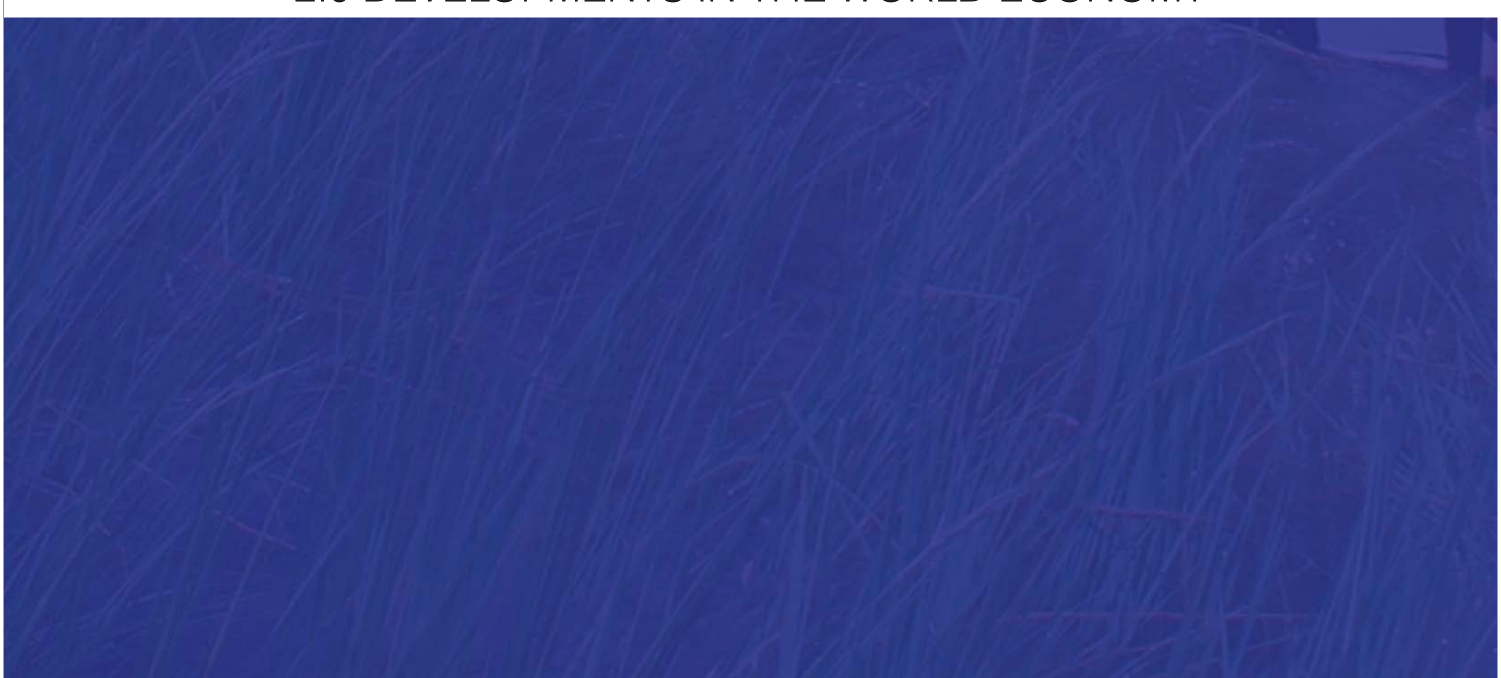
In the area of human resource management and development, the Bank continued to support capacity building programmes through scholarships, tuition and paid study leave for members of staff while it also embarked on a project to revise its Performance Management System. The industrial relations environment in the Bank remained harmonious. During the year, the Bank also intensified its sensitisation campaigns on HIV/AIDS.

During 2008, the main challenge for the Bank will continue to be the maintenance of single-digit inflation at low levels, amidst persistent increases in energy prices, particularly oil. Other challenges, include the management of excess liquidity arising from the unspent Government balances from the 2007 fiscal year, and the adverse weather conditions experienced in the 2007/2008 agricultural season, which may negatively affect food production and supply in the 2008/09 consumption period. Further, electricity power outages may adversely affect supply of goods and services, thus creating inflationary pressures.

Finally, may I also take this opportunity to say thank you and bid farewell to Mr. Berlin Msiska, former Board member, and the former Deputy Governor, Mr Felix N. Mfula, who left the services of the Bank before the end of 2007.

Dr. Caleb M. Fundanga
Governor and Chairman of the Board of Directors

2.0 DEVELOPMENTS IN THE WORLD ECONOMY



2.0 DEVELOPMENTS IN THE WORLD ECONOMY

Overview

The global economy grew by 4.9% in 2007 from 5.0% in 2006, with strong growth being maintained in emerging and developing countries, whilst growth in advanced economies slowed down (see Table 1). In the advanced economies, inflationary pressures eased, reflecting slowing demand whilst in emerging and developing countries, inflation rose on account of strong domestic and external demand as well as higher food and energy prices. The current account balance was in deficit for the advanced economies while that of emerging and developing countries was positive, with the exception of sub-Saharan Africa.

Global Economic Performance

Global gross domestic product (GDP) growth in 2007 at 4.9% was almost the same as the 5.0% recorded in 2006. The growth was largely driven by China, India and Russia, which grew by 11.4%, 9.2%, and 8.1%, respectively. In the advanced economies, growth slowed down to 2.7% from 3.0%, with the United States of America (USA), the Euro area and Japan, growing by 2.2%, 2.6%, and 2.1% from 2.9%, 2.8%, and 2.4%, respectively in 2006. The growth in emerging and developing economies remained robust at 7.9% in 2007 compared to 7.8% in 2006. Africa posted growth of 6.2%, slightly above the previous year's 5.9%. Sub-Saharan Africa recorded a growth rate of 6.8% compared to 6.4% in 2006.

Following higher food and oil prices, global inflation increased to 3.9% in 2007 from 3.4% in 2006. Food inflation increased to 6.2% from 3.4% in 2006, reflecting growing demand for corn and other food items for bio-fuel production as well as supply constraints arising from adverse weather conditions. Strong demand factors, in the face of stable supply, also kept oil prices high. However, fuel inflation slowed down to 4.1% from 11.2%, thereby moderating the increase in world inflation. In the advanced economies, inflation was contained as it remained stable at 2.2%. However, inflation in developing countries increased to 5.9% from 5.1%.

The credit crunch triggered by the uncertainty of the extent of losses associated with the collapse of the housing market in the USA dominated developments in global financial markets in 2007. Consequently, credit conditions tightened, and in turn, the interest rates on mortgage-backed securities and interbank loans increased. In addition, long-term government bond yields declined as investors looked for safe havens. Central banks in advanced economies responded by providing liquidity to financial markets to ease the credit crunch. However, emerging markets and developing countries were relatively unaffected by the turbulence in global financial markets.

In terms of macroeconomic policy response, in advanced economies policy was directed at addressing the credit crunch by providing liquidity to financial markets. In developing countries, the major challenge was the management of inflows from the commodity boom by building reserves through sterilised interventions.

Table 1: World Real GDP, Inflation and Current Account Positions, 2005 - 2007

(Annual % change unless otherwise stated)

	Real GDP			Inflation			Current Account Positions (% of GDP)		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
World	**4.4**	**5.0**	**4.9**	**n/ap**	**3.4**	**3.9**	**n/ap**	**n/ap**	**n/ap**
Advanced Economies	**2.6**	**3.0**	**2.7**	**2.3**	**2.4**	**2.2**	**-1.3**	**-1.5**	**-1.2**
United States	3.1	2.9	2.2	3.4	3.2	2.9	-6.1	-6.2	-5.3
Euro area	1.6	2.8	2.6	2.2	2.1	2.8	0.3	-0.1	-0.2
Japan	1.9	2.4	2.1	-0.3	0.3	-	3.6	3.9	4.9
Commonwealth of Independent States	**6.5**	**8.2**	**8.5**	**12.1**	**9.5**	**9.7**	**8.8**	**7.5**	**4.5**
Russia	6.4	7.4	8.1	12.7	9.7	9.0	11.0	9.5	5.9
Excluding Russia	6.7	10.1	9.6	10.6	8.8	11.6	1.6	1.1	-0.1
Middle East	**5.7**	**5.8**	**5.8**	**6.2**	**7.0**	**10.4**	**19.7**	**20.9**	**19.8**
Other Emerging and Developing Countries	**7.1**	**7.8**	**7.9**	**5.7**	**5.4**	**6.4**	**11.0**	**12.3**	**10.5**
China	10.4	11.1	11.4	1.8	1.5	4.8	7.2	9.4	11.1
India	9.1	9.7	9.2	4.2	6.2	6.4	-1.3	-1.1	-1.8
Africa	5.7	5.9	6.2	7.1	6.4	6.3	1.9	3.1	0.1
Sub-Saharan Africa	6.2	6.4	6.8	8.8	7.3	7.2	-2.5	-0.6	-7.9

Source: IMF: World Economic Outlook, April 2008, World Economic Outlook Update Projections
n/ap = not applicable

Advanced Countries

The real GDP growth in advanced countries slowed down to 2.7% in 2007 from 3.0% in 2006 as most economies were adversely affected by the financial market turbulence and weaker growth in the USA. In the USA, weak investment spending in the residential sector and a decline in private consumption growth due to rising gasoline prices continued to exert downward pressure on growth prospects. The Euro area on the other hand expanded, largely driven by increased investment spending particularly in Germany. In the UK, growth continued to expand driven by increased consumption.

Headline inflation remained stable at 2.2% compared with 2.3% in 2006. With the economy weakening, inflation in the USA declined to 2.2% from 2.9% while in the Euro area it rose to 5.4% from 5.2%, largely on account of higher energy and food prices. The current account deficit, as a percentage of GDP, remained stable at 1.3% from 1.4% in 2006.

Emerging Market and Developing Countries

Emerging markets and developing countries grew by 7.9% in 2007 compared to 7.8%, with growth reflected across all regions including Africa and Latin America. Growth continued to be driven by the strong domestic demand particularly in China and India. In most regions inflation rose, reflecting strong domestic demand, high commodity prices, and rapid credit growth. Foreign exchange inflows to the region increased during the period under review with current account transactions accounting for much of the inflows.

Developing Asia

Real GDP growth remained robust at 9.7% in 2007 compared to 9.6% in 2006. China, India, and the ASEAN-5[1] recorded growth rates of 11.4%, 9.2%, and 6.3%, respectively. Inflation increased to 5.3% from 4.0% in 2006, with inflation in China and India rising to 4.5% and 6.2% from 1.5% and 6.1%, respectively. The current account as a percentage of GDP recorded a surplus of 6.9% compared to 5.9% in 2006.

Commonwealth of Independent States

Economic growth in the region increased further to 8.5% in 2007 from 8.2% in the previous year. Consumption remained the main driver of growth, reflecting rising real income and easy access to credit by the private sector. Inflation declined to 8.9% from 9.4% due to improved macroeconomic management. Although the current account relative to GDP weakened, owing to robust demand, it remained positive at 4.8% of GDP in 2007 compared to 7.6% in 2006.

Latin America and the Middle East

Real GDP growth in Latin America remained stable at 5.6% compared to 5.5% in 2006, spurred by Brazil which recorded a growth of 5.4%, due to strong domestic demand and the commodity boom. Inflation remained relatively unchanged at 5.3% in 2007 compared to 5.4% in the previous year. Current account surpluses moderated to 0.6% from 1.5% of GDP as strong domestic demand boosted import growth.

Economic growth in the Middle East continued to be strong at 5.8%, supported by high oil prices and growing domestic demand. Inflation accelerated in the region to 10.8% from 7.5% due to rising demand pressures, which reflected increased government spending on social projects and infrastructure mainly to expand oil production and refining capacity. As a percentage of GDP, the current account remained robust at 16.7% in 2007 compared to 19.7% in 2006.

African Economies

Economic growth in Africa remained strong at 5.7% in 2007 compared to 5.6% in 2006 (see Table 2). This was largely attributed to higher growth of 6.1% from 5.7% in Sub-Saharan Africa following the coming on stream of new production facilities in oil-exporting countries such as Angola and Nigeria. In addition, the region expanded non-traditional manufacturing exports, improved market access and diversified export destinations.

[1]The ASEAN-5 comprises Indonesia, Malaysia, Thailand, Phillipines and Singapore.

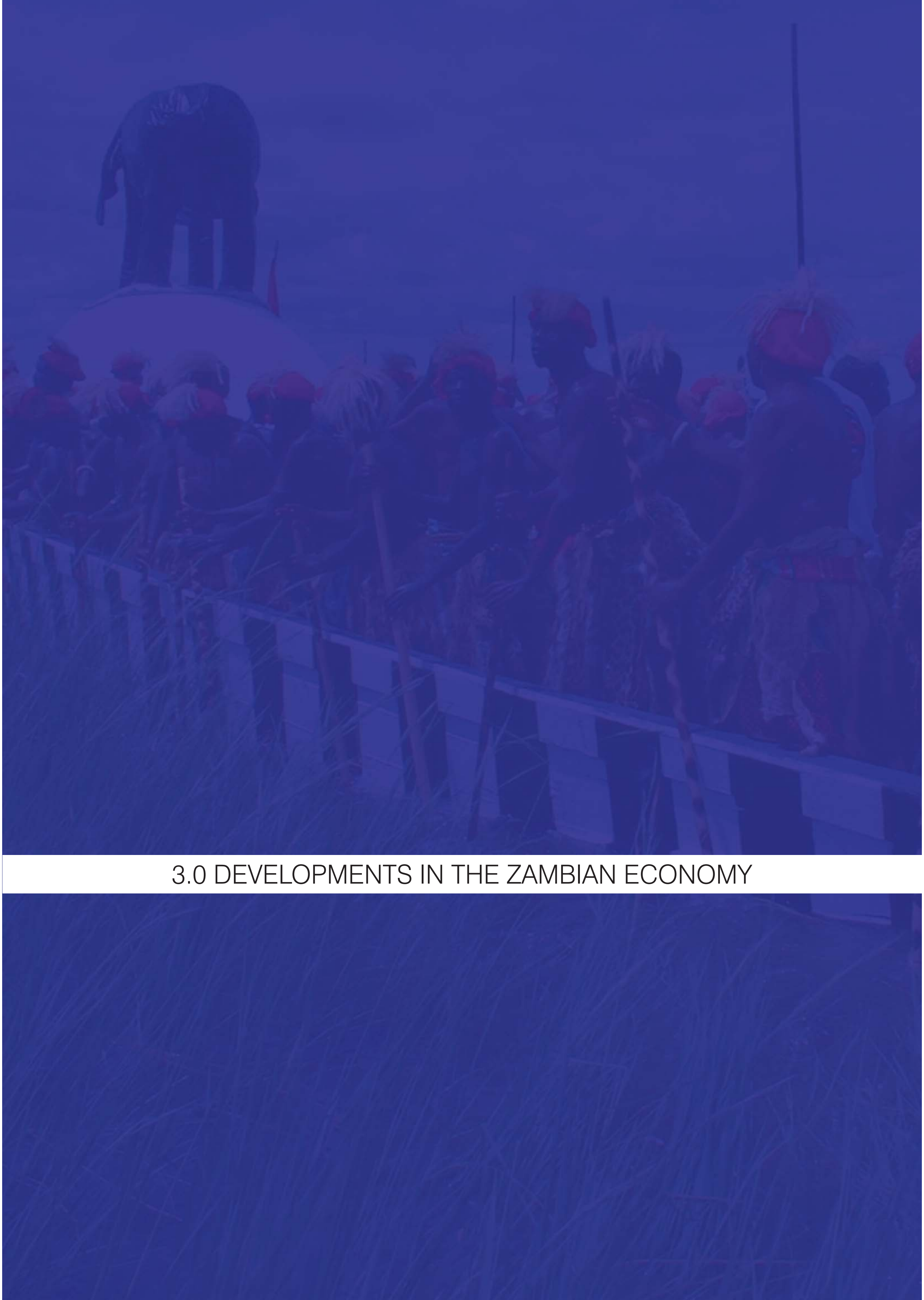
Inflation was generally moderate in most African countries (excluding Zimbabwe) as it was recorded at 6.6% in 2007 compared to 6.3% in 2006 despite the rise in fuel prices. The high import bill on account of higher oil prices and increased imports of capital goods resulted in the deterioration of the current account to a deficit of 0.1% from a surplus of 7.7%.

Table 2: Selected African Countries GDP and Inflation, 2005 - 2007

(Annual % change unless otherwise stated)

	Real GDP (%)			Inflation (%)		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**
Africa	5.6	5.6	5.7	6.6	6.3	6.6
Angola	20.6	18.6	23.1	23.0	13.3	11.9
Ghana	5.9	6.2	6.3	15.1	10.9	9.4
Kenya	5.8	6.1	6.4	10.3	14.5	6.9
Nigeria	6.0	5.3	4.5	17.8	8.3	5.3
South Africa	5.1	5.0	4.7	3.4	4.7	6.6
Tanzania	6.7	6.2	7.1	4.4	7.3	5.6
Uganda	6.7	5.4	6.2	8.0	6.6	7.5
Zambia	5.2	6.2	5.7	15.9	8.2	8.9
Sub-Saharan Africa	6.0	5.7	6.1	8.2	7.3	7.6

Source: IMF: Regional Economic Outlook, April 2008



3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Overview

The Government's macroeconomic objectives in 2007 were aimed at consolidating macroeconomic gains made in the past five years. In this regard the key macroeconomic objectives in 2007 were to:

(i) achieve real GDP growth of at least 6%;

(ii) contain inflation to no more than 9%;

(iii) increase gross international reserves to no less than 2.5 months of imports; and

(iv) limit Government domestic financing to no more than 1.2% of GDP.

In line with these objectives, both reserve money and broad money were to grow by no more than 6%.

Macroeconomic performance during the year was favourable, for the second consecutive year, single digit inflation was recorded at 8.9% in 2007 (8.2% in 2006). This was despite formidable challenges to the attainment of the inflation objective arising from high international oil prices, liquidity overhang from 2006 and disruptions in domestic supply of petroleum products. In addition, fiscal performance was within the programme, with the overall Government budget deficit at 0.2% of GDP compared to the projected deficit of 3.9%. Further, domestic financing of the budget was favourable at negative 0.1% of GDP.

Preliminary data show that real GDP growth was 5.7%, marking the fifth consecutive year in which economic growth exceeded 5%. Major drivers in this growth were agriculture, construction, transport and communications, tourism and manufacturing sectors.

3.1 MONETARY DEVELOPMENTS AND INFLATION

Monetary Policy Objectives

The objective of monetary policy in 2007 was to sustain the single digit inflation rate realised in 2006. Specifically, the objective was to attain overall inflation of 5.0%, which on account of higher than projected oil prices and liquidity overhang from previous years was revised to 9.0% in February 2007. Consistent with the revised target, end-year non-food and food inflation were projected at 10.7% and 7.3%, respectively. To achieve the target, reserve money and broad money growth rates were both set at 6.0%. This was to be complimented by adopting of an appropriate fiscal policy stance designed to limit domestic budget financing to within 1.2% of GDP.

Construction of the Munali Nickel Mine by Albidon in Mazabuka made tremendous progress in 2007. Support infrastructure like the Cyclone Cluster or Ball Mills for crushing ore will be onsite

Cyclone Cluster-Munali Nickel Mine-Mazabuka

The Munali Nickel Mine will have underground operations and the entrance to the mine has been constructed

Box Cut and Mine Entrance-Munali Nickel Mine-Mazabuka

Challenges to Monetary Policy

There were a number of challenges to monetary policy implementation in 2007. These included high oil prices on the international market, disruptions to domestic fuel supply and difficulties in liquidity management arising from increased Government spending in the second half of 2006 as well as higher foreign exchange inflows. Others were increased prices of beef and beef products as well as for cereals and cereal products.

Monetary Policy Outcomes

Despite the challenges outlined above, the monetary policy objective was achieved, with end-year overall inflation being registered at 8.9%, which was 0.1 percentage points below the target of 9.0% (see Table 3). The Bank of Zambia continued to rely on the use of indirect instruments, notably, open market operations (OMO). To fortify its resolve to rely on markets based instruments, the Bank reduced the statutory reserve ratios on Kwacha and foreign currency deposits to 8% from 14%.

The overall inflation outturn was also the result of the pass-through effects of the appreciation of the Kwacha against major foreign currencies and increased food supply, especially of maize, following a bumper harvest in the 2006/07 agricultural season.

Table 3: Actual Performance against Projections, 2005 - 2007 (%)

	End-December 2005		End-December 2006		End-December 2007	
Description	**Projection**	**Actual**	**Projection**	**Actual**	**Projection**	**Actual**
Overall Inflation	15.0	15.9	10.0	8.2	9.0	8.9
Non-food Inflation	*16.0*	*14.0*	*8.3*	*18.1*	10.7	11.9
Food Inflation	*14.0*	*17.5*	*10.0*	*-0.2*	7.3	5.9
Reserve Money	10.5	16.2	10.5	29.6	6.0	9.2
Broad Money	14.8	0.4	14.6	45.0	6.0	25.9
Domestic Credit	18.0	6.0	10.0	28.0	NA	19.8
Private Sector Credit	*22.3*	*18.7*	*15.4*	*54.7*	*NA*	*44.5*
Domestic Financing (% of GDP)	1.6	1.8	1.5	1.8	1.2	-0.1

Source: Bank of Zambia
NA: Not Applicable under the Economic Programme

Monetary Developments

Reserve Money

Reserve money growth slowed down to 9.2% in 2007 from 29.6% Table also shows a different figure in the previous year (see Table 4). This outturn was 3.2 percentage points higher than the 6.0% projected annual growth. In absolute terms, the stock of reserve money increased to K3,523.7 billion at end-December 2007 from K3,226.9 billion the previous year.

The slow down in reserve money growth was largely due to a 21.8% decline in the Central Bank Net Domestic Assets (NDA) and a slow down in the growth of Net Foreign Assets (NFA). NDA fell to negative K284.0 billion from K419.7 billion in 2006 while NFA increased to K3,807.7 billion from K2,807.2 billion over the same period.

The registered grown in reserve money was mainly due to an increase in currency in circulation and foreign currency statutory reserve balances, which went up by 23.6% and 30.7%, following increased economic activities and improved external sector performance, respectively.

Table 4: Sources and Uses of Reserve Money (K'billion), 2005 - 2007

	2005	2006	2007
Net Foreign Assets	**-1,023.0**	**2,807.2**	**3,807.7**
Net Domestic Assets	**3,430.9**	**419.7**	**-284.0**
Net claims on government	1,070.3	844.3	-12.6
Claims on non-government	374.5	309.3	234.7
Other items, net	1,986.1	-734.0	-506.1
Reserve Money	**2,407.9**	**3,226.9**	**3,523.7**
Of which:			
Currency	961.9	1,224.2	1,513.4
With banks	138.8	153.0	208.4
With non-banks	823.1	1,071.2	1,305.0
Bank deposits	1,434.7	1,992.7	1,992.9
Required reserves (Kwacha)	413.4	568.3	300.1
Required reserves (forex)	407.2	401.4	525.0
Settlement accounts	212.6	256.4	144.2
Other deposits	401.5	766.6	1,023.4
Growth in Reserve Money (%)	**27.1**	**34.0**	**9.2**
Contribution to Reserve Money Growth Money of which:			
Net Foreign Assets	124.0	159.1	31.0
Net Domestic Assets	-97.1	-125.1	-21.8
Domestic Credit	-8.7	-12.1	-28.9
Government	-11.1	-9.4	-26.6
Public Enterprises	0.6	-4.0	0.0
Private Enterprises	0.1	-0.3	0.4
Households	0.5	-0.1	-0.1
Banks	1.2	1.5	-2.6
Other Items Net	-88.4	-113.0	7.1

Source: Bank of Zambia

Table 5: OMO Interventions, 2006 - 2007

	2006				2007			
Instrument Used	**Amounts Withdrawn, K'bn**	**Average Rate, %**	**Amounts Supplied, K'bn**	**Average Rate, %**	**Amounts Withdrawn, K'bn**	**Average Rate, %**	**Amounts Supplied, K'bn**	**Average Rate, %**
Term Deposits	4,780.6	9.9	0.0	0.0	6,745.0	12.8	0.0	0.0
Repurchase Agreements(Repos)	60.9	14.8	0.0	0.0	858.4	12.8	0.0	0.0
Outright Sales of Treasury Bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Secured Loans	0.0	0.0	0.0	0.0	0.0	0.0	342.5	113.3

Source: Bank of Zambia

Domestic Credit

In the period under review, domestic credit, comprehensively defined to include foreign currency loans maintained an upward trend, growing by 20.3% to K7,648.7 billion from the 2006 level. However, this growth was a slowdown compared to the 25.8% recorded in 2006. The slowdown in credit growth was largely a result of a decline in the banking system lending to Government and a slow down in private sector credit growth. Lending to the Government declined by 21.6% (contributing negative 8.1 percentage points to domestic credit growth) compared to a growth of 3.7% in 2006. Although still high, private sector credit slowed down to 41.5% from 62.0% and contributed 19.9% to domestic credit expansion. The growth in private sector credit benefitted from the reduced cost of borrowing (as lending rates declined) and lower borrowing by the Government. Lending to households, public enterprises and non-bank financial institutions increased by 50.8%, 68.7% and 38.9%, respectively. Domestic credit, excluding foreign currency credit, which increased by 29.8%, grew by 17.1%. As a percentage of GDP, domestic credit stood at 16.7% in 2007 compared to 16.2% the previous year.

The share of private sector credit in total domestic credit increased to 56.6% from 47.9% recorded in 2006, while Government's share declined to 24.4% from 37.3%. This followed strong Government fiscal performance. As a proportion of GDP, lending to Government fell by 2.0 percentage points to 4.1% from 6.1%, while the share of private sector credit (including public enterprises) went up by 2.5 percentage points to 12.7%. This trend was consistent with Government policy of reducing borrowing from the banking system and thereby freeing up resources for the private sector.

Table 6: Developments in Domestic Credit, 2005 - 2007

	2005			2006			2007		
Description	K'billion	%		K'billion	%		K'billion	%	
		Change	Share		Change	Share		Change	Share
Domestic credit	5,054.4	6.0	100.0	6,469.0	28.0	100.0	7,648.7	20.3	100.0
Of which:									
Net claims on Gov't.	2,386.9	-5.0	47.2	2,474.6	3.7	38.3	1,861.5	-21.6	24.4
Public enterprises	230.3	15.1	4.6	224.4	2.6	3.5	378.5	68.7	5.0
Private enterprises	1,879.2	7.6	37.2	3,054.7	62.6	47.2	4,309.1	41.5	56.6
Households	528.0	73.0	10.4	625.4	18.4	9.7	942.6	50.8	12.4
NBFIs.	29.9	1,440.8	0.6	89.9	200.6	1.4	124.9	38.9	1.6

Source: Bank of Zambia

The increase in lending to the private sector was reflected of the expansion of credit to all sectors of the economy, except the real estates, restaurants and hotels, and community, social and personal services, which declined by 34.1%, 14.0%, and 3.1%, respectively. Notable increases were recorded in the construction (132.3%); electricity, gas, water and energy (126%); and personal loans (93.4%) following sectors and areas (see Table 7).

In terms of sectoral distribution of loans and advances, the agricultural sector continued to dominate though its share declined to 21% from 27.2% in the previous year. This was followed by personal loans at 14.7%, up from 11.2% in 2006. Wholesale and retail trade accounted for 10.8% while manufacturing was at 10.7% (see Charts 1 and 2).

Table 7: Sectoral Shares of Commercial Banks' Loans and Advances, 2005 - 2007

	2005		2006		2007		
Description	K'bn	% Share	K'bn	% Share	K'bn	% Share	Change %
Agriculture, Forestry, Fishing and Hunting	679.4	27.2	1,065.9	27.2	1,210.3	21.0	13.5
Mining and Quarrying	96.6	3.9	170.5	4.3	231.2	4.0	35.6
Manufacturing	304.5	12.2	520.3	13.3	615.2	10.7	18.2
Electricity, Gas, Water and Energy	144.9	5.8	123.9	3.2	280.0	4.9	126.0
Construction	49.5	2.0	87.4	2.2	203.0	3.5	132.3
Wholesale and Retail Trade	356.6	14.3	568.2	14.5	622.2	10.8	9.5
Restaurants and Hotels	58.4	2.3	78.3	2.0	67.3	1.2	-14.0
Transport, Storage and Communications	187.2	7.5	312.3	8.0	414.3	7.2	32.6
Financial Services	61.3	2.5	186.0	4.7	243.0	4.2	30.6
Community, Social and Personal Services	58.2	2.3	97.8	2.5	94.8	1.6	-3.1
Real Estate	75.8	3.0	190.0	4.8	125.3	2.2	-34.1
Personal Loans	354.3	14.2	438.4	11.2	847.7	14.7	93.4
Other Sectors	75.0	3.0	84.5	2.2	802.8	13.9	849.7
Total	2,501.7	100.0	3,923.7	100.0	5,757.2	100	46.7

Source: Bank of Zambia

Chart 1: Distribution of Loans and Advances as at end-Dec 2007

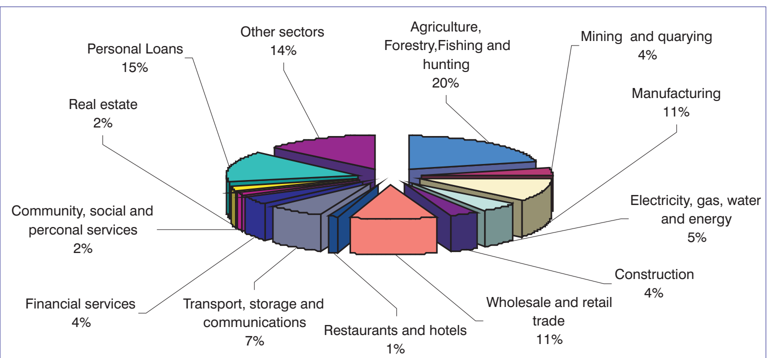
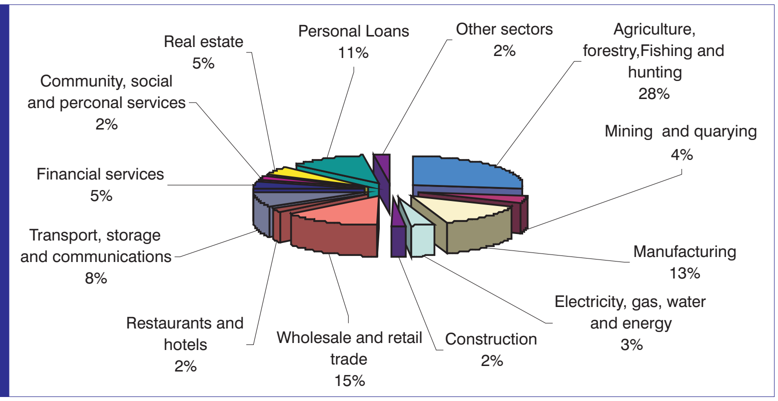


Chart 2: Distiribution of Loans and Advances as at end-Dec 2006



Broad Money

Growth in broad money (M3), comprehensively defined to include foreign currency deposits, slowed down to 26.3% from the 45.1% recorded in 2006. In absolute terms, M3 expanded to K10,707.0 billion from K8,476.8 billion. Explaining the slow down in M3 growth was the sharp deceleration in the growth of Net Foreign Assets (NFA) to 28.1% from 1,503.8%.[2] The expansion in NFA contributed 13.1 percentage points to M3 growth and reflected the continued strong performance of the external sector.

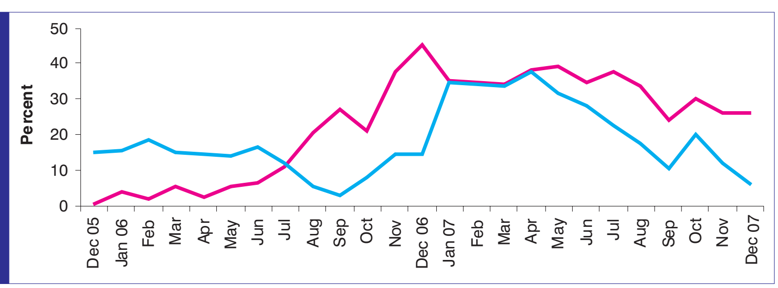
Consistent with the growth in domestic credit, NDA expanded by 24.7% compared to a contraction of 26.1% the previous year and contributed 12.8 percentage points to M3 expansion. Excluding foreign currency deposits, broad money growth slowed down to 18.0% in 2007 from 49.3% in 2006 (see Table 8 and Chart 3).

Table 8: Developments in Broad Money Growth, 2005 - 2007 (Annual %)

Descriptions	2005	2006	2007	
	Change %	Change %	Change %	Contributions to M3 growth in 2007 (percentage points)
Broad money	0.4	45.1	25.9	25.9
Net foreign assets	85.7	1,503.8	28.1	13.1
Net domestic assets	-21.4	-26.1	24.0	12.8
Domestic credit	6.0	25.8	19.8	14.8
Net Claims on Gov't.	-5.0	-0.5	-21.6	-6.0
Public Enterprises	15.1	-2.6	68.7	1.8
Private Enterprises	7.6	62.0	41.5	14.9
Households	73.0	18.4	50.8	3.7
NBFIs	1440.8	200.6	38.9	0.4
Other items net	-64.7	-271.7	9.3	-2.0

Source: Bank of Zambia

Chart 3: Annual Broad Money Growth, Dec 2005 - Dec 2007



[2]The expansion in NFA in 2006 reflected strong performance of the external sector, which resulted in the build-up in international reserves. In addition, the effect of debt relief under the enhanced HIPC initiative and the Multilateral Debt Relief Initiative (MDRI) as well as valuation effects of the depreciation of the Kwacha against major foreign currencies, contributed to the increase in NFA.

Interest Rates Developments

Yield Rates on Government Securities

Yield rates on Government securities were generally higher in 2007 compared to 2006. This was mainly on account of reduced demand for Treasury bills relative to supply. With regard to Government bonds, yield rates increased despite high demand due to sterilisation actions by the Bank of Zambia aimed at containing liquidity arising from foreign exchange purchases.

The weighted average Treasury bill yield rate increased to 12.9% in December 2007 from 9.4% in 2006. With regard to yield rate movements on individual Treasury bill portfolios, the 91 and 182-day rates increased to monthly averages of 11.5% and 12.7% in December 2007 from 8.7% and 8.8% in December 2006, respectively. Yield rates on the 273 and 364-day portfolios also closed 2007 higher at monthly averages of 13.1% and 13.4% from corresponding rates of 9.8% and 10.1% in December 2006 (see Chart 4).

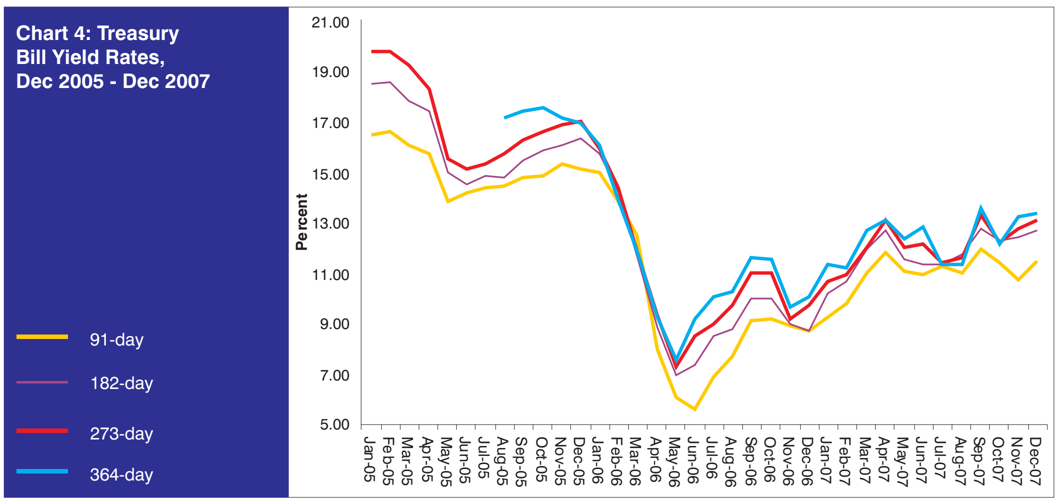


Chart 4: Treasury Bill Yield Rates, Dec 2005 - Dec 2007

Similarly, yield rates on Government bonds edged higher, with the composite average yield rate rising to 15.6% in December 2007 from 12.6% in December 2006. In terms of individual bond portfolios, average yield rates on the 2, 3 and 5-year bonds rose to 14.4%, 15.5% and 15.7% in December 2007 from 10.5%, 12.2% and 13.6% in December 2006, respectively. Yield rates on the newly introduced 7, 10 and 15-year bonds ended 2007 at averages of 17.3%, 18.8% and 19.9%, which were correspondingly lower than debut rates of 17.8%, 19.1% and 20.0% in August 2007 (see Chart 5).

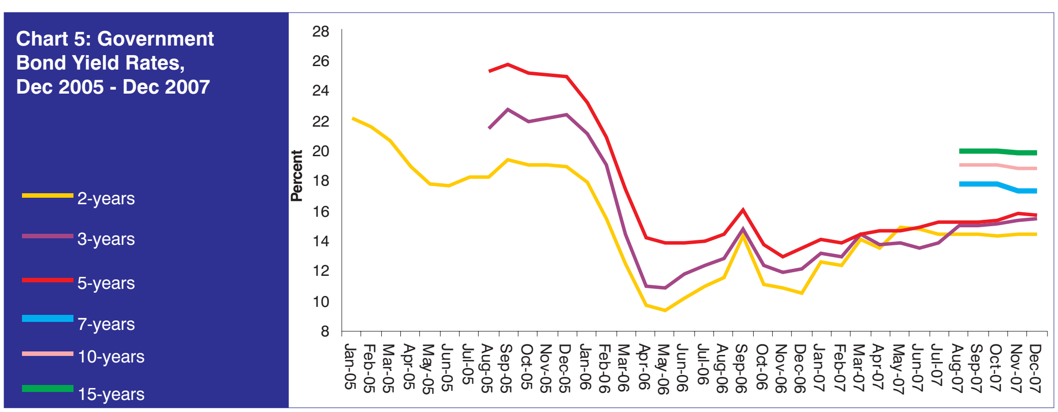
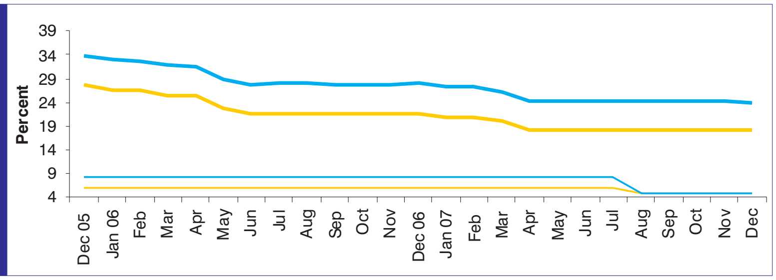


Chart 5: Government Bond Yield Rates, Dec 2005 - Dec 2007

Commercial Banks Nominal Interest Rates

Lending interest rates for commercial banks declined further in 2007, reflecting lower inflation and inflation expectations. The weighted average lending Base Rate (WALBR) as well as the average lending rate (ALR) declined to 18.3% and 24.4% from 21.6% and 27.9%, in the previous year, respectively. The savings and deposit rates equally declined, with the average savings rate (ASR) for amounts above K100,000 and the 30-day deposit rate for amounts over K20 million both falling to 4.8% from 6.1% and 8.4%, respectively (see Chart 6 and Table 9).

Chart 6 : Commercial Banks Interest Rates (%), Dec 2005 - Dec 2007



Commercial Banks Real Interest Rates

Following the decline in nominal interest rates and the marginal increase in inflation to 8.9% from 8.2% recorded at end-December 2006, real interest rates declined. The real ALR declined to 15.7% from 19.7% the previous year while the real ASR for amounts above K100,000 and the real 30-day deposit rate for amounts over K20 million declined to negative 4.1% each from negative 2.1% and negative 0.2% in the year before, respectively (see Chart 7 and Table 9).

Chart 7: Real Interest Rates, Dec 2005 - Dec 2007

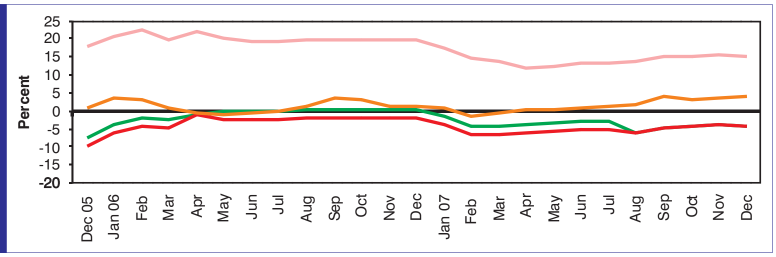


Table 9: Monthly Average Interest and Yield Rates, 2005 - 2007 (%)

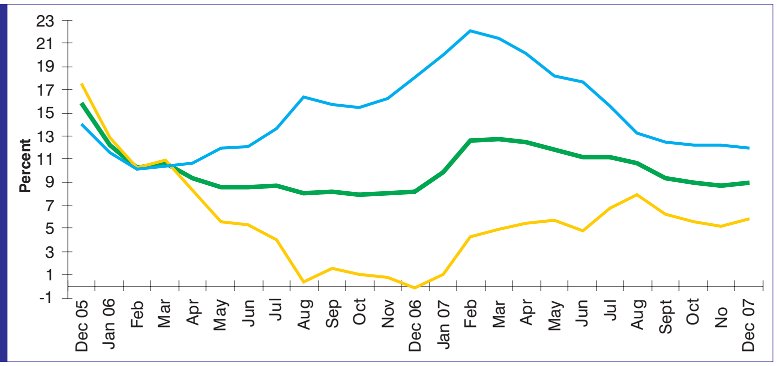
	Nominal			Real		
Description	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
91-day Treasury bill	15.1	8.7	10.7	-0.8	0.5	1.8
182-day Treasury bill	16.3	8.7	11.3	0.4	0.5	2.4
273-day Treasury bill	17.0	9.6	11.3	1.1	1.4	2.4
364-day Treasury bill	17.0	9.9	11.2	1.1	1.7	2.3
WATBR	16.2	9.2	11.1	0.3	1.0	2.2
24-month Bond	19.0	10.6	14.1	3.1	2.4	5.2
3-year Bond	22.3	12.1	14.3	6.4	3.9	5.4
5-year Bond	25.0	13.5	14.9	9.1	5.3	6.0
7-year Bond*			17.7			8.8
10-year Bond*			19.0			10.1
15-Year Bond*			20.0			11.1
Composite Yield Rate on Bonds			14.8			5.9
Commercial banks' Weighted Average Lending Base Rate	27.6	21.6	18.3	11.7	13.4	9.4
Commercial banks' Average Lending Rate	33.9	27.9	27.9	24.4	19.7	15.7
Commercial banks' Average Savings Rate	6.1	6.1	4.8	-9.8	-2.1	-4.1
Deposit >K20 m (30 days)	8.4	8.4	4.8	-7.5	0.2	-4.1

Source: Bank of Zambia
*These Government Bonds were introduced in August 2007

Overall Inflation

Annual inflation rose from 8.2% in December 2006 to 12.7% in March 2007 then slowed down, ending the year at 8.9% (see Table 10 and Chart 8). This outturn was favourable as it was below the revised target of 9% under the economic reform programme. Inflationary pressures in the first quarter of 2007 mainly attributed to high oil prices and liquidity overhang from 2006 necessitated the upward adjustment in the end-year target from 5%. This favourable inflation outturn occurred largely due to the slow down in non-food inflation.

Chart 8 : Annual Inflation, Dec 2005 - Dec 2007



Non-Food Inflation

After rising to 21.5% in March 2007, annual non-food inflation slowed down to 11.9% in December 2007, compared to the 18.1% recorded in December 2006. This outturn was mainly attributed to the implementation of appropriate monetary policy supported by the appreciation of the Kwacha against major foreign currencies in 2007.

Food Inflation

Annual food inflation remained in single digit level throughout the year due to improved food supply. However, it rose from negative 0.2% in December 2006 to 4.9% in March 2007,and further rose to 5.9% in December 2007. This outturn was mainly attributed to the rise in prices of beef, milk and milk products, following low supply due to the ban on the movement of livestock to and from the Southern Province to control the CBPP cattle disease during the second and third quarters of 2007. In addition, rising production costs attributed mainly to increased prices of petroleum products resulted in higher prices of other processed food products. This was compounded by the seasonality factor affecting cereals, tubers and fish during the fourth quarter of the year.

Table 10: Inflation Outturn, Dec 2005 - Dec 2007 (%)

	Monthly			Annual			Year-to-date		
	Overall	Food	Non-food	Overall	Food	Non-food	Overall	Food	Non-food
Dec 05	1.0	2.4	-0.6	15.9	17.5	14.0	15.9	17.5	14.0
Dec 06	1.2	1.3	1.0	8.2	-0.2	18.1	8.2	-0.2	18.1
Jan 07	1.4	0.7	2.1	9.8	1.0	20.0	1.4	0.7	2.1
Feb 07	2.3	1.3	2.6	12.6	4.2	22.1	3.8	2.8	4.7
Mar 07	0.8	-0.5	0.4	12.7	4.9	21.5	4.6	4.1	5.1
Apr 07	-0.1	-1.3	0.4	12.4	5.5	20.1	4.5	3.6	5.5
May 07	-0.2	-0.7	0.8	11.8	5.7	18.2	4.3	2.4	6.4
Jun 07	0.2	0.6	1.1	11.1	4.8	17.7	4.7	1.5	7.5
Jul 07	0.3	-0.3	0.0	11.2	6.7	15.6	4.9	2.2	7.5
Aug 07	0.4	0.3	1.0	10.7	7.9	13.3	5.3	1.9	8.6
Sept 07	0.4	0.2	0.6	9.3	6.2	12.4	5.7	2.2	9.2
Oct 07	0.3	1.4	0.5	9.0	5.6	12.2	6.1	2.3	9.8
Nov 07	1.3	2.0	1.2	8.7	5.2	12.2	7.5	3.8	11.1
Dec 07	1.4	1.7	0.8	8.9	5.9	11.9	8.9	5.9	11.9

Source: Central Statistical Office

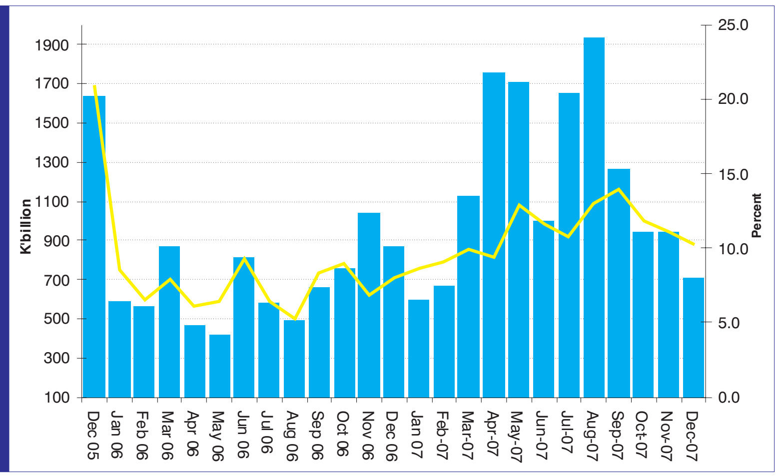
3.2 MONEY AND CAPITAL MARKETS DEVELOPMENTS

Inter-bank Money Market

In 2007 there was an increase in the volume of interbank loans on all tenors. This was, particularly pronounced during the first half of the year. In the overnight market, commercial banks exchanged a total of K14,314.4 billion, up from the K7,961.6 billion in 2006. Similarly, the volume of funds traded for periods of 2 to 14 days increased to K4,537.2 billion from K2,455.6 billion, while the volume of funds traded for periods beyond 14 days increased to K102.0 billion from K25.0 billion.

The demand for inter-bank loans was partly induced by occasional liquidity shortages in the market, particularly at the month-ends, when Government revenue remittances were due. Overall, the demand for inter-bank loans resulted in higher inter-bank rates, with the weighted rate on overnight loans averaging 11.1% compared with an average of 7.4% in 2006. Equally, the weighted average rate for loans traded for periods of 2 to 14 days increased to 11.0% from 7.6% in 2006. However, the weighted average rate for funds traded for periods of more than 14-days declined marginally to 11.1% from 11.7% over the same period (see Chart 9).

Chart 9: Inter-bank Money Market Activity, Dec 2005 - Dec 2007



Government Securities Market

In the period under review, the Bank of Zambia continued to issue Government securities in order to meet the Government's financing requirements and manage liquidity conditions in the banking system. To achieve these objectives, the size of weekly Treasury bill and monthly Government bond auctions remained unchanged at K100.0 billion and K120.0 billion, respectively. In an effort to restructure domestic debt and provide a benchmark for the issuance of corporate bonds with similar terms to maturity, the Government introduced 7, 10 and 15 year bonds in August 2007.

Market Behaviour

During the year, there was a notable shift in demand for Government securities to long-term bonds. This was largely attributed to relatively higher returns on Government bonds as inflation remained relatively low and stable. Furthermore, demand for longer term Government securities showed the confidence of investors in the Government's commitment to maintaining a relatively stable macroeconomic environment. Increased demand for Government bonds emanated mainly from domestic institutional and foreign investors. This shift led to an over-subscription on all Government bond portfolios, while subscription on Treasury bills generally fell short of the amount on offer. Consequently, the issuance of Government bonds was higher in 2007 relative to Treasury bills. In this regard, the average subscription rate on Treasury bills declined to 93.3% in 2007 from 126.6% in 2006. The average subscription on Government bonds rose to 193.8% from 160.1% (see Table 11).

Table 11: Government Securities Transactions 2006 - 2007

	2006			2007		
	Average Offers (K 'bn)	Average Bids (K 'bn)	Average Subscription Rate (%)	Average Offers (K 'bn)	Average Bids (K 'bn)	Average Subscription Rate (%)
91-day bills	17.0	18.8	110.6	18.2	15.1	82.9
182-day bills	19.6	24.9	127.0	21.8	18.9	86.7
273-day bills	21.1	26.5	125.6	19.2	17.5	91.1
364-day bills	23.3	33.4	143.3	40.8	45.8	112.3
TOTAL	**81.0**	**103.6**	**126.6**	**100.0**	**97.3**	**93.3**
2-year bond	25.4	46.8	184.3	20.0	28.4	142.0
3-year bond	35.4	54.5	153.9	25.0	33.6	134.4
5-year bond	40.8	57.9	141.9	30.0	50.9	169.7
7-year bond	-	-	-	17.5	50.7	289.7
10-year bond	-	-	-	17.5	32.1	186.9
15-year bond	-	-	-	10.0	24.0	240.0
TOTAL	**101.6**	**159.2**	**160.1**	**120.0**	**219.7**	**193.8**

Source: Bank of Zambia

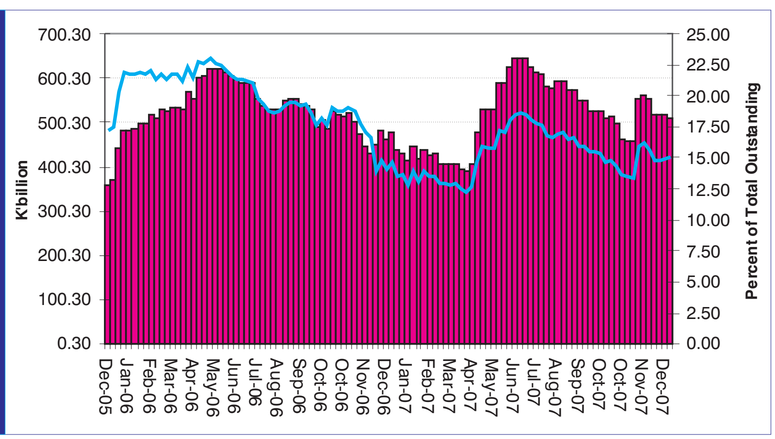
The total amount of Treasury bills and Government bonds offered in 2007 went up by 25.9% and 18.0% to reach K5,300.0 billion and K1,440.0 billion, respectively. Total bids submitted on Treasury bills and Government bonds amounted to K5,157.8 billion and K1,569.2 billion, respectively. Treasury bills worth K3,566.8 billion were sold against total maturities of K3,517.6 billion, resulting in net Treasury bill sales of K49.2 billion. The outstanding stock of Treasury bills thus rose by 4.2% to K3,399.1 billion. As for Government bonds, a total of K1,024.5 billion was issued against total maturities of K373.9 billion. This led to an increase of 21.8% in the stock of Government bonds to K4,196.2 billion. Accordingly, the overall stock of Government securities increased by 13.3% to K7,595.3 billion.

In terms of individual portfolios, investor preference for the 364-day Treasury bills continued, with an over-subscription rate of 12.3%. However, investor demand for the 91, 182 and 273-day bills declined, with average subscription rates falling short of the amounts on offer by 17.1%, 13.3% and 8.9%, respectively. Correspondingly, excess demand for 2, 3 and 5-year bonds was reflected by average over-subscription rates of 42.0%, 34.4% and 69.7%, respectively. The introduction of the longer term Government bonds was well received by the market as evidenced by excess average subscription rates of 189.7%, 86.9% and 140.0% on 7, 10 and 15-year bonds, respectively.

Foreign Investments in Government Securities

The positive macroeconomic fundamentals in the economy and the relatively high yield rates on domestic securities were instrumental in attracting foreign portfolio investors into the domestic Government securities market. In the Treasury bills market, non-residents' purchases increased to K737.8 billion in 2007 from K567.4 billion in 2006. However, in net terms, foreign investors' purchases declined to K50.9 billion in 2007 from K101.2 billion in 2006, reflecting higher maturities. Overall, foreign investors' holdings of Treasury bills increased by 11.1% to K511.1 billion at end 2007, which represented 15.0% of the total amount of outstanding Treasury bills (see Chart 10).

Chart 10: Foreign Investors Holdings of Treasury Bills, Dec 2005 - Dec 2007

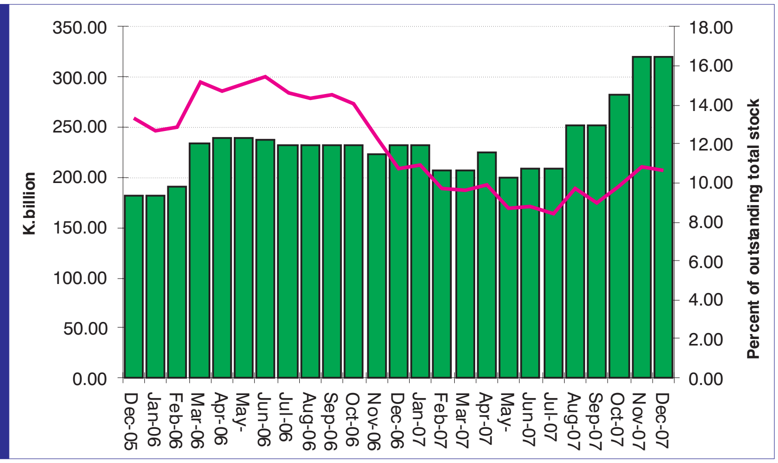


Stock of Treasury bills

Percent of Total

In the Government bonds market, foreign investments increased to K166.0 billion in 2007 from K72.9 billion in 2006. With net bond purchases at K88.3 billion, there was a resultant increase of 38.2% in bonds held by foreign investors to K319.4 billion. As a proportion of the total amount of marketable Government bonds, non-residents holdings at 10.7%, were marginally lower than the 11.0% held at the close of 2006 (see Chart 11).

Chart 11: Non-resident Holdings of Govt Bonds, Dec 2005 - Dec 2007



Foreign Exchange Market

Participation of the BoZ in the foreign exchange market remained in line with the foreign exchange policy objectives, namely, international reserves accumulation and smoothening fluctuations in the exchange rate of the Kwacha, against major currencies, in particular the US dollar as the unit of account and transactions with respect to foreign assets and liabilities. Overall, the performance of the foreign exchange market further improved in 2007. This was reflected in the increased supply of foreign exchange, particularly the United States (US) dollar, and the relative stability in the exchange rate of the Kwacha against major foreign currencies. This was despite the increased volatility in global financial markets following the collapse of the US sub-prime mortgage market, which led to investors risk aversion to emerging market assets.

Foreign Exchange Transactions

In 2007, liquidity in the domestic foreign exchange market continued to improve on the back of favourable external sector conditions. This was reflected by the high volumes of foreign exchange transacted in the market, with the inter-bank market in particular, recording a 65% growth in turnover to US $2,821.5 million from US $1,706.3 million in 2006. A similar pattern characterised trading between the commercial banks and the non-bank[3] sector, though foreign exchange supplies from non-banks outstripped demand for most of the year. In this regard, commercial banks' purchases from non-banks rose to US $3,858.4 million in 2007 from US $3,392.0 million in 2006. Demand for foreign exchange by non-banks, as reflected in commercial banks sales, increased to US $3,355.3 million from US $2,867.0 million over the same period. Consequently, commercial banks ended 2007 with a net purchase position of US $503.2 million, slightly lower than the net purchase position of US $524.1 million recorded in 2006.

The South African rand continued to be the second most actively traded foreign currency in 2007 after the US dollar, as the turnover of transactions increased further. In the inter-bank market, the volume of transactions rose to ZAR16.5 million in 2007 from ZAR10.1 million in 2006. With regard to commercial banks transactions with non-banks, commercial banks sales rose to ZAR2,954.0 million from ZAR2,344.2 million while their purchases from non-banks increased to ZAR987.5 million from ZAR771.9 million. Hence, commercial banks recorded a net sales position of ZAR1,966.5 million in 2007, up from the ZAR1,572.2 million the previous year. The continued high demand for the rand by non-banks was a reflection of the robust trade links between Zambia and South Africa.

Low trading levels continued to characterize the euro and pound sterling. Inter-bank trading in the euro declined significantly to €0.5 million in 2007 from €3.8 million in 2006. With regard to commercial banks' purchases from non-banks, the volume increased marginally to €158.6 million from €155.9

[3]This comprises of bureaux, private corporations and individuals.

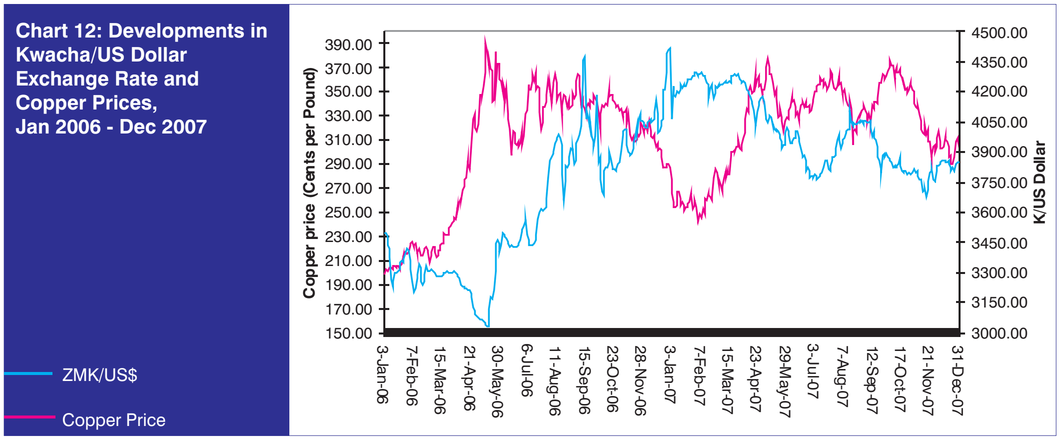
million while bank sales to the non-bank sector declined to €96.0 million from €109.2 million. As a result, commercial banks' net purchases from the non-banks increased to €63.0 million in 2007 from €46.8 million in 2006. Commercial banks' purchases and sales of the pound sterling from and to non-banks declined to £44.4 million and £47.0 million from £49.8 million and £51.5 million, respectively.

The Bank of Zambia's purchases of foreign exchange from the market declined to US $141.9 million in 2007 from US $222.8 million in 2006. Similarly, sales reduced to US $88.5 million from US $105.2 million. Overall, the Bank of Zambia recorded net purchases of US $53.4 million in 2007 compared to net purchases of US $117.6 million in 2006.

Nominal Exchange Rate

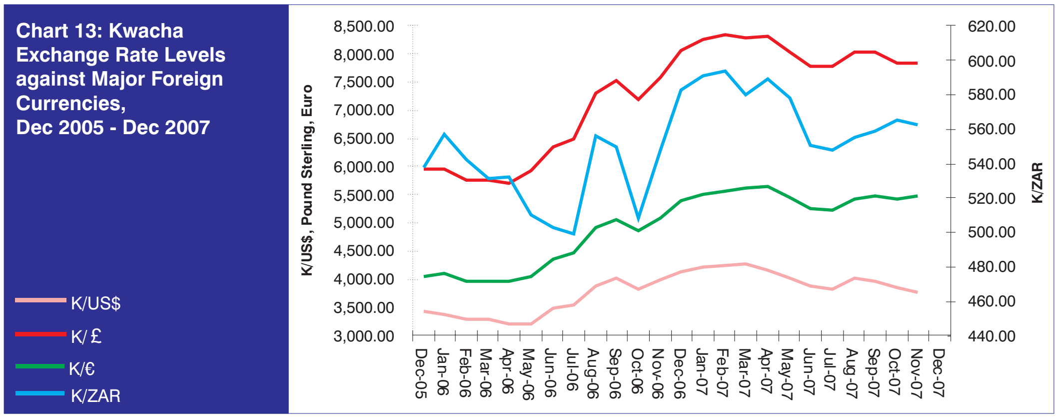
In 2007, the Kwacha appreciated against the major international currencies with the exception of the euro. The strength of the Kwacha against major foreign currencies was attributed largely to the increased inflow of foreign exchange on the market. The increased supply of foreign exchange on the market was mainly on account of increased export receipts, which largely reflected high copper prices (see Chart 12) and the continued participation of foreign portfolio investors in the domestic Government securities market (see Charts 10 and 11).

Chart 12: Developments in Kwacha/US Dollar Exchange Rate and Copper Prices, Jan 2006 - Dec 2007



Against the US dollar, the Kwacha appreciated by 7.2% compared with a depreciation of 20.7% in 2006. The Kwacha/US dollar exchange rate averaged K3,835.75/US$ in December 2007 compared with an average of K4,135.56/US$ in December 2006. The Kwacha also appreciated by 4.2% and 4.0% against the South African rand and Pound sterling to averages of K558.81/ZAR and K7,748.28/£ in December 2007, respectively. However, the Kwacha depreciated by 2.3% against the euro, which represented a significant reduction from a depreciation of 29.9% recorded in 2006. In absolute terms, the average exchange rate of the Kwacha against the euro was K5,532.27/€ in December 2007 compared with an average rate of K5,405.90/€ in December 2006 (see Chart 13). The depreciation of the Kwacha against the euro can be attributed to significant gains of the euro against the US dollar and other major currencies, supported mainly by relatively buoyant growth prospects in the euro area.

Chart 13: Kwacha Exchange Rate Levels against Major Foreign Currencies, Dec 2005 - Dec 2007



Real Effective Exchange Rate

The end period real effective exchange rate (REER)[4] index (excluding Zimbabwe) appreciated by 5.4% to 53.10 in December 2007 from 56.15 in December 2006 (see Chart 14 and Table 12). This was on account of a 3.8% appreciation in the nominal effective exchange rate (of which the South African Rand, the US dollar and the British Pound contributed 2.4, 0.6, and 0.6 percentage points, respectively), coupled with a 1.7% decline in foreign prices relative to domestic prices.

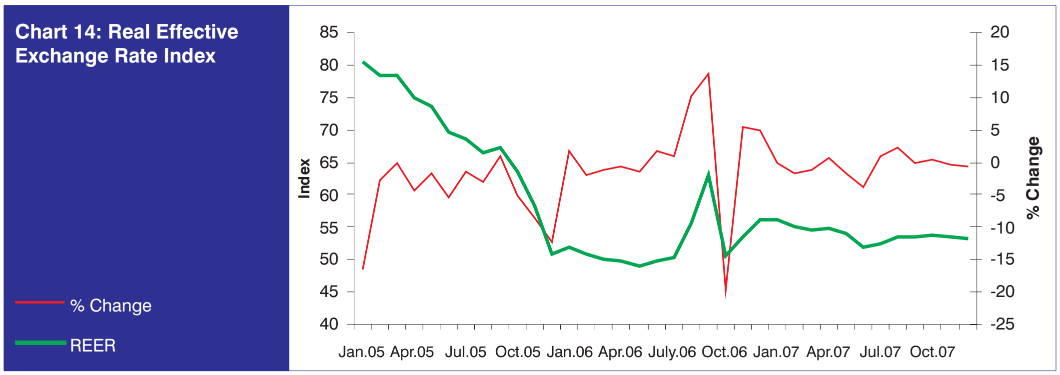


Chart 14: Real Effective Exchange Rate Index

Table 12: End Period Real Effective Exchange Rate, 2005-2007

	2005	2006	2007
Zambia End Period CPI	1,273.2	1,378.1	1,501.2
End Period Weighted Foreign CPI	178.9	186.3	199.6
End Period Nominal Effective Exchange Rate	433.0	496.0	477.0
End Period Real Effective Exchange Rate Index	50.9	56.2	53.1
Percentage Change in REER (Over previous year)	- 38.5	10.2	-5.4

Source: Bank of Zambia

Capital Markets

Stock Market

The performance of the Lusaka Stock Exchange (LuSE) remained strong in 2007, recording further gains in both market capitalisation and the Lusaka All Share Index (LASI). This robust performance was a reflection of strong macroeconomic fundamentals in the economy and positive investor expectations in the growth and earnings prospects for both listed and quoted companies. During the year, market capitalisation increased by 45.0% to K18,872.9 billion compared to the increase of 13.9% in 2006. The LASI almost doubled, rising by 92.9% to close the year at 3,533.52 points compared to an increase of 47.7% in the previous year (see Chart 15).

The volume of shares traded increased to 2,800.2 million in 2007 from 858.7 million in 2006, while the turnover rose to K342.9 billion from K86.6 billion. This was a reflection of the relatively robust demand for shares across the board, which subsequently resulted in increased share prices. Among the shares that recorded significant increases in prices were British American Tobacco (243.6%), Standard Chartered Bank (172.0%), Zambeef (146.2%), Zambia Sugar (133.3%), Lafarge Cement (107.3%), African Explosives (40.0%), Metal Fabricators of Zambia (24.8%) and Shoprite (20.0%) (see Table 13).

[4]The 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.

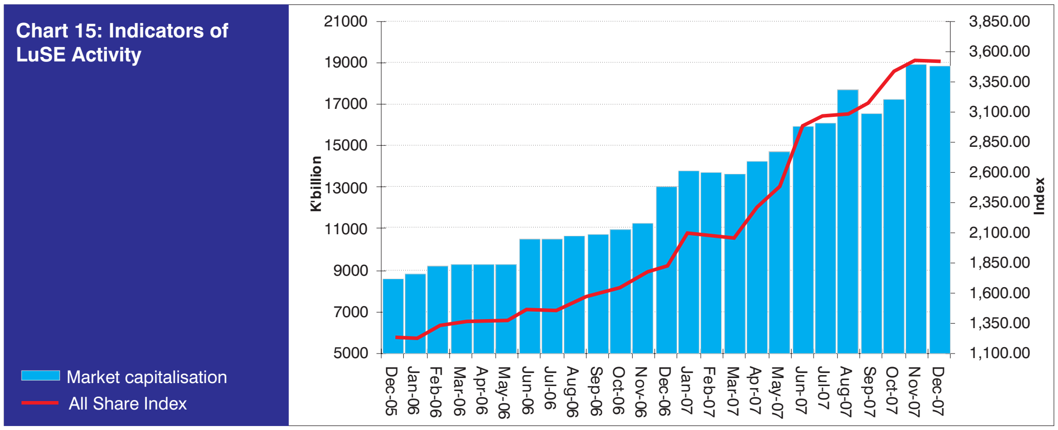


Table 13: LuSE Share Price Performance in 2007

CORPORATE STOCK	CLOSING PRICE (K)	PRICE CHANGE (%)
African Explosives	2,100.20	40.0
British American Tobacco	1,550.00	243.6
BP Zambia	900.00	20.2
Lafarge Cement	6,220.00	107.3
Farmers House	1,700.00	13.3
Farmers Hse Preferences	4,280.00	27.8
National Breweries	8,200.00	36.6
Pamodzi Hotel	171.00	4.9
Standard Chartered Bank	438.00	172.0
Shoprite	18,000.00	20.0.0
Zamefa	511.64	24.8
Zambeef	6,400.00	146.2
Zambia Breweries	2,400.00	4.3
ZCCM-IH	4,500.00	0.0
Zambia Sugar	420.00	133.3

Source: Lusaka Stock Exchange

Secondary Trading of Bonds

The trading of Government bonds in the secondary market declined in 2007 relative to 2006. The number of trades conducted during the year reduced to 25 from 54 in the preceding year, with the face value of transactions plummeting to K75.6 billion from K131.2 billion. The reduction in the secondary trading of Government bonds reflected investors' preference to hold the bonds to maturity given the relatively high bond yield rates.

With regard to corporate bonds, it should be noted that despite the increase in the number of corporate bonds on the market following new issuances by the Development Bank of Zambia, Investrust bank PLC and Chilanga (Larfarge) Cement, no secondary trading in corporate bonds was recorded in 2007. This in a way reflects the nascent nature of the secondary corporate bond market.

3.3 BALANCE OF PAYMENTS

Zambia's external sector performance continued to be favourable in 2007. This was reflected in a positive overall balance of payments (BoP) of US $310.5 million. Consistent with this, international reserves increased by US $352.3 million. The recorded overall balance of payments surplus was, however, lower than the US $821.6 million surplus recorded in 2006, largely on account of the deterioration in the current account (see Table 14).

Table 14: Balance of Payments 2005 - 2007 (US $' million)

	2005	2006	2007
Current Account	**-608.9**	**128.1**	**-504.6**
Balance on goods	86.1	1,293.1	983.1
Exports , f.o.b	2,208.2	3,876.8	4,537.3
Metal sector	1,673.8	3,175.4	3,667.7
Copper	1,515.6	3,029.3	3,406.5
Cobalt	158.2	146.1	261.2
Non-traditional	534.3	701.4	869.6
Imports, f.o.b	-2,160.7	-2,635.8	-3,610.5
Metal sector	-357.4	-520.7	-1,059.1
Non-metal sector	-1,803.3	-2,115.1	-2,551.4
Goods Procured in ports by carriers(Bunker Oil)	32.0	33.6	35.3
Nonmonetary Gold	6.7	18.5	21.1
Services (net)	-197.6	-359.0	-634.4
Services Receipts	273.3	228.1	278.6
Services Payments	-470.9	-587.1	-913.0
Income (net)	-604.5	-1,168.3	-1,383.4
Income Receipts	3.2	18.4	35.2
Income Payments	-607.7	-1,186.7	-1,418.6
Of which: Income on Equity Payments	-461.1	-1,107.0	-1,362.0
Interest payments	-130.0	-56.9	-28.6
Current Transfers (net)	107.0	362.2	530.1
Private	-24.1	153.7	227.9
Official	131.1	208.5	302.2
Commodity, SWAP & Global Fund	0.0	92.2	155.6
Budget Grants	131.1	116.3	146.6
Capital and Financial Account	**519.0**	**994.4**	**951.7**
Capital Account	**2,080.0**	**2,600.4**	**222.8**
Capital Transfers	2080.0	2600.4	222.8
General Government	2080.0	2600.4	222.8
Project Assistance grants	287.0	197.0	222.8
Debt Cancelled/MDRI	1,793.0	2,403.4	0.0
Other Sectors	0.0	0.0	0.0
Financial Account	**-1,561.0**	**-1,606.0**	**728.9**
Direct Investment	356.9	615.8	983.9
In reporting economy	356.9	615.8	983.9
Portfolio Investment	122.4	50.4	41.8
Assets	0.0	0.0	0.0
Liabilities	122.4	50.4	41.8
Other Investment	-2,040.4	-2,272.2	-296.8
Assets	-122.7	-475.3	-533.4
Increase in NFA - banks(-)	87.6	-61.7	-49.8
Other Short term Deposits	-210.3	-413.6	-483.6
Liabilities	-1,917.7	-1,796.9	236.7
Government	-1,857.8	-1,779.3	33.9
Disbursement of Loans	160.2	91.4	82.7
Project	136.2	82.7	82.7
Budget	24.0	8.8	0.0
Amortization of loans(-)	-2,018.0	-1,870.7	-48.8
Private Foreign Borrowing(net)	-59.9	-17.6	202.8
Errors and Omissions	-54.4	-300.9	-136.6
Overall balance	**-144.3**	**821.6**	**310.5**
Financing of Overall balance	144.3	-821.6	-310.5
Change:NIR of Bank of Zambia	-335.7	-821.6	-310.5
Reserve Assets	-93.3	-263.9	-352.3
Use of Fund Credit and Loans(net)	-236.2	-557.7	41.8
Disbursements	16.0	24.3	41.8
Repayments	-252.2	-582.0	0.0
Debt rescheduling	480.0	0.0	0.0
Financing gap	0.0	0.0	0.0

Current Account

A current account deficit of US $504.6 million (2.5% of GDP) was recorded in 2007 compared to a surplus of US $128.1 million (3.0% of GDP) registered the previous year. This was mainly on account of a reduction in the merchandise trade surplus, coupled with an increase in deficits in both the services and income balances.

Zambia's merchandise trade surplus narrowed to US $983.1 million from US $1,293.1 million recorded in 2006. The decline was mainly explained by a rise in the value of merchandise imports, which were higher than the increase in merchandise export earnings. Merchandise imports, at US $3,610.5 million, were 37.0% higher than US $2,635.8 million recorded in 2006. The increase in imports of commodity groups, such as, iron and steel, industrial boilers and equipment, petroleum products, electric machinery and equipment, plastic and rubber products, chemicals, and motor vehicles, largely explained this outturn. Increased investment and expansionary activities in the mining sector, particularly at Lumwana, Albidon and the Konkola Deep Mining projects, coupled with the effect of a stronger Kwacha which made imports cheaper were the major factors.

Zambia needs a reliable transport network to boost her merchandise imports as well as export earnings. In 2007, the railway and road transport networks were among areas that received a facelift. Construction of the Chipata-Muchinji railway link was stepped up and the Lusaka-Chirundu road was made wider in an extensive rehabilitation programme

Chipata-Muchinji Railway Line-Chipata

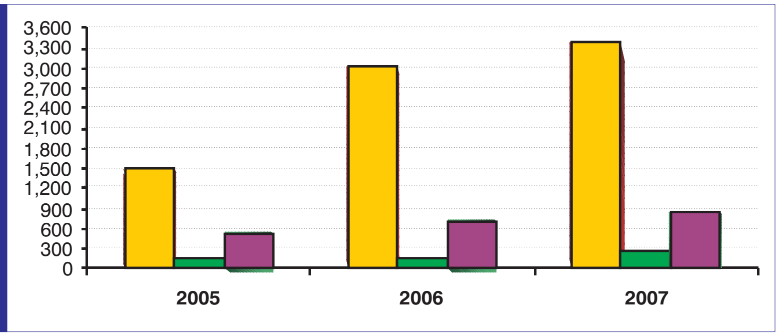
Lusaka-Chirundu Road-Chirundu

Merchandise export earnings, at US $4,537.3 million were 17.0% higher than the US $3,876.8 million recorded in 2006. This was largely attributed to an increase in both metal and non-metal export earnings. Metal export earnings rose by 15.5% to US $3,667.7 million in 2007 from the US $3,175.4 million recorded in 2006, on account of an increase in both copper and cobalt earnings.

Copper export earnings went up by 12.5% to US $3,406.5 million from the US $3,029.3 million recorded in 2006. The higher earnings were due to the increase in the international price of copper. The average realised price of copper rose to US $3.15 per pound (US $6,938.8 per metric ton) in 2007 from US $2.79 per pound (US $6,160.5 per metric ton) in 2006, while copper export volumes marginally declined to

490,940 metric tons in 2007 from 491,735.4 metric tons the previous year. The reduction in export volumes was partly attributed to the decline in copper production during the first half of 2007 due to flooding at some mines as a result of heavy rains.

Chart 16: Export Earnings 2005-2007, (US $'Millions)



Cobalt export earnings, at US $261.2 million, were 78.8% higher than the 2006 earnings of US $146.1 million. This was largely explained by a 73.4% rise in the realised price of cobalt. The sharp increase in the price was due the strong demand for the commodity. In addition, cobalt export volumes increased to 4,809.0 mt in 2007 from the 4,663.0 mt recorded in 2006. The sharp increase in cobalt prices was driven by a surge in demand from emerging markets, such as, China and India, following the launch of low-cost airlines in air travel and the rise in mobile phone usage among the expanding middle class. Cobalt is used in the manufacturing of super alloys in gas turbines used in jet engines, and rechargeable batteries for cell phones, laptops, and fuel efficient hybrid cars.

Export earnings in 2007 were enhanced by a 24% growth in non-traditional export earnings. This increase included earnings from sugar exports. Increased investment in other crops such as bananas is expected to further boost domestic supply and export earnings

Expansion Works of the Nakambala Sugar Plantation-Mazabuka

New Cool Amarula Banana Plantation-Kazungula

The increase in export earnings was further enhanced by a 24.0% growth in non-traditional export earnings to US $869.6 million from the US $701.4 million recorded in 2006. Explaining the increase in non-traditional export earnings was the increase in the exports of copper wire, electric cables and white spoon sugar. However, products such as burley tobacco, cotton lint, cotton yarn and fresh vegetables recorded reduced earnings (see Table 15).

Table 15: Major Non-Traditional Exports (c.i.f.), 2005 - 2007, (US $' million)

	2005	2006	2007	% Change (2006-2007)
Copper Wire	106.5	175.0	195.4	11.7
White Spoon Sugar	67.8	54.3	74.4	37.0
Burley Tobacco	60.3	70.5	63.2	-10.4
Cotton Lint	55.9	62.3	37.1	-40.5
Electrical Cables	48.5	103.7	150.5	45.0
Fresh Flowers	32.1	34.7	38.3	10.4
Cotton Yarn	24.1	18.9	12.4	-34.4
Fresh Fruit/Vegetables	21.3	25.3	24.6	-2.8
Gemstones	19.5	18.1	28.6	58.2
Gas oil	9.8	10.3	20.9	102.9
Electricity	3.8	7.0	9.2	30.8
Other	116.3	161.5	265.0	64.0
Exporter Audit Adjustment	0	1.0	1.2	25.0
Total	**565.7**	**742.6**	**920.7**	**24.0**

Source: Bank of Zambia

The services account deficit widened to negative US $634.4 million in 2007 from negative US $359.0 million in 2006, following an increase in services payments in the mining sector and freight and insurance services on metal sector imports. Similarly, the income account deficit widened to negative US $1,383.4 million in 2007 from negative US $1,168.3 million recorded in 2006. This was largely on account of a higher increase in income payments relative to the rise in income receipts.

Capital and Financial Account

The performance of the capital and financial account continued to be favourable, with a positive balance of US $951.7 million in 2007. The continued strong performance of this account was mainly attributed to foreign direct investment, which surged to US $983.9 million from the US $615.8 million registered in 2006, driven largely by investment activities in the mining sector.

3.4 EXTERNAL DEBT

External Debt Stock

Preliminary data indicate that Zambia's total stock of outstanding and disbursed external debt increased by 12.5% to US $2,127.9 million at end-2007 from the US $1,892.1 million recorded at end-2006 (see Table 16).

An analysis of the structure of Zambia's external debt revealed that the debt owed by Government was US $1,106.5 million, representing 52.0% of total stock, while the amount owed by the private sector to various creditors was US $1,021.4 million, accounting for 48.0%. Government external debt increased by 11.7%, mainly as a result of disbursements from the International Monetary Fund (IMF) under the Poverty Reduction and Growth Facility (PRGF) arrangement and the World Bank. Debt owed to multilateral creditors was US $708.3 million, accounting for 33.3% of total debt, while bilateral creditors accounted for 13.5%. The debt owed by the private sector to various creditors increased by 13.2%, reflecting continued investment in various sectors of the economy.

Table 16: Zambia's External Debt Stock by Creditor, 2005 - 2007[5]

	2005		2006		2007	
Creditor	**US$ mn**	**% share**	**US$ mn**	**% share**	**US$ mn**	**% share**
Bilateral	**1,014.0**	**20.1**	**277.4**	**14.7**	**286.8**	**13.5**
Paris Club	807.0	16.0	204.2	10.8	212.6	10.0
Non Paris Club	207.0	4.1	73.2	3.9	74.2	3.7
Multilateral	**3,540.8**	**70.0**	**579.4**	**30.6**	**708.3**	**33.3**
IMF	591.1	11.7	32.5	1.7	86.0	3.9
World Bank Group	2,335.6	46.2	260.6	13.8	316.9	15.0
Others	614.1	12.1	286.3	15.1	305.4	14.4
Suppliers/ Bank	**96.2**	**1.9**	**133.4**	**7.0**	**111.4**	**5.2**
Total Govt. Debt	**4,651.0**	**92.0**	**990.2**	**52.3**	**1,106.5**	**52.0**
Private Sector Debt	**404.7**	**8.0**	**901.9**	**47.7**	**1,021.4**	**48.0**
Total External Debt	**5,055.7**	**100.0**	**1,892.1**	**100.0**	**2,127.9**	**100.0**

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

External Debt Service

In 2007, external debt service payments amounted to US $60.5 million, representing a decrease of 15.7% from the US $71.8 million paid in 2006 (see Table 17). Of the total debt service, US $35.3 million was paid to bilateral creditors and US $24.2 million to multilateral creditors. In 2007, Zambia did not record any debt service to the IMF following debt reduction under the HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI). These developments are among the good demonstrations of the benefits associated debt relief under the HIPC Initiative.

Table 17: Zambia's External Debt Service by Creditor, 2005 - 2007 (US $'million)

Creditor	**2005**	**2006**	**2007**
Bilateral	**71.5**	**38.5**	**35.3**
Paris Club	50.3	20.9	3.6
Others	23.3	17.6	31.7
Multilateral (Without IMF HIPC Assistance)	**309.7**	**55.8**	**24.2**
Multilateral (With IMF HIPC Assistance)	**85.0**	**33.2**	**24.2**
IBRD/IDA	13.2	17.4	2.4
IMF	251.1	6.7	0.0
o/w Relief	-224.7	14.1	0.0
Others	41.2	17.6	1.0
Total	**156.5**	**71.8**	**60.5**

Source: Bank of Zambia

3.5 FISCAL SECTOR DEVELOPMENTS

Overview

The overall Government budget recorded a deficit of K109.5 billion, representing 0.2% of GDP. This was 3.7 percentage points lower than the programmed deficit of 3.9% of GDP. The domestic budget deficit was 1.6% of GDP, 1.2 percentage points below the projection of 2.1%. This outturn was attributed to both higher revenue and lower expenditure than projected (see Table 18).

[5]These figures reflect HIPC Initiative relief.

Table 18: Central Government Fiscal Operations, 2005 - 2007 (K' billion)

	2005		2006		2007 Target		2007 Prel.	
		% of GDP		% of GDP		% of GDP		% of GDP
Revenue and Grants	**7,728.3**	**23.7**	**8,320.0**	**21.4**	**10,175.1**	**22.2**	**10,626.0**	**23.4**
Domestic Revenue	**5,627.8**	**17.2**	**6,618.0**	**17.2**	**8,117.1**	**17.7**	**8,522.1**	**18.7**
Of which:								
Tax Revenue	5,502.9	16.9	6,317.0	16.4	7,799.3	17.0	8,183.6	18.0
Non-tax Revenue	124.9	0.4	301.0	0.8	317.8	0.7	338.5	0.7
Grants	**2,100.5**	**6.4**	**1,702.0**	**4.4**	**2,058.0**	**4.5**	**2,103.9**	**4.6**
Exp. & Net Lending	**8,845.8**	**27.1**	**8,955.7**	**23.2**	**11,948.2**	**26.1**	**11,209.5**	**24.6**
Of which:								
Domestic Expenditure	6,491.3	19.9	7,954.0	20.6	9,592.1	20.9	9,845.6	21.6
Current Expenditure	6,056.2	18.5	7,414.7	19.2	9,777.2	21.3	9,366.5	20.6
Capital Expenditure	2,789.6	8.5	1,541.0	4.0	2,171.0	4.7	1,843.0	4.1
Net Lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in balances	-68.2	-0.2	-476.0	-1.2	-	-	474.0	1.0
Overall balance (Cash)	**-1,185.7**	**-3.6**	**-1,111.7**	**-2.9**	**-1,773.1**	**-3.9**	**-109.5**	**-0.2**
Of which:								
Domestic balance (Cash)	**-863.5**	**-2.6**	**-785.4**	**-2.0**	**-946.8**	**-2.1**	**-741.6**	**-1.6**

Source: Ministry of Finance and National Planning

Revenue and Grants

Total revenue and grants, at K10,626.0 billion, were 4.4% above the target of K10,175.1 billion. As a proportion of GDP, total revenue and grants at 23.4% compared favourably with the projection of 22.2%. This favourable outturn was explained mainly by higher domestic revenue collections than programmed, particularly tax revenue. Domestic revenue amounted to K8,522.1 billion and was 5.0% above the target of K8,117.1 billion. As a proportion of GDP, domestic revenue at 18.7% was higher than the projection of 17.7%. In addition, grants were K2,103.9 billion, 2.2% above the target of K2,058.0 billion and were 4.6% of GDP, 0.1 percentage points above the target of 4.5% (see Table 19).

Tax Revenue

In 2007, tax revenue at K8,183.6 billion was above the projection of K7,799.3 billion and reflected strong performance in international trade and income taxes. International trade taxes were 20.3% above the target, while income taxes were 11.7% higher than programmed. The good performance in international trade taxes was attributed to higher than projected import value added tax (VAT) and import duty. Explaining this performance was largely the rise in imports of machinery parts, motor vehicles, motor vehicle parts/accessories, copper ores and concentrates and hydrocarbon oils. The favourable performance in income tax mainly emanated from higher company and personal income taxes. The higher corporate tax was due to payment of higher provisional corporate tax by some companies in anticipation of increased profits for 2007 and the collection of corporate tax arrears. The collection of Pay-As-You-Earn (PAYE) arrears as a result of improved tax administration explained the increase in personal income tax.

In the year under review, Government's revenue performance was strong and well above the year 's projection. In 2007, construction of the one-stop revenue hall on the Zambia-Zimbabwe border at Chirundu was being finanlised. This development was expected to make the tax collection process at the border even more efficient

New One-Stop Revenue Hall-Chirundu

With the completion of the one-stop revenue hall on the Zambia-Zimbabwe border, clearing of motor vehicle traffic, especially those laden with goods, will be done at a faster pace

Zambia-Zimbabwe Border-Chirundu

In contrast, taxes on domestic goods and services at K1,231.2 billion were below the target by 30.6%. This performance was largely attributed to lower domestic VAT owing to higher than projected VAT refunds.

Non-Tax Revenue

Non-tax revenue at K338.5 billion was 6.5% above the projection of K317.8 billion. As a proportion of GDP, non-tax revenue at 0.7% was in line with the target. The favourable performance of non-tax revenue was largely due to higher than anticipated revenues from road fees and charges of K194.4 billion against the projection of K159.2 billion. The improved collection of road fees and charges were attributed to enhanced enforcement and increased accountability by the Road Traffic and Safety Agency.

Grants

During the year, grants amounted to K2,103.9 billion and were above the projection of K2,058.0 billion. As a percentage of GDP, grants at 4.6% were 0.1 percentage point above the target of 4.5%. This was largely explained by programme grants, which were 10.2% above the projection of K528.2 billion. Project grants were K1,522.0 billion, broadly in line with the target of K1,529.8 billion.

Table 19: Central Government Revenue, 2005 - 2007 (K' billion)

	2005		2006		2007 Target		2007 Prel.	
		% of GDP		% of GDP		% of GDP	K'bn	% of GDP
Revenue and Grants	**7,728.3**	**23.7**	**8,320.0**	**21.6**	**10,175.1**	**22.2**	**10,626.0**	**23.4**
Domestic Revenue	**5,627.8**	**17.2**	**6,618.0**	**17.2**	**8,117.1**	**17.7**	**8,522.1**	**18.7**
Tax Revenue	**5,502.9**	**16.9**	**6,317.0**	**16.4**	**7,799.3**	**17.0**	**8,183.6**	**18.0**
Income Tax	2,461.7	7.5	2,959.8	7.7	3,432.0	7.5	3,831.9	8.4
Personal Tax	1,968.2	6.0	2,206.6	5.7	2,427.6	5.3	2,541.4	5.6
Company Tax	448.1	1.4	694.5	1.8	927.1	2.0	1,222.9	2.7
Extraction Royalty	39.2	0.1	58.7	0.2	77.3	0.2	67.6	0.1
Other Taxes	6.2	0.0	-	-	-	-	-	
Domestic Goods & Services	**1,375.0**	**4.2**	**1,379.4**	**3.6**	**1,772.9**	**3.9**	**1,231.2**	**2.7**
Excise Taxes	752.1	2.3	821.1	2.1	1,103.8	2.4	1,204.5	2.6
Domestic VAT	622.9	1.9	558.3	1.4	669.1	1.5	26.7	0.1
International Trade Taxes	**1,666.2**	**5.1**	**1,977.8**	**5.1**	**2,594.4**	**5.7**	**3,120.5**	**6.9**
Import Tariffs	649.5	2.0	742.7	1.9	830.0	1.8	914.1	2.0
Import VAT	1,010.2	3.1	1,2.33.3	3.2	1,762.1	3.8	2,204.1	4.8
Export Duties	6.5	0.0	1.8	0.0	2.3	0.0	2.3	0.0
Non-tax Revenue	**124.9**	**0.4**	**301.0**	**0.8**	**317.8**	**0.7**	**338.5**	**0.7**
Fees and Charges	68.3	0.2	98.5	0.3	159.2	0.3	194.4	0.4
Dividends	20.3	0.1	44.7	0.1	41.2	0.1	29.3	0.1
Other Receipts	36.3	0.1	140.6	0.4	117.4	0.3	114.8	0.3
Grants	**2,100.5**	**6.4**	**1,702.0**	**4.4**	**2,058.0**	**4.5**	**2,103.9**	**4.6**
Programme	598.8	1.8	423.0	1.1	528.2	1.2	581.9	1.3
Projects	1,501.7	4.6	1,279.0	3.3	1,529.8	3.3	1,522.0	3.3

Source: Ministry of Finance and National Planning

Total Expenditure

Total expenditure amounted to K11,209.5 billion in 2007, and was 6.2% lower than the projection of K11,948.2 billion. As a percentage of GDP, total expenditure at 24.6% was 1.5 percentage points lower than the target of 26.1%. This outturn was explained by the lower than programmed current and capital expenditures, which were below target by 7.5% and 15.1%, respectively (see Table 20).

Current Expenditure

Current expenditure at K9,366.5 billion was K410.7 billion below the projection. As a ratio of GDP, current expenditure at 20.6% was below the projection of 21.3%. This was largely attributed to lower than programmed expenditures on recurrent departmental charges (RDCs), transfers and pensions and public sector reform programme (PSRP). The lower expenditure on RDCs was largely due to lower than programmed expenditures on constitutional and electoral reforms, awards and compensation, and other RDCs.

However, expenditures on public debt interest, personal emoluments, and other current expenditures were above target. Interest expenditure on public debt was 12.0% higher than the projection, mainly on account of the relatively higher than projected levels of interest rates during the year. Expenditure on personal emoluments was 0.6% above target, following the higher wage award for the civil service than was originally programmed. Other current expenditures were 23.5% above the programmed expenditure, largely due to procurement of additional inputs under the Fertiliser Support Programme for the 2007/2008 farming season and payments of outstanding gratuities, and loans and advances.

Table 20: Central Government Expenditure, 2005 - 2007 (K' billion)

	2005		2006		2007 Target		2007 Prel.	
	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP	K'bn	% of GDP
Total Expenditure	**8,845.8**	**27.1**	**8,955.7**	**23.2**	**11,948.2**	**26.1**	**11,209.5**	**24.6**
Domestic Expenditure	**6,491.3**	**19.9**	**7,954.0**	**20.6**	**9,592.1**	**20.9**	**9,845.6**	**21.6**
Current Expenditure	**6,056.2**	**18.5**	**7,414.7**	**19.2**	9,777.2	**21.3**	**9,366.5**	**20.6**
Wages and Salaries	2,455.0	7.5	2,832.6	7.3	3,509.7	7.7	3,530.9	7.8
Public Service Reform	43.9	0.1	15.0	0.0	102.0	0.2	35.0	0.1
RDCs	1,449.7	4.4	1,885.0	4.9	2,887.3	6.3	2,437.0	5.4
Transfers and Pensions	794.0	2.4	1,610.0	4.2	2,038.3	4.4	1,926.9	4.2
Interest on Public Debt	861.5	2.6	749.2	1.9	692.5	1.5	775.6	1.7
Domestic Debt	731.5	2.2	689.5	1.8	649.5	1.4	721.3	1.6
Foreign Debt	130.0	0.4	59.7	0.2	43.0	0.1	54.3	0.1
Other Current Expenditure	442.2	1.4	316.0	0.8	535.4	1.12	661.1	1.5
Contingency	9.9	0.0	6.9	0.0	12.0	0.0	-	0.0
Capital Expenditure	**2,789.6**	**8.5**	**1,541.0**	**4.0**	**2,171.0**	**4.7**	**1,843.0**	**4.1**
Domestically Financed	565.1	1.7	599.0	1.6	1,104.0	2.4	1,083.0	2.4
Foreign Financed	2,224.5	6.8	942.0	2.4	1,067.0	2.3	760.0	1.7

Source: Ministry of Finance and National Planning

Capital Expenditure

Total capital expenditures amounted to K1,843.0 billion, representing 84.9% of the target. As a percentage of GDP, total capital expenditure at 4.1% was below the projection of 4.7%. The lower than programmed capital expenditure was mainly due to the slow implementation of projects and programmes by the Ministries, Provinces and other Spending Agencies attributed to low absorption capacity.

Budget Financing

The financing of the overall fiscal deficit was K109.0 billion, comprising net external financing of K145.0 billion (0.3% of GDP) and a net domestic repayment of K36.0 billion (0.1% of GDP). This was below the projected financing of K1,773.1 billion, of which K742.6 billion was domestic financing (see Table 21).

Table 21: Budget Deficit Financing, 2005 - 2007 (K' billion)

	2005	2006	2007			
			Target	% of GDP	Prel.	% of GDP
Total Financing	**1,033.9**	**1,111.7**	**1,773.1**	**3.9**	**109.0**	**0.2**
Domestic	**596.3**	**944.7**	**742.6**	**1.6**	**-36.0**	**-0.1**
Bank	439.5	204.7	100.0	0.2	-431.0	-0.9
Non-bank	156.8	740.0	642.6	1.4	395.0	0.9
External	**437.6**	**167.0**	**1,030.5**	**2.2**	**145.0**	**0.3**
Programme Loans	153.7	36.0	290.5	0.6	0.0	0.0
Project Loans	722.8	298.0	826.3	1.8	331.0	0.7
Amortisation	-438.9	-167.0	-86.3	-0.2	-186.0	-0.4

Source: Ministry of Finance and National Planning

3.6 REAL SECTOR DEVELOPMENTS

National Output

Preliminary data based on the first three quarters of 2007, show that the economy grew by 5.7% in 2007 compared with the 6.2% recorded in 2006. The major sectors that contributed to this growth were transport and communications, construction, community, social and personal services, wholesale and retail trade and manufacturing (see Tables 22, 24a and 24b).

In 2007, the economy grew by 5.7% in part explained by increased greenfield investments. The first ever Steel Plant - Kafue Steel was a new development in the year under review as its construction reached an advanced stage. Currently, the country has to import steel, a critical input in the growing construction industry

Kafue Steel Company-Kafue


Kafue Steel Company-Kafue

Table 22: Sectoral Contribution to Real GDP Growth [In Constant 1994 Prices], 2005 - 2007 (%)

	2005	2006	2007
Growth in real GDP	**5.2**	**6.2**	**5.7**
Agriculture, forestry and Fisheries	-0.1	0.3	0.3
Mining and quarrying	0.7	0.6	-0.2
Manufacturing	0.4	0.6	0.5
Electricity, gas and water	0.1	0.3	0.0
Construction	1.6	1.3	1.2
Wholesale and retail trade	1.0	0.4	0.7
Restaurants, bars and hotels	0.3	0.4	0.4
Transport, storage and communications	0.5	1.4	1.5
Financial intermediaries	0.3	0.3	0.3
Real estate and business services	0.4	0.3	0.3
Community, social, and personal services	0.3	0.7	1.0
Taxes on products	-0.4	-0.3	-0.2
Financial Intermediary Services Indirectly Measured	-0.1	-0.1	-0.1

Source: Central Statistical Office

Agriculture, Forestry and Fisheries

Agriculture, Forestry and Fisheries recorded a growth of 1.9% in 2007 compared to the 2.2% in 2006, and contributed 0.3 percentage points to GDP growth. The slow down in output was mainly explained by floods in some parts of the country, which adversely affected crop output, notably maize production declined to 1.37 million mt from 1.42 million mt the previous farming season (see Table 23). However, a national food surplus of 527,000 mt was recorded, partially as a result of the carry over from the 437,000 mt surplus in the previous consumption period. In particular, maize and cassava posted surpluses of 160,000 mt and 336,000 mt, respectively. It is worth noting that agricultural production could have slowed further without the improved access to credit and Government's supportive agricultural initiatives, such as, the Fertiliser Support Programme, food security pack and heightened private sector participation in the sector.

Table 23: Output of Selected Crops, 2005/2006 - 2006/2007 Agricultural Seasons

Crop	2005/2006 Agric. Season (Metric Tons)	2006/2007 Agric. Season (Metric Tons)	% Change
Maize	1,424,439	1,366,158	-4.09
Sorghum	21,047	12,773	-39.3
Rice (paddy)	13,964	18,317	31.2
Soya beans	57,815	55,194	-4.5
Wheat	93,958.9	115,843	23.3
Seed Cotton	118,426	54,886	-53.7
Cassava	1,056,000	1,060,000	0.4
Tobacco (Burley)	7,742	10,000	-54.5
Tobacco (Virginia)	14,685	15,562	-22.2

Source: Central Statistical Office

Mining and Quarrying

Preliminary estimates indicate that the output of the mining and quarrying sector declined by 2.1% compared with the growth of 7.3% in 2006, thereby contributing negative 0.2 percentage points to national output (see Tables 24a and b). This was on account of the fall in both metal and other mining and quarrying, by 1.4% and 49.7%, respectively.

Among the major factors that explained the decline in metal output were the unfavourable hydrological conditions and difficulties in getting copper ore from the Democratic Republic of Congo following a temporal ban on movement of ore from DRC, particularly in the first quarter of the year.

Manufacturing

The manufacturing sector grew by 4.9% in 2007 compared with a growth of 5.7% in 2006. The sector contributed 0.5 percentage points to real GDP growth compared to 0.6 percentage points the previous year. Growth was mainly on account of the food, beverages and tobacco sub-sector, which grew by 9.3% compared to 8.9% the previous year. Positive growth was also recorded in the chemicals, rubber and plastics, fabricated metal products, base metal products, and the paper and paper products sub-sectors. However, the textile and leather sector declined by 16.1% compared to a decline of 1.3% in 2006, following the closure of some major textile factories, coupled with the continued difficulties to compete with cheaper imports.

Transport, Storage and Communications

The transport, storage and communications sector continued to register robust growth during the review period. Preliminary data indicate that the sector grew by 20.8% in 2007 compared with the 22.1% growth in 2006. The sector's contribution to real GDP was 1.5 percentage points, up from the 1.4 percentage points the previous year. All the sub-sectors, namely communications, roads, rail and air transport recorded strong growth.

The construction industry grew by 12.2% and played an important role in supporting the growth of tourism in 2007. Three new hotels were built in Zambia's tourist capital, Livingstone, namely, Chrismar, Protea and David Livingstone Hotels

New Chrismar Hotel-Livingstone

New Protea Hotel-Livingstone

New David Livingstone Hotel-Livingstone

Construction

Despite severe supply constraints and high prices of cement, the construction sector grew by 12.2% in 2007 compared to 14.4% in 2006. The sector's contribution of 1.2 percentage points to real GDP growth was almost the same as the 1.3 percentage points recorded in 2006. Growth in this sector continued to be driven by housing, road construction and other civil works.

Tourism

The tourism sector (restaurants, bars, and hotels) continued to record positive growth during the year under review, in part reflected in higher tourist arrivals and increased bed occupancy rates. The sector grew by 14.2% compared to 16.1% in 2006 thereby maintaining its contribution of 0.4 percentage points to real GDP growth. The number of tourist arrivals in 2007 rose by 6.4% to an estimated 805,059 people.

Table 24a: GDP by Kind of Economic Activity at Constant 1994 Prices, 2005 - 2007 (K' billion)

KIND OF ACTIVITY	2005	2006	2007*	Growth In 2007 (%)
Agriculture, Forestry and Fishing	468.3	458.2	467.0	1.9
Agriculture	206.0	212.3	211.0	(0.6)
Forestry	165.2	167.4	176.1	5.2
Fishing	77.2	78.5	79.9	1.8
Mining and Quarrying	270.8	290.6	284.4	(2.1)
Metal Mining	262.5	286.2	282.1	(1.4)
Other mining and quarrying	8.2	4.5	2.2	(49.7)
PRIMARY SECTOR	**719.1**	**748.8**	751.4	**0.3**
Manufacturing	335.3	354.6	372.1	4.9
Food, Beverages and Tobacco	205.7	224.0	244.9	9.3
Textile and Leather Industries	48.9	48.2	40.5	(16.1)
Wood and Wood Products	26.3	26.5	27.9	5.2
Paper and Paper Products	9.8	9.8	9.7	(1.3)
Chemicals, Rubber and Plastic Products	29.5	30.9	33.8	9.5
Non-Metallic Mineral Products	6.9	6.5	6.6	1.7
Basic Metal Products	1.4	1.4	1.4	(4.9)
Fabricated Metal Products	6.8	7.2	7.4	3.5
Electricity, Gas and Water	81.0	89.5	90.4	1.0
Construction	287.3	328.7	368.6	12.2
SECONDARY SECTOR	**703.6**	**772.7**	831.2	**7.6**
Wholesale and Retail Trade	576.7	588.1	610.0	3.7
Restaurants, Bars and Hotels	79.9	92.8	106.0	14.2
Transport, Storage and Communications	204.4	249.4	301.4	20.8
Rail Transport	9.4	9.2	9.0	(2.2)
Road Transport	90.7	96.5	103.1	6.9
Other Transport and Allied Services	38.3	51.2	64.5	26.0
Communications	65.9	92.6	124.8	34.7
Financial Intermediaries and Insurance	235.1	244.6	254.6	4.1
Real Estate and Business Services	287.1	296.2	305.7	3.2
Community, Social and Personal Services	235.9	257.0	290.2	12.9
Public Admin. & Defence; Public and Sanitary Service	116.7	106.6	124.7	17.0
Education	77.0	104.1	115.8	11.2
Health	14.7	15.5	16.2	4.6
Recreation, Religious and Culture	12.5	15.4	17.5	13.7
Personal Services	14.9	15.4	16.0	3.5
TERTIARY SECTOR	**1,619.1**	**1,728.2**	**1,867.8**	**8.1**
Less: FISIM	(138.0)	(141.6)	(145.1)	2.5
TOTAL GROSS VALUE ADDED	**2,903.7**	**3,108.2**	3,305.3	**6.3**
Taxes on Products	252.2	243.5	237.2	(2.6)
TOTAL GDP AT MARKET PRICES	3,155.9	3,351.7	3,542.5	
Real Growth Rates (%)	**5.2**	**6.2**	5.7	**5.7**

Source: Central Statistical Office

*Preliminary data

Table 24b: Gross Domestic Product by Kind of Economic Activity at Current Prices, 2005 - 2007, (K' billion)

KIND OF ECONOMIC ACTIVITY	2005	2006	2007*
Agriculture, Forestry and Fishing	6,723.6	7,800.2	9,275.6
Agriculture	1,421.7	1,537.0	1,608.1
Forestry	4,920.3	5,855.7	7,230.8
Fishing	381.6	407.5	436.7
Mining and Quarrying	1,030.9	1,612.5	1,136.4
Metal Mining	1.011.7	1,597.5	1,131.0
Other Mining and Quarrying	19.1	15.0	5.4
PRIMARY SECTOR	**7,754.5**	**9,412.8**	**10,412.0**
Manufacturing	3,430.2	4,015.7	4,598.6
Food, Beverages and Tobacco	2,121.0	2,423.5	2,788.5
Textile, and Leather Industries	500.4	630.8	637.3
Wood and Wood Products	273.4	323.2	399.2
Paper and Paper products	162.4	191.3	221.6
Chemicals, rubber and plastic products	281.2	331.2	391.4
Non-metallic mineral products	51.8	55.3	60.7
Basic metal products	4.7	6.9	4.7
Fabricated metal products	35.2	53.6	95.3
Electricity, Gas and Water	922.7	1165.9	1,345.0
Construction	3,728.0	5,462.7	7,128.3
SECONDARY SECTOR	8,080.9	**10,633.3**	**13,071.8**
Wholesale and Retail trade	5,868.9	6,524.7	7,489.3
Restaurants, Bars and Hotels	894.0	1,120.1	1,310.1
Transport, Storage and Communications	1,395.6	1,629.2	1,888.6
Rail Transport	93.8	94.7	92.6
Road Transport	543.0	640.4	761.6
Air Transport	243.8	356.0	491.3
Communications	515.0	538.2	543.1
Financial Intermediaries and Insurance	2,771.5	3,246.9	3,647.2
Real Estate and Business services	1,979.4	2,296.4	2,509.0
Community, Social and Personal Services	2,710.0	3,365.5	4,204.7
Public Administration and Defence	909.9	892.5	1,166.4
Education	1,154.2	1,842.6	2,291.3
Health	338.8	389.9	463.1
Recreation, Religious, Culture	45.6	60.9	77.9
Personal services	161.5	179.6	206.1
TERTIARY SECTOR	**15,619.5**	**18,182.8**	**21,048.8**
Less: FISIM	(1,592.8)	(1,865.9)	(2,096.0)
TOTAL GROSS VALUE ADDED	**29,862.1**	**36,373.9**	**42,436.7**
Taxes on Products	2,594.2	2,849.2	3,045.6
TOTAL GDP AT MARKET PRICES	**32,456.3**	**39,223.1**	**45,482.2**
Growth Rates in GDP (%)	25.58	18.18	17.87

Source: Central Statistical Office
*Preliminary estimates

Investment Pledges

Total investment pledges were estimated at US $1.8 billion in 2007 compared to US $751.2 million in 2006, reflecting continued investor confidence as a result of favourable macroeconomic performance. Further, investment pledges were broad-based and targeted at the growth sectors of the economy with potential for high job creation. On a sector-by-sector basis, manufacturing was leading with US $722.5 million (40.9%), followed by mining, US $441.5 million (25.0%), transport US $254.4 million (14.4%), and information and communications technology (ICT), US $139.8 million (7.9%). Other contributors to the total pledged investments were tourism, US $78.8 million (4.5%), agriculture, US $65.9 million (3.7%), construction, US $21.2 million (1.2%), services, US $20.7 million (1.2%), real estate, US $16.5 million (0.9%), education, US $4.1 million (0.2%), health, US $1.3 million (0.1%) and financial sector, US $1.0 million (0.1%).

The pledges, when fully executed, were expected to generate 12,711 jobs: manufacturing (4,909); agriculture (4,277); tourism (1,322); services (610); mining (578); construction (423); transport (210); ICT (193); real estate (107); education (30); health (29) and financial sector (23).

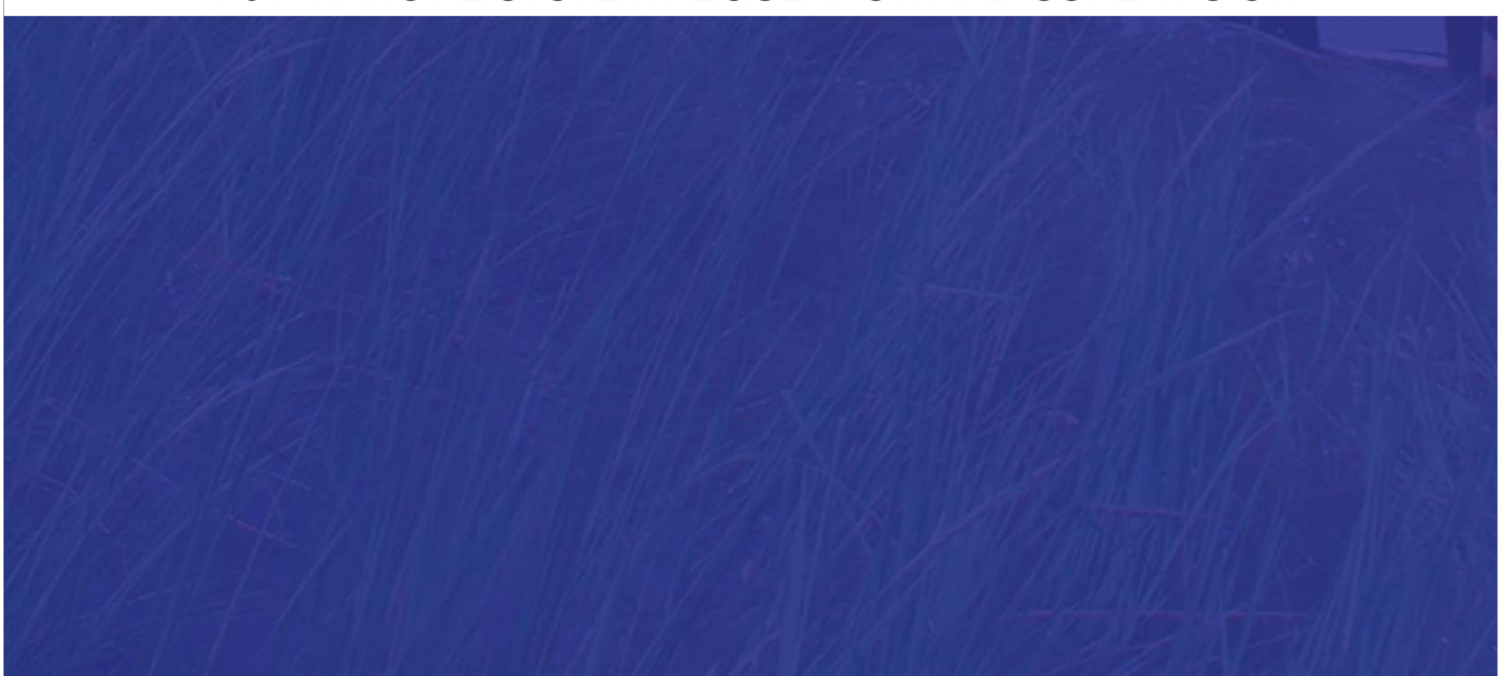
Following a continued attractive investment environment Zambia's foreign direct investment increased further in 2007. One of the biggest projects embarked upon was the Lumwana Mining Project in the North-Western Province


Development of Malundwe Pit-Lumwana Mine-Solwezi

Dump Trucks-Lumwana Mine-Solwezi


Part of Staff Houses-Lumwana Mine-Solwezi

4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION



4.0 FINANCIAL SYSTEM REGULATION AND SUPERVISION

4.1 BANKING SECTOR

Overview

The overall financial performance and condition of the banking sector during the year were satisfactory. Total assets increased by 29.1% to K13,779.3 billion. The banking sector remained adequately capitalised and all the banks, except one, met the minimum capital adequacy requirement of 10% for total regulatory capital. The asset quality of the sector was also satisfactory as reflected in the lower ratio of gross non-performing loans to total gross loans. Further, the sector's earnings performance was satisfactory as the profit before tax increased by K86.8 billion to K536.0 billion. Equally, the liquidity position was satisfactory.

Performance rating[6]

The performance of the banking sector was satisfactory during the reviewed year. Out of 13 operating commercial banks, 11, 10, 9 and 8 had satisfactory level of capital adequacy, asset quality, earnings and liquidity, respectively (see Table 25).

Table 25: Performance Rating[7] for Banks, 2005 - 2007

	Capital Adequacy			Asset Quality			Earnings			Liquidity		
Performance	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Strong	13	3	0	6	0	0	8	1	0	1	0	0
Satisfactory	0	8	11	7	8	10	2	8	9	7	8	8
Fair Needs Improvement	0	2	1	0	5	2	2	4	2	5	3	3
Marginal	0	0	0	0	0	0	1	0	1	0	0	1
Unsatisfactory	0	0	1	0	0	1	0	0	1	0	2	1
Total	13	13	13	13	13	13	13	13	13	13	13	13

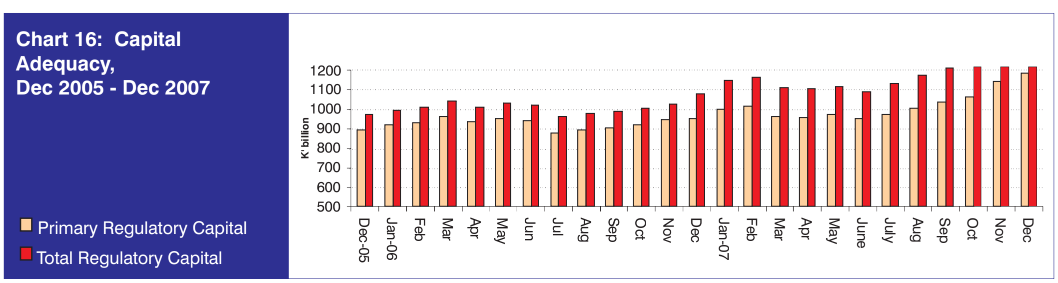
Source: Bank of Zambia

Capital and Liabilities

Capital Adequacy

The banking sector was adequately capitalised. The primary regulatory capital improved by 24.4% to close the year at K1,185.9 billion from K953.6 billion at end-December 2006. Total regulatory capital also increased by 28.2% to K1,385.3 billion from K1,080.2 billion. The increase in capital levels was mainly due to a rise in retained earnings, paid-up capital and subordinated debt. Retained earnings and paid-up capital went up by K178.3 billion (27.7%) and K47.1 billion (36.0%) to K822.6 billion and K178.1 billion from K644.2 billion and K131.0 billion, respectively. Subordinated debt increased by 48.3% to K149.7 billion from K100.9 billion at end of the preceding year (see Chart 16).

Chart 16: Capital Adequacy, Dec 2005 - Dec 2007

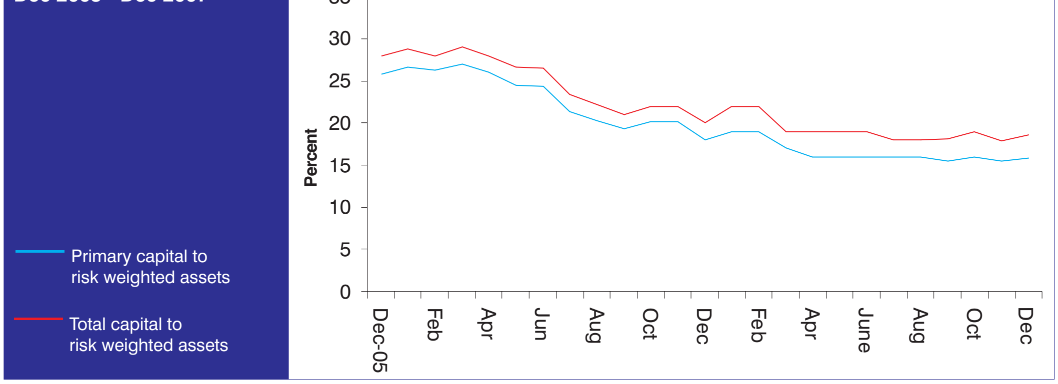


[6]The performance rating of banks is based on financial ratio analysis on the four key components of an institution's financial condition and performance as follows: Capital adequacy, Asset quality, Earnings performance and Liquidity. The rating scale ranges from 1 to 5, with a rating of 1; indicating the strongest financial condition and a rating of 5; the most critically deficient level of financial condition. The common rating nomenclature on a scale of 1 to 5 is: 1- Strong; 2-Satisfactory; 3 - Fair; 4 - Marginal and 5 - Unsatisfactory.

[7]**Strong**- Excellent performance and sound in every respect, no supervisory response required, **Satisfactory**- Above average performance and fundamentally sound with modest correctable weakness, **Fair**-Average performance with a combination of weaknesses if not redirected will become severe, **Marginal**-below average performance, immoderate weaknesses unless properly addressed could impair future viability of the bank. **Unsatisfactory**- Poor performance in most parameters, high risk of failure in the short term. The bank is under constant supervision and BOZ possession is most likely.

The capital adequacy ratios were satisfactory despite falling to 15.9% for primary regulatory capital and 18.6% for total regulatory capital at end-December 2007, from 18.0% and 20.4% at end-December 2006, respectively. The decline in the capital adequacy ratios was on account of an increase in total risk weighted assets by K2,169.6 billion (41.0%) to K7,454.9 billion (see Chart 17).

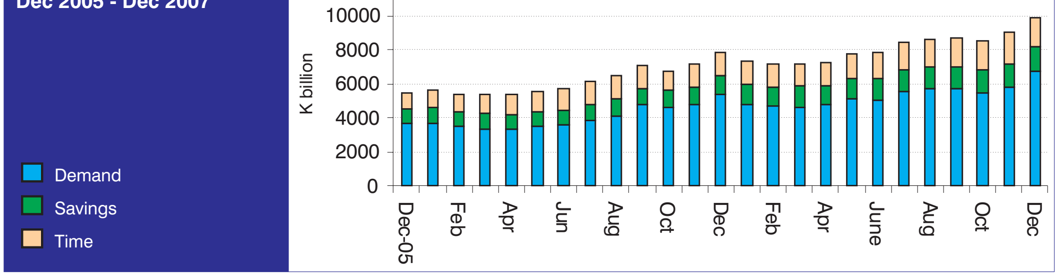
Chart 17: Capital Adequacy Ratios, Dec 2005 - Dec 2007



Deposits and Other Liabilities

Total liabilities increased by K2,775.9 billion (28.8%) to K12,421.7 billion from K9,645.9 billion at end-December 2006 and represented 90.1% of total liabilities and shareholders' funds compared to 90.4% in the preceding year. Deposits continued to be the largest source of funding and accounted for 72.0% of total liabilities and shareholders' funds compared to 73.9% in December 2006. Total deposits increased by K2,041.6 billion (25.9%) to K9,928.1 billion from K7,886.5 billion at end of preceding year. Demand deposits were the largest component of total deposits and constituted 67.9% of total deposits compared to 68.5% in December 2006 (see Chart 18).

Chart 18: Total Deposits, Dec 2005 - Dec 2007



Asset Quality[8]

The asset quality of the banking sector in the year under review was satisfactory, as the level of gross non-performing loans (NPLs) to total gross loans and advances declined to 8.8% from 11.3% in the previous year. However, the nominal amount of NPLs increased by K61.0 billion (13.9 %) to K498.8 billion from K437.8 billion in December 2006.

In terms of asset structure, the banking sector continued to be dominated by net loans and leases at 38% of total assets from 34% in December 2006 while investments in securities were at 18% from 20% in December 2006. These were followed by balances with foreign institutions which remained at 16%, and balances with Bank of Zambia at 15%, down from 20% in December 2006 (see Charts 19 and 20).

With net loans and advances increasing by K1,732.3 billion (48.1%), balances with foreign institutions by K498.4 billion (29.0%) and investments in securities by K284.6 billion (13.2%), the total assets of the banking sector grew by K3,104.1 billion (29.1%) to K13,779.3 billion from K10,675.2 billion in December 2006.

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

Chart 19: Total Assets, Dec 2005 - Dec 2007

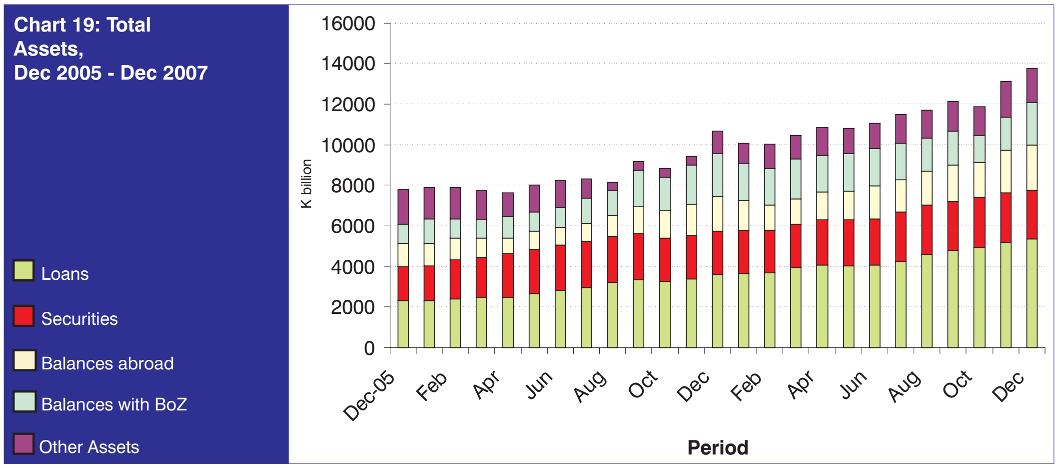
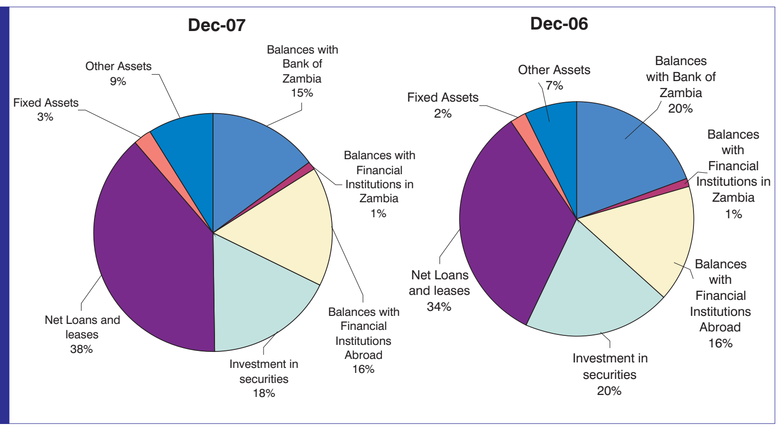


Chart 20: Industry Asset Structure, Dec 2006 and Dec 2007



Earnings Performance

The banking sector's earnings performance in the year under review was satisfactory, with the profit before tax increasing by K86.8 billion (19.3%) to K536.0 billion from K449.2 billion in the previous year (see Charts 21 and 22).

Chart 21: Industry Earnings, Dec 2005 - Dec 2007

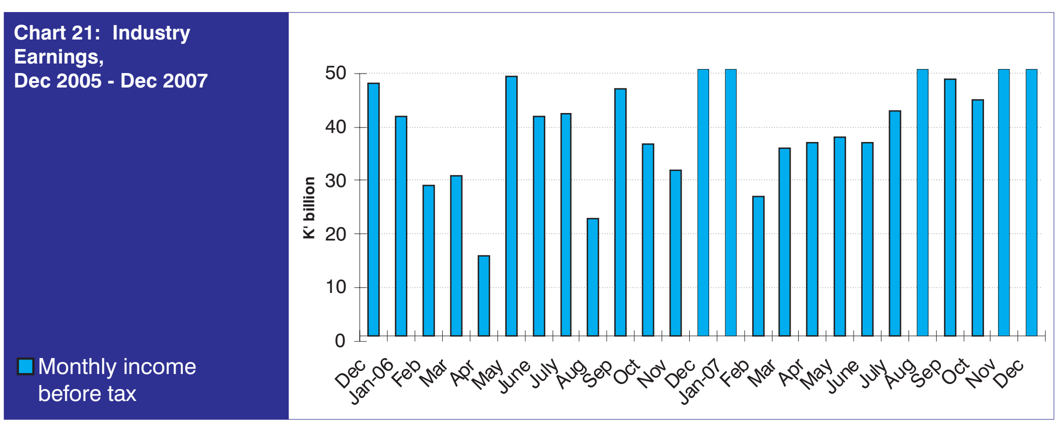
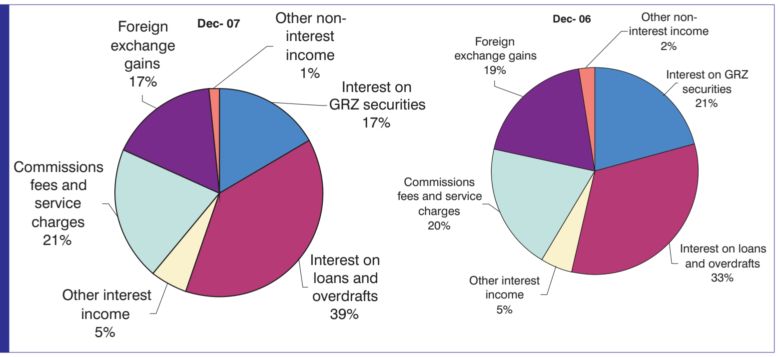


Chart 22: Comparative Distribution of Income, Dec 2007 and Dec 2006



The increase in earnings was largely on account of interest income, which went up by K270.2 billion (28.3%) to K1,224.0 billion from K953.8 billion for the previous year. The other contributing factors were an increase in non-interest income and` the decline in loan-loss provisions. Total non-interest income increased by K84.4 billion (13.4%) to K714.6 billion from K630.2 billion in 2006, and was largely influenced by commissions, fees and service charges, which went up by K81.1 billion (27.0%) to K381.4 billion from K300.2 billion. Loan loss provisions decreased by K13.8 billion (7.9%) to K160.7 billion from K174.5 billion.

Financing of expansion projects increased the interest income of the financial sector in the year under review. One of the key projects in 2007 was the expansion of the Lafarge Cement plant in Chilanga

Lafarge Cement plant - Chilanga

On the other hand, total interest expenses grew by K73.9 billion (43.1%) to K245.3 billion from K175.4 billion in 2006 while total non-interest expenses went up by K207.6 billion (26.3%) to K996.5 billion from K788.9 billion. The increase in total non-interest expenses was largely attributed to salaries and employee benefits, which went up by K142.5 billion (35.5%) to K543.6 billion from K401.2 billion in 2006 (see Table 26).

Table 26: Earnings Performance, 2005 - 2007 (K'billion)

Particulars	**2005**	**2006**	**2007**
Interest Income	842.7	953.8	1,224.0
Interest Expenses	134.3	171.4	245.3
Net Interest Income	**708.4**	**782.4**	**978.7**
Non-Interest Income	474.7	630.2	714.6
Net Operating Income	**1,183.1**	**1,412.6**	**1,693.3**
Non-Interest Expenses	694.9	788.9	996.8
Gross Operating Profit	**488.2**	**623.7**	**696.5**
Loan Loss Provisions	38.6	174.5	160.7
Profit Before Taxation	**449.6**	**449.2**	**535.8**
Taxation	89.5	141.6	148.2
Net Profit	**360.1**	**307.6**	**387.6**

Source: Bank of Zambia

Overall, the industry's average return on assets (ROA) and on equity (ROE) at 4.7% and 35.1%, respectively remained satisfactory. The ROA and ROE were 5.1% and 30.6% in 2006, respectively.

Liquidity and Funds Management

The banking sector's liquidity position remained satisfactory, as reflected by the level of core deposits and the deposit concentration ratios. The core deposits to total deposits ratio remained stable and strong at 82.5% compared to 82.3% at end-December 2006. The deposit concentration ratio, as measured by the aggregate of each bank's twenty largest deposits, improved to 35.1% compared to 37.1% in December 2006. This was despite the decline in the liquidity and liquid to total asset ratios to 46.0% and 37.6% from 52.5% and 43.7% the previous year, respectively (see Table 27).

Table 27: Liquidity Indicators, Dec 2006 - Dec 2007

	2005	2006	2007											
	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Liquid assets/total assets ratio	41.0	43.7	40.8	37.9	38.3	37.8	38.4	38.5	36.4	35.0	35.0	33.5	36.0	37.6
Liquidity ratio[9]	51.0	52.5	49.1	46.1	46.8	46.2	46.4	47.2	44.0	42.2	42.6	40.8	44.1	46.0
Core deposits/ total deposits[10] ratio	83.0	82.3	80.7	81.2	81.7	80.9	80.9	80.4	81.1	81.1	80.5	80.0	79.7	82.5
Deposit Concentration[11] ratio	34.9	37.1	36.5	37.1	35.7	35.0	38.9	38.1	37.3	37.8	36.5	34.0	32.6	35.1

Source: Bank of Zambia

Sensitivity Tests

Government Securities Trading Income Tests

With income from investments in Government securities decreasing by 4.9% to K301.3 billion from K316.8 billion in 2006, net profit before tax, which rose by 19.3% from the previous year, was less sensitive from this income item in 2007. Net profit before tax, on the other hand, was more influenced by interest income from loans and advances as well as the non-interest income from commissions, fees and service charges, which increased by 41.9% and 27.0%, respectively.

Foreign Exchange Trading Income Tests

With regard to foreign exchange trading, income increased by 4.7% to K306.4 billion from K292.6 billion in 2006, while net profit before tax increased by 19.3%, implying that net profit before tax was less sensitive to this profit and loss item. This further implied that there was reduced dependence on foreign exchange trading as a source of income by the commercial banks in 2007 compared to 2006. The contributing factor to the decreased sensitivity was the increase in income from loans and advances as well as from commission, fees and service charges during the year, which had greater influence; thus making the net profit before tax more sensitive to changes in these income items.

Market Share

Assets, Loans and Deposits

Subsidiaries of foreign banks[12] continued to dominate the banking sector in terms of assets, loans and deposits. As at end-December 2007, these banks held 63.8% of the sector's total assets, 65.2% of total loans and 60.2% of total deposits compared to 63.5%, 67.4% and 61.1% in 2006, respectively. On the other hand, banks partially owned by Government[13] accounted for 20.6% of total assets, 16.5% of total loans and 23.8% of total deposits compared to 21.7%, 16.0% and 24.5% in 2006, respectively. Local banks[14] accounted for 15.5% of total assets, 18.4% of total loans and 16.0% of total deposits compared to 14.8%, 16.6% and 14.4% in 2006, respectively (see Table 28).

[9]The liquidity ratio gives a rough indication of a bank's ability to meet its short-term payment obligations, with short-term liquid assets (with a maturity of not more than six months). However, the liquidity ratio assumes that no loan will repay in not less than six months.
[10]Core Deposits Savings plus Demand Deposits
[11]Deposit Concentration is the proportion of the 20 largest deposits to total deposits
[12]These are locally incorporated subsidiaries of foreign banks.
[13]These are banks that wholly or partially owned by the Government of Zambia (Two)
[14]Other banks incorporated locally which are not subsidiaries of foreign banks or government owned

In the year under review, a lot of asset financing was undertaken by firms in Zambia, especially the mining companies. Konkola Copper Mines (KCM) Limited imported a cooling unit that was part of the smelter upgrade at the Chingola plant

KCM Cooling Unit in Transit - Kazungula

Table 28: Assets, Loans and Deposits by Type of Ownership (%), 2005 - 2007

	2005			2006			2007		
	Assets	**Loans**	**Deposits**	**Assets**	**Loans**	**Deposits**	**Assets**	**Loans**	**Deposits**
Subsidiaries of foreign banks	61.7	72.7	58.6	63.5	67.4	61.1	63.8	65.2	60.2
Banks with partial Government Ownership	25.6	15.1	29.3	21.7	16.0	24.5	20.6	16.5	23.8
Local banks	12.7	12.2	12.1	14.8	16.6	14.4	15.6	18.3	16.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bank of Zambia

Profit before Taxation

The distribution of profit before tax indicated that subsidiaries of foreign banks accounted for 69.8% of the sector's total earnings in 2007 compared to 68.7% in 2006. Banks partially owned by government accounted for 8.0% compared to 11.2%, while local banks accounted for 22.2% compared to 20.1% (see Table 29).

Table 29: Earnings by Type of Ownership (%), 2005 - 2007

	2005	2006	2007
Subsidiaries of foreign banks	66.1	68.7	69.8
Government banks	17.3	11.2	8.0
Local banks	16.6	20.1	22.2
Total	100.0	100.0	100.0

Source: Bank of Zambia

Regulation and Supervision

Risk Based Supervision Approach

During the year, the Bank of Zambia in its efforts to strengthen the supervisory capacity reviewed the Risk-Based Supervision (RBS) framework. This culminated in the Enhanced RBS framework. The enhanced RBS approach to supervision entails regular interaction with banks in order to understand and monitor their activities and risks and determine the adequacy of the banks' management systems to identify, measure, monitor and control their risk. The framework is a structured, forward–looking and continuous process designed to identify key risk factors to which individual banks and the entire banking sector are exposed. The framework focuses the level of supervisory attention on those areas or banks that pose the greatest risks to financial system stability.

The BoZ plans to roll-out the enhanced RBS framework in 2008. As part of the implementation plan of the enhanced Risk-Based Supervision framework, the Supervision Department shall issue Risk Management Guidelines to the supervised banks.

Branch Network Expansions

In 2007, five of the licensed banks opened a total of 23 new branches and 2 new agencies (see Table 30). This was an indication of a positive step towards financial inclusion, which is one of the critical objectives of the FSDP. Most of the branches opened were targeted at the rural and peri-urban population which has been identified as being financially excluded.

Table 30: New Branches Opened in 2007

Bank	Branches	Location
Barclays Bank (Z) Plc	18	Lusaka; Chelstone, Chilenje, Kabwata, Lusaka International Airport; Chingola; Kabwe; Kalomo; Kalulushi; Kapiri Mposhi; Lundazi; Mansa; Mongu; Monze; Mufulira; Mumbwa; Nakonde; Petauke; & Solwezi
Cavmont Capital Bank (Z) Limited	1	Solwezi
Finance Bank (Z) Limited	2	Lusaka; Mulungushi Conference Centre & University of Zambia.
Investrust Bank (Z) Limited	2	Chililabombwe & Mwami Border Post
Standard Chartered Bank Plc	1	Lusaka (Cross Roads Shopping Complex)
Zambia National Commercial Bank Limited	1	Senanga
Total	25	

Source: Bank of Zambia

Capital Adequacy Review

Effective 2 January 2007, the minimum capital requirement for banks was raised from K2 billion to K12 billion. The revision was necessitated by the dilution, in US Dollar terms, of the K2 billion, which had declined to approximately US $460,000 as at end-December 2006 compared to US $2.1 million when the minimum capital was last revised in 1995. The revision in the minimum capital for banks was announced by way of Government Gazette Notice No. 682 published on 29 December 2006. The Gazette Notice further advised that those banks whose primary paid up capital was below the prescribed minimum requirement of K12 billion had up to 30 June 2008 to comply with the revised minimum capital requirement. Twelve out of the registered thirteen banks met the revised minimum capital requirement as at 31 December 2007.

Status of Commercial Banks in Liquidation

The Bank continued to oversee the liquidation processes of ten banks, namely, African Commercial Bank (In Liquidation), Credit Africa Bank (In Liquidation), Commerce Bank (In Liquidation), First Merchant Bank (In Liquidation), Export Import Bank (In Liquidation) Manifold Investment Bank (In Liquidation), Meridien Biao Bank (In Liquidation), Prudence Bank (In Liquidation), Union Bank Zambia Limited (In Liquidation) and United Bank of Zambia (In Liquidation).

During the year, the Bank reviewed the process of winding up African Commercial Bank (In Liquidation), Credit Africa Bank (In Liquidation), First Merchant Bank (In Liquidation), Export and Import Bank (In Liquidation), Manifold Investment Bank (In Liquidation), and Prudence Bank (In Liquidation). This was on account of the liquidation processes of these banks having reached an advanced stage while minimal realisations were attained.

Meridien Biao Bank Zambia Limited (In Liquidation)

The Bank disposed of most of the major assets of Meridien Biao Bank Zambia Limited (In Liquidation) as well as settled in full its obligations to depositors. The remaining assets once realised would be applied towards the bank's obligations to the central bank. The Bank has advertised for a tender to audit Meridien Biao Bank Zambia Limited (In Liquidation) to facilitate the termination of the liquidation process.

United Bank of Zambia Limited (In Liquidation)

The Bank placed United Bank of Zambia under compulsory liquidation on 24 May 2006. Following this, the Bank undertook the legal and administrative process to facilitate the declaration of a dividend to depositors.

Commerce Bank (In Liquidation)

Two major issues remain outstanding namely Kabwe Tannery Limited and the audit of United Machining Works Limited (In Receivership). Upon the conclusion of these issues, the Bank shall commence the winding up of Commerce Bank (In Liquidation).

Union Bank Zambia Limited (In Liquidation)

The bank is in the process of declaring the payment of its sixth dividend of up to K100 million per depositor.

4.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

Overview

In 2007, the overall financial performance and condition[15] of the non-bank financial sector were satisfactory. The leasing, bureaux de change and micro-finance sub-sectors and the Development Bank of Zambia registered satisfactory performance while that of building societies continued to improve.

As at 31 December 2007, the structure of the non-bank financial sector under the supervisory authority of the Bank of Zambia comprised twelve leasing companies, three building societies, thirty six bureaux de change, one savings and credit bank, one development finance institution, eight microfinance institutions and one credit reference bureau.

Regulation and Supervision

During the year, ten operating licences for non-bank financial institutions (NBFIs) were granted while two bureaux de change voluntarily surrendered their licences (see Table 31). This brought the total number of NBFIs to 62 as at 31 December 2007 from 54 in 2006.

Table 31: Licences Issued and Revoked in 2007

Sub-Sector	Institution Licensed	Date Licensed	Institution Closed	Date Closed
A. Leasing Companies	1. Executive Financial Services Limited 2. Mercantile Leasing Limited	14 May 2007 28 February 2007		
B. Micro-Finance Institutions	1. Letshego Financial Services Limited 2. Royal Microfinance of Zambia Limited	24 September 2007 11 April 2007		
C. Bureaux de Change	1. Saints Bureau de Change 2. Struts Bureau de Change 3. Zamwiche Bureau de Change 4. Goldfield Bureau de Change 5. Northmead Bureau de Change 6. A and I Bureau de Change	11 May 2007 28 February 2007 28 February 2007 22 August 2007 9 July 2007 13 September 2007	1. Seven Hills Bureau de Change 2. Southend Bureau De Change	23 April 2007 17 February 2007

Source: Bank of Zambia

Performance of the Non-Bank Financial Sector

The overall financial performance and condition of the NBFIs was satisfactory. On average, the leasing, micro finance institutions (MFIs) and bureaux de change sub-sectors reported adequate regulatory capital. However, two leasing companies and one building society had regulatory capital deficiencies. In this regard, measures were taken by shareholders to recapitalise the three institutions.

Leasing Sub-Sector

During the year, the overall performance of the leasing sub-sector was satisfactory. Overall, the leasing sub-sector maintained adequate capital and reserves relative to their risk profiles. Out of the ten (10) leasing companies in operation as at 31 December 2007, eight (8) met the prescribed minimum capital adequacy ratio of 10 percent, while two had regulatory capital deficiencies and as a result remedial measures were recommended for each institution (see Tables 32a and 32b).

[15]The 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*
Unsatisfactory (rating 5)	:	*Poor performance in most components and violates minimum statutory requirements*

Table 32a: Year-End Composite Rating for the Leasing Sub-Sector, 2005 - 2007

Performance Category	Composite Rating Scale	Number of Leasing companies			Proportion of Industry Assets (%)		
		2005	2006	2007	2005	2006	2007
Current Condition Satisfactory	1.0-2.0	4	3	4	96	48.5	51.1
Possible Emerging Problem	2.1-2.5	2	3	1	1	47.6	1.7
Watch	2.6-3.5	1	1	2	2	1.1	8.7
Problem	3.6 or greater	1	1	3	1	2.8	38.5
Total		**8**	**8**	**10**	**100**	**100**	**100**

Source: Bank of Zambia

Table 32b: Year-End Performance Rating for the Leasing Sub-Sector, 2005-2007

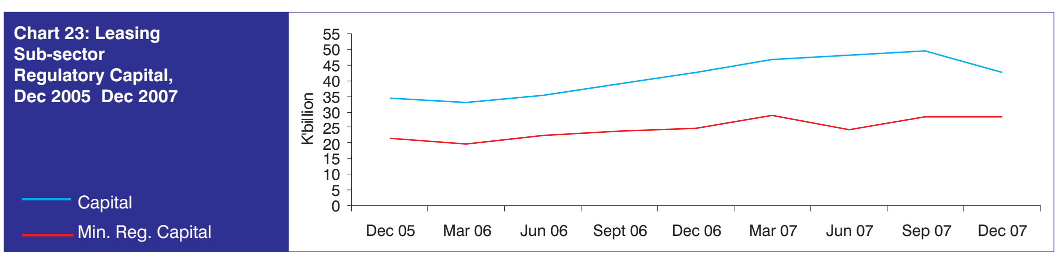
Performance Category	Capital Adequacy No. of Leasing companies			Asset Quality No. of Leasing companies			Earnings No. of Leasing companies			Liquidity No. of Leasing companies		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Strong	4	4	2	2	1	1	1	1	1	2	1	3
Satisfactory	3	2	3	3	4	3	3	2	1	2	0	1
Fair Needs Improvement	0	1	2	2	2	2	1	4	4	1	3	1
Marginal	0	0	1	0	0	1	2	0	0	2	2	1
Unsatisfactory	1	1	2	1	1	3	1	1	4	1	2	4
Total	**8**	**8**	**10**	**8**	**8**	**10**	**8**	**8**	**10**	**8**	**8**	**10**

Source: Bank of Zambia

Capital Adequacy

As at 31 December 2007, the sector's regulatory capital marginally increased to K42,829 million from K42,637 million in 2006 and was above the minimum regulatory capital of K26,834 million (10% of risk-weighted assets) by K16,168 million (see Chart 23). The increase in capital resources was mainly as a result of additional capital introduced by two new entrants amounting to K5,517 million coupled with additional capital injected by three existing leasing companies amounting to K1,037 million. However, the impact of the capital injections made during the year under review were negated by the after tax loss of K4,973 million recorded during the year. This was compounded by the loan loss provisions of K1,581 million largely attributed to one leasing company.

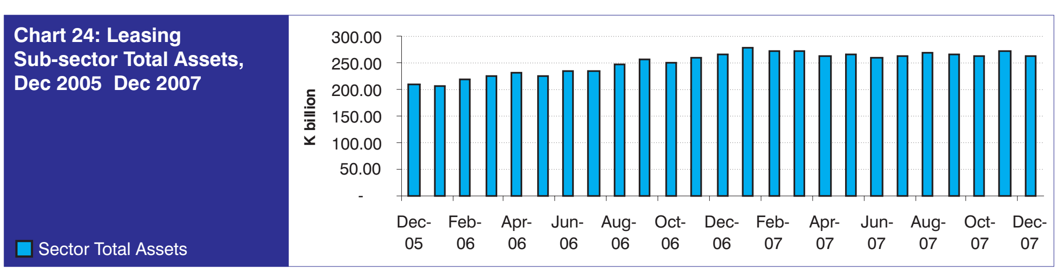
Chart 23: Leasing Sub-sector Regulatory Capital, Dec 2005 Dec 2007



Asset Quality

As at 31 December 2007, the total assets of the leasing sub-sector declined by K3,718 million (1%) to K263,882 million from K267,600 million the previous year (see Chart 24). The decrease was largely attributed to the reduction in the sub-sector's loan portfolio which reduced by K17,084 million (9%) to K178,445 million at 31 December 2007 from K195,529 million in 2006.

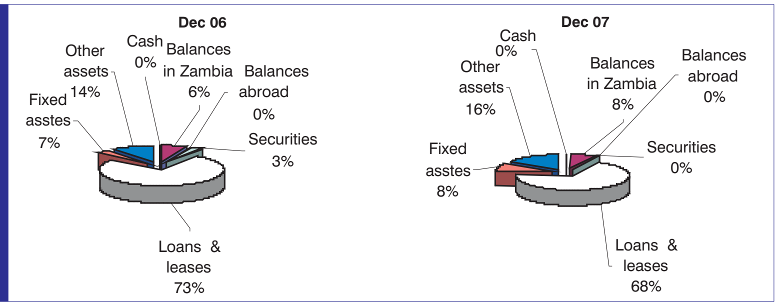
Chart 24: Leasing Sub-sector Total Assets, Dec 2005 Dec 2007



Net loans and advances constituted the largest proportion of total assets at 68% (K178,445 million) (see Chart 25). Non-performing loans amounted to K43,012 million out of the sub-sector's total gross loan portfolio of K196,025 million and represented 22% of total loans which was above the prudential level of 10%. On the basis of the ratio of non-performing loans and advances to gross loan portfolio, the leasing sub-sector's asset quality was rated marginal. However, one leasing company accounted for K32,843 million (76%) of the sub-sector's total non-performing loans.

As at 31 December 2007, net loans and advances at K178,445 million or 68%, constituted the largest proportion of total loans compared to 73% in 2006. Other assets represented 16% of total assets whilst balances in Zambia were 8% of total loans in 2007 compared to 14% and 6% respectively in 2006 (see Chart 25).

Chart 25: Leasing Sub-Sector Assets Year-on-year Comparison



Non-performing loans amounted to K43,012 million out of the sub-sector's total gross loan portfolio of K196,025 million and represented 22% of total loans which was above the prudential level of 10%. On the basis of the ratio of non-performing loans and advances to gross loan portfolio, the leasing sub-sector's asset quality was rated marginal. However, one leasing company accounted for 74% or K32,843 million of the sub-sector's total non-performing loans.

As at 31 December 2007, total earning assets amounted to K174,162 million and accounted for 66% of total assets. Balances with financial institutions in Zambia accounted for 12% of total earning assets while loans and leases accounted for 88%.

Earnings

The earnings performance of the leasing sub-sector was designated unsatisfactory because of a loss before tax of K4,358 million recorded in the period under review (see Table 33 and Chart 26). The loss reflected a decrease of K16,648 million (135%) from a profit of K12,290 million recorded in 2006, largely due to statutory provisioning requirements for lease loan losses amounting to K11,795 million made during the year under review. This was attributed to one leasing company.

Table 33: Earnings Performance, 2005 - 2007 (K' million)

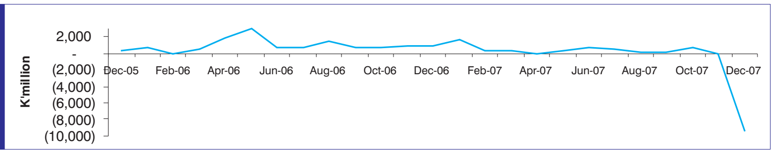
	2005	2006	2007
Interest income	39,756	38,897	41,437
Interest expenses	13,572	13,807	17,533
Net interest income	**26,184**	**25,090**	**23,904**
Provisions/(Provisions reversals)	589	(729)	11,795
Net interest income after provisions	25,594	25,819	11,957
Non-interest income	3,262	4,726	6,080
Total net income	28,857	30,545	18,037
Non-interest expenses	16,292	18,255	22,395
Profit before tax	**12,565**	**12,290**	**(4,358)**
Tax	1,443	319	615
Profit after tax	**11,122**	**11,971**	**(4,973)**

Source: Bank of Zambia

The principal source of income for the leasing sub-sector continued to be interest from loans and leases at 87% of total income. Interest income increased by 6.5% to K41,437 million in 2007 from K38,897 million in 2006. This was largely due to an increase in income from loans and advances to K18,785 million from K13,252 million over the period under review. Interest expenses increased by 27% to K17,533 million in 2007 from K13,807 million in 2006, driven by the 7% increase in deposits. Non-interest expenses also increased by 23% to K22,395 million from K18,255 million during the same period largely on account of a 26% increase in salary and employee related benefits.

Chart 26: Leasing Sub-sector Profit Before Tax, Dec 2005 - Dec 2007

Profit Before Tax



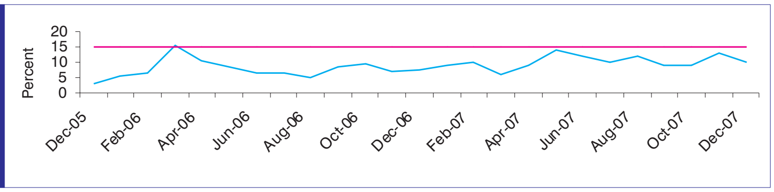
Liquidity

The general level of liquidity in the leasing sub-sector as measured by the ratio of liquid assets to total deposits and short-term liabilities averaged 10% which was below the prudential ratio of 15%. However a number of leasing companies had standby lines of credit with banks which provided them with liquidity as and when needed. Therefore, the liquidity of the sub-sector was designated fair as at 31 December 2007. Four out of the ten leasing companies in operation failed to meet the minimum prudential liquidity ratio of 15% for NBFIs (see Chart 27).

Chart 27: Leasing Sub-Sector Liquidity Trend, Dec 2005 - Dec 2007

Liquid assets to total deposits and short term liabilities ratio

Prudential minimum



Building Societies Sub-Sector

During the year, the overall performance of the building society sub-sector continued to improve as a result of capital injections and retained earnings. (See Tables 34a and 34b)

Capital Adequacy

As at 31 December 2007 the building society sub-sector's aggregate regulatory capital improved by 18% to negative K32,281 million from negative K39,351 million in 2006. The improvement in the capital position was largely due to the profit after tax recorded in the year amounting to K8,685 million. Out of the three building societies in operation, one did not meet the minimum risk-weighted regulatory capital of K10,823 million. In this regard, appropriate remedial measures were put in place by shareholders to recapitalise the financially distressed institution.

Table 34a: Year-End Composite Rating for the Building Society Sub-Sector, 2005 - 2007

Performance Category	Composite Rating Scale	Number of Building Societies			Proportion of Industry Assets (%)		
		2005	2006	2007	2005	2006	2007
Current Condition Satisfactory	1.0-2.0	0	0	2	0	0	37.4
Possible Emerging Problem	2.1-2.5	0	1	0	0	29.1	0
Watch	2.6-3.5	1	0	0	31.0	0	0
Problem	3.6 or greater	2	2	1	69.0	70.9	62.6
Total		3	3	3	100	100	100

Source: Bank of Zambia

Table 34b: Year-End Performance Rating for the Building Society Sub-Sector, 2005 - 2007

Performance Category	**Capital Adequacy** No. of Building Societies			**Asset Quality** No. of Building Societies			**Earnings** No. of Building Societies			**Liquidity** No. of Building Societies		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Strong	0	1	1	1	1	1	0	0	0	0	0	1
Satisfactory	0	0	1	0	0	0	1	1	3	0	1	2
Fair Needs Improvement	0	0	0	0	0	2	1	1	0	1	1	0
Marginal	1	0	0	1	1	0	0	1	0	0	0	0
Unsatisfactory	2	2	1	1	1	0	1	0	0	2	1	0
Total	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**

Source: Bank of Zambia

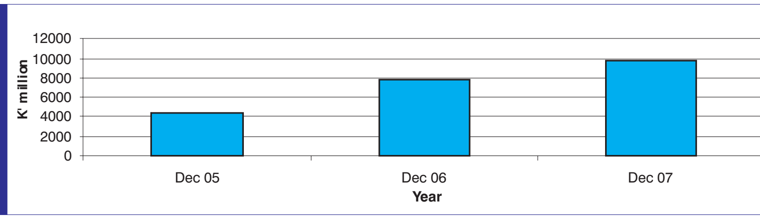
Asset Quality

The asset quality of the building society sub-sector was designated fair during the year. The proportion of non-performing assets to total assets was 0.11% in 2007, representing an increase of 0.06 percentage points from the previous year. Total assets of the sector increased by 58% to K222,839 million as at 31 December 2007 from K140,757 million as at 31 December 2006. The increase in total assets was largely accounted for by increases in net mortgage advances of K62,404 million and balances with financial institutions of K29,864 million.

Earnings Performance

During 2007, the earnings performance of the building society sub-sector was satisfactory, with profit before tax rising by 25% to K9,857 million compared to a profit of K7,869 million for 2006 (see Chart 28). The improvement in earnings performance was largely due to the increase in interest income by 35% to K24,819 million from K18,368 million in 2006, mainly on account of the growth in the mortgage portfolio.

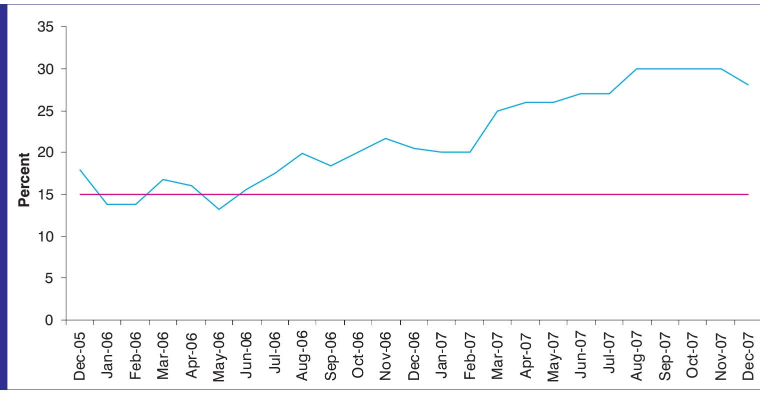
Chart 28: Building Society Sub-Sector Profit Before Tax,
Dec 2005 - Dec 2007



Liquidity

The average liquidity of the building society sub-sector, as measured by the ratio of liquid assets to total deposits and short-term liabilities was 26.6% in 2007. This was above the prudential minimum ratio of 25 percent for building societies and was therefore designated satisfactory (see Chart 29).

Chart 29: Building Society Sub-Sector Liquidity,
Dec 2005 - Dec 2007



Micro Finance Institutions

The financial condition and performance of the micro finance institutions (MFIs) was designated satisfactory. All the eight MFIs licensed and supervised by the Bank of Zambia were adequately capitalised as at 31 December 2007. The aggregate capital of the MFIs increased by 73% to K79,263 million as at 31 December 2007 from K45,701 million as at 31 December 2006. The increase was largely due to the after tax profit recorded in the year amounting to K43,664 million.

Total assets amounted to K254,687 million representing an increase of 78% from the position of K143,422 million as at 31 December 2006. Loans and advances constituted the largest component of total assets at 90% compared to 86% the previous year. The growth in assets was largely due to retained earnings and injections of capital into the sub-sector by new entrants.

Bureaux de Change

As at 31 December 2007, the bureau de change sub-sector was adequately capitalised. Out of the 36 bureaux de change, 35 met their minimum regulatory capital requirement of K40 million. The aggregate capital and reserves increased by 19% to K17,976 million in 2007 from K15,089 million in 2006, largely due to profits after tax of K4,274 million.

Total assets at K24,176 million represented an increase of 30% from K18,622 million in 2006. The increase in total assets was largely financed by retained earnings in 2007.

The volume of purchases and sales of foreign currency by bureaux de change amounted to K1,964,423 million (US$510 million) and K1,988,425 million (US $516 million), respectively. This, compared to K1,536,766 million (US$348 million) and K1,558,079 million (US $353 million) respectively in the previous year, represented an increase of 28% in the volume of transactions (see Chart 30).

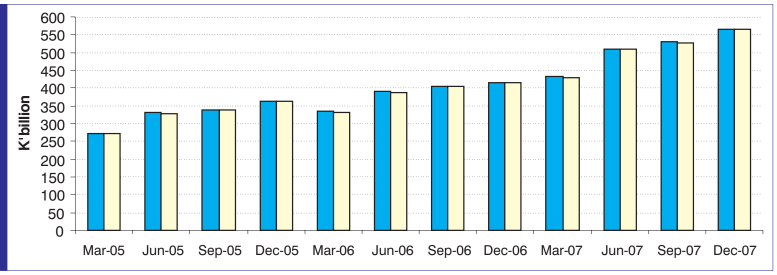


Chart 30: Bureau De Change Volumes of Transactions, Dec 2005 - Dec 2007

4.3 FINANCIAL SECTOR DEVELOPMENT PLAN[16]

Overview

During 2007, the implementation of the Financial Sector Development Plan (FSDP) gathered pace and a number of achievements were recorded. These included Cabinet approval of obtaining a sovereign credit rating for Zambia, enactment of the National Payments Systems Act 2007 and issuance of the Pensions and Insurance Levy Regulation 2007, introduction of bonds with tenors of 7, 10 and 15 years and the launch of the first credit reference bureau.

Sovereign Credit Rating

In 2007, Government approved sovereign credit rating for Zambia. In this regard, terms of reference for a financial advisor were developed. In addition, a mechanism for monitoring the implementation was developed. Sovereign credit rating is aimed at complimenting other Government initiatives to promote access to international financial markets.

Measuring Financial Access in Zambia

In 2007 FinMark Trust undertook the supply side study on the inclusiveness of Zambia's financial system. This was aimed at complimenting the study on the demand for financial services in Zambia whose results were released in 2006.

Pensions and Insurance Regulations

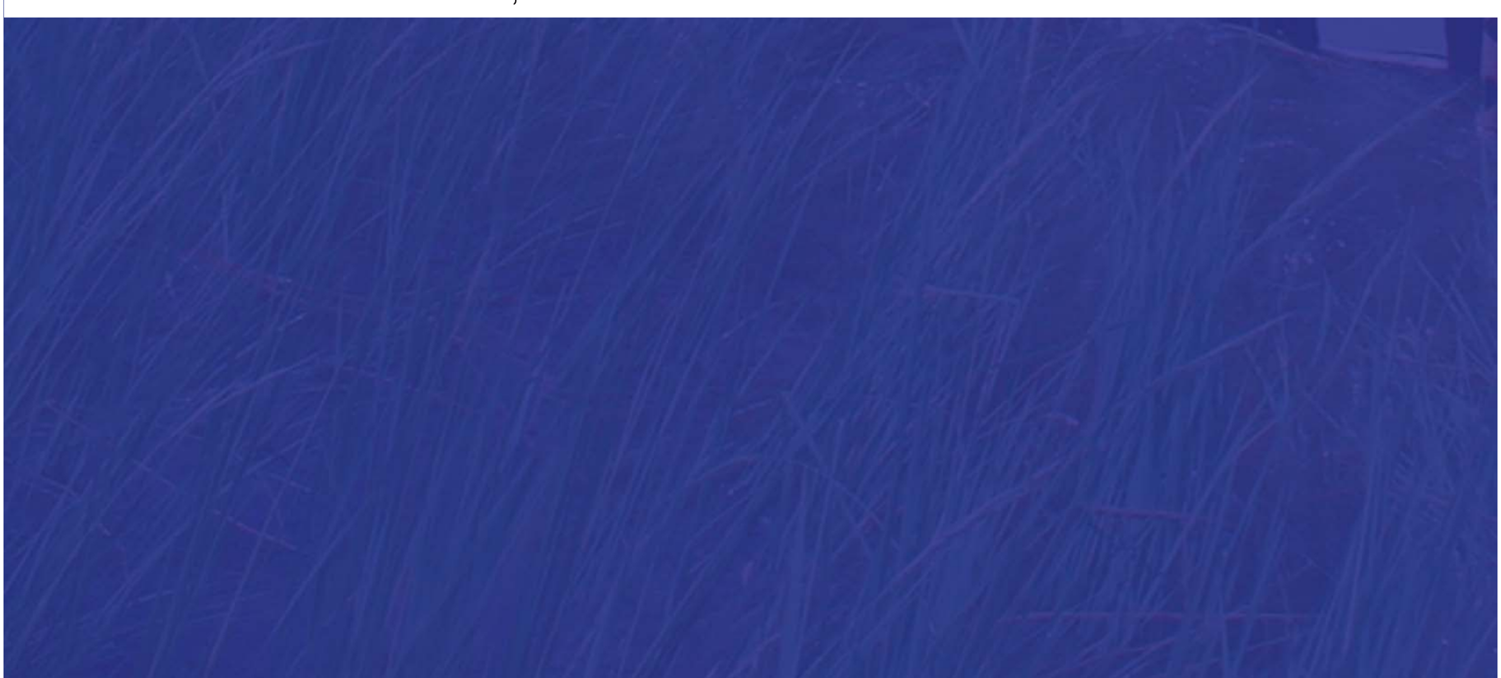
Regulations relating to the Pensions and Insurance Levy, 2007, came into effect on 14 December 2007. The regulations will enable Pensions and Insurance Authority (PIA) to raise funds for enhancing its operations.

Credit Reference Bureau

The first credit reference bureau, Credit Reference Bureau Africa Limited (CRBAL), which was licensed by Bank of Zambia on 5 June 2006 was formally launched on 11 January, 2007. To facilitate the operations of the bureau, all commercial banks signed the Service Level Agreement with CRBAL in 2007 and the bureau subsequently commenced data mining from commercial banks.

[16]The vision of the FSDP is to create a stable, sound and market-based financial system that will support the efficient mobilisation and allocation of financial resources necessary to achieve economic diversification, sustainable growth and poverty reduction.

5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS



5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

Overview

In 2007, the Bank of Zambia successfully continued to monitor account operations of commercial banks to ensure that all transactions were covered by adequate liquidity and that sufficient funds were available to meet all clearing obligations. In the area of currency, the Bank continued determining geographical requirements of banknotes and implementing the Clean Note Policy. Among the key developments in 2007, was the coming into effect of the National Payment Systems Act 2007 on June 15. Further, the Zambia Revenue Authority Tax Payment Stream was introduced in April 2007, allowing tax payments to be made using ZIPSS and therefore enhancing Government's efficiency in collecting tax revenue as payments made to tax accounts are received in real time.

5.1 Banking

In 2007, the Bank of Zambia continued to monitor account operations of commercial banks to ensure that all transactions were covered by adequate liquidity and that sufficient funds were available to meet all clearing obligations. In this regard, all commercial banks maintained the required clearing collateral levels. In addition, the Bank continued to act as banker to the Government by facilitating banking services for efficient revenue collections and transfers of funds to commercial banks.

Management of Project Loans

Zambia Agriculture Marketing and Processing Infrastructure Project

In 2007, the Bank continued to receive principal repayments and interest from Participating Commercial Banks (PCBs) on Zambia Agriculture Marketing and Processing Infrastructure Project (ZAMPIP) outstanding loans. As at 31st December 2007, principal repayments and interest earned, amounted to US $246,932 and US $27,718 respectively, leaving the amount outstanding from PCBs at US $356,602.0. The total funds available on the ZAMPIP US dollar revolving fund account as at 31st December 2007 stood at US $670,319.0.

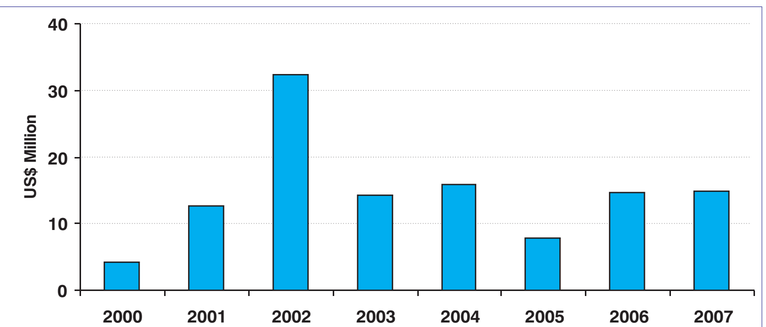
The Multi-Purpose Credit Facility

The Multi-Purpose Credit Facility (MCF), under the Enterprise Development Project (EDP), remained competitive in the provision of term-finance to the private sector through Participating Financial Intermediaries (PFIs).

In 2007, loans amounting to US $14.88 million were approved and disbursed under the MCF to sixteen (16) final borrowers compared to US $14.73 million disbursed to 30 borrowers in 2006, representing an increase of 1% in value terms.

Cumulatively, the number of successful applications as at 31 December 2007, stood at 332, with a total value of US $112.93 million since the project started in 2000 (see Chart 31).

Chart 31: Annual Disbursements, Dec 2000 - Dec 2007



5.2 Currency

In the area of currency, the Bank of Zamia continued determining geographical requirements of banknotes and implementing the Clean Note Policy. In this regard, the main activities undertaken included forecasting and supply of banknotes, withdrawing and replacing unfit banknotes, determining banknote requirements and undertaking country-wide currency awareness and sensitisation campaigns.

Currency in Circulation

Currency in circulation (CIC) increased by 24% to K1,515.0 billion at end-December 2007 from K1,226.0 billion at end-December 2006 on account of continued expansion of economic activities in various sectors of the economy. In this regard, the Bank of Zambia opened a sub-chest in Solwezi to meet the increasing demand for currency in the area, attributed to expansion in mining and related economic activities (see Charts 32, 33 and 34).

Chart 32: Monthly Currency in Circulation

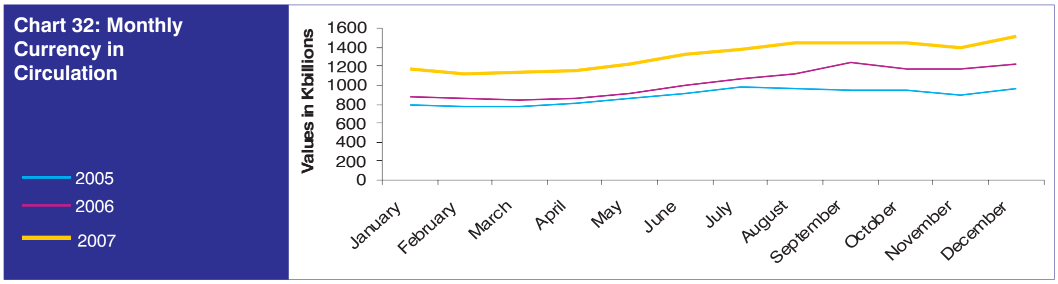


Chart 33: Value of Currency in Circulation, End 2003 - 2007

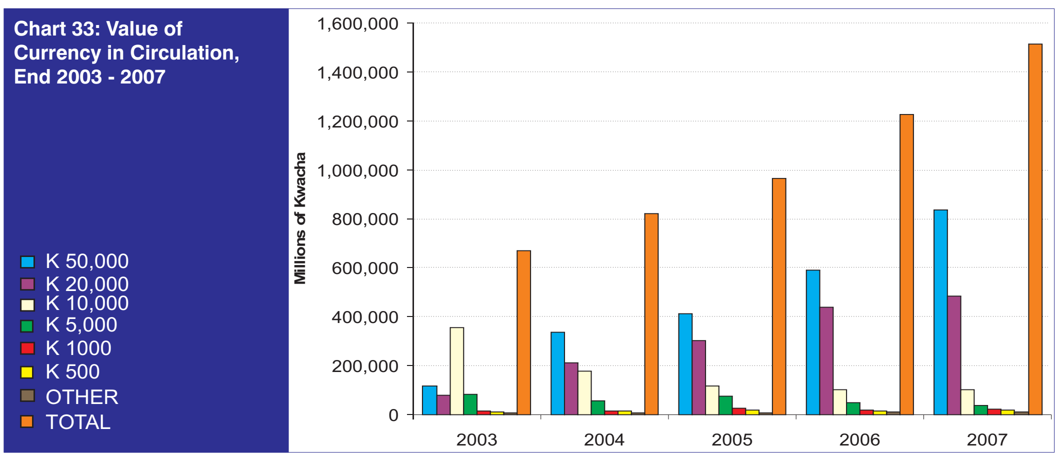
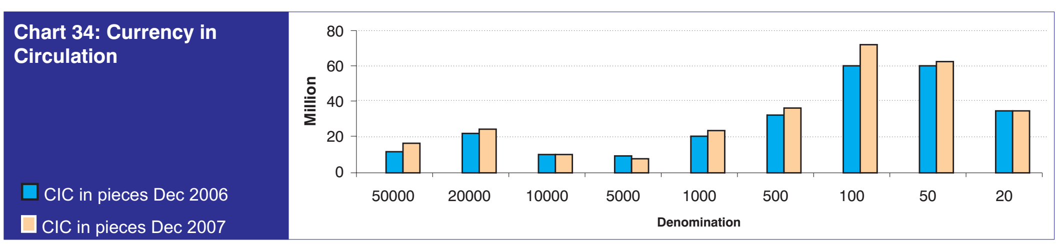


Chart 34: Currency in Circulation



Withdrawal and Replacement of Unfit Banknotes

Consistent with the Clean Note Policy, a total of 69.0 million pieces of unfit banknotes valued at K497.0 billion banknotes were withdrawn from circulation during the year. Of the banknotes withdrawn, 30.8 million pieces with a value of K23.9 billion were unfit polymer banknotes. In addition, a total of 58,990 pieces of mutilated banknotes with a value of K141.2 million were withdrawn.

During the same period, the Bank issued a total of 115.3 million pieces of new banknotes. Most of these banknotes were low value (K50, K100, K500 and K1000) and accounted for 61% of the total banknotes issued (see Table 35).

Table 35: Value and Pieces of New Banknotes, 2006 and 2007

	2006		2007	
Denomination	**Values**	**Pieces**	**Values**	**Pieces**
K 50,000	54,300,000,000	5,086,000	98,600,000,000	9,972,000
K 20,000	64,280,000,000	8,214,000	61,800,000,000	13,090,000
K 10,000	85,590,000,000	8,559,000	32,720,000,000	13,272,000
K 5,000	48,450,000,000	9,690,000	41,715,000,000	8,343,000
K 1,000	13,175,000,000	13,175,000	16,858,000,000	16,858,000
K 500	5,711,000,000	11,422,000	7,773,000,000	15,546,000
K 100	2,015,700,000	20,157,000	2,652,800,000	26,528,000
K 50	456,100,000	9,122,000	582,650,000	11,653,000
K 20	28,620,000	1,431,000	-	
TOTAL	**574,006,420,000**	**86,856,000**	**962,701,450,000**	**115,262,000**

Source: Bank of Zambia

Destruction of Unfit Banknotes

In 2007 a total of 71.2 million pieces of unfit banknotes, with a face value of K556.1 billion, were destroyed compared with 38.3 million pieces, valued at K181.3 billion in 2006. The destruction of the unfit banknotes was mostly through briquetting.

Currency Awareness and Sensitisation Campaigns

In order to enlighten the public on proper handling and storage of polymer and paper notes, the Bank of Zambia undertook currency awareness and sensitisation campaigns in 28 cities and towns. The campaigns were aimed at reducing incidences of willful mutilation, soiling and defacing of Zambian banknotes so as to contribute towards the realisation of the objectives of the Clean Note Policy. The campaign further aimed at ensuring that members of the general public and other stakeholders were both sensitised and enlightened on the identification of the main recognition and security features on the banknotes in order to guard against counterfeits.

5.3 Payment Systems

National Payment Systems Act

The National Payment Systems Act 2007 came into effect on June 15, 2007. The Act provides a statutory basis for Bank of Zambia to manage, administer, operate, regulate and supervise payment, clearing and settlement systems. The Act also empowers the Bank of Zambia to develop and implement payment system policy so as to promote efficiency, stability and safety of the Zambian financial system.

Item Value Limits on Payment Streams

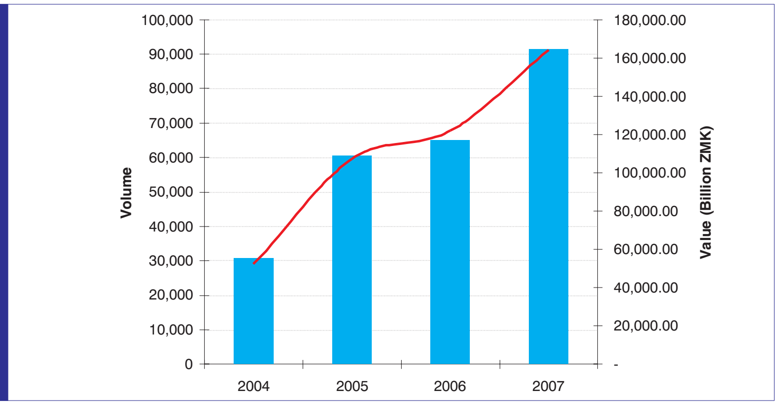
In April 2007, the Bank of Zambia, in conjunction with the Bankers Association of Zambia, introduced Item Value Limits (IVL) on the payment streams cleared through the Zambia Electronic Clearing House and Direct Debit and Credit Clearing (DDACC) payment streams. This initiative is aimed at increasing the efficiency of payments.

Under the IVL, the public can now channel payments of high value through the Real Time Gross Settlement (RTGS) system, allowing consumers real time access to their funds. Under this arrangement, all payments above K100 million are settled through the RTGS, while amounts below this threshold are paid by cheque, DDACC or any other electronic payment mechanism.

Zambia Interbank Payment and Settlement System

The Zambia Interbank Payment and Settlement System (ZIPSS) continued to operate satisfactorily with all commercial banks participating. The volume of transactions processed in 2007 increased by 41% to 91,462 transactions compared to 65,066 in 2006. The value of transactions similarly increased by 35% to K164,295 billion in 2007 compared to K121, 953 billion in 2006 (see Chart 35).

Chart 35: ZIPSS Volumes and Values 2004[17] - 2007



The increase in the volume and value of transactions under the ZIPSS was mainly attributed to the introduction of the Zambia Revenue Authority Tax Payment Stream, IVL on Physical Interbank Clearing (PIC) and DDACC payments.

Zambia Revenue Authority Tax Payment Stream

The introduction of the Zambia Revenue Authority Tax Payment Stream in April 2007 allowed tax payments to be made using ZIPSS. Under this arrangement, tax payers issue payment instructions to commercial banks to transfer funds through ZIPSS to the appropriate ZRA Tax Accounts at Bank of Zambia. The mechanism has enhanced Government's efficiency in collecting tax revenue as payments made to tax accounts are received in real time.

Physical Interbank Clearing System

In 2007, the volume of cheques processed through the Physical Inter-bank Clearing (PIC) system increased by 9% to 2.5 million from 2.3 million in 2006. Accordingly, the value of the cheques processed increased by 5% to K29,719 billion from K28,269 billion (see Table 36). The increase in both volume and value of cheques processed was attributed to increased economic activity.

Table 36: Physical Inter-Bank Clearing - Volumes & Values, 2005 - 2006

Month	Volumes				Values (K'billion)			
Month	**2005**	**2006**	**2007**	**% Change (2006 to 2007)**	**2005**	**2006**	**2007**	**% Change (2006 to 2007)**
Jan	171,061	186,399	206,242	11%	1,967	2,730	2,766	1%
Feb	176,048	174,012	187,580	8%	1,846	1,890	2,288	21%
Mar	181,308	197,805	203,588	3%	1,925	2,169	2,648	22%
Apr	187,446	168,603	193,629	15%	2,163	1,992	2,521	27%
May	189,185	197,208	213,672	8%	2,216	2,164	2,576	19%
Jun	196,870	198,018	204,793	3%	2,365	2,143	2,546	19%
Jul	181,561	186,036	211,029	13%	2,332	2,218	2,823	27%
Aug	202,159	203,501	217,821	7%	2,431	2,521	2,741	9%
Sep	197,424	185,071	202,495	9%	2,395	2,548	2,446	-4%
Oct	181,973	203,213	227,790	12%	2,318	2,754	2,224	-19%
Nov	190,130	202,921	218,272	8%	2,392	2,603	2,125	-18%
Dec	185,000	187,480	202,279	8%	2,413	2,536	2,015	-21%
Total	**2,240,165**	**2,290,267**	**2,489,190**	**9%**	**26,763**	**28,268**	**29,719**	**5%**
Monthly Average	**186,680**	**190,856**	**207,433**	**9%**	**2,230**	**2,356**	**2,477**	**5%**

Source: Zambia Electronic Clearing House Limited

Direct Debit and Credit Clearing System

The volume of transactions processed through DDACC increased by 27% to 895,637 in 2007 from 703,951 in 2006. Consistent with this, the value of transactions processed increased by 53% to K3,670 billion from K2,395 billion. The increase in the volume and value of transactions was attributed to the continued preference of the DDACC stream for the payment of small value transactions (see Table 37).

[17] 2004 ZIPSS figures are from June 21st, 2004 only.

Table 37: Direct Debit and Credit Clearing Volumes, and Values, 2005 - 2007

Month	Volumes				Values (K'billion)			
Month	**2005**	**2006**	**2007**	**% Change (2006 to 2007)**	**2005**	**2006**	**2007**	**% Change (2006 to 2007)**
Jan	38,541	54,118	63,150	*17%*	180	174	262	*51%*
Feb	43,449	51,912	57,061	*10%*	173	156	222	*42%*
Mar	41,177	56,713	68,793	*21%*	186	175	246	*41%*
Apr	41,032	48,115	68,715	*43%*	180	158	270	*71%*
May	51,998	62,421	71,446	*14%*	165	181	297	*64%*
Jun	46,857	54,499	64,965	*19%*	183	176	294	*67%*
Jul	38,528	51,846	82,784	*60%*	179	185	326	*76%*
Aug	51,483	69,766	76,622	*10%*	226	229	395	*72%*
Sep	47,265	49,776	53,993	*8%*	192	209	281	*34%*
Oct	44,974	67,831	92,768	*37%*	172	219	429	*96%*
Nov	52,274	61,783	89,236	*44%*	210	256	308	*20%*
Dec	66,539	75,171	106,104	*41%*	209	277	340	*23%*
Total	**564,117**	**703,951**	**895,637**	**27%**	**2,255**	**2,395**	**3,670**	**53%**
Monthly								
Average	**47,010**	**58,663**	**74,636**	**27%**	**188**	**200**	**306**	**53%**

Source: Zambia Electronic Clearing House Limited

Unpaid Cheques

During the year, the volume of unpaid cheques decreased by 33% to 17,270 (with a value of K173 billion) from 25,739 (with a value of K402 billion) in 2006 (see Table 38). The reduction in the level of unpaid cheques was a result of the Bank's continued efforts in enforcing the provisions of the Bank of Zambia CB Circular No. 23/2003 on unpaid cheques and the enactment of the National Payment Systems Act 2007. Under the Act, it is an offence, with severe sanctions on conviction including imprisonment.

Table 38: Unpaid Cheques Volumes and Values, 2005 - 2007

	Volumes				Values (K'billion)			
Month	**2005**	**2006**	**2007**	**% Change (2006 to 2007)**	**2005**	**2006**	**2007**	**% Change (2006 to 2007)**
Jan	1,827	2,506	1837	*-27%*	19	161	14	-19%
Feb	1,841	2,452	1409	*-43%*	9	28	12	-57%
Mar	1,878	2,744	1614	*-41%*	13	24	14	-42%
Apr	1,527	2,368	1286	*-46%*	12	20	9	-55%
May	1,812	2,037	1528	*-25%*	579	13	19	-46%
Jun	1,829	1,981	1281	*-35%*	18	21	14	-33%
Jul	2,241	1,833	1519	*-17%*	19	37	15	-59%
Aug	1,971	2,379	1,305	*-45%*	31	27	11	-59%
Sep	2,632	1,751	1,390	*-21%*	20	12	12	0%
Oct	1,914	2,075	1,285	*-38%*	13	23	25	9%
Nov	2,278	2,020	1,489	*-26%*	14	20	15	-25%
Dec	2,018	1,593	1,327	*-17%*	13	15	13	-13%
Total	**23,768**	**25,739**	**17,270**	*-33%*	**760**	**401**	**173**	-13%
Monthly								-57%
Average	**1,981**	**2,145**	**1,439**	*-33%*	**63**	**33**	**14**	-57%

Source: Zambia Electronic Clearing House Limited

6.0 RISK MANAGEMENT

6.0 RISK MANAGEMENT

During the year under review, the Bank continued implementing the Bank-wide risk management framework, which comprised three components, namely, operational risk management, business continuity management and the financial risk management.

Risk Management Sensitisation Workshops

The Bank-wide risk management sensitization workshops, which commenced in October 2006, continued during the reviewed period. The workshops, whose primary objective was to create awareness among all BoZ internal stakeholders and explain their envisioned roles and responsibilities in the risk management process, involved all members of staff as well as the Board of Directors. The workshops were completed in April 2007 and marked the end of Phase I of the implementation schedule.

Establishment of Middle Office Function at the Bank

The Middle Office Project Team, which was appointed in September 2006 to initiate the establishment of a formal Middle Office function at the Bank of Zambia, continued with its mandate in 2007. Pursuant to its mandate, the Project Team undertook tours of selected local commercial banks and other central banks in the SADC region and beyond to study the operations of the middle office. The Middle Office Project Team submitted its final report in December 2007.

Implementation of the Operational Risk Management Framework

The Bank continued its efforts to have the Operational Risk Management Framework, embraced by departments albeit with some difficulties. The critical phase of "Context Establishment" encountered some problems. To address this problem, the department embarked on redesigning and simplifying the Context Establishment Information Submission Templates.

Business Continuity Management Activities Disaster Recovery Test

During the year under review, the Bank undertook the partial testing of the Disaster Recovery (DR) site. The testing involved seven user departments, and was aimed at ensuring that the resumption of business operations at the DR site conformed to the recovery time and recovery point objectives as outlined in the ICT Disaster Recovery Plan. Despite a few problems encountered during the testing of the Real Time Gross Settlement (RTGS) system, the rest of the tests, involving other business processes, were satisfactory.

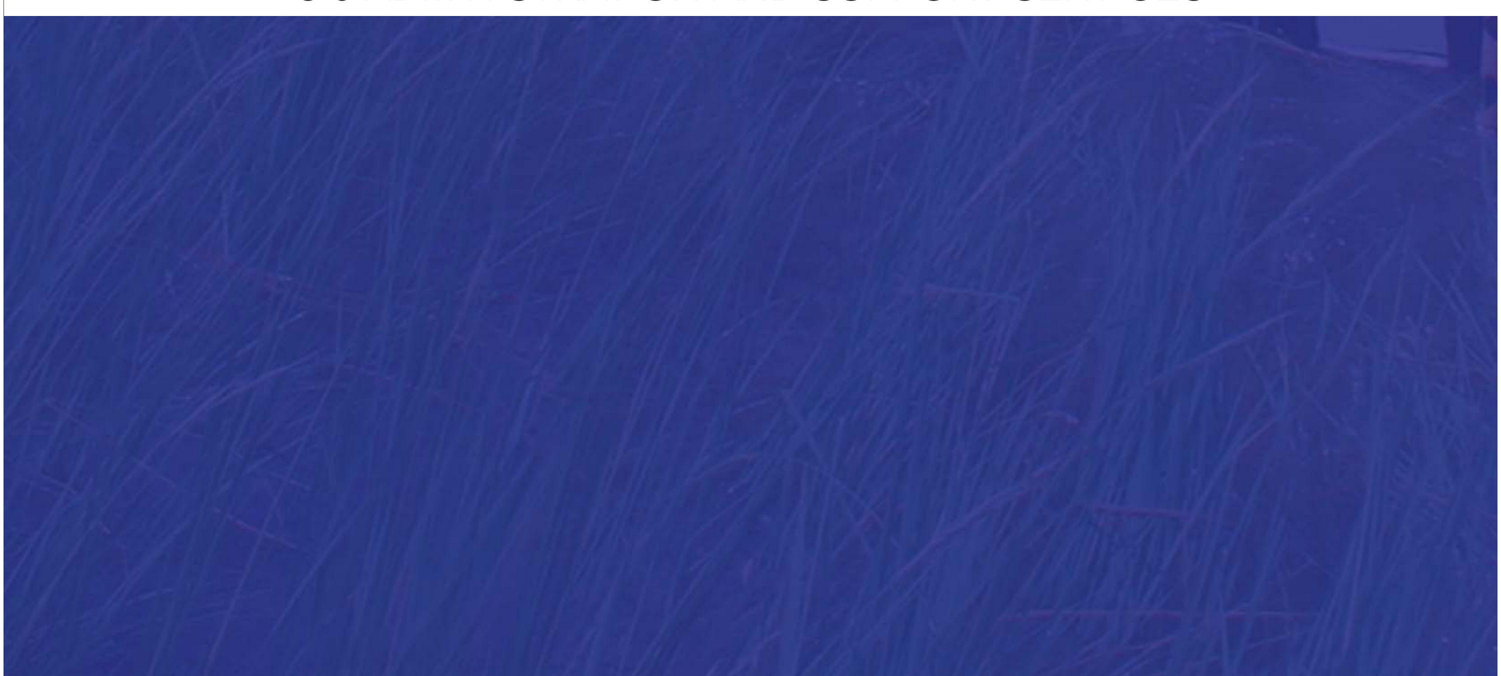
7.0 REGIONAL OFFICE

7.0 REGIONAL OFFICE

In 2007, the Regional Office continued to participate in targeted on-site inspections of commercial banks and non bank financial institutions, and pre-opening inspections of branches in the Region to ensure compliance with financial system regulatory requirements and guidelines. In addition, the Regional Office participated in carrying out several surveys that included the Quarterly Survey of Business Opinion and Expectations, Quarterly Private Sector External Debt Reconciliation Survey, Real Sector and the Tourism Sector Survey.

In order to provide improved financial services to its clients, the Regional Office installed a cheque encoder for the transmission of cheque clearing details to the clearing House in Kitwe.

8.0 ADMINISTRATION AND SUPPORT SERVICES



8.0 ADMINISTRATION AND SUPPORT SERVICES

8.1 Human Resources Management

8.1.1 *Structure and Staffing*

The total staff of the Bank was 607 against the establishment of 679. This compliment comprised 514 (85%) employees on permanent and pensionable service and 93 (15%) on fixed-term employment contracts (see Tables 39 and 40).

Table 39: Staffing Levels

		2005			2006			2007		
No.	**Functions**	**Estab**	**Actual**	**Diff**	**Estab**	**Actual**	**Diff**	**Estab**	**Actual**	**Diff**
1	Executive	10	9	-1	10	9	-1	10	9	-1
	Subtotal	***10***	***9***	***-1***	10	9	-1	10	9	-1
2	Core Departments									
	Economics	49	36	-13	49	41	-8	49	42	-7
	Bank Supervision	37	33	-4	37	38	-2	37	34	-3
	Non Banks Financial Institutions Supervision	34	31	-3	34	28	-6	34	32	-2
	Financial Markets	33	27	-6	33	31	-2	33	31	-2
	Banking, Currency & Payment Systems	93	70	-23	93	81	-12	93	85	-8
	Regional Office	120	120	0	120	117	-3	120	116	-4
	Subtotal	***366***	***317***	***-49***	366	336	-33	***366***	***340***	***-26***
3	Support Services									
	Finance	44	40	-4	44	39	-5	44	37	-7
	Procurement & Maintenance Services	73	61	-12	73	65	-8	73	67	-6
	Human Resources	38	39	1	38	33	-5	38	32	-6
	Information & Communications Technology	39	25	-14	39	31	-8	39	33	-6
	Bank Secretariat	19	13	-6	19	15	-4	19	16	-3
	Security Services	53	51	-2	53	49	-4	53	48	-5
	Internal Audit	26	21	-5	26	21	-5	26	20	-6
	Risk Management Department	4	3	-1	11	4	-7	11	5	-6
	Subtotal	***296***	***253***	***-43***	303	257	-46	***303***	***258***	***-45***
	TOTAL	**672**	**579**	**-93**	679	599	-80	679	607	-72

Source: Bank of Zambia

Table 40: Distribution of Staff

Office	**Permanent & Pensionable Staff**			**Contract Staff**			**Grand**
	Male	**Female**	**Subtotal**	**Male**	**Female**	**Subtotal**	**Total**
Lusaka	275	126	**401**	50	30	80	481
Ndola	76	37	**113**	10	3	13	126
Subtotal	**351**	**163**	**514**	**60**	**33**	**93**	**607**

Source: Bank of Zambia

8.1.2 *Staff Movements*

During the reviewed year, the Bank hired a total of 19 new employees on three-year fixed term contracts, while 11 separations were recorded, resulting in a net staff increase of 8 (see Table 41).

Table 41: Staff Movements, 2007

MOVEMENT TYPE	MONTH												TOTAL
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Recruitments	0	1	5	3	1	1	2	0	0	0	6	0	19
Reinstatement	0	0	0	0	0	0	0	0	0	0	6	0	0
Total Inward Staff Movements	0	1	5	3	1	1	2	0	0	0	0	0	19
Dismissals	0	0	0	0	0	0	0	0	0	0	0	0	0
Resignations	1	1	0	3	0	0	0	3	0	0	0	0	8
Statutory Retirements	0	0	0	0	0	0	0	0	0	1	0	1	2
VESS	0	0	0	0	0	0	0	0	0	0	0	0	0
Death	0	0	0	0	0	1	0	0	0	0	0	0	1
Total Outward Staff Movements	1	1	0	3	0	1	0	3	0	1	0	1	11
Net Staff Movements	-1	0	+5	0	+1	0	+2	-3	0	-1	+6	-1	+8

Source: Bank of Zambia

8.1.3 *Capacity Building Programmes*

8.1.3.1 *Talent Development and Nurturing*

The Bank continued to provide talent capacity building programmes through scholarships, tuition and paid study leave for staff to improve their proficiency using various institutions and the Bank's In-Service Training Centre (ISTC). A total of 23 Bank employees completed various study programmes in 2007 (see Table 42).

Table 42: Study Programmes, 2002 - 2007

	YEAR						TOTALS
PROGRAMME	2002	2003	2004	2005	2006	2007	
PhD	0	1	0	1	2	3	7
Masters Qualifications; MBA, LLM, MSc etc	2	6	8	9	7	8	40
Bachelors Degrees in Laws, Banking & Financial Services, Public Administration & Computing	0	2	4	2	1	3	12
Professional Qualifications; Chartered Financial Analyst, Certified Internal Auditors & Association of Certified Chartered Accountants	0	4	1	0	1	1	7
Diplomas in Business Management, Public Administration, Treasury & International Banking, Computing, Banking, Purchasing & Supply & accounting	2	15	12	3	5	8	45
TOTAL	4	28	25	15	16	23	111

Source: Bank of Zambia

8.1.3.2 *Performance Management System*

The Bank embarked on a project to revise its Performance Management System with the help of Messrs P3 Africa Consultancy (Pty) Limited of South Africa in 2007.

8.1.3.3 *University Chairs*

The Bank of Zambia renewed the two Memoranda of Understanding (MoU) for another three years with the University of Zambia (UNZA) and the Copperbelt University (CBU) for the continued provision of financial support to the two institutions.

A notable change in the new MoUs was the provision of separate funding for research purposes. The Bank also undertook to continue supporting the five outstanding students from each of the two faculties, Economics at UNZA and Business Administration at CBU.

8.1.3.4 *Library and Records Management*

In order to enhance improved access to records and operational efficiency, the Bank procured an Electronic Document Management System (EDMS) whose full implementation is scheduled for 2008. The Bank also continued with the programme of Bank-wide centralisation of registries.

8.1.3.5 *Organisation Development*

The Bank continued to monitor and review its performance as contained in its 2004-2007 Strategic Plan. With the support of local consultants and experts from the International Monetary Fund (IMF), the Bank commenced the preparation of the 2008-2011 Strategic Plan.

8.1.4 *Employee Relations*

During the year, the industrial relations environment in the Bank remained harmonious despite some difficulties which were experienced during the collective bargaining process. Management and the Bank of Zambia branch of the Zambia Union of Financial Institutions and Allied Workers (ZUFIAW) declared a collective dispute in October 2007 and, in line with the Law, appointed a Board of Conciliation to mediate in the dispute. However, in the spirit of mutual understanding, management and the Union resolved to engage in consultative talks which resulted in the eventual resolution of the dispute.

8.1.5 ***Staff Welfare***

8.1.5.1 ***Recreation***

In the period under review, Management approved a rehabilitation plan of the Clubhouse in an effort to raise the standard of the club to enhance staff interaction.

8.1.5.2 ***Health and Safety***

8.1.5.2.1 Clean Work Environment Campaigns

In 2007, the Bank embarked on various programmes to improve its work environment and the community it serves in line with the 'Keep Zambia Clean and Healthy campaign'.

8.1.5.2.2 Employee Health

Building on the gains made in previous years, sensitisation campaigns on HIV/AIDS were intensified in 2007. A total of 45 members of staff underwent Voluntary Counselling and Testing (VCT), indicating a decline of 25% from the 2006 number of 60. The number of Staff and their dependants accessing Antiretroviral drugs (ARVs) increased to 163 from 144 in 2006. The increase in people accessing ARVs reflected a sustained effort by Management to encourage VCT among staff and their dependants (see Table 43).

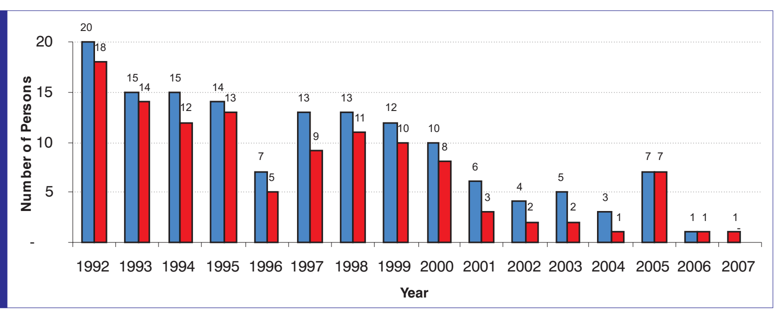
Table 43: Beneficiaries of VCT and/or Arts, 2000 - 2007

	NUMBER OF BENEFICIARIES			TOTALS
YEAR	Staff	Spouses	Children	
2000	2	0	0	2
2001	11	2	3	16
2002	20	13	2	35
2003	7	6	2	15
2004	59	30	11	100
2005	78	38	14	130
2006	81	46	17	144
2007	94	51	18	163

Source: Bank of Zambia

The downward trend in total deaths continued, indicative of the effectiveness of the interventions that the Bank put in place to combat the HIV/AIDS scourge. As a result, during the period under review, the Bank did not record any HIV/AIDS related deaths (see Chart 36).

Chart 36: Staff Mortality Trend, 1992 - 2007



8.2 **Internal Audit**

During 2007, the Bank, through internal audit activities continued with evaluations of the effectiveness of internal controls over the accounting, operational and administrative functions of the Bank. The audits were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and Control Objectives for Information and related Technology (COBIT). In addition, the Bank continued to use Computer Assisted Auditing Tools, namely, Auto Audit and Audit Command Language (ACL) in undertaking its audit assignments.

In line with best practice, a full quality assessment was undertaken by PricewaterhouseCoopers on the Bank's Internal Audit Services for the five year period up to December 2006. The assessment revealed that, overall, the Bank complied with the International Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors (IIA) of the United States of America.

8.3 Finance

In 2007, the Bank continued to ensure sound budgetary and financial controls and prepared audited financial statements for the year 2006 in line with International Financial Reporting Standards (IFRS). The financial statements were approved by the Board in May 2007, well within the statutory requirement of six months after the end of the financial year. Furthermore, the Bank continued to maintain efficient and reliable receipts and payments systems to cater for the needs of internal and external clients, such as, Government, commercial banks and suppliers of goods and services.

8.4 Bank Secretariat

During the review period, the Board of Directors held four regular and three special Board meetings at which numerous important decisions were made. These included the following:

- Introduction of a Policy on Fixed Term Contracts;
- Introduction of the Whistleblower Policy;
- Re-aligning and increasing the membership of the Monetary Policy Advisory Committee (MPAC);
- Introduction of Staff Loan Facilitation from other financial institutions;
- Introduction of a Redundancy Policy for Management Staff; and
- Revisions to and reinstatement of the Voluntary Early Separation Scheme (VESS).

Building upon an exercise that commenced in 2005, the law review exercise gained particular momentum in the year under review and resulted in the enactment of the National Payment Systems Act. In addition, several Gazette notices prescribing certain regulatory requirements were issued in accordance with the Bank of Zambia Act and the Banking and Financial Services Act. The Bank also continued to actively participate in the SADC central bank governors' initiative to develop a model central bank law for the region.

As part of its Corporate Social Responsibility programme, the Bank continued to be active in the community by assisting needy institutions such as the University Teaching Hospital, Kalingalinga Hospice, and other charitable organisations. The Bank also continued to maintain the Mukuyu Slave Tree in Kabwe as part of the Tree's restoration and preservation.

In 2007, the Bank working with other stakeholders hosted two international conferences themed; Making Finance Work for Africa: Southern Africa Round-Table Discussion (7^{th} – 9^{th} May 2007) and Central Bank Independence: Does it Hurt the Treasury? (12^{th} – 13^{th} November 2007).

The Bank of Zambia continued to disseminate information to the public through several publications that included the ***Monetary Policy Statement*, *Statistics Fortnightly*, *Quarterly Financial and Statistical Review***, and the ***ZAMBANKER***. The dissemination was also done through the quarterly media briefs, media and parliamentary seminars, and participation at the Zambia International Trade Fair, the Copperbelt Mining and Commercial Show and the Agriculture and Commercial Show of Zambia.

The Governor, Dr Caleb M. Fundanga, was honoured with two international awards in 2007. In January 2007, he was given the Central Bank Governor of the Year for Africa and for the World AWARD by the Financial Times. The event was held in Lusaka at State House and was officiated by His Excellency the President Dr. Levy Mwanawasa Sc. The Governor was further honoured with the African Governor of the Year Award by Standard Bank in October 2007 in Washington DC.

8.5 Information and Communications Technology

During 2007, the Bank continued with its program of implementing the Control Objectives for Information and related Technologies (COBIT) as a framework for IT Governance. The development of the COBIT framework was augmented by other industry standards such as the ISO 17799/27000, Information Technology Infrastructure Library (ITIL) and the Project Management Institute (PMI) standards on project management. As a result of adopting these standards, the Bank conducted the first ever partial disaster recovery test at its disaster recovery site.

Further, the Bank undertook the following projects:

- Upgrading of the SWIFT infrastructure. Specifically, the SWIFTNet Phase 2 C1 infrastructure upgrade was completed on the production, test and training and contingency environments;
- Implementation of the Encoder System for Cheque Clearing and Imaging at Regional Office. This milestone ensured that the Bank had identical equipment at both locations thereby reducing support related costs;
- Upgrading of the Reuters System from version 5.0 to 6.0 to improve efficiency in information gathering and dissemination;
- Implementation of the Vehicle Fleet Management Systems on a centralised database system for the Head and Regional Offices;

8.6 Security Activities

During the year, the Bank conducted counterfeit sensitisation workshops throughout the country. This was aimed at raising awareness levels among the public on counterfeit matters.

8.7 Procurement and Maintenance

In 2007, the Bank of Zambia continued to implement the new "open floor concept", which has several advantages including efficient utilisation of space and accompanying improvements in office lighting and air conditioning. The concept also improves the management of voice, data and power cables.

9.0 FINANCIAL STATEMENTS

Bank of Zambia

Financial statements
for the year ended 31 December 2007

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Bank of Zambia

Directors' responsibilities in respect of the preparation of financial statements

The Bank's directors are responsible for the preparation and fair presentation of the financial statements, comprising the balance sheet as at 31 December 2007, and the income statement, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the Bank of Zambia Act, No. 43 of 1996.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the Bank will not be a going concern in the year ahead.

Approval of the financial statements

The financial statements of the Bank as indicated above and set out on pages 70 to 105 were approved by the Board of Directors on 29 May 2008 and signed on its behalf by:

Governor

Director

KPMG Zambia
Nkwazi House, Stand No. 25/26
Corner Nkwazi/Cha Cha Cha Roads
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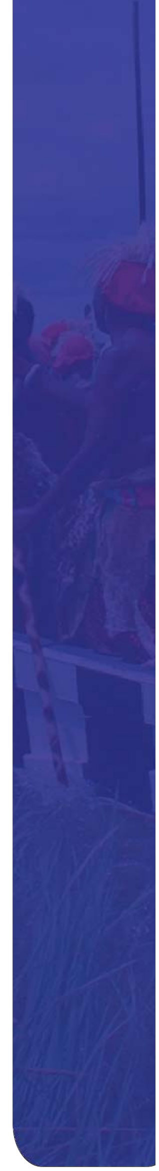

Independent auditor's report to the Members of Bank of Zambia

Report on the financial statements

We have audited the financial statements of the Bank of Zambia ("the Bank") which comprise the balance sheet as at 31 December 2007, and the income statement, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 74 to 105.

Directors' responsibility for the financial statements

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Bank of Zambia Act, No. 43 of 1996. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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 comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank of Zambia as at 31 December 2007, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Bank of Zambia Act, No. 43 of 1996.

Report on other legal and regulatory requirements

We report that, in our opinion, proper books of account and other records relating to the Bank's accounts have been kept in accordance with Section 25 (1) of the Bank of Zambia Act, No. 43 of 1996.

KPMG
Chartered Accountants of Zambia

Hampande Hachongo
Partner

29 May 2008
Lusaka, Zambia

Bank of Zambia

Income statement
for the year ended 31 December 2007

In millions of Zambian Kwacha

	Note	2007	2006 (Restated)
Interest income	7	**319,095**	251,433
Interest expense	7	**(84,008)**	(60,136)
Net interest income		**235,087**	191,297
Fee and commission income	8	**35,135**	26,282
Fee and commission expense	8	**(80)**	(103)
Net fee and commission income		**35,055**	26,179
Net income from foreign exchange transactions		**7,903**	8,996
Other operating (expense)/income	9	**(277,648)**	531,304
		(269,745)	540,300
Operating income		**397**	757,776
Net impairment (loss)/reversal on financial assets	10	**(1,685)**	5,413
Personnel expenses	11	**(203,194)**	(186,713)
Depreciation and amortisation	26,27	**(12,474)**	(14,921)
Other expenses	12	**(87,334)**	(87,765)
(Loss)/profit for the year		**(304,290)**	473,790

The notes on pages 74 to 105 form part of these financial statements.

Bank of Zambia

Balance sheet
as at 31 December 2007

In millions of Zambian Kwacha

	Notes	2007	2006 (restated)
Assets			
Domestic cash in hand		**1,747**	1,993
Foreign currency cash and bank accounts	14	**4,145,314**	3,107,405
IMF Subscriptions	15	**3,085,870**	2,219,656
Loans and advances	16	**38,569**	41,374
IMF funds receivable from Government	17	**68,837**	75,956
Held-to-maturity financial assets	18	**1,963,491**	1,950,308
Held-for-trading financial assets	20	**-**	1,906
Amounts due from closed banks	21	**-**	-
Items in course of settlement	23	**40,609**	125,181
Other assets	24	**5,508**	6,041
Available-for-sale investments	25	**2,786**	2,839
Property, plant and equipment	26	**184,466**	183,401
Intangible assets	27	**1,835**	3,216
Total assets		**9,539,032**	7,719,276
Liabilities			
Notes and coins in circulation	29	**1,515,151**	1,226,161
Foreign currency liabilities to other institutions	30	**90,724**	159,407
Foreign currency liabilities to IMF	31	**334,023**	149,765
Domestic currency liabilities to IMF	32	**3,085,870**	2,219,656
Deposits from the Government	33	**1,951,177**	1,100,531
Deposits from banks and other financial institutions	34	**2,066,714**	2,055,271
Other deposits	35	**29,616**	47,094
Provisions	36	**4,000**	2,890
Other liabilities	37	**47,816**	28,770
Employee benefits	38	**-**	11,500
Total liabilities		**9,125,091**	7,001,045
Equity			
Capital	39	**10,020**	10,020
General reserve fund	40	**42,490**	42,490
SDR allocation	40	**246,897**	246,897
Property revaluation reserves	40	**147,684**	150,945
Retained earnings	40	**(33,150)**	267,879
Total equity		**413,941**	718,231
Total liabilities and equity		**9,539,032**	7,719,276

These financial statements were approved by the Board of Directors on 29 May 2008.

Governor *Director*

The notes on pages 74 to 105 form part of these financial statements.

Bank of Zambia

Statement of Changes in Equity
for the year ended 31 December 2007

In millions of Zambian Kwacha

	Share capital	General reserve fund	SDR allocation	Property revaluation reserve	Retained earnings	Total
Balance at 1 January 2006	10,020	36,456	246,897	154,677	(203,113)	244,937
Net income recognised directly in equity:						
- Reversal of revaluation surplus on land	-	-	-	(496)	-	(496)
Profit for the year as restated	-	-	-	-	473,790	473,790
Total recognised income and expense for the year as restated	-	-	-	(496)	473,790	473,294
Transfer to General reserve fund from Retained earnings	-	6,034	-	-	(6,034)	-
Amortisation of revaluation surplus relating to properties	-	-	-	(3,236)	3,236	-
Balance at 31 December 2006 as restated	10,020	42,490	246,897	150,945	267,879	718,231
Balance at 31 December 2006 as previously reported	10,020	42,490	246,897	150,945	310,624	760,976
Prior year adjustment (Note 43)	-	-	-	-	42,745	42,745
Balance at 31 December 2006 as restated	**10,020**	**42,490**	**246,897**	**150,945**	**267,879**	**718,231**
Balance at 1 January 2007	**10,020**	**42,490**	**246,897**	**150,945**	**267,879**	**718,231**
Net income recognised directly in equity:						
Amortisation of revaluation surplus relating to properties	-	-	-	(3,261)	3,261	-
Loss for the year	-	-	-	-	(304,290)	(304,290)
Total recognised income and expense for the year as restated	**-**	**-**	**-**	**(3,261)**	**301,029**	**(304,290)**
Balance at 31 December 2007	**10,020**	**42,490**	**246,897**	**147,684**	**(33,150)**	**413,941**

The notes on pages 74 to 105 form part of these financial statements.

Bank of Zambia

Statement of cash flows
for the year ended 31 December 2007
In millions of Zambian Kwacha

	Notes	**2007**	2006
Cash flows from operating activities			
(Loss)/profit for the year		**(304,290)**	473,790
Adjustment for:			
- Depreciation/amortisation	*26,27*	**12,474**	14,921
- Dividends received		**(152)**	(105)
- Profit on disposal of property, plant and equipment		**(1,163)**	(122)
- Impairment loss on available-for-sale investments		**53**	-
- Impairment loss on other assets		**2,022**	(7,534)
- Impairment loss on amounts due from closed banks		**(390)**	2,121
- Movement in provisions during the year	*36*	**1,110**	3,067
- Reversal of revaluation on land		**-**	(496)
- Property, plant and equipment adjustments		**88**	900
		(290,248)	486,542
Changes in operating assets and liabilities			
Change in IMF subscription		**(866,214)**	(1,259,659)
Change in loans and advances		**2,805**	286,507
Change in IMF funds receivable from Government		**7,119**	2,018,485
Change in held-to-maturity financial assets		**(13,183)**	(299,778)
Change in held-for-trading financial assets		**1,906**	(1,828)
Change in amounts due from closed banks		**390**	2,170
Change in items in course of settlement		**84,572**	(38,543)
Change in available-for-sale investments		**-**	-
Change in other assets		**(1,489)**	6,740
Change in notes and coins in circulation		**288,990**	261,777
Change in foreign currency liabilities to other institutions		**(68,683)**	(150,159)
Change in foreign currency liabilities to IMF		**184,258**	(1,944,676)
Change in domestic currency liabilities to IMF		**866,214**	1,259,659
Change in deposits from the Government		**850,646**	234,290
Change in deposits from banks and other financial institutions		**11,443**	750,728
Change in other deposits		**(17,478)**	44,983
Change in employee benefits		**(11,500)**	11,500
Change in other liabilities		**19,046**	(24,740)
		1,048,594	1,643,998
Dividends received		**152**	105
Net cash generated from operating activities		**1,048,746**	1,644,103
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	*26,27*	**(12,325)**	(10,313)
Proceeds from sale of property, plant and equipment		**1,242**	146
Net cash out flows from investing activities		**(11,083)**	(10,167)
Net change in cash and cash equivalents		**1,037,663**	1,633,936
Cash and cash equivalents at the beginning of year		**3,109,398**	1,475,462
Cash and cash equivalents at the end of the year		**4,147,061**	3,109,398
Cash and cash equivalents at the end of the year comprise of:			
Domestic cash in hand		**1,747**	1,993
Foreign currency cash and bank accounts		**4,145,314**	3,107,405
		4,147,061	3,109,398

The notes on pages 74 to 105 form part of these financial statements.

Bank of Zambia

Notes to the financial statement
for the year ended 31 December 2007

1 **Principal activity**

The Bank of Zambia's (the "Bank" or "BoZ") principal activity, which is governed by the provisions of the Bank of Zambia Act No. 43 of 1996, is central banking and its related activities.

2 **Basis of preparation of financial statements**

(a) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards and comply with the requirements of the BoZ Act No. 43 of 1996. In preparing these financial statements, the Bank has not early adopted applicable amendments and interpretations to published standards that are effective on 1 January 2008 or later (refer to note 6).

(b) Basis of measurement

The financial statements have been prepared on the historical cost convention except for the following:

- Financial instruments at fair value through profit and loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value except where fair value cannot be determined.

(c) Functional and presentation currency

These financial statements are presented in Zambian Kwacha, which is the Bank's functional and presentation currency. Except where indicated financial information presented in Kwacha has been rounded to nearest million.

3 **Significant accounting policies**

The accounting policies set out below have been applied consistently to both periods presented in these financial statements.

(a) Interest income and expense

Interest income includes interest earned on fixed income investment securities, income on foreign currency dealings, accrued discounts on treasury bills, interest from advances to financial institutions. Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Where the financial assets have been impaired, recognition of interest income is suspended.

(b) Fee and commission income

Fee and commission income, including account servicing fees, supervision fees, licensing and registration fees, are recognised as the related services are performed.

Other fee and commission expense relate mainly to transaction and service fees on foreign currency transactions, which are expensed as the services are received.

(c) Other operating income

Other operating income comprises gains less losses related to financial and non-financial assets and liabilities, and includes all realised and unrealised fair value changes on financial assets and liabilities at fair value through profit and loss, dividends received and foreign exchange differences.

Other income is recognised in the period in which it is earned and when it is probable that economic benefits will flow to the Bank on accrual basis, except for dividend income from available for sale investments which is accounted for in the income statement as other income when the right to receive payment is established.

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

3 Significant accounting policies *(continued)*

(d) Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the loss events.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or debt issuers in that group, or economic conditions that correlate with defaults in the group of assets.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

When a loan is uncollectible, it is impaired. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss. Reversals of impairment loss on available-for-sale equity instruments are recognised directly in equity. Subsequent reversals of impairment losses on available-for sale debt securities are reversed through the income statement.

(e) Foreign currencies

Transactions in foreign currencies are translated to the Bank's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Bank's functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the fair values were determined. Foreign exchange differences arising on translation are recognised in the income statement, except for differences arising on the translation of available for sale equity instruments.

(f) Financial instruments

(i) Classification

Management determines the appropriate classification for financial instruments on initial recognition of the financial assets and financial liabilities. Financial instruments of the Bank are classified as follows:

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

3 Significant accounting policies *(continued)*

(f) Financial instruments *(continued)*

(i) Classification *(continued)*

Financial assets

Loans and receivables

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

- Domestic cash in hand;
- Foreign currency cash and bank balances;
- IMF subscriptions;
- Loans and advances;
- IMF funds receivable from Government;
- Amounts due from closed banks;
- Items in course of settlement; and
- Other assets.

Held -for- trading

The Bank has classified all treasury bills as financial assets held-for-trading except for the treasury bills arising from the November 2006 conversion of a portion of the GRZ consolidated bond and the staff savings treasury bills.

Held-to-Maturity

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

- GRZ consolidated bond;
- Other GRZ securities; and
- Staff savings treasury bills.

Available- for- sale

The Bank's equity investments are considered to be available for sale financial assets.

Financial liabilities

The Bank has classified the following as other financial liabilities stated at amortised cost:

- Notes and coins in circulation;
- Foreign currency liabilities to other institutions;
- Foreign currency liabilities to IMF;
- Domestic currency liabilities to IMF
- Deposits from the GRZ;
- Deposits from banks and other financial institutions; and
- Other deposits.

(ii) Recognition

The Bank recognises financial assets which are classified as held-for-trading and available for sale and financial liabilities on the date the Bank becomes party to the contractual provisions of the financial instrument 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 securities, loans and advances and other financial liabilities are recognised on the day they are transferred to the Bank or the date they are originated.

(iii) Measurement

Financial instruments are measured initially at fair value. However for financial instruments not at fair value through profit or loss, such instruments are measured initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition financial assets and financial liabilities are measured as described below:

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

3 Significant accounting policies *(continued)*

(f) Financial instruments *(continued)*

(iii) Measurement *(continued)*

Held-to-maturity investments

If the Bank has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Bank's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Bank manages such investments and makes purchase and sale decisions based on their fair value or if it eliminates or significantly reduces measurement or recognition inconsistency. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other financial instruments

All other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Unquoted equity instruments whose fair value cannot be reliably measured are carried at cost.

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

(iv) De-recognition

The Bank de-recognises financial assets or a portion thereof when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

A financial liability is de-recognised when the Bank's contractual obligations have been discharged, cancelled or expired.

(v) Offsetting

The Bank offsets financial assets and liabilities and presents the net amount in the balance sheet when and only when, there is a legally enforceable right to offset the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses, arising from a group of similar transactions such as the Bank's trading activity.

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

3 Significant accounting policies *(continued)*

(g) Property, plant and equipment

(i) Recognition and measurement

Property, which comprises offices and residential buildings, is measured at revalued amount less accumulated depreciation and impairment losses. Other items included in property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the item's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are charged to the income statement during the financial period in which they are incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment to write off the depreciable amount of the various assets over the period of their expected useful lives

The depreciation rates for the current and comparative period are as follows:

Leasehold buildings		2%
Fixtures and fittings		4%
Plant and machinery		5%
Furniture 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%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(iv) Capital work-in-progress

Capital work-in-progress represents assets in the course of development, which at balance sheet date would not have been brought to use. No depreciation is charged on capital work-in-progress.

(h) Intangible assets-Computer software

Computer software acquired by the Bank is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised through the income statement on a straight-line basis over the estimated useful lives of the software, from the date that it is available for use. The current estimated useful life of the software is three years. All other expenditure on computer software, such as licence fees, is expensed as incurred.

(i) Land

Land is held on lease from the GRZ for a maximum period of 99 years. The prepaid lease rentals made at inception are insignificant and therefore not separated from the carrying value of the buildings.

Bank of Zambia

Notes for the year ended 31 December 2007 (*continued*)

3 Significant accounting policies *(continued)*

(j) Revaluation surplus

The surplus arising on revaluation of property is credited to the revaluation reserve. A transfer, reflecting the portion of revaluation realized through use, is made from this reserve to the retained earnings for each year equivalent to the difference between the actual depreciation charge for the year based on revalued carrying amount and the depreciation charge based on original costs.

(k) Office stationery and other consumables

Office stationery and other consumables are included in other assets. These consumables represent bulk purchases and are held for consumption over more than one financial year.

(l) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets that are subject to depreciation and amortisation are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss had been recognised.

(m) 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 out-flow 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. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Retirement benefits

The Bank maintains a defined benefit scheme to provide retirement benefits to employees. The calculation of the obligation is performed by qualified actuaries. The method used in the last valuation was the attained age method. 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 and other methods as may be deemed fit by the board of trustees.

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

Gratuity and leave days are accrued as per provisions of contracts of employment. A provision is made of the estimated liability as a result of services received.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with other central banks and amounts due from other banks that are held for the purpose of meeting short-term commitments and have less than three months' maturity from the date of acquisition.

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

3 Significant accounting policies *(continued)*

(p) Transactions with the International Monetary Fund ("IMF")

The Bank is the Government's authorized agent for all transactions with the IMF and is required to record all transactions between the IMF and the Government in its books as per guidelines from the IMF. The Bank therefore maintains different accounts of the IMF namely, the IMF Subscriptions, Securities account, IMF No. 1 and No. 2 accounts.

The IMF Subscriptions account represents the Government's subscription to the IMF Quota and is reported as an asset under the heading IMF Subscription. This Quota is represented by the IMF Securities, IMF No1 and No2 accounts which appear in the books of the Bank under the heading “Domestic currency liabilities to IMF”.

The Quota is fixed in SDR's and may be increased by the IMF. Any increase in the quota is subscribed in local currency by way of non-negotiable, non-interest bearing securities issued by Government in favour of the IMF, which are repayable on demand. There is also a possibility that the increase in the quota maybe subscribed in any freely convertible currency, of which the value of the portion payable would be debited to the account of Government maintained with the Bank.

The Bank revalues IMF accounts in its balance sheet in accordance with the practices of the IMF's Treasury Department. In general, the revaluation is effected annually. Any increase in value is paid by the issue of securities as stated above while any decrease in value is effected by the cancellation of securities already in issue. These securities are lodged with the Bank acting as custodian and are kept in physical form as certificates at the Bank and they form part of the records of the Government.

4 Risk management policies

(a) Overview

In its ordinary operations, the Bank is exposed to various financial and operational risks, which if not prudently managed may have adverse effects on the attainment of the Bank's strategic objectives. 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 a risk management unit was created by management in November 2004 and in February 2007, the Board approved the transformation of the unit into the Risk Management Department whose role is to co-ordinate the Bank-wide framework for risk management and establish risk standards and management strategies for the management and mitigation of risks.

The Audit and Finance Committee of the Board oversees how management monitors compliance with the Bank's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit and Finance Committee is assisted in its oversight role by Internal Audit. Internal Audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Finance Committee.

The Board of Directors has ultimate responsibility for ensuring that 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) A business continuity strategy is in place to ensure continuity of mission critical activities in an event of a major distater.

ii) Active Board and senior management oversight. Management maintains an interest in the operations and ensures appropriate intervention is available for identified risks.

iii) Implementation of adequate policies, guidelines and procedures. The existing policies, procedures and guidelines are reviewed and communicated to relevant users to maintain their relevance.

iii) Maintain risk identification, measurement, treatment and monitoring as well as control systems. Management reviews risk management strategies and ensures that they 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 weaknesses and following up on corrective measures.

Bank of Zambia

Notes for the year ended 31 December 2007 (*continued)*

4 Risk management policies (*continued)*

The following is the current exposure to the risks identified:

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its obligations and arises principally from the Bank's receivables from staff, Government and investment securities.

The Bank has two major committees that deal with credit risk. The Investment Committee deals with risk arising from foreign currency denominated deposits while the Finance and Budget Committee handles risks arising from all other assets. The details of policy and guidelines are passed on to relevant heads of departments to implement on a day-to-day basis.

The major issues covered in the credit risk assessment include establishing criteria to determine choice of counter parties to deal with, limiting exposure to a single counter party, reviewing collectabilitiy of receivables and determining appropriate credit policies.

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

(i) 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 GRZ.

(ii) Equity investments

In the opinion of the directors the credit risk of such instruments is low in the light of the organizations involved which are supported by governments.

(iii) Fixed term deposits

The directors believe that the credit risk of such instruments is also low as the policy is to deal with only triple A rated institutions.

(iv) Loans to the GRZ

In the opinion of the directors the credit risk is low as such lending is advanced to Government, which is considered risk free.

(v) Loans to Commercial Banks

The Bank had no collateral recorded over loans and advances to closed commercial banks. Securities maybe held as collateral in reverse repurchases with operating commercial banks, however no such collateral was held as at 31 December 2007 and 2006.

(vi) Staff loans

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

The Bank holds collateral against some staff loans and advances to former and serving staff in form of mortgage interest over property and endorsement of the Bank's interest in motor vehicle documents of title. Estimates of the fair values of the securities are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(b) Credit risk *(continued)*

(vi) Staff loans *(continued)*

An estimate of the fair value of collateral held against staff loans is shown below:

	Loans and advances (Note 16)		Other assets (Note 24)	
	2007	2006	**2007**	2006
Against past due but not impaired				
- Property	**-**	-	**778**	778
- Motor vehicles	**-**	-	**-**	-
- Other	**-**	-	**-**	-
Against neither past due nor impaired				
- Property	**18,372**	18,364	**-**	-
- Motor vehicles	**7,617**	8,203	**-**	-
- Gratuity and leave days	**9,980**	7,734	**-**	-
	35,969	34,301	**778**	778

The policy for disposing of the properties and other assets held as collateral provides for sale at competitive market prices to ensure the Bank suffers no loss or minimal loss.

The Bank monitors concentration of credit risk by the nature of the financial assets. An analysis of the concentration of credit risk at the reporting date on staff loans and other receivables is shown below:

	Loans and advances (Note 16)		Sundry receivables (Note 24)	
	2007	2006	**2007**	2006
Carrying amount	**38,569**	41,374	**6,542**	4,998
Concentration by nature				
- House loans	**18,695**	19,598	**-**	**-**
- Motor vehicle loans	**9,573**	10,509	**-**	**-**
- Multi-purpose loans	**6,231**	4,581	**-**	**-**
- Personal loans	**1,744**	4,394	**-**	**-**
- Other loans	**2,326**	2,292	**-**	**-**
- Former staff loans	**-**	-	**2,962**	2,098
- Other	**-**	-	**3,580**	2,900
	38,569	41,374	**6,542**	4,998

Bank of Zambia

Notes for the year ended 31 December 2007 (*continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

To manage this risk the Bank ensures that all policies, procedures, 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. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. In addition, the Bank has put in place a succession planning to attract and retain staff with vast banking and economic expertise.

(d) 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 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 interventions in foreign exchange market when need arises. The Bank maintains a portfolio of highly marketable foreign currency assets that can easily be liquidated in the event of unforeseen interruption or unusual demand for cash flows.

The following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groups based on the remaining period to repayment from 31 December 2007.

31 December 2007	On demand	Due within 3 months	Due between 3 - 12 Months	Due between 1 5 years	Due after 5 Years	Total Carrying Amounts
Non-derivative liabilities						
Notes and coins in circulation	1,515,151	-	-	-	-	1,515,151
Foreign currency liabilities to other institutions	90,724	-	-	-	-	90,724
Foreign currency liabilities to IMF	334,023	-	-	-	-	334,023
Domestic currency liabilities to IMF	3,085,870	-	-	-	-	3,085,870
Deposits from the Government	1,951,177	-	-	-	-	1,951,177
Deposits from banks and other financial institutions	2,066,714	-	-	-	-	2,066,714
Other deposits	29,616	-	-	-	-	29,616
Other liabilities	-	-	47,816	-	-	47,816
Total non-derivative liabilities	9,073,275	-	47,816	-	-	9,121,091
At 31 December 2006						
Non-derivatives liabilities						
Total non-derivative liabilities	6,910,791	-	75,864	-	-	6,986,655

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(e) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates and credit spreads will affect the Bank's income or the value of its holding of financial instruments.

The Bank sets its strategy and tactics on the level of market risk that is acceptable and how it would be managed through the Investment Committee. The major thrust of the strategy has been to achieve a sufficiently diversified portfolio of foreign currency investments to reduce currency risk and induce adequate returns.

(f) Currency risk

Currency risk is the risk of adverse movements in exchange rates that will result in a decrease in the value of foreign exchange assets or an increase in the value of foreign currency liabilities.

The Bank's liabilities are predominately held in Kwacha, while the foreign currency assets have been increasing, resulting in large exposure to foreign exchange risk. This position coupled with substantial exchange rate fluctuations is primarily responsible for the Bank recording large realized and unrealized exchange gains/ (losses) over the years. 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 as a central bank by nature holds a net asset position in its foreign currency balances. Management has mandated the Investment Committee to employ appropriate strategies and methods to minimise the eminent currency risk. Notable among useful tools used by the Investment Committee is the currency mix benchmark, which ensures that the foreign currency assets that are held correspond to currencies that are frequently used for settlement of Government and other foreign denominated obligations. All benchmarks set by the Committee are reviewed regularly to ensure that they remain relevant.

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 expressed in Kwacha as at 31 December 2007 was as shown in the table below.

	USD	GBP	EUR	SDR	Other	Total Kwacha
At 31 December 2007						
Foreign currency assets						
Foreign currency cash and bank accounts	2,431,110	678,021	998,665	37,400	118	4,145,314
IMF Subscriptions	-	-	-	3,085,870	-	3,085,870
Total foreign currency assets	2,431,110	678,021	998,665	3,123,270	118	7,231,184
Foreign currency liabilities						
Foreign currency liabilities to other institutions	(8,970)	-	(51,918)	(29,836)	-	(90,724)
Foreign currency liabilities to IMF	-	-	-	(334,023)	-	(334,023)
Total foreign currency liabilities	(8,970)	-	(51,918)	(363,859)	-	(424,747)
Net exposure 2007	**2,422,140**	**678,021**	**946,747**	**2,759,411**	**118**	**6,806,437**
At 31 December 2006						
Total foreign currency assets	1,855,541	421,915	770,806	2,278,781	18	5,327,061
Total foreign currency liabilities	(116,805)	-	(23,018)	(169,349)	-	(309,172)
Net exposure 2006	1,738,736	421,915	747,788	2,109,432	18	5,017,889

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(f) Currency risk *(continued)*

The following are the reporting date exchange rates for the significant currencies applied during the year:

	Reporting date Spot rate	
	2007 ZMK	2006 ZMK
USD 1	3,843.89	4,405.56
GBP 1	7,644.32	8,637.55
EUR 1	5,579.76	5,803.45

Foreign currency sensitivity

The following table illustrates a 12 percent strengthing of the Kwacha against the relevant foreign currencies. 12 percent is based on observable trends, presented to key management personnel, in the value of Kwacha to major foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items outstanding at reporting date and adjusts their translation for a 12 percent change in foreign currency rates. This analysis assumes all other variables, in particular interest rates remain constant. The analysis is performed on the same basis for 2006.

Effect in millions of Kwacha	Equity	Income statement
31 December 2007		
USD	(290,657)	(290,657)
GBP	(81,400)	(81,400)
EUR	(113,609)	(113,609)
Total	**(485,666)**	**(485,666)**
31 December 2006		
USD	(208,648)	(208,648)
GBP	(50,630)	(50,630)
EUR	(89,734)	(89,734)
Total	**(349,012)**	**(349,012)**

A 12 percent weakenining of the Kwacha against the above currencies at 31 December would have had an equal but opposite effect to the amounts shown above.

(g) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or the future cash flows will fluctuate due to changes in market interest rates.

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 foreign exchange reserves and interest income far outweighs interest charges on domestic borrowing and staff savings.

Substantial liabilities including currency in circulation and balances for commercial banks and Government ministries attract no interest.

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(g) Interest rate risk *(continued)*

Foreign currency deposits are the major source of interest rate risk for the Bank. Management has established information systems that assist in monitoring changes in the interest variables and other related information to ensure the Bank is in a better position to respond or take proactive action to meet challenges or opportunities as they arise. Management has also set performance benchmarks for income to arise from foreign currency deposits that are evaluated monthly through the Finance and Budget Committee and the Executive Committee. The Board reviews the performance against budget on a quarterly basis.

The following table shows the extent to which the Bank's interest rate exposures on assets and liabilities are matched. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date or maturity date. The Bank's exposure to interest rate risk is low and in compliance with the principle pursued by the Bank of ensuring safety and liquidity in the management of financial affairs.

At 31 December 2007	Less than 3 months	Between 3 months and one year	Over 1 year	Non interest bearing	Total
Assets					
Domestic cash in hand	-	-	-	1,747	1,747
Foreign currency cash and bank accounts	4,144,309	-	-	1,005	4,145,314
IMF Subscriptions	-	-	-	3,085,870	3,085,870
Loans and advances	-	-	38,323	246	38,569
IMF funds receivable from Government	-	-	-	68,837	68,837
Held-to-maturity financial assets	-	4,442	1,959,049	-	1,963,491
Available-for-sale investments	-	-	-	2,786	2,786
Items in course of settlement	-	-	-	40,609	40,609
Other assets	-	-	-	5,508	5,508
Total financial assets	**4,144,309**	**4,442**	**1,997,372**	**3,206,608**	**9,352,731**
Liabilities					
Notes and coins in circulation	-	-	-	1,515,151	1,515,151
Foreign currency liabilities to other institutions	-	-	-	90,724	90,724
Foreign currency liabilities to IMF	-	-	-	334,023	334,023
Domestic currency liabilities to IMF	-	-	-	3,085,870	3,085,870
Deposits from the Government	-	-	-	1,951,177	1,951,177
Deposits from banks and other financial institutions	2,066,714	-	-	-	2,066,714
Other deposits	-	-	-	29,616	29,616
Other liabilities	-	-	-	47,816	47,816
Total financial liabilities	2,066,714	-	-	7,054,377	9,121,091
Net exposure at 31 December 2007	2,077,595	4,442	1,997,372	(3,847,769)	231,640
At 31 December 2006					
Total financial assets	3,105,182	631,204	1,362,241	2,620,650	7,401,437
Total financial liabilities	2,055,271	-	-	4,931,384	6,986,655
Net exposure at 31 December 2006	1,049,911	631,204	1,362,241	(2,310,734)	732,622

A disclosure of interest sensitivity is not provided since most of the financial assets and liabilities accrue interest at fixed rates.

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(h) Fair values versus carrying amounts

The table below sets out fair values of financial assets and liabilities, together with their carrying amounts as shown in the balance sheet.

	Carrying amount 2007	Fair value 2007	Carrying amount 2006	Fair value 2006
Assets				
Domestic cash in hand	1,747	1,747	1,993	1,993
Foreign currency cash and bank accounts	4,145,314	4,145,314	3,107,405	3,107,405
IMF Subscriptions	3,085,870	3,085,870	2,219,656	2,219,656
Loans and advances	38,569	38,569	41,374	41,374
IMF funds receivable from Government	68,837	68,837	75,956	75,956
Held-to-maturity financial assets	1,963,491	1,963,491	1,950,308	1,950,308
Available-for-sale investments	2,786	2,786	1,906	1,906
Items in course of settlement	40,609	40,609	125,181	125,181
Other assets	5,508	5,508	6,041	6,041
Total financial assets	**9,352,731**	**9,352,731**	**7,529,820**	**7,529,820**
Liabilities				
Notes and coins in circulation	1,515,151	1,515,151	1,226,161	1,226,161
Foreign currency liabilities to other institutions	90,724	90,724	159,407	159,407
Foreign currency liabilities to IMF	334,023	334,023	149,765	149,765
Domestic currency liabilities to IMF	3,085,870	3,085,870	2,219,656	2,219,656
Deposits from the Government	1,951,177	1,951,177	1,100,531	1,100,531
Deposits from banks and other financial institutions	2,066,714	2,066,714	2,055,271	2,055,271
Other deposits	29,616	29,616	47,094	47,094
Other liabilities	47,816	47,816	28,770	28,770
Total financial liabilities	**9,121,091**	**9,121,091**	**6,986,655**	**6,986,655**

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(i) Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

(i) Investments in equity and Government securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. Debt and equity securities that do not have a quoted bid price are calculated by either discounting cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity or using quoted market prices for securities with similar credit, maturity and yield characteristics. Where fair value cannot be determined such investments are held at cost less impairment losses.

(ii) Loans and advances

Loans and advances are stated net of impairment losses. The estimated fair value of loans and advances represents the present value of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates at the reporting date to determine fair value.

(iii) Deposits

The estimated fair value of deposits with no stated maturity is the amount repayable on demand.

(j) Management of capital

The Bank's authorized capital is set and maintained in accordance with the provisions of the Bank of Zambia Act 43, 1996. The Act provides a framework, which enables sufficient safeguards to preserve the capital of the Bank from impairment (Sections 6, 7 and 8 of the Bank of Zambia Act 43, 1996). The Government of the Republic of Zambia is the sole subscriber to the paid up capital of the Bank and its holding is not transferable in whole or in part nor is it subject to any encumbrance.

In managing the Bank's capital, the Board's policy is to implement a sound financial strategy that ensures financial independence and maintains adequate capital to sustain the long term objectives of the Bank and to meet its operational and capital budget without recourse to external funding.

Distributable profits as described in the provisions of Sections 7 and 8 of the Bank of Zambia Act 43, 1996 are inclusive of unrealized gains. The Board is of the opinion that the distribution of unrealized gains would compromise the Bank's capital adequacy especially that such gains are not backed by cash but are merely book gains that may reverse within no time. The Bank has made proposals under the proposed amendments to the BoZ Act to restrict distributable profits to those that are realized.

There were no changes recorded in the Bank's strategy for capital management during the year.

The Bank's capital position as at 31 December was as follows:

	Notes	**2007**	2006
Capital	39	**10,020**	10,020
General reserve fund	40	**42,490**	42,490
SDR allocation	40	**246,897**	246,897
Property revaluation reserve	40	**147,684**	150,945
Retained earnings	40	**(33,150)**	267,879
Total		**413,941**	718,231

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

5 Use of estimates and judgements

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Key sources of estimation uncertainty

Impairment losses on loans and advances

The Bank reviews its portfolio of loans and advances to assess impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with individual loans. This evidence may include observable data that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the group. The methodology and assumptions used for estimating both the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of non-financial assets

The carrying amount of the Bank's assets other than financial assets is reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated. This estimation requires significant judgement. An impairment loss is recognised in the income statement whenever the carrying amount exceeds the recoverable amount.

(b) Critical accounting judgements in applying the Bank's accounting policies

Held-to-maturity investments classification

The Bank classifies financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than selling an insignificant amount close to maturity, it will reclassify the entire class as available-for-sale.

Held for trading and other classifications

In classifying financial assets or liabilities as "held for trading", the Bank determines that they meet the description set out in the accounting policy set out in note 3, significant accounting policies. All other classification for financial instruments will be determined by relevant accounting policies as set out in note 3.

6 New standards and interpretations not yet adopted

The Bank has considered all standards and interpretations issued but not yet effective at 31 December, 2007. All interpretations and amendments to some standards not yet effective for the year ended 31 December 2007 have not been applied in preparing these financial statements.

- IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Bank's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Bank's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently, the Bank does not present segment information in respect of its business and geographical segments. IFRS 8 will not have any impact on the financial statements of the Bank.

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Bank's 2009 financial statements and will constitute a change in accounting policy for the Bank. In accordance with the transitional provisions the Bank will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. However, this standard is not expected to have any impact on the financial statements of the Bank.

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

6 New standards and interpretations not yet adopted *(continued)*

- International Financial Reporting Interpretations Committee (IFRIC)-11, IFRS 2 Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Bank's 2008 financial statements, with retrospective application required. IFRIC 11 is not expected to have any impact on the financial statements of the Bank.

- IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Bank's 2008 financial statements, is not expected to have any effect on the financial statements.

- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Bank's 2009 financial statements, is not expected to have any impact on the financial statements.

- IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Bank's 2008 financial statements, with retrospective application required. This standard may have an impact on the financial statements of the Bank. However, the impact is yet to be assessed.

7 Net interest income

	2007	2006
Interest income		
Interest on held to maturity Government securities	**152,502**	107,262
Interest on loans and receivables	**2,962**	54,408
Interest on foreign currency investments and deposits	**163,631**	89,763
Total interest income	**319,095**	251,433
Interest expense		
Interest paid on open market operations liability	**82,883**	59,517
Interest paid on staff savings	**1,125**	619
Total interest expense	**84,008**	60,136
Net interest income	**235,087**	191,297

8 Net fee and commission income

	2007	2006
Fee and commission income		
Fee and commission income on transactions with the Government	**15,943**	13,124
Supervision fees	**12,316**	11,121
Penalties	**4,556**	333
Licences and registration fees	**730**	642
Other	**1,590**	1,062
Fee and commission income	**35,135**	26,282
Fee and commission expense		
Fees and commission paid on foreign exchange transactions	**80**	103
Net fee and commission income	**35,055**	26,179

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

9 Other operating (expense)/income

	2007	2006
Dividend on available-for-sale investments	**152**	105
Realised foreign exchange gains	**58,404**	68,933
Unrealised foreign exchange (losses)/gains	**(339,886)**	456,271
Rental income	**953**	941
Profit on disposal of property, plant and equipment	**1,163**	122
Other	**1,566**	4,932
	(277,648)	531,304

10 Impairment losses

	Amounts due from closed banks (Note 21)	**Other assets (Note 24)**	**Available-for-sale investments (Note 25)**	**Total**
At 1 January 2006	136,450	10,269	-	146,719
Impairment loss for the year				
- Charge for the year	2,283	1,008	-	3,291
- Reversal during the year	(162)	(8,542)	-	(8,704)
	2,121	(7,534)	-	(5,413)
Balance at 31 December 2006	138,571	2,735	-	141,306
At 1 January 2007	**138,571**	**2,735**	**-**	**141,306**
Impairment loss for the year				
- Charge for the year	**-**	**2,609**	53	**2,662**
- Reversal during the year	**(390)**	**(587)**	**-**	**(977)**
	(390)	**2,022**	**53**	**1,685**
Balance at 31 December 2007	**138,181**	**4,757**	**53**	**142,991**

11 Personnel expenses

	2007	2006
Wages and salaries	**100,118**	90,175
Employer's pension contributions	**13,069**	11,916
Employer's NAPSA contributions	**2,079**	1,452
Other employee costs	**87,928**	71,670
Pension deficit	**-**	11,500
	203,194	186,713

12 Other expenses

	2007	2006
Administrative expenses	**42,395**	42,975
Repairs and maintenance costs	**7,870**	6,503
Expenses for bank note production	**37,058**	36,814
Other banking office expenses	**11**	1,473
	87,334	87,765

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

13 Income tax

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

14 Foreign currency cash and bank accounts

	2007	2006
Current account balances with non-resident banks	**472,931**	131,067
Clearing correspondent accounts with other central banks	**2,875**	6,019
Foreign currency cash with banking office	**1,005**	1,868
Deposits with non-resident banks	**3,631,102**	2,909,326
Special Drawing Rights ("SDR's")	**37,401**	59,125
	4,145,314	3,107,405

15 IMF subscription

	2007	2006
IMF currency holdings	**3,085,870**	2,219,656

The IMF subscription represents membership quota amounting to SDR 489,100,000 (2006: SDR 489,100,000) assigned to the GRZ by the IMF and forms the basis for the Government's financial and organisational relationship with the IMF. The financial liability relating to the IMF subscription is reflected under note 32. The realisation of the asset will result in simultaneous settlement of the liability. The IMF Quota subscription and the related liability have the same value.

The movement on IMF subscription is on account of currency valuation adjustments between 2006 and 2007. The valuation is conducted once every 30 April of the year by the IMF and advised to member countries to effect necessary adjustments.

16 Loans and advances

	2007	2006
Staff loans	**38,323**	41,221
Staff advances	**246**	153
	38,569	41,374

Loans and advances to staff are offered within appropriate business considerations. Credit quality is enhanced by insurance and collateral demanded. Collateral will generally be in the form of property or retirement benefits. In the opinion of the directors, the applicable interest rates for the loans and advances approximate market interest rates.

The aging of loans and advances at the reporting date was:

	Gross	Impairment	Gross	Impairment
	2007	**2007**	2006	2006
Not past due	**38,569**	-	41,374	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	-	-
More than one year	-	-	-	-
Total	**38,569**	-	41,374	-

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Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

16 Loans and advances *(continued)*

The maximum prevailing interest rates on staff loans were as follows:

	2007	2006
House loans	**10%**	10%
Multi-purpose loans	**12.5%**	12.5%
Personal loans	**10%**	10%

17 IMF funds receivable from the Government

	2007	2006
Poverty Reduction and Growth Facility (PRGF) (Note 31)*	**66,295**	72,888
Charges on SDR allocation	**2,542**	3,068
	68,837	75,956

* Formerly Enhanced Structural Adjustment Facility (ESAF) obligations.

This represents funds drawn by the Government of the Republic of Zambia against the IMF PRGF facility (Note 31).

18 Held-to-maturity financial assets

	2007	2006
GRZ consolidated bond (note 19)	**1,661,494**	1,655,177
Other GRZ securities	**297,555**	291,237
Staff savings treasury bills	**4,442**	3,894
	1,963,491	1,950,308

19 The Government of the Republic of Zambia (GRZ) consolidated bond

	2007	2006
6% GRZ Consolidated Bond	**1,121,892**	1,121,416
364 days Treasury Bills	**539,602**	533,761
	1,661,494	1,655,177

Effective 1 December 2006 a portion of the consolidated bond was converted to treasury bills for the purpose of enhancing the range of instruments available for implementing monetary policy and to support the Bank's strategic objective of maintaining price stability.

The securities will be available for trading as repurchase agreements (repos).

The economic substance of a repurchase agreement is regarded as that of a collateralised loan. Consistent with the principle of “substance over form” the portion of consolidated securities converted into treasury bills has been treated as held-to-maturity because the trade will not result in outright sale leading to full transfer of rewards and risks to the purchaser.

The consolidated bond arose on 27 February 2003 when GRZ and the Bank signed an agreement whereby all the debts owed by GRZ to the Bank were converted into a consolidated debt. In consideration of such consolidation of debt, GRZ undertook and agreed to issue, effective 1 January 2003, in favour of the Bank a 10-year long-term bond with a face value of K1,646,743 million and a coupon rate of 6%. This reduced to K1,121,416 after the 2006 conversion.

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

19 The Government of the Republic of Zambia (GRZ) consolidated bond *(continued)*

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	**853,510**
	1,646,743

The bond is carried at amortised cost at an effective interest rate of 6.04%. The bond is also reviewed regularly for any impairment.

The treasury bills are measured at amortised cost at an effective interest rate of 11.05%. The treasury bills are renewable in the short term and the rolled over values will reflect fair values. However, where objective evidence of impairment exists, a measurement of the impairment loss will be determined and recorded in the profit and loss account.

20 Held-for-trading financial assets

	2007	2006
Treasury bills held-for-trading	**-**	1,906
Maturing as follows:		
91 days	**-**	-
182 days	**-**	-
273 days	**-**	1,906
Total	**-**	1,906

These balances reflect actual holdings of treasury bills acquired by the Bank through rediscounts by commercial banks. Rediscount activity was generally low in 2007 with a nil holding recorded as at 31 December 2007.

21 Amounts due from closed financial institutions

	2007	2006
Amounts due from closed banks	**138,181**	138,571
Specific allowances for impairment (note 10)	**(138,181)**	(138,571)
	-	-

The aging of advances to financial institutions at the reporting date was:

	2007		**2006**	
	Gross	**Impairment**	**Gross**	**Impairment**
Not past due	**-**	-	-	-
Past due 0-30 days	-	-	**-**	-
Past due 31-120 days	-	-	**-**	-
More than one year	138,181	138,181	138,571	138,571
Total	**138,181**	138,181	138,571	138,571

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

22 Agency relationship with Bank of China

There is an agency relationship between the Bank and Bank of China in respect of a financing arrangement between the Government of China on one hand and the Governments of Tanzania and Zambia on the other hand to fund certain supplies to Tanzania Zambia Railways Authority. The relationship commenced in 1998. The balances relating to this transaction were carried on balance sheet until 2005. However, in 2006 the Bank and Bank of China entered into an agreement for the Bank to maintain these balances off balance sheet.

23 Items in course of settlement

Items in the course of settlement represent a claim on commercial banks in respect of cheques deposited in the Bank by its customers on the last business day of the year and expected to be paid by respective banks on or after the first business day of the new year .

24 Other assets

	2007	2006
Sundry receivables	**6,542**	4,998
Stationery and office consumables	**1,168**	1,579
Prepayments	**2,555**	2,199
	10,265	8,776
Specific allowances for impairment (note 10)	**(4,757)**	(2,735)
	5,508	6,041

The aging of sundry receivables included under other assets at the reporting date was:

	2007		**2006**	
	Gross	**Impairment**	**Gross**	**Impairment**
Not past due	**-**	**-**	-	-
Past due 0-30 days	**-**	**-**	**-**	-
Past due 31-120 days	**1,544**	**-**	**-**	-
More than one year	**4,998**	**4,757**	4,998	2,735
Total	**6,542**	**4,757**	4,998	2,735

25 Available-for-sale investments

	2007	2006
Zambia Electronic Clearing House Limited	**1,847**	1,847
African Export Import Bank	**939**	939
Development Bank of Zambia	**53**	53
	2,839	2,839
Specific allowance for impairment (note 10)	**(53)**	-
	2,786	2,839

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

25 Available-for-sale investments *(continued)*

The aging of available-for-sale investments at the reporting date was:

	2007		2006	
	Gross	**Impairment**	**Gross**	**Impairment**
Not past due	**2,839**	**53**	2,839	-
Past due 0-30 days	**-**	**-**	-	-
Past due 31-120 days	**-**	**-**	-	-
More than one year	**-**	**-**	-	-
Total	**2,839**	**53**	2,839	-

Zambia Electronic Clearing House Limited

The investment in Zambia Electronic Clearing House Limited ("ZECHL") represents the Bank's contribution to the set up costs. The principal activity of ZECHL is the electronic clearing of cheques and direct debits and credits in Zambia for its member banks, including the Bank of Zambia. The ZECHL is 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 at each reporting date. ZECHL has a unique feature of being set up as a non profit making concern whose members contribute monthly to its operating expenses and other additional requirements. Monthly contributions of K45 million (2006: K30 million) by the Bank are included in administrative expenses.

Africa Export Import Bank

On behalf of GRZ, the Bank of Zambia holds an 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 assessed for impairment at each reporting date.

Development Bank of Zambia (DBZ)

The Bank holds an equity investment of K53 million in DBZ. This investment is considered an available-for-sale financial asset. It is carried at cost, as there is no reliable measure of the fair value.

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 supervision 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.

Following difficulties faced in trying to sell this investment for cash, the Bank has impaired the balance in full.

Valuation for available-for-sale investments

The investments in the above available-for-sale investments are disclosed at cost because there is no market for these investments that provide evidence of their current fair values.

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

26 Property, plant and equipment

	Leasehold buildings	Furniture, fittings, computers, plant and equipment	Motor vehicles	Capital work-in-progress	Total
Cost or valuation					
At 1 January 2006	163,859	45,508	11,609	1,687	222,663
Additions	68	5,796	448	2,595	8,907
Transfers	157	157	-	(809)	(495)
Disposals	(15)	-	(132)	-	(147)
Adjustments	(514)	(84)	-	(5)	(603)
At 31 December 2006	163,555	51,377	11,925	3,468	230,325
At 1 January 2007	**163,555**	**51,377**	**11,925**	**3,468**	**230,325**
Additions	212	3,615	2,191	5,284	11,302
Transfers	508	-	-	(571)	(63)
Disposals	(42)	(689)	(1,877)	-	(2,608)
Adjustments	-	-	-	(90)	(90)
At 31 December 2007	**164,233**	**54,303**	**12,239**	**8,091**	**238,866**
Depreciation					
At 1 January 2006	4,309	23,715	7,967	-	35,991
Charge for the year	3,276	5,327	2,156	-	10,759
Disposals	(2)	-	(121)	-	(123)
Adjustments	292	5	-	-	297
At 31 December 2006	7,875	29,047	10,002	-	46,924
At 1 January 2007	7,875	29,047	10,002	-	46,924
Charge for the year	3,273	5,743	991	-	10,007
Disposals	(6)	(649)	(1,878)	-	(2,533)
Adjustments	-	-	2	-	2
At 31 December 2007	**11,142**	**34,141**	**9,117**	**-**	**54,400**
Carrying amounts					
At 31 December 2007	**153,091**	**20,162**	**3,122**	**8,091**	**184,466**
At 31 December 2006	155,680	22,330	1,923	3,468	183,401

(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 buildings 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 office refurbishment at Head Office, Lusaka.

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

27 Intangible assets

	Purchased software
Cost	
At 1 January 2006	17,952
Additions	1,406
Transfers from capital work in progress	495
At 31 December 2006	19,853
At 1 January 2007	**19,853**
Additions	1,023
Transfers from capital work in progress	63
At 31 December 2007	**20,939**
Amortisation and impairment	
At 1 January 2006	12,475
Charge for the year	4,162
At 31 December 2006	16,637
At 1 January 2007	16,637
Charge for the year	2,467
At 31 December 2007	**19,104**
Carrying amounts	
At 31 December 2007	**1,835**
At 31 December 2006	3,216

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Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

28 Capital commitments

	2007	2006
Authorised by the directors but not contracted for	**41,526**	24,839

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

29 Notes and coins in circulation

	2007	2006
Bank notes issued by denomination		
K20	**702**	702
K50	**3,129**	3,000
K100	**7,210**	6,054
K500	**18,307**	16,128
K1,000	**23,938**	20,093
K5,000	**38,373**	48,257
K10,000	**100,154**	102,303
K20,000	**485,699**	438,827
K50,000	**837,413**	590,571
Bank notes issued	**1,514,925**	1,225,935
Coins issued	**226**	226
	1,515,151	1,226,161

30 Foreign currency liabilities to other institutions

	2007	2006
Deposits from other governments	**90,724**	159,407

These are non-interest bearing deposits and are repayable on demand.

31 Foreign currency liabilities to IMF

	2007	2006
Due to the International Monetary Fund:		
- Poverty Reduction and Growth Facility (PRGF) (a)	**331,481**	146,697
- Charges on SDR allocation (b)	**2,542**	3,068
	334,023	149,765

a) The facility (formerly the Enhanced Structural Adjustment Facility (ESAF)) loan was obtained in 2002 and is repayable semi-annually with the last payment due in 2017. The loan carries an interest rate of one-half per centum. There is an unutilised balance of K265,186 million by the Government on this facility.

b) The charges on the SDR allocation are levied by the IMF and repaid quarterly with full recovery from the Government of the Republic of Zambia.

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

32 Domestic currency liabilities to IMF

	2007	2006
International Monetary Fund:		
Securities account	**3,078,033**	2,214,019
No. 1 account	**7,713**	5,548
No. 2 account	**124**	89
	3,085,870	2,219,656

The above liabilities arose from IMF Quota subscriptions (Note 15) and have no repayment terms and bear no interest. The increase in value is on currency valuation adjustments between 2006 and 2007 as advised by IMF.

33 Deposits from the Government of the Republic of Zambia

	2007	2006
Deposits of the Ministry of Finance and National Planning	**1,951,177**	1,100,531

The growth in the deposits from the Ministry of Finance and National Planning follows a directive during the year to sweep all idle balances for Government departments in commercial banks to Bank of Zambia. The deposits are non-interest bearing and are payable on demand.

34 Deposits from banks and other financial institutions

	2007	2006
Commercial bank current accounts	**145,036**	266,480
Minimum reserve requirements	**856,359**	989,710
Term deposits from financial institutions	**1,063,246**	796,999
Deposits of banks in liquidation	**1,476**	1,485
Deposits from other international financial institutions	**563**	563
Deposits from other central banks	**34**	34
	2,066,714	2,055,271

35 Other deposits

	2007	2006
Staff savings, deposits and clearing accounts	**29,322**	45,910
Other savings and deposits	**294**	1,184
	29,616	47,094

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

36 Provisions

	Provision for litigation
Balance at 1 January 2006	423
Provisions made during the year	2,617
Payments made during the year	(150)
Balance at 31 December 2006	2,890
Balance at 1 January 2007	**2,890**
Provisions made during the year	**1,110**
Payments/adjustments made during the year	**-**
Balance at 31 December 2007	**4,000**

37 Other liabilities

	2007	2006
Accrued expenses payable	**33,001**	20,801
Accounts payable	**14,815**	7,969
	47,816	28,770

38 Employee benefits

	2007	2006
Present value of unfunded obligations	**-**	-
Present value of funded obligations	**187,176**	155,374
Total present value of obligations	**187,176**	155,374
Fair value of plan assets	**(196,017)**	(143,874)
Unrecognised plan asset	**8,841**	-
Recognised liability for defined benefit obligations	**-**	11,500

The Bank provides a pension scheme for all non-contract employees administered by a Board of Trustees. The assets of this scheme 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 scheme.

The fund is revalued every three years by independent consultant actuaries. The latest actuarial report was carried out by QED of South Africa to determine the fund's position as at 31 December 2006 and shows that the plan assets were K143,874 million and liabilities were K155,375 million resulting in a deficit of K11,500 million which has since been paid in full to the fund.

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

38 Employee benefits *(continued)*

Plan assets comprise:

	2007	2006
Equity securities	**11,846**	5,364
Government bonds	**95,027**	72,305
Corporate bonds	**2,000**	-
Treasury bills	**33,356**	42,130
Investment properties	**30,133**	16,060
Other assets	**23,655**	8,015
Total plan assets	**196,017**	143,874

Movement in the present value of the defined benefit obligations

Defined benefit obligations at 1 January	**155,374**
Benefits paid by the plan	**(5,233)**
Current service costs and interest	**37,035**
Actuarial (gains) losses recognised in equity	**-**
Defined benefit obligations at 31 December	**187,176**

Movement in the present value of plan assets

Fair value of plan assets at 1 January	**143,874**
Contributions paid into the plan	**28,878**
Benefits paid by the plan	**(5,233)**
Expected return on plan assets	**23,354**
Unrecognised actuarial gains	**5,144**
Fair value of plan assets at 31 December	**196,017**

Expense recognised in profit or loss

Current service costs	**13,136**
Interest on obligation	**23,899**
Expected return on plan assets	**(23,354)**
Unrecognised plan asset	**8,841**
Unrecognised actuarial gains	**(5,144)**
Contribution by members	**(4,309)**
	13,069

Actuarial assumptions

Principle actuarial assumptions at the balance sheet date were:

	2007	2006
Discount rate (p.a)	**15%**	15%
Salary increase (p.a)	**12%**	12%
Expected return on plan assets	**15%**	15%
Future pension increase	**3.5%**	3.5%

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

39 Capital

	2007	2006
Authorised and paid up capital	**10,020**	10,020

The Government is the sole subscriber to the paid up capital of the Bank and its holding is not transferable in whole or in part nor is it subject to any encumbrance.

40 Reserves

General reserve fund

The General Reserve Fund represents appropriations of profit in terms of Section 8 of the Bank of Zambia Act No. 43 of 1996.

Under Section 8 of the Bank of Zambia Act, No 43 of 1996, if the Bank of Zambia Board of Directors 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.

Section 7 of the Bank of Zambia Act, provides that the remainder of the profits after the above transfers should be paid to the Government within sixty days following the auditor's certification of the Bank's financial statements.

SDR allocation

This represents Special Drawing Rights allocated by the IMF amounting to SDR 68,298,000. The purpose of the allocations is to improve an IMF member country's foreign exchange reserves assets. The amount is not repayable to IMF and is stated at the historical SDR rate to the Zambian Kwacha.

Property revaluation reserves

This represents revaluation reserves that arise from the periodic revaluation of properties.

Retained earnings

Retained earnings or losses are the carried forward income net of expenses of the Bank plus current year profit or loss attributable to equity holders. This is a holding account before the residual income is remitted to Government in accordance with the provisions of Section 7 of the Bank of Zambia Act, No 43 of 1996.

41 Related party transactions

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

- The Government of the Republic of Zambia (GRZ);
- Government bodies;
- Members of the Board of Directors including the Governor;
- Key management personnel.

The main services during the year to 31 December 2007 were:

- provision of banking services including holding the principal accounts of Government;
- provision and issue of notes and coins;
- holding and maintaining the register of the Zambian Government securities.

Bank of Zambia

Notes for the year ended 31 December 2007 *(continued)*

In millions of Zambian Kwacha

41 Related party transactions *(continued)*

The Government of the Republic of Zambia

During the year, the nature of dealings with Government included: banking services, sale of foreign currency and agency services for the issuance of securities culminating in the income and balances stated in (a) and (b) below:

a) Listed below was income earned in respect of interest, charges or fees on the transactions with Government for the year up to 31 December:

	2007	2006
Profit on foreign exchange transactions	**3,685**	7,532
Fees and commission income on transactions with the Government	**15,453**	13,124
Interest on held to maturity Government securities	**150,030**	103,880
Interest on advances to GRZ	**-**	52,045
Total	**169,168**	176,581

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

b) Listed below were outstanding balances at close of business on 31 December:

	2007	2006
GRZ - year end balances		
Holdings of Government securities	**1,963,491**	1,950,308
Deposits from Government Institutions	**(1,951,177)**	(1,100,531)
Directors' and key management remuneration		
Directors' fees	**251**	282
Remuneration for key management personnel:		
• Salaries and allowances	**14,973**	14,245
• Pension contributions	**631**	576
	15,855	15,103
Loans and advances to key management personnel		
Balance at 31 December	**2,819**	3,077

c) No impairment has been recognised in respect of balances due from related parties.

42 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.

43 Prior year adjustment

Certain comparatives have been adjusted in respect of interest accrued on deposits from financial institutions and net income from foreign exchange transactions in order to properly reflect amounts recorded in respect of open market operations and foreign currency cash and bank accounts.

Bank of Zambia

Notes for the year ended 31 December 2007 (*continued)*

43 Prior year adjustment (*continued)*

The effect is to adjust interest expense to K60,239 million (previously reported K20,199 million) and net income from foreign exchange transactions to K8,996 million (previously reported K11,701 million), retained earnings to K267,879 million (previously reported K310,624 million), deposits from financial institutions to K2,054,673 million (previously reported K2,014,634 million) and foreign currency cash and bank accounts to K3,107,405 (previously reported K3,110,110 million), respectively. There is no effect in the current year.

44 Comparative figures

Comparative figures have been reclassified where appropriate to allow for more meaningful comparison with current year figures. In particular prior year figures have been reclassified in respect of the income statement, balance sheet and notes thereto.

45 Events after the balance sheet date

Assets and liabilities are adjusted for events that occur between the Bank's annual balance sheet date, and the date the Board of Directors approves the financial statements if such events materially affect the condition of assets and liabilities at the balance sheet date. There were no material events after balance sheet date requiring adjustment or disclosure in the financial statements.

9.0 ANNUAL STATISTICAL REPORT FOR 2007

MONETARY SURVEY (IN MILLIONS OF KWACHA)

TABLE 1

Monetary Account/Period	2005 December	2006 December	2007 January	February	March	April	May	June	July	August	September	October	November	December
NET FOREIGN ASSETS	**-312,030**	**3,887,665**	**3,409,625**	**3,200,300**	**3,175,618**	**3,400,524**	**3,772,616**	**3,921,751**	**4,373,958**	**4,556,258**	4,635,755	4,303,573	4,656,219	5,023,122
Foreign assets (BOZ)	4,751,306	5,559,756	5,380,960	5,206,288	5,478,195	5,612,929	5,686,311	5,794,217	6,064,898	6,089,632	6,195,471	5,974,943	7,092,714	7,250,652
o/w: IMF	3,330,721	2,483,658	2,481,123	2,272,515	2,274,206	2,272,220	2,265,564	2,263,421	2,265,413	2,262,541	2,261,689	2,261,084	3,127,632	3,123,697
Foreign assets (banks)	1,205,252	1,838,533	1,548,910	1,313,927	1,340,079	1,469,797	1,524,899	1,699,377	1,652,021	1,815,814	1,895,962	1,839,453	2,239,352	2,339,236
Foreign liabilities (BOZ)	-5,774,282	- 2,767,681	- 2,718,498	- 2,509,504	- 2,559,657	- 2,517,209	- 2,557,241	- 2,674,703	- 2,583,913	- 2,592,294	-2,575,627	-2,606,104	-3,404,241	-3,442,937
o/w: IMF	-5,349,214	- 2,607,730	- 2,564,487	- 2,360,368	- 2,365,422	- 2,358,668	- 2,350,157	- 2,467,651	- 2,481,819	- 2,527,482	-2,520,559	-2,547,936	-3,350,059	-3,352,180
Foreign liabilities (banks)	-494,306	- 742,943	- 801,748	- 810,412	- 1,082,999	- 1,164,993	- 881,352	- 897,139	- 759,047	- 756,893	-880,051	-904,718	-1,271,606	-1,123,829
DOMESTIC ASSETS	**6,122,708**	**4,538,776**	**4,470,046**	**4,611,630**	**4,576,026**	**4,440,820**	**4,573,519**	**4,610,590**	**4,846,179**	**4,948,405**	**4,882,408**	**5,089,184**	**5,119,651**	**5,610,939**
DOMESTIC CREDIT	5,054,356	6,469,046	6,149,086	6,185,696	6,472,480	6,151,781	6,091,520	6,087,294	6,241,876	6,618,836	6,814,869	6,975,509	7,141,970	7,616,607
Net Claims on General Government	2,386,879	2,474,646	2,137,196	2,090,557	2,098,187	1,653,344	1,609,638	1,539,839	1,485,625	1,519,512	1,524,601	1,484,922	1,417,902	1,861,453
Claims on government (BOZ)	1,939,711	1,941,618	1,941,028	1,941,028	1,957,682	1,957,682	1,958,594	1,957,630	1,957,278	1,961,022	1,965,608	1,969,197	1,946,313	1,944,215
Claims on government (banks)	1,834,263	2,102,848	1,963,533	1,950,169	2,077,084	2,146,347	2,188,258	2,177,181	2,254,591	2,180,616	2,402,089	2,452,666	2,478,796	2,496,823
Government deposits at BOZ	-869,449	- 1,036,523	- 1,246,994	- 1,400,758	- 1,519,724	- 1,948,810	- 1,965,620	- 2,097,365	- 2,263,718	- 2,189,144	-2,336,522	-2,492,689	-2,487,777	-1,956,823
Government deposits at banks	-517,647	- 533,297	- 520,372	- 399,882	- 416,855	- 501,875	- 571,594	- 497,607	- 462,526	- 432,982	-506,574	-444,253	-519,429	-622,762
Claims on public enterprises	230,343	224,415	180,823	196,938	227,697	283,100	325,999	246,370	194,329	245,881	316,847	368,816	416,234	378,545
Claims on public enterprises (BOZ)	96,340	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on public enterprises (banks)	134,003	224,415	180,823	196,938	227,697	283,100	325,999	246,370	194,329	245,881	316,847	368,816	416,234	378,545
Claims on private enterprises	1,879,190	3,054,686	3,160,004	3,159,064	3,362,689	3,206,337	3,332,486	3,426,559	3,652,598	3,920,689	4,022,542	4,092,041	3,737,911	4,309,122
Claims on private enterprises (BOZ)	13,598	16,059	6,651	12,111	13,305	13,279	13,197	14,075	14,697	14,837	15,613	16,677	17,701	18,151
Claims on private enterprises (banks)	1,865,592	3,038,626	3,153,353	3,146,953	3,349,384	3,193,057	3,319,288	3,412,485	3,637,901	3,905,852	4,006,929	4,075,364	3,720,210	4,290,971
Claims on households	528,039	625,392	576,725	641,155	685,668	905,308	734,093	786,019	821,048	844,656	855,344	928,366	1,455,004	942,615
Claims on households (BOZ)	39,009	41,713	42,494	41,487	42,049	42,721	41,865	42,208	42,058	42,846	40,936	39,011	38,004	37,935
Claims on households (banks)	489,030	583,679	534,231	599,668	643,619	862,587	692,228	743,811	778,989	801,810	814,408	889,355	1,417,000	904,680
Claims on nongovernment/nonprofit inst.	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on nongovernment/nonprofit inst. (BOZ)	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on nongovernment/nonprofit inst. (banks)	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on nonbank financial institutions	29,906	89,907	94,337	97,982	98,238	103,692	89,305	88,507	88,276	88,098	95,534	101,364	114,918	124,872
Claims on nonbank financial institutions (BOZ)	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on nonbank financial institutions (banks)	29,906	89,907	94,337	97,982	98,238	103,692	89,305	88,507	88,276	88,098	95,534	101,364	114,918	124,872
OTHER ITEMS NET	**1,068,352**	**- 1,930,270**	**- 1,679,040**	**- 1,574,066**	**- 1,896,454**	**- 1,710,961**	**- 1,518,001**	**- 1,476,704**	**- 1,395,697**	**- 1,670,431**	**-1,932,461**	**-1,886,325**	**-2,022,319**	**-2,005,668**
Claims on banks (BOZ)	168,282	208,373	154,882	189,625	146,259	92,408	49,791	225,762	184,093	155,603	202,383	132,405	133,264	123,994
Bankers deposits at BOZ	1,345,067	2,089,535	1,857,655	54,662	54,663	54,673	54,673	54,621	54,621	54,621	54,593	54,593	54,593	54,642
BOZ liabilities to banks	-1,302,169	- 2,025,288	- 1,885,273	1,834,614	1,992,410	1,839,026	1,833,918	1,835,618	1,816,576	1,640,564	1,706,801	1,321,161	1,600,192	2,080,588
Credit from BOZ	-121,662	- 113,199	- 114,352	- 1,879,232	- 1,994,830	- 1,730,760	- 1,689,454	- 1,682,125	- 1,639,359	- 1,542,031	-1,653,008	-1,219,797	-1,505,063	-1,992,860
Other items net (BOZ)	1,853,505	- 757,414	- 551,176	- 112,906	- 132,536	- 161,580	- 94,011	- 44,463	- 22,977	- 57,710	-28,267	-27,533	-40,465	-23,727
o/w: IMF	1,826,545	- 136,544	- 177,992	- 532,408	- 509,056	- 417,618	- 357,186	- 297,619	- 445,321	- 539,744	-450,277	-407,206	-474,160	-506,097
Other items net (banks)	-931,986	- 1,385,851	- 1,194,338	- 1,128,422	- 1,453,364	- 1,387,109	- 1,315,732	- 1,568,499	- 1,343,330	- 1,381,734	-1,764,686	-1,739,949	-1,790,680	-1,742,208
BROAD MONEY	**5,810,679**	**8,426,441**	**7,879,671**	**7,811,929**	**7,751,644**	**7,841,345**	**8,346,135**	**8,532,341**	**9,220,137**	**9,504,664**	**9,518,163**	**9,392,757**	**9,775,870**	**10,634,061**
MONEY	2,280,107	3,463,739	3,082,556	3,041,405	2,961,296	3,014,144	3,116,284	3,182,325	3,448,592	3,541,591	3,477,696	3,536,020	3,674,123	4,172,541
Currency outside banks	823,120	1,071,151	1,013,003	969,943	963,222	1,011,360	1,070,259	1,168,100	1,179,181	1,286,754	1,251,497	1,218,690	1,203,626	1,305,005
Demand deposits at BOZ	2,334	1,365	1,313	935	938	959	999	1,009	1,016	1,023	869	880	762	543
Demand deposits at banks	1,454,654	2,391,223	2,068,240	2,070,528	1,997,137	2,001,826	2,045,026	2,013,217	2,268,394	2,253,815	2,225,330	2,316,450	2,469,735	2,866,993
QUASI-MONEY	3,530,572	4,962,702	4,797,115	4,770,524	4,790,347	4,827,200	5,229,852	5,350,016	5,771,545	5,963,073	6,040,467	5,856,737	6,101,748	6,461,520
Savings Deposits	907,283	1,095,235	1,130,085	1,111,538	1,191,850	1,135,050	1,191,755	1,221,274	1,256,287	1,278,752	1,336,092	1,348,010	1,370,037	1,425,783
Savings deposits at BOZ	8,879	8,656	8,065	7,219	6,500	7,528	7,077	7,081	6,801	8,521	13,210	15,724	13,442	16,924
Savings deposits at banks	898,404	1,086,580	1,122,020	1,104,320	1,185,350	1,127,522	1,184,679	1,214,193	1,249,486	1,270,231	1,322,883	1,332,286	1,356,595	1,408,859
Time deposits and other deposits	672,542	1,203,873	1,039,471	983,763	1,028,714	981,744	1,169,571	1,109,020	1,175,492	1,132,141	1,168,279	1,216,633	1,314,349	1,170,708
Time deposits	672,367	1,203,442	1,039,269	983,635	1,028,398	981,529	1,169,207	1,108,542	1,174,979	1,131,657	1,167,468	1,216,050	1,313,662	1,170,105
Bills payable	175	431	202	128	316	215	364	478	513	484	811	583	687	603
Acceptances payable	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency deposits	1,950,747	2,663,594	2,627,559	2,675,223	2,569,783	2,710,407	2,868,526	3,019,723	3,339,767	3,552,180	3,536,096	3,292,095	3,417,362	3,865,029
Foreign currency demand deposits	1,667,550	2,453,207	2,274,504	2,282,420	2,265,018	2,284,014	2,523,121	2,586,369	2,891,737	3,033,705	2,989,716	2,773,738	2,874,909	3,300,851
Foreign currency savings deposits	14,165	12,117	11,308	20,123	14,154	11,490	12,571	11,805	12,513	12,057	11,732	10,797	11,066	10,542
Foreign currency time deposits	269,032	198,270	341,747	372,680	290,611	414,903	332,834	421,549	435,517	506,418	534,648	507,560	531,387	553,636
Vertical Check	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

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

TABLE 2

Monetary Account/Period	2005 December	2006 December	2007 January	February	March	April	May	June	July	August	September	October	November	December
NET FOREIGN ASSETS	-1,022,976	2,792,076	2,662,462	2,696,785	2,918,538	3,095,720	3,129,070	3,119,514	3,480,985	3,497,338	3,931,618	3,711,695	3,961,644	4,110,377
Gross foreign assets	4,751,306	5,559,756	5,380,960	5,206,288	5,478,195	5,612,929	5,686,311	5,794,217	6,064,898	6,089,632	2,164	2,164	3,438	16,579
Monetary gold	0	0	0	0	0	0	0	0	0	0	-2,575,627	-2,606,104	-3,404,241	-3,442,937
Reserve position in the Fund	3,274,976	2,423,995	2,423,995	2,219,656	2,219,656	2,219,656	2,219,656	2,219,656	2,219,656	2,219,656	-2,219,888	-2,219,656	-3,020,135	-3,020,135
SDR holdings	55,744	59,663	57,129	52,859	54,550	52,563	45,908	43,765	45,757	42,885	-300,109	-327,717	-329,360	-331,481
Foreign exchange holdings	1,418,757	3,053,761	2,897,711	2,932,671	3,202,885	3,339,507	3,419,544	3,527,882	3,796,070	3,812,485	0	0	0	0
Other foreign assets	1,828	22,337	2,125	1,102	1,105	1,203	1,203	2,914	3,415	14,606	-55,067	-58,168	-54,182	-90,758
Gross foreign liabilities	-5,774,282	-2,767,681	-2,718,498	-2,509,504	-2,559,657	-2,517,209	-2,557,241	-2,674,703	-2,583,913	-2,592,294	-507,666	-688,012	-772,062	-283,984
Use of Fund credit	-3,275,208	-2,424,225	-2,424,225	-2,219,888	-2,219,888	-2,219,888	-2,219,888	-2,219,888	-2,219,888	-2,219,888	-57,389	-280,806	-297,902	222,113
Fund administered accounts	-2,073,443	-182,943	-139,700	-139,917	-144,972	-138,217	-129,706	-247,200	-261,368	-307,032	-370,914	-523,492	-541,465	-12,608
Fund charges	0	0	0	0	0	0	0	0	0	0	1,965,608	1,969,197	1,946,313	1,944,215
Other foreign liabilities	-425,068	-159,950	-154,010	-149,136	-194,235	-158,541	-207,085	-207,052	-102,094	-64,812	-2,336,522	-2,492,689	-2,487,777	-1,956,823
											0	0	0	0
DOMESTIC ASSETS	3,298,312	467,401	400,448	305,819	185,178	-205,665	-204,687	-100,689	-456,292	-499,960	15,613	16,677	17,701	18,151
DOMESTIC CREDIT	1,444,807	1,224,815	951,624	838,156	694,234	211,952	152,499	196,930	-10,971	39,784	40,936	39,011	38,004	37,935
Claims on Gen.Government (net)	1,070,262	905,095	694,035	540,270	437,958	8,872	-7,026	-139,736	-306,440	-228,122	0	0	0	0
Claims on the central government	1,939,711	1,941,618	1,941,028	1,941,028	1,957,682	1,957,682	1,958,594	1,957,630	1,957,278	1,961,022	202,383	132,405	133,264	123,994
Central government deposits	-869,449	-1,036,523	-1,246,994	-1,400,758	-1,519,724	-1,948,810	-1,965,620	-2,097,365	-2,263,718	-2,189,144	54,593	54,593	54,593	54,642
Claims on nonfin. public enterprises	96,340	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on the private enterprises	13,598	16,059	6,651	12,111	13,305	13,279	13,197	14,075	14,697	14,837	-450,277	-407,206	-474,160	-506,097
Claims on households	39,009	41,713	42,494	41,487	42,049	42,721	41,865	42,208	42,058	42,846	384,670	392,670	397,670	350,664
Claims on nongovernment/nonprofit inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on banks	168,282	208,373	154,882	189,625	146,259	92,408	49,791	225,762	184,093	155,603	0	0	0	0
Claims on nonbank financial inst.	0	53,574	53,562	54,662	54,663	54,673	54,673	54,621	54,621	54,621	0	0	0	0
			0	0	0	0	0	0	0	0	65,374	64,339	66,124	66,295
OTHER ITEMS (NET)	1,853,505	-757,414	-551,176	-532,337	-509,056	-417,618	-357,186	-297,619	-445,321	-539,744	0	0	0	0
Other assets	2,334,654	370,599	339,189	344,004	356,546	361,695	353,839	358,912	370,873	380,376	256,343	256,870	257,745	258,436
Special holdings of Government securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/IMF Trust Fund obligations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gov/IMF Outstanding charges	0	0	0	0	0	0	0	0	0	0	62,954	71,462	73,801	25,933
Gov/IMF Securities account	2,073,443	109,942	68,905	69,063	71,158	68,308	64,966	61,719	64,624	66,817	-834,947	-799,875	-871,830	-856,761
BIS SDR Umbrella Account	18,872	0	0	0	0	0	0	0	0	0	-146,518	-146,521	-146,521	-146,521
Land and Fixed assets	239,334	249,154	250,264	251,646	253,433	252,948	254,375	254,947	255,354	256,124	-22,954	-24,012	-24,503	-5,888
Other investments	0	0	0	0	0	0	0	0	0	0	-291,560	-291,810	-355,783	-355,783
Items in transit	0	0	0	0	0	0	0	0	0	0	227,046	281,280	289,413	256,831
Other assets	3,005	11,502	20,020	23,295	31,955	40,439	34,498	42,247	50,896	57,435	0	0	0	0
Other liabilities	-481,149	-1,128,012	-890,366	-876,341	-865,602	-779,312	-711,025	-656,532	-816,194	-920,121	-10,020	-10,020	-10,020	-10,020
Provision for bad & dfll debt	-143,857	-143,004	-143,003	-140,912	-147,107	-148,955	-147,107	-147,107	-147,107	-146,518	-212,499	-212,249	-148,276	-148,276
Other provisions	-5,730	-21,276	-20,071	-20,310	-14,763	-131,938	-17,927	-18,631	-20,102	-21,677	-249,743	-249,743	-246,897	-246,897
Profit and loss carried over	-120,381	227,309	-1,029,119	-262,926	-257,040	-175,803	-289,303	-289,303	-291,061	-291,311	-2,817	-4,107	-4,016	-5,344
Profit and loss current year	335,655	-510,340	82,306	77,988	24,967	108,973	233,609	380,265	250,247	151,888	-325	-325	-325	-325
ZIMCO accounts	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	-10,020	0	0	-65,735	-65,735
Reserves and retained earnings	-218,759	-215,252	-215,252	-215,252	-215,252	-214,756	-214,756	-214,756	-212,998	-212,748	-125,557	-142,367	-159,167	-128,803
Allocation of SDRs	-246,897	-246,486	-246,897	-246,897	-246,874	-247,285	-247,308	-247,308	-247,308	-249,738	3,112,179	2,680,827	2,916,411	3,523,732
Forex arrears accounts	-325	-3,067	-4,483	-1,412	-3,026	-4,438	-1,542	-2,748	-4,402	-4,510	1,445,093	1,444,426	1,397,144	1,513,404
Credit for IMF Subscript. pyt.	0	-325	-325	-325	-325	-325	-325	-325	-325	-325	1,447,900	1,447,028	1,400,594	1,515,152
Revaluation account (liabilities)	0	0	0	0	0	0	0	0	0	0	-2,808	-2,602	-3,450	-1,747
Other liabilities	-69,132	-205,551	0	0	0	0	0	0	0	0	1,653,008	1,219,797	1,505,063	1,992,860
			696,500	-56,275	3,839	45,235	-16,345	-106,597	-133,117	-135,162	525,581	262,115	271,535	300,139
RESERVE MONEY	2,275,336	3,259,477	3,062,910	3,002,604	3,103,716	2,890,055	2,924,383	3,018,825	3,024,693	2,997,377	19	19	19	19
Currency in circulation:	961,954	1,224,168	1,168,259	1,115,148	1,101,448	1,150,808	1,226,853	1,328,610	1,377,516	1,445,803	557,149	315,867	408,681	525,035
add: notes and coins issued	964,385	1,226,161	1,170,391	1,118,093	1,102,711	1,152,944	1,229,183	1,330,838	1,380,190	1,448,623	104,964	245,295	290,327	144,238
less: teller's cash (BOZ)	-2,431	-1,993	-2,132	-2,945	-1,263	-2,136	-2,330	-2,227	-2,675	-2,820	465,041	396,247	534,247	1,022,703
Liabilities to commercial banks	1,302,169	2,025,288	1,885,273	1,879,302	1,994,830	1,730,760	1,689,454	1,682,125	1,639,359	1,542,031	254	254	254	727
Required reserves (Kwacha deps.)	412,760	564,723	530,263	560,131	541,895	494,658	430,486	459,590	476,579	524,480	0	0	0	0
Required reserves (Forex deps.)	71	71	71	71	71	71	0	0	19	19	14,078	16,604	14,205	17,467
Required reserves (Forex deps in **US$**.)	275,262	401,384	469,502	404,863	388,289	385,359	458,872	493,232	530,504	580,888	13,210	15,724	13,442	16,924
Current account balances (positive)	212,553	256,457	154,063	96,571	158,293	51,013	115,703	32,775	62,917	43,603	3,295	3,295	3,295	3,295
Term deposits of banks (kwacha)	385,978	792,622	731,120	817,413	905,779	799,406	684,139	696,274	569,087	392,787	3,294	3,294	3,294	3,294
Other bank deposits (kwacha)	15,545	10,032	254	254	504	254	254	254	254	254	5,408,941	4,423,758	4,996,779	5,977,893
Settlement position at clearing cntre	0	0	0	0	0	0	0	0	0	0	1,100	1,023	1,121	1,161
Liabilities to non-banks	11,213	10,021	9,378	8,153	7,438	8,487	8,076	8,090	7,818	9,544	1,099	1,023	1,120	1,156
o/w: non government deposits	8,879	8,656	8,065	7,219	6,500	7,528	7,077	7,081	6,801	8,521	1	1		
Memo items:														
K/USD exchange rate (end of period - BOZ mid-rate)	3,509	4,407	4,293	4,251	4,248	4,153	3,983	3,771	3,914	4,054	3,878	3,793	3,757	3,845
K/USD exchange rate (period average - BOZ mid-rate)	3,416	4,128	4,221	4,254	4,259	4,161	4,014	3,888	3,827	4,013	3,961	3,831	3,767	3,834
Reserve money (BoZ definition)	1,596,827	2,057,546	1,860,669	1,779,088	1,808,155	1,704,026	1,780,138	1,828,075	1,923,832	2,022,427	2,088,866	1,967,579	1,972,468	1,974,725
NIR in USD (estimated from MS):	-299	680	634	685	744	780	802	910	871	914	879	979	993	997
Assets	1,391	1,292	1,224	1,286	1,349	1,417	1,490	1,585	1,517	1,564	1,559	1,883	1,891	993
Liabilities:	-1,690	-612	-644	-590	-601	-605	-637	-688	-675	-646	-650	-680	-904	-898
Liabilities to the Fund	-1,650	-595	-628	-574	-575	-586	-604	-653	-668	-639	-645	-674	-897	-882
Short-term liabilities	-40	-17	-16	-16	-26	-19	-33	-34	-7	-7	-5	-7	-6	-16
NIR reported by the BoZ in dollars:	-521	-521	-521	-521	-521	-521	-521	-521	-521	-521	-521	-521	-521	-521
Assets	243	243	243	243	243	243	243	243	243	243	243	243	243	243
o/w Escrow a/c bal.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities:	-764	-764	-764	-764	-764	-764	-764	-764	-764	-764	-764	-764	-764	-764
Liabilities to the Fund	-764	-764	-764	-764	-764	-764	-764	-764	-764	-764	-764	-764	-764	-764
Short-term liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Bank of Zambia

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

TABLE 3

Monetary Account/Period	2005 December	2006 December	2007 January	February	March	April	May	June	July	August	September	October	November	December
FOREIGN ASSETS (NET)	710,946	1,095,590	747,162	503,515	257,080	304,804	643,547	802,238	892,974	1,058,921	1,015,911	934,735	967,746	1,215,407
Gross assets	1,205,252	1,838,533	1,548,910	1,313,927	1,340,079	1,469,797	1,524,899	1,699,377	1,652,021	1,815,814	1,895,962	1,839,453	2,239,352	2,339,236
Liabilities	-494,306	-742,943	-801,748	-810,412	-1,082,999	-1,164,993	-881,352	-897,139	-759,047	-756,893	-880,051	-904,718	-1,271,606	-1,123,829
RESERVES (CREDIT TO BOZ)	1,483,901	2,242,552	2,012,911	1,979,819	2,130,636	1,978,474	1,990,512	1,996,128	2,014,910	1,799,613	1,900,396	1,546,897	1,793,710	2,288,987
Cash in vaults	138,834	153,017	155,256	145,205	138,226	139,448	156,594	160,510	198,334	159,049	193,595	225,736	193,518	208,399
Other balances at BOZ	260,832	388,506	267,217	136,358	172,284	154,064	177,505	105,044	178,545	86,573	88,279	251,855	298,734	161,779
Statutory reserves at BOZ (kwacha and forex)	715,064	992,574	924,677	878,279	916,177	854,226	931,109	993,889	1,028,463	1,134,625	1,132,575	654,971	735,492	858,749
Money market placements	369,171	708,455	665,761	819,977	903,949	830,736	725,304	736,685	609,568	419,366	485,947	414,335	565,966	1,060,060
CREDIT TO DOMESTIC ECONOMY	3,835,147	5,506,178	5,405,906	5,618,454	5,979,168	6,086,909	6,043,485	6,170,747	6,491,561	6,789,276	7,129,234	7,443,313	7,627,730	7,573,130
Claims on general government (net)	1,316,617	1,569,550	1,443,161	1,576,913	1,660,229	1,644,472	1,616,664	1,679,574	1,792,065	1,747,634	1,895,515	2,008,413	1,959,367	1,874,061
Claims on general government	1,834,263	2,102,848	1,963,533	1,976,795	2,077,084	2,146,347	2,188,258	2,177,181	2,254,591	2,180,616	2,402,089	2,452,666	2,478,796	2,496,823
Treasury bills	913,332	1,105,947	1,040,098	902,348	1,010,595	1,050,031	1,125,089	1,102,970	1,214,085	1,098,615	1,286,215	1,336,139	1,352,512	1,307,922
Other assets	920,931	996,900	923,435	1,074,447	1,066,489	1,096,316	1,063,169	1,074,211	1,040,507	1,082,001	1,115,874	1,116,528	1,126,284	1,188,901
Deposits of general government	-517,647	-533,297	-520,372	-399,882	-416,855	-501,875	-571,594	-497,607	-462,526	-432,982	-506,574	-444,253	-519,429	-622,762
Claims on parastatals & state enterpr.	134,003	224,415	180,823	196,938	227,697	283,100	325,999	246,370	194,329	245,881	316,847	368,816	416,234	378,545
Claims on private enterprises	1,865,592	3,038,626	3,153,353	3,146,953	3,349,384	3,193,057	3,319,288	3,412,485	3,637,901	3,905,852	4,006,929	4,075,364	3,720,210	4,290,971
Claims on households	489,030	583,679	534,231	599,668	643,619	862,587	692,228	743,811	778,989	801,810	814,408	889,355	1,417,000	904,680
Claims on nonbank fin. inst.	29,906	89,907	94,337	97,982	98,238	103,692	89,305	88,507	88,276	88,098	95,534	101,364	114,918	124,872
Claims on nongov./nonprofit inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER ITEMS (NET)	-931,986	-1,385,851	-1,194,338	-1,155,049	-1,453,364	-1,387,109	-1,315,732	-1,568,499	-1,343,330	-1,381,734	-1,764,686	-1,739,949	-1,790,680	-1,742,208
Assets	988,930	937,454	964,289	1,090,563	981,762	1,213,476	1,067,254	1,141,860	1,312,253	1,322,030	1,142,614	1,067,799	1,395,885	1,436,890
Balances held with comm. banks	253,184	111,266	103,410	105,900	150,492	275,811	135,440	165,365	195,817	193,426	183,837	143,413	202,879	132,628
Balances with branches	63,854	11,794	39,445	140,691	12,289	30,940	22,495	20,618	19,368	4,014	36,679	13,858	50,282	9,846
Bank premises	231,622	246,336	241,732	250,341	253,164	251,999	253,610	256,373	262,023	265,965	291,490	294,005	306,125	366,152
Other assets	440,269	568,057	579,701	593,630	565,816	654,725	655,708	699,503	835,045	858,624	630,607	616,522	836,598	928,264
Liabilities	-1,920,916	-2,323,305	-2,158,627	-2,245,612	-2,435,125	-2,600,585	-2,382,986	-2,710,358	-2,655,583	-2,703,763	-2,907,300	-2,807,747	-3,186,565	-3,179,098
Liabilities to comm. banks	-169,615	-140,524	-90,493	-99,014	-132,673	-257,542	-128,759	-224,603	-225,896	-232,454	-269,969	-209,501	-271,711	-177,552
Balances with branches	-8,447	-7,727	-24,835	-5,579	-56,145	-48,472	-49,289	-66,471	-61,260	-33,321	-28,870	-34,235	-20,528	-47,148
Capital	-967,830	-1,026,135	-1,068,695	-1,083,260	-1,030,263	-1,030,380	-1,047,407	-1,027,636	-1,047,352	-1,081,728	-1,132,490	-1,158,921	-1,236,331	-1,352,279
Reserves	-94,335	-152,470	-175,428	-175,587	-171,806	-169,919	-163,637	-156,959	-186,142	-199,006	-197,204	-198,171	-197,288	-200,138
Other liabilities	-680,689	-996,449	-799,176	-882,172	-1,044,238	-1,094,272	-993,894	-1,234,689	-1,134,933	-1,157,254	-1,278,767	-1,206,920	-1,460,708	-1,401,981
LIABILITIES TO NONGOVERNMENT SECTOR	4,976,346	7,345,270	6,857,289	6,833,833	6,780,984	6,821,498	7,267,801	7,356,152	8,033,138	8,208,366	8,252,587	8,157,463	8,558,040	9,311,588
Demand deposits in Kwacha	1,454,654	2,391,223	2,068,240	2,070,528	1,997,137	2,001,826	2,045,026	2,013,217	2,268,394	2,253,815	2,225,330	2,316,450	2,469,735	2,866,993
Demand deposits in forex	1,667,550	2,453,207	2,274,504	2,282,420	2,265,018	2,284,014	2,523,121	2,586,369	2,891,737	3,033,705	2,989,716	2,773,738	2,874,909	3,300,851
Savings deposits in Kwacha	898,404	1,086,580	1,122,020	1,104,320	1,185,350	1,127,522	1,184,679	1,214,193	1,249,486	1,270,231	1,322,883	1,332,286	1,356,595	1,408,859
Savings deposits in forex	14,165	12,117	11,308	20,123	14,154	11,490	12,571	11,805	12,513	12,057	11,732	10,797	11,066	10,542
Time deposits in Kwacha	672,367	1,203,442	1,039,269	983,635	1,028,398	981,529	1,169,207	1,108,542	1,174,979	1,131,657	1,167,468	1,216,050	1,313,662	1,170,105
Time deposits in forex	269,032	198,270	341,747	372,680	290,611	414,903	332,834	421,549	435,517	506,418	534,648	507,560	531,387	553,636
Bills payable	175	431	202	128	316	215	364	478	513	484	811	583	687	603
Acceptances payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CREDIT FROM THE BOZ	121,662	113,199	114,352	112,906	132,536	161,580	94,011	44,463	22,977	57,710	28,267	27,533	40,465	23,727

Source: Bank of Zambia

SOURCES OF LIQUIDITY(IN MILLIONS OF KWACHA) TABLE 4

End of period.		Government Transactions					Foreign Exchange influence.	Other BOZ influence.	Non- bank Bond influence	Non-bank T.B influence.	**Total primary influence.**
		Revenue	Expenditure.	Domestic. interest.	Other Govt Transactions	**Total Govt Infuence.**					
1995	December	-53,956	38,625	6,173	16,432	7,274	-13,658	-320	302	1,292	-5,110
1996	December	-59,593	65,932	8,396	-16,022	-1,287	27,340	-1,110	292	2,112	27,347
1997	December	-111,550	111,376	6,192	-5,680	338	17,424	4,233	0	831	22,826
1998	December	-199,709	103,365	4,142	122,676	30,474	1,732	3,339	0	753	36,298
1999	December	-150,550	28,223	6,815	126,124	10,612	5,750	316	-6,387	565	10,856
2000	December	-226,202	59,145	11,150	192,599	36,692	16,690	2,598	267	0	56,247
2001	December	-286,907	48,406	26,507	351,870	139,876	-63,675	-1,824	0	2,495	76,872
2002	December	-433,603	159,563	27,379	454,172	207,511	-79,609	6,476	-9,667	1,417	126,128
2003	December	-394,281	26,570	33,121	521,095	186,505	11,946	532	22,421	43,983	265,387
2004	December	-527,757	13,075	13,290	678,372	176,980	6,575	3,446	0	313	187,314
2005	January	-602,177	12,711	20,264	473,518	-95,684	47,925	-726	-26,705	-21,114	-96,304
	February	-372,994	17,632	30,354	302,169	-22,839	42,315	241	-10,943	-40,666	-31,892
	March	-369,370	16,094	23,376	391,593	61,693	81,172	-1,397	-37,648	30,772	134,592
	April	-516,993	13,722	16,288	442,852	-44,131	108,878	-1,782	-6,862	0	56,103
	May	-502,051	18,177	15,299	506,454	37,879	59,756	1,093	-42,270	0	56,458
	June	-513,951	11,212	45,108	460,266	2,635	97,084	-945	-2,862	0	95,912
	July	-613,086	14,290	19,676	692,510	113,391	147,290	-1,151	-27,457	3,015	235,088
	August	-583,718	15,633	26,316	623,041	81,272	24,342	-1,087	5,296	-23,328	86,495
	September	-614,680	27,623	36,205	580,919	30,067	15,518	68	11,497	-12,239	44,911
	October	-666,655	23,455	47,903	633,532	38,235	1,739	-40	-7,883	-16,428	15,623
	November	-635,342	19,410	21,926	588,790	-5,216	10,424	1,569	0	-34,296	-27,519
	December	-620,299	17,489	18,385	867,606	283,182	17,515	17,098	-8,098	617	310,314
2006	January	-631,544	15,829	35277	827,751	247,313	33,419	-460	-33,852	0	246,420
	February	-465,527	18,618	23638	475,157	51,886	2,874	506	-68,795	0	-13,529
	March	-564,041	19,459	26,355	552,173	33,945	4,561	-1,849	61,065	0	97,722
	April	-609,409	35,512	23,563	671,645	121,310	126,527	-1,095	16,216	0	262,958
	May	-473,466	18,364	27,337	483,024	55,259	53,874	-4,894	-57,806	0	46,433
	June	-518,348	22,559	35,216	478,418	17,845	21,642	-63	-6,984	0	32,440
	July	-619,349	14,301	17,889	671,873	84,714	-9,813	-885	-95,350	0	-21,334
	August	-641,115	25,505	32,103	676,058	92,551	-60,489	-1,542	-37,130	0	-6,610
	September	-647,576	10,211	35,509	861,754	259,898	345,416	21,024	1,127	0	627,465
	October	-888,073	20,954	56,676	586,784	-223,659	119,428	-20,429	-70,296	0	-194,957
	November	-667,923	19,965	33,277	834,673	219,992	-31,594	27,031	15,131	0	230,560
	December	-617,754	22,726	3,015	835,173	243,160	-101,221	-7,780	0	0	134,159
2007	January	-873,611	19,543	51,489	653,082	-149,498	-133,382	14,245	59,872	0	-208,762
	February	-633,224	20,591	38,164	570,344	-4,124	-13,932	1,213	10,153	0	-6,690
	March	-672,220	41,320	26,547	607,020	2,668	154,622	14,490	8,367	0	180,147
	April	-1,010,794	13,758	28,739	710,903	-257,393	230,530	11,884	94,504	0	79,526
	May	-428,184	9,070	304	328,528	-90,282	63,928	3,176	13,046	0	-10,130
	June	-783,936	19,791	23,761	818,160	77,776	50,219	10,395	-37,621	-4	100,765
	July	-941,760	45,958	24,276	898,210	26,684	3,540	-531	24,523	1	54,217
	August	-869,782	39,077	30,192	867,055	66,542	-97,176	15,446	14,926	0	-262
	September	-867,012	22,668	31,206	847,699	34,561	54,943	19,108	-30,573	0	78,039
	October	-1,111,989	16,078	37,569	895,689	-162,654	18,468	19,674	0	-19,939	-144,450
	November	-819,941	19,451	35,053	1,037,409	271,972	19,293	5,748	5,348	35,946	338,307
	December	-813,360	12,127	18,036	1,186,635	403,438	3,199	1,010	0	71,265	478,913

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	-15,994.0	386.0	161.0	-1,625.0
1997	December	22,836.0	-10,590.0	-10,488.0	347.0	2,743.0	-558.0	4,290.0
1998	December	36,298.0	-23,600.0	-29,324.0	-3,813.0	31,515.0	-2,743.0	8,333.0
1999	December	10,856.0	-33,939.0	-7,219.0	-4,698.0	-19,765.0	-1,173.0	-55,938.0
2000	December	56,247.0	-44,760.0	-13,217.0	-63,981.0	18,069.0	-1,125.0	-48,767.0
2001	December	76,872.0	-47,701.0	-20,105.0	-86,387.0	-16,611.0	4.0	-93,928.0
2002	December	126,127.0	-33,002.0	10,314.0	-79,433.0	62,919.0	-47.0	86,878.0
2003	December	265,387.0	-61,723.0	-125,568.0	-31,642.0	-27,037.0	-10.0	19,407.0
2004	December	187,314.0	-16,306.0	15,790.0	-24,223.0	-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	-10,891.0	7,327.0	48,441.0	-1.0	28,639.0
	March	134,592.2	-2,028.0	-92,912.0	-30,676.0	-23,475.0	-1.2	-14,500.0
	April	56,103.0	-33,166.0	-27,957.0	-15,585.0	178,909.0	0.0	158,304.0
	May	56,458.0	-51,066.0	4,148.0	-43,687.0	-130,726.0	0.0	-164,873.0
	June	95,912.0	-56,131.0	-22,695.0	-7,881.0	-6,168.0	1.0	3,038.0
	July	235,088.3	-76,372.7	-21,147.0	-22,984.5	-17,100.0	1.0	97,485.0
	August	86,495.2	32,391.0	-46,642.0	-7,785.0	-116,181.0	0.0	-51,721.8
	September	44,910.7	11,190.2	-8,013.1	4,245.0	-93,675.6	4.0	-41,338.8
	October	15,622.0	112.0	-2,041.0	13,369.0	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	-64,838.0	-55,622.0	-31,882.0	-35,037.0	4.0	122,938.0
2006	January	246,419.7	93,801.0	-125,368.0	-111,818.0	48,508.0	-4.0	151,538.7
	February	-13,528.8	14,896.0	-57,055.0	119,563.0	-230,039.0	-2.0	-166,165.8
	March	97,722.1	9,298.0	-97,916.0	-10,220.0	-65,526.0	-1.0	-66,642.9
	April	262,957.8	-6,342.0	-183,545.0	-27,540.0	173,352.0	1.0	218,883.8
	May	46,433.0	-57,364.0	-128,134.0	8,460.0	-54,237.0	-3.0	-184,845.0
	June	32,440.0	-82,858.0	-35,399.0	-57,232.0	73,121.0	0.0	-69,928.0
	July	-21,334.0	-59,862.0	-10,204.0	15,605.0	125,292.0	2.0	49,499.0
	August	-6,610.0	-64,726.0	-6,084.0	-4,645.0	37,486.0	-2.0	-44,581.0
	September	627,465.0	-111,598.0	17,398.0	-51,933.0	-295,996.0	2.0	185,338.0
	October	-194,957.1	64,398.2	40,569.4	57,712.5	-39,138.6	2.3	-71,413.2
	November	230,560.1	6,470.7	9,304.0	-84,936.6	-285,108.6	-1.3	-123,711.8
	December	134,159.0	-54,788.0	-67,769.0	-26,778.0	179,817.0	1.0	164,642.0
2007	January	-208,762.4	56,182.1	-24,606.4	35,317.8	39,569.2	-3.2	-102,303.0
	February	-6,690.1	52,298.9	8,291.5	-22,350.3	-89,068.8	-0.5	-57,519.3
	March	180,146.7	-27,587.3	-37,795.3	20,696.6	-72,812.8	-2.4	62,645.4
	April	79,526.1	-10,581.6	-225,813.7	44,571.0	3,073.0	-3.2	-109,228.3
	May	-10,130.4	-35,135.1	-60,167.0	-30,811.0	166,010.0	-0.5	29,766.0
	June	100,765.0	-102,577.0	-24,849.0	-34,374.0	-21,892.0	1.0	-82,926.0
	July	54,217.0	-49,354.0	-56,783.0	-16,989.0	99,056.0	0.0	30,147.0
	August	-262.0	-67,567.0	-42,341.0	-47,901.0	138,759.0	0.0	-19,312.0
	September	78,039.0	299.0	33,164.0	-1,100.0	-51,667.0	1.0	58,736.0
	October	-144,450.2	1,075.9	6,864.5	263,466.5	13,381.9	-3.3	140,335.3
	November	338,307.1	46,432.9	-135,948.5	-9,419.4	-194,339.6	0.7	45,033.2
	December	478,913.2	-114,557.4	32,666.4	-28,609.7	-514,501.4	0.0	-146,089.0

Source: Bank of Zambia

COMMERCIAL BANKS' LIQUIDITY AND OPERATING RATIOS

TABLE 6

Year	End of period	Core liquid Assets	Minimum required	Other liquid assets	**Total**	Advances plus bills of exchange as percentage of total deposits
1995	December	57.1	30.0	40.6	97.7	57.2
1996	December	27.8	43.5	55.7	83.5	62.4
1997	December	33.9	30.0	26.8	60.7	52.9
1998	December	28.1	25.0	16.6	44.7	51.4
1999	December	29.6	25.0	16.9	46.4	57.9
2000	December	44.3	25.0	24.2	68.5	50.7
2001	December	48.0	35.0	48.8	96.8	47.0
2002	December	60.8	35.0	58.0	118.8	31.2
2003	December	64.2	35.0	60.8	125.0	34.3
2004	December	60.2	35.0	54.2	114.4	38.0
2005	January	54.3	35.0	55.3	109.6	40.8
	February	54.1	35.0	56.0	110.1	44.1
	March	56.9	35.0	58.0	114.9	44.2
	April	57.8	35.0	39.8	97.6	45.2
	May	54.6	35.0	40.2	94.8	46.4
	June	53.9	35.0	39.8	93.7	51.4
	July	46.8	35.0	43.2	90.0	48.6
	August	60.8	35.0	40.5	101.3	48.0
	September	58.8	35.0	42.1	100.9	48.1
	October	59.0	35.0	59.6	118.6	46.4
	November	62.5	35.0	61.3	123.8	45.2
	December	63.2	35.0	63.9	127.1	45.1
2006	January	62.9	35.0	64.1	127.0	44.7
	February	68.9	35.0	65.6	134.5	47.5
	March	68.5	35.0	64.8	133.3	48.8
	April	70.6	35.0	65.3	135.9	50.3
	May	65.9	35.0	64.1	130.0	51.5
	June	59.5	35.0	63.9	123.4	53.0
	July	33.6	9.0	58.4	92.0	52.1
	August	32.0	9.0	54.5	86.4	53.2
	September	45.1	9.0	56.6	101.7	49.9
	October	41.9	9.0	58.1	100.0	52.2
	November	33.1	9.0	57.2	90.3	50.7
	December	41.3	9.0	53.9	95.3	49.4
2007	January	38.4	9.0	55.0	93.5	52.9
	February	35.0	9.0	55.7	90.7	55.3
	March	40.3	9.0	59.0	99.3	59.1
	April	36.7	9.0	57.9	94.6	59.8
	May	35.5	9.0	52.0	87.5	55.7
	June	30.0	9.0	52.9	82.9	56.2
	July	25.3	9.0	50.9	76.2	54.3
	August	23.0	9.0	47.0	70.1	57.5
	September	21.0	9.0	49.5	70.5	58.9
	October	17.5	9.0	46.4	63.9	62.0
	November	25.5	9.0	47.9	73.4	61.2
	December	22.7	9.0	46.6	69.3	57.7

Source: Bank of Zambia

Note: (1) Core liquid assets include Zambia notes and coins, current account balances, all Treasury Bills (reported at face value), term deposits issued under Bank of Zambia (BoZ) open market operations, repurchase agreements (Repo) under BoZ open market operations and net collateralised interbank loans

(2) Other Liquid assets includes balances with Bank of Zambia, balances held with banks and other financial institutions in Zambia, Govt of Zambia securities (Treasury bills, GRZ Bonds and Other securities), plus bills of exchange.

BANKING SYSTEM CLAIMS ON GOVERNMENT (IN MILLIONS OF KWACHA)

Period		Bank of Zambia Claims					Commercial Banks Claims						
End Month		Treasury Bills	GRZ Stock	GRZ Position	Loans & Advances	(A) **Total**	Treasury Bills	GRZ Securities	Loans & Advances	Deposits	Tax Revenue Suspense a/c	(B) **Total**	(A+B) **TOTAL CLAIMS**
1995	December	24,662.1	10,393.3	-87,647.2	248.2	-52,343.6	141,937.4	58,634.6	-17,100.9	-35,832.5	0.0	147,638.6	95,295.0
1996	December	12,243.0	37,565.0	-104,096.7	248.2	-54,040.5	164,057.2	47,156.7	-2,623.6	-49,280.0	0.0	159,310.3	105,269.8
1997	December	6,862.5	23,220.6	-83,042.2	248.2	-52,710.9	195,342.6	44,671.2	-8,438.4	-55,196.6	0.0	176,378.8	123,667.9
1998	December	17,248.9	21,297.6	428,303.5	248.2	467,098.2	154,859.4	19,715.2	-5,764.9	-70,661.0	0.0	98,148.7	565,246.9
1999	December	23,672.2	20,031.7	558,615.5	0.0	602,319.4	175,359.8	41,523.6	-4,998.0	-127,630.3	0.0	84,255.1	686,574.5
2000	December	47,695.0	44,861.7	286,785.2	0.0	379,341.9	228,138.6	137,545.0	7,210.1	115,508.1	0.0	488,401.8	867,743.7
2002	December	52,538.5	1,648,393.4	-736,781.2	0.0	964,150.7	516,251.5	395,675.7	-4,039.7	-104,018.4	0.0	803,869.1	1,768,019.8
2003	December	5,181.0	1,706,427.2	-882,562.7	261,029.2	1,090,074.7	1,091,252.1	765,558.9	-6,295.7	-193,646.1	0.0	1,669,562.2	2,759,636.9
2004	December	62,580.9	1,660,562.7	-886,086.5	409,629.2	1,246,686.3	886,979.9	841,986.6	-6,833.7	-445,692.7	0.0	1,276,440.1	2,523,126.4
2005	January	17,118.8	1,650,793.5	-1,052,185.5	398,129.2	1,013,856.0	963,759.4	896,625.3	-8,357.7	-305,613.5	0.0	1,546,413.5	2,560,269.5
	February	26,107.3	1,659,431.9	-1,050,729.7	398,129.2	1,032,938.7	938,604.3	915,881.6	-8,349.7	-287,744.0	0.0	1,558,392.2	2,591,330.9
	March	14,679.7	1,659,127.5	-1,133,200.2	398,129.2	938,736.2	1,033,963.7	923,982.5	-7,792.7	-318,719.4	0.0	1,631,434.1	2,570,170.3
	April	71,856.2	1,661,780.5	-1,205,670.4	453,129.2	981,095.5	1,030,045.2	950,014.9	-7,479.7	-385,260.9	0.0	1,587,319.5	2,568,415.0
	May	57,347.8	1,653,618.6	-932,574.3	191,286.1	969,678.2	999,240.1	898,029.9	-7,753.7	-324,072.9	0.0	1,565,443.4	2,535,121.5
	June	7,813.5	1,653,618.6	-894,348.6	191,286.1	958,369.6	1,017,745.6	948,572.4	-7,857.7	-290,134.6	0.0	1,668,325.7	2,626,695.4
	July	3,152.9	1,653,618.6	-883,005.8	191,286.1	965,051.8	1,025,482.2	972,434.0	-7,687.7	-451,103.1	0.0	1,539,125.4	2,504,177.2
	August	19,776.2	1,661,780.6	-908,673.9	281,729.9	1,054,612.7	1,058,243.1	971,006.9	-7,519.7	-395,549.6	0.0	1,626,180.6	2,680,793.4
	September	20,358.6	1,646,943.4	-677,207.5	148,786.1	1,138,880.6	1,016,672.5	962,156.3	-6,720.7	-380,408.6	0.0	1,591,699.5	2,730,580.1
	October	24,893.6	1,646,743.4	-645,867.5	136,286.1	1,162,055.6	950,214.3	1,005,479.5	-6,856.7	-453,011.1	0.0	1,495,826.0	2,657,881.6
	November	3,584.2	1,646,743.4	-889,277.4	247,614.5	1,008,664.7	887,967.3	941,743.8	-5,891.7	-404,539.4	0.0	1,419,280.0	2,427,944.7
	December	3,654.9	1,646,943.4	-866,694.5	288,986.1	1,072,889.9	913,332.1	916,851.0	-5,590.7	-478,590.7	0.0	1,346,001.7	2,418,891.6
2006	January	3,584.2	1,646,743.4	-747,356.3	288,986.1	1,191,957.4	941,090.4	1,023,071.7	-5,661.7	-457,958.8	0.0	1,500,541.6	2,692,499.0
	February	3,584.2	1,646,743.4	-892,879.3	288,986.1	1,046,434.4	996,395.6	955,328.6	-4,849.7	-399,122.8	0.0	1,547,751.7	2,594,186.2
	March	3,584.2	1,646,743.4	-997,213.1	288,986.1	942,100.6	1,044,471.1	927,441.9	-6,195.7	-416,832.3	0.0	1,548,885.0	2,490,985.6
	April	4,009.1	1,646,743.4	-1,040,799.8	288,986.1	898,938.8	1,095,304.5	959,722.7	-7,676.9	-473,478.0	0.0	1,573,872.3	2,472,811.1
	May	4,149.7	1,646,743.4	-1,142,901.1	288,986.1	796,978.1	1,198,022.4	957,548.2	-7,271.7	-385,397.0	0.0	1,762,901.9	2,559,880.0
	June	4,149.7	1,646,743.4	-1,346,326.6	288,986.1	593,552.6	1,252,271.4	917,413.8	-7,271.7	-385,397.0	0.0	1,813,107.9	2,370,569.2
	July	5,991.3	1,646,743.4	-1,228,856.0	288,986.1	712,864.9	1,283,572.9	901,261.9	-6,565.7	-366,525.3	0.0	1,811,743.7	2,370,569.2
	August	5,991.3	1,646,943.4	-1,160,235.6	288,986.1	781,685.2	1,247,136.3	919,699.6	-8,030.7	-380,843.2	0.0	1,777,962.0	2,559,647.3
	September	5,705.3	1,646,943.4	-1,226,474.5	288,986.1	715,160.3	1,248,930.7	915,477.9	-8,035.7	-380,843.2	0.0	1,775,529.7	2,490,690.0
	October	6,750.5	1,646,943.4	-1,498,813.2	288,986.1	443,866.8	1,148,659.0	908,167.7	-7,641.7	-451,410.7	0.0	1,597,774.3	2,041,641.1
	November	6,112.4	1,646,943.4	-1,318,210.6	288,986.1	623,831.3	1,161,044.5	956,955.2	-7,363.2	-451,410.7	0.0	1,659,225.8	2,283,057.1
	December	607,812.0	1,309,952.0	-1,103,716.7	0.0	814,047.3	1,105,947.5	992,339.7	-7,087.7	-456,726.4	0.0	1,634,473.1	2,448,520.4
2007	January	488,295.1	1,309,952.0	-1,258,514.8	0.0	539,732.3	1,216,237.1	988,494.0	-7,087.7	-380,705.1	0.0	1,816,938.4	2,356,670.7
	February	492,828.3	1,309,952.1	-1,203,654.0	0.0	599,126.4	1,103,682.2	1,060,407.4	-7,804.7	-366,052.9	0.0	1,790,232.0	2,389,358.4
	March	545,217.5	1,309,952.1	-1,497,155.8	0.0	358,013.8	1,112,988.6	1,064,004.4	-7,659.7	-386,213.5	0.0	1,783,119.7	2,141,133.5
	April	634,194.2	1,309,952.1	-1,803,208.7	0.0	140,937.5	1,053,170.6	1,114,262.9	-7,870.7	-466,054.8	0.0	1,693,508.0	1,834,445.6
	May	614,945.4	1,309,952.1	-1,864,258.2	0.0	60,639.3	1,124,224.8	1,043,999.8	-5,720.7	-537,173.8	0.0	1,625,330.1	1,685,969.4
	June	540,604.5	1,309,952.1	-2,083,673.3	0.0	-341,014.8	1,209,923.5	1,023,719.7	-5,720.7	-537,173.8	0.0	1,690,748.7	1,457,632.1
	July	503,441.3	1,309,952.0	-2,154,408.2	0.0	-389,672.4	1,346,373.0	1,045,780.2	-5,720.7	-425,559.3	0.0	1,960,873.2	1,619,858.3
	August	465,428.7	1,309,952.0	-2,165,053.1	0.0	-569,184.2	1,394,362.9	1,079,760.4	-7,837.7	-396,528.2	0.0	2,069,757.5	1,680,085.1
	September	506,263.2	1,257,992.0	-2,333,439.4	0.0	-818,579.0	1,433,863.7	1,104,659.7	1,763.3	-396,528.2	0.0	2,143,758.5	1,574,574.3
	October	335,875.0	1,237,155.1	-2,391,609.2	0.0	-785,273.1	1,668,913.0	1,105,723.7	1,763.3	-434,970.0	0.0	2,341,430.0	1,522,851.0
	November	458,765.8	1,243,050.0	-2,487,088.9	0.0	-785,273.1	1,538,485.5	1,123,847.9	1,763.3	-434,970.0	0.0	2,229,126.7	1,443,853.5
	December	510,435.8	1,265,368.7	-2,064,174.5	0.0	-288,370.0	1,471,088.0	1,114,158.9	-7,573.7	-485,644.5	0.0	2,092,028.6	1,803,658.6

Source: Bank of Zambia

Note: GRZ position represents the net position inclusive of donor funds received that have not yet been credited to the GRZ accounts, GRZ indebtedness to the BoZ and GRZ deposits at BoZ.

CURRENCY IN CIRCULATION (IN THOUSANDS OF KWACHA) — TABLE 8

End of period		Issued			At banks			Outside banks		
		Total	Notes	Coin	Total	Notes	Coin	Total	Notes	Coin
1995	December	91,917,584	91,783,860	133,724	13,936,098	13,917,123	18,975	77,981,486	77,866,737	114,749
1996	December	128,053,024	127,853,508	199,516	20,290,660	19,819,475	471,185	107,762,364	108,034,033	(271,669)
1997	December	157,937,077	157,709,820	227,257	21,188,415	21,149,995	38,420	136,748,662	136,559,825	188,837
1998	December	197,056,249	196,828,898	227,351	25,995,000	25,994,000	1,000	171,061,249	170,834,898	226,351
1999	December	251,662,500	251,435,622	226,878	38,894,000	38,754,000	140,000	212,768,500	212,681,622	86,878
2000	December	331,738,268	331,511,141	227,127	43,027,000	43,026,000	1,000	288,711,268	288,485,141	226,127
2001	December	432,338,205	432,111,531	226,674	58,147,000	58,147,000	0	374,191,205	373,964,531	226,674
2002	December	481,227,530	481,000,950	226,580	57,051,000	57,051,000	0	424,176,530	423,949,950	226,580
2003	December	671,236,287	671,009,873	226,414	77,690,063	77,690,063	0	593,546,224	593,319,810	226,414
2004	December	829,422,716	829,196,707	226,009	85,916,164	85,916,164	0	743,506,552	743,280,543	226,009
2005	January	786,041,768	785,815,759	226,009	90,515,164	90,515,164	0	695,526,604	695,300,595	226,009
	February	770,411,063	770,185,054	226,009	101,490,164	101,490,164	0	668,920,899	668,694,890	226,009
	March	772,936,573	772,710,564	226,009	105,120,164	105,120,164	0	667,816,409	667,590,400	226,009
	April	805,324,853	805,098,844	226,009	83,361,164	83,361,164	0	721,963,689	721,737,680	226,009
	May	856,851,977	856,625,968	226,009	119,048,698	119,048,698	0	737,803,280	737,577,271	226,009
	June	913,591,121	913,365,112	226,009	98,896,164	98,896,164	0	814,694,957	814,468,948	226,009
	July	989,622,501	989,396,492	226,009	111,518,164	111,518,164	0	878,104,338	877,878,329	226,009
	August	957,376,356	957,150,347	226,009	111,543,164	111,543,164	0	845,833,193	845,607,184	226,009
	September	946,186,009	945,960,000	226,009	107,080,164	107,080,164	0	839,105,845	838,879,836	226,009
	October	946,110,230	945,884,221	226,009	140,234,164	140,234,164	0	805,876,067	805,650,058	226,009
	November	894,809,423	894,583,414	226,009	128,576,164	128,576,164	0	766,233,259	766,007,250	226,009
	December	964,383,652	964,157,696	225,956	138,834,164	138,834,164	0	825,549,488	825,323,532	225,956
2006	January	870,594,731	870,368,227	226,504	125,085,000	125,085,000	0	745,509,731	745,283,227	226,504
	February	855,998,860	855,772,356	226,504	122,242,000	122,242,000	0	733,756,860	733,530,356	226,504
	March	846,079,081	845,852,577	226,504	101,617,000	101,617,000	0	744,462,081	744,235,577	226,504
	April	858,647,453	858,420,966	226,486	97,569,164	97,569,164	0	761,078,289	760,851,803	226,486
	May	917,457,304	917,230,817	226,486	127,456,164	127,456,164	0	790,001,140	789,774,654	226,486
	June	1,001,534,546	1,001,308,153	226,392	134,174,164	134,174,164	0	867,360,382	867,133,990	226,392
	July	1,061,501,156	1,061,274,796	226,361	136,607,294	136,607,294	0	924,893,863	924,667,502	226,361
	August	1,126,334,093	1,126,107,732	226,361	154,345,164	154,345,164	0	971,988,930	971,762,569	226,361
	September	1,238,707,264	1,238,480,903	226,361	160,410,164	160,410,164	0	1,078,297,100	1,078,070,740	226,361
	October	1,172,309,934	1,172,083,572	226,362	159,821,164	159,821,164	0	1,012,488,771	1,012,262,409	226,362
	November	1,168,056,751	1,167,830,389	226,362	155,126,614	155,126,614	0	1,012,930,138	1,012,703,776	226,362
	December	1,226,161,009	1,225,934,647	226,362	153,017,164	153,017,164	0	1,073,143,845	1,072,917,483	226,362
2007	January	1,170,391,110	1,170,164,748	226,362	155,256	155,256	0	1,170,235,854	1,170,009,492	226,362
	February	1,118,093,093	1,117,866,731	226,362	145,205	145,205	0	1,117,947,888	1,117,721,526	226,362
	March	1,102,710,961	1,102,484,599	226,362	138,226	138,226	0	1,102,572,735	1,102,346,373	226,362
	April	1,152,943,570	1,152,717,208	226,362	139,448	139,448	0	1,152,804,122	1,152,577,760	226,362
	May	1,229,183,168	1,228,956,806	226,362	156,594	156,594	0	1,229,026,574	1,228,800,212	226,362
	June	1,330,837,587	1,330,611,225	226,362	150,893	150,893	0	1,330,686,694	1,330,460,332	226,362
	July	1,380,190,453	1,379,964,091	226,362	186,429	186,429	0	1,380,004,024	1,379,777,662	226,362
	August	1,448,622,547	1,448,396,185	226,362	159,049	159,049	0	1,448,463,498	1,448,237,136	226,362
	September	1,447,900,457	1,447,674,095	226,362	193,595	193,595	0	1,447,706,862	1,447,480,500	226,362
	October	1,447,027,587	1,446,801,225	226,362	216,160	216,160	0	1,446,811,427	1,446,585,065	226,362
	November	1,400,593,835	1,400,367,484	226,351	193,518	193,518	0	1,400,400,317	1,400,173,966	226,351
	December	1,515,151,601	1,514,925,245	226,356	208,399	208,399	0	1,514,943,202	1,514,716,846	226,356

Source: Bank of Zambia

COMMERCIAL BANKS' DEPOSITS BY SECTORS (IN THOUSANDS OF KWACHA, UNLESS OTHERWISE INDICATED) TABLE 9

End of Period		Government	Statutory Bodies	Parastatal Bodies	Public	Individuals and households	Other Fin. institutions	Non-resident	Foreign Currency (Kwacha)	Foreign Currency US $	Total
1995	*n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1996	December	49,279,680	18,675,113	47,673,139	352,768,626		6,500,015	5,667,653	160,916,463	123,453	641,480,689
1997	December	55,196,564	22,724,294	47,842,835	449,085,308		5,724,842	4,310,119	207,380,705	146,470	792,264,667
1998	December	79,233,000	40,170,000	10,300,000	180,117,000	237,764,000	12,001,000	1,746,000	393,833,000	168,398	955,164,000
1999	December	142,787,000	39,379,000	31,000,000	228,541,000	286,062,000	2,144,000	1,355,000	533,502,000	198,357	1,264,770,000
2000	December	131,636,000	76,531,000	66,921,000	302,395,000	417,291,000	1,467,000	2,435,000	1,160,621,000	273,656	2,159,297,000
2001	December	119,668,000	53,277,000	143,175,000	404,176,000	578,625,000	8,128,000	1,754,000	1,045,153,000	268,626	2,353,956,000
2002	December	121,857,000	57,601,000	247,631,000	726,643,000	582,472,000	11,513,000	2,034,000	1,429,013,000	295,127	3,178,764,000
2003	December	214,607,000	103,790,000	216,459,000	843,870,000	866,514,000	25,079,000	5,986,000	1,619,097,000	351,904	3,895,402,000
2004	December	467,357,000	153,666,000	203,059,000	1,037,899,000	980,051,000	39,234,000	5,290,000	2,439,540,000	518,320	5,326,096,000
2005	January	329,465,000	136,937,000	247,464,000	996,899,000	976,064,677	33,986,000	6,585,000	2,347,117,000	488,271	5,074,517,677
	February	307,583,000	120,306,000	240,056,000	1,094,982,000	926,676,000	34,475,000	7,698,000	2,247,137,000	470,345	4,978,913,000
	March	337,670,000	135,361,000	190,077,000	1,086,747,000	933,876,000	25,326,000	6,356,000	2,182,731,000	461,407	4,898,144,000
	April	408,879,802	95,144,168	110,887,313	1,081,224,125	954,065,677	19,061,000	6,743,000	2,159,612,714	460,268	4,835,617,799
	May	347,343,816	102,097,168	173,756,313	1,071,017,125	962,830,677	21,725,000	7,005,000	2,231,366,000	473,221	4,917,141,099
	June	319,044,512	106,783,168	189,522,723	1,162,176,125	987,125,677	25,467,000	7,826,000	2,221,567,000	471,337	5,019,512,205
	July	477,497,988	167,404,168	185,931,313	1,102,221,125	1,022,552,677	24,778,000	6,264,000	2,175,432,000	468,058	5,162,081,271
	August	418,008,516	209,295,168	201,857,313	1,106,071,125	1,027,467,677	26,608,000	6,783,000	2,075,235,000	468,171	5,071,325,799
	September	402,535,542	146,004,168	207,910,313	1,135,573,125	1,029,979,677	42,611,000	20,882,000	2,215,603,804	495,874	5,201,099,629
	October	473,566,058	144,323,168	167,833,000	1,129,587,256	1,015,148,177	41,659,000	19,209,000	2,272,280,000	515,186	5,279,488,659
	November	424,822,359	97,590,053	109,820,000	1,160,687,756	1,058,143,677	28,304,000	25,038,000	1,946,800,000	472,849	4,867,223,845
	December	509,221,606	115,891,758	89,373,313	1,280,618,756	1,036,317,677	18,062,000	30,939,000	1,981,182,000	564,570	5,075,637,110
2006	January	486,527,739	164,577,168	148,921,313	1,378,132,125	1,045,563,677	16,920,000	31,698,000	1,908,255,000	562,086	5,180,595,022
	February	419,234,722	156,751,168	172,463,313	1,336,777,125	1,037,140,677	29,683,000	9,853,696	1,794,007,000	541,796	4,955,910,701
	March	432,889,189	143,680,168	156,675,580	1,301,158,125	1,071,558,791	27,403,000	10,471,000	1,861,056,887	561,293	5,004,892,739
	April	492,014,475	186,336,076	166,711,448	1,308,609,525	1,127,287,400	39,631,309	19,206,990	1,661,763,066	514,925	5,001,560,290
	May	410,067,880	146,465,168	199,911,313	1,380,228,125	1,169,196,677	28,068,000	8,681,000	1,887,851,000	586,973	5,230,469,163
	June	392,334,176	125,858,168	148,845,313	1,468,121,125	1,231,793,677	16,594,000	15,243,000	2,007,979,000	573,838	5,406,768,459
	July	405,051,057	192,561,168	99,331,313	1,494,930,125	1,253,275,677	20,831,000	15,331,000	2,206,925,000	618,383	5,688,236,340
	August	390,386,136	167,743,168	101,963,313	1,945,877,125	1,278,239,677	25,075,000	3,834,000	2,337,190,500	599,398	6,250,308,919
	September	651,196,335	225,422,168	109,865,913	1,664,539,125	1,442,565,677	28,594,000	19,634,000	2,570,943,000	631,830	6,712,760,218
	October	480,942,596	222,979,168	137,653,313	1,572,039,125	1,422,318,677	17,631,000	147,410,000	2,351,342,000	611,198	6,352,315,879
	November	476,819,204	201,676,168	145,891,313	1,687,708,125	1,484,116,677	26,679,000	18,915,000	2,511,538,500	628,355	6,553,343,987
	December	524,870,311	230,808,168	178,133,313	1,758,044,125	1,731,624,677	27,354,000	18,977,000	2,713,997,000	655,119	7,183,808,594
2007	January	467,850,997	184,274,168	200,621,313	1,768,610,125	1,531,946,677	42,572,000	20,488,000	2,683,928,567	638,210	6,900,291,847
	February	391,454,801	193,298,168	218,126,313	1,741,073,125	1,506,640,677	34,783,000	4,970,000	2,706,649,688	635,518	6,796,995,772
	March	408,428,444	129,573,168	217,342,313	1,699,768,125	1,577,300,677	43,672,000	8,510,000	2,599,989,990	608,876	6,684,584,717
	April	493,447,751	194,204,168	193,500,313	1,635,954,125	1,542,170,877	43,584,000	6,930,000	2,746,211,500	658,375	6,856,002,734
	May	563,165,691	158,396,168	257,604,313	1,756,141,125	1,502,660,677	34,708,000	9,492,000	2,892,845,500	718,058	7,175,013,474
	June	489,178,612	246,288,168	237,904,313	1,762,402,125	1,492,525,677	43,906,000	29,651,000	3,044,620,500	780,595	7,346,476,395
	July	454,098,241	213,843,168	316,580,313	1,935,630,125	1,599,628,677	31,973,000	9,301,000	3,364,431,500	876,476	7,925,486,024
	August	424,554,080	242,568,168	259,515,313	1,981,403,125	1,606,644,677	26,532,000	9,113,000	3,576,367,000	888,832	8,126,697,363
	September	498,145,919	269,681,168	224,478,313	1,938,539,125	1,607,690,677	36,042,000	10,663,000	3,562,739,000	896,023	8,147,979,202
	October	435,824,907	275,295,168	231,282,313	2,043,043,125	1,656,682,677	23,801,000	11,698,000	3,320,524,800	862,855	7,998,151,990
	November	511,001,243	288,004,168	233,922,313	2,144,279,125	1,684,042,677	35,861,000	15,773,000	3,451,223,834	911,864	8,364,107,360
	December	614,334,458	322,415,168	352,272,313	2,244,280,125	1,784,147,677	40,422,000	15,281,000	3,905,904,010	1,015,636	9,279,056,751

Source: Bank of Zambia

*n/a denotes not available

COMMERCIAL BANKS' LOANS AND ADVANCES BY SECTORS (IN THOUSANDS OF KWACHA) — TABLE 10

End of Period		Government	Statutory Bodies	Parastatal Bodies	Private	Individuals and households	Other Fin. institutions	Non-resident	US$	Total
1995	December	4,060,090	3,797,036	31,847,136	205,023,479	n/a	552,267	240,735	22,500	267,224,776
1996	December	6,222,388	3,635,246	46,073,520	293,324,722	n/a	2,961,623	360,605	34,327	397,322,081
1997	December	407,568	5,734,139	35,124,490	285,965,728	n/a	911,018	278,907	60,639	412,200,044
1998	December	2,658,000	15,561,000	103,504,000	320,218,000	56,295,000	3,124,000	478,000	71,437	668,902,711
1999	December	3,425,000	5,486,000	243,449,000	420,113,000	85,470,000	1,814,000	113,000	90,063	759,870,000
2000	December	3,009,000	3,321,000	286,351,000	722,509,000	60,329,000	887,000	943,000	123,912	1,077,349,000
2001	December	3,410,000	6,246,000	240,532,000	748,969,000	126,125,000	776,000	0	107,051	1,126,058,000
2002	December	4,417,000	1,781,000	61,260,000	820,790,000	126,391,000	11,568,000	0	90,717	1,026,207,000
2003	December	1,296,000	937,000	60,826,000	1,073,601,000	245,500,000	18,887,000	0	142,739	1,401,047,000
2004	December	2,115,000	1,160,000	113,430,000	1,711,617,000	275,796,000	1,941,000	309,000	185,865	2,106,368,000
2005	January	405,000	6,647,000	103,481,000	1,598,021,000	451,774,000	2,351,000	1,670,000	203,485	2,164,349,000
	February	304,000	1,557,000	105,222,000	1,707,025,000	473,317,000	3,864,000	1,646,000	216,903	2,292,935,000
	March	1,003,000	719,000	130,651,000	1,659,718,000	488,009,000	3,318,000	1,635,000	213,219	2,285,053,000
	April	1,212,451	679,996	134,710,400	1,736,139,302	481,200,434	15,344,368	1,617,805	220,961	2,370,904,756
	May	1,372,381	1,656,996	130,746,400	1,828,301,786	480,571,363	22,922,048	1,635,201	231,766	2,467,206,175
	June	1,168,381	2,880,996	129,049,400	2,118,494,694	493,577,238	25,008,548	0	275,333	2,770,179,257
	July	1,238,381	1,774,996	115,493,400	2,080,924,974	503,674,991	26,149,410	5,104,000	256,483	2,734,360,152
	August	1,342,381	1,502,996	112,971,400	2,034,396,672	449,992,560	27,356,410	4,263,000	289,487	2,631,825,419
	September	3,116,381	739,996	120,331,400	2,093,723,986	458,430,393	27,851,868	4,312,000	291,972	2,708,506,024
	October	2,921,000	798,000	101,669,000	2,053,392,000	417,988,000	31,714,000	4,250,000	277,099	2,612,732,000
	November	3,904,000	884,000	115,203,000	1,849,414,000	399,786,000	32,902,000	3,450,000	271,465	2,405,543,000
	December	4,080,000	664,000	133,339,000	1,842,074,000	489,030,000	29,906,000	2,637,000	223,517	2,501,730,000
2006	January	3,968,381	830,996	137,469,400	1,884,117,691	470,428,014	31,629,868	2,356,000	253,371	2,530,800,350
	February	3,744,381	1,049,996	111,925,400	2,074,514,320	391,700,310	31,354,868	2,349,000	260,037	2,616,638,275
	March	3,561,381	844,996	187,420,400	2,080,531,320	378,287,310	30,486,868	2,306,000	294,318	2,683,438,275
	April	1,957,381	2,431,996	181,973,400	2,089,068,320	424,002,141	29,600,868	2,622,000	300,029	2,731,656,106
	May	2,271,381	2,177,996	186,542,400	2,227,218,320	452,077,310	32,273,868	2,832,000	309,503	2,905,393,275
	June	4,724,381	2,091,996	206,495,400	2,396,901,320	441,677,310	31,609,868	2,899,000	330,235	3,086,399,275
	July	3,049,381	903,996	211,915,400	2,419,704,820	502,992,515	85,367,368	3,110,000	347,493	3,227,043,480
	August	3,150,381	606,996	231,657,400	2,622,747,720	533,727,918	86,648,868	3,675,000	352,606	3,482,214,283
	September	3,433,381	6,462,996	256,311,400	2,774,315,320	497,631,310	91,511,868	4,018,000	340,945	3,633,684,275
	October	3,497,881	3,415,996	255,252,900	2,678,659,820	522,284,810	87,009,868	3,710,000	327,676	3,553,831,275
	November	3,021,381	7,937,996	248,442,400	2,767,583,320	552,421,310	92,052,868	3,953,000	325,722	3,675,412,275
	December	3,834,381	7,982,996	216,432,400	3,017,605,320	583,679,310	89,906,868	4,254,000	324,999	3,923,695,275
2007	January	3,035,381	8,990,996	171,832,400	3,126,770,320	534,231,310	94,336,868	107,000	316,786	3,939,304,275
	February	2,626,381	8,450,996	188,487,400	3,121,364,820	599,667,810	97,981,868	107,000	311,448	4,018,686,275
	March	2,484,381	67,624,996	217,780,400	3,244,414,320	643,619,310	98,237,868	107,000	349,540	4,274,268,275
	April	2,365,381	69,044,996	214,055,400	3,145,067,320	862,587,310	103,691,868	107,000	348,455	4,396,919,275
	May	4,228,381	85,220,996	240,778,400	3,268,035,320	692,228,310	89,304,868	101,000	360,598	4,379,897,275
	June	2,342,381	81,991,996	164,378,400	3,359,217,820	743,810,810	88,506,868	101,000	344,514	4,440,349,275
	July	2,281,381	61,670,996	132,658,400	3,566,220,320	778,989,310	88,275,868	101,000	344,169	4,630,197,275
	August	2,240,381	103,132,996	142,748,400	3,841,908,320	801,810,310	88,097,868	101,000	358,461	4,980,039,275
	September	11,214,381	9,600,996	307,246,400	3,940,887,320	814,408,310	95,533,868	104,000	364,187	5,178,995,275
	October	1,925,381	7,443,996	361,372,400	3,987,342,320	889,355,310	101,363,868	101,000	364,291	5,348,904,275
	November	2,436,381	6,735,996	409,498,400	3,632,434,320	1,417,000,310	114,917,868	99,000	382,516	5,583,122,275
	December	119,394,381	6,139,996	372,405,400	4,229,593,320	904,680,310	124,871,868	106,000	488,638	5,757,191,275

Source: Bank of Zambia

Notes: (1) Exchange rate used is the commercial banks' monthly weighted retail average selling rate.
(2) N/A refers to data not available
(3) Column on US$ refers to loans and advances in US$ which are converted at market exchange rate and are part of the total loans and advances

STRUCTURE OF INTEREST RATES (PERCENT PER YEAR)

TABLE 11

				Treasury bill rates					Government bond								Commercial bank deposits			Weighted	
End of period		Central Bank	Penalty rate	28 days	91 days	182 days	273 days	364 days	12 months	18 months	24 months	3 year	5 year	7 year	10 year	15 year	Savings	24 hr call	7-90 day	lending base rate	Weighted Interbank rate
1995	December	51.5	66.7	41.7	41.5	38.9			43.6		n/a						28.7	31.1	36.7	47.7	33.1
1996	December	70.0	82.5	57.5	60.0	61.4			37.0		n/a						27.1	30.5	44.6	57.4	50.4
1997	December	23.3	38.8	13.8	20.3	22.3			23.3		n/a						18.2	14.7	25.4	37.9	13.8
1998	December	43.4	59.2	34.2	33.4	31.4			43.9		n/a						9.3	7.1	16.4	37.4	16.0
1999	December	46.2	61.1	36.1	36.2	36.4			48.1	49.2	0.0						11.2	7.9	21.0	42.6	13.2
2000	December	44.1	36.5	11.5	34.1	36.7	38.6		38.7	43.3	45.8						11.5	6.5	20.0	37.5	16.4
2001	December	48.5	55.2	41.5	37.3	59.5	46.4		54.1	55.0	55.4						8.7	7.0	24.3	46.7	25.4
2002	December	36.0	55.1	25.1	34.0	33.0	34.0		44.8	46.3	43.5						8.3	7.9	22.5	43.1	9.6
2003	December	15.8	50.0	n/a	13.8	15.8	17.0		19.6	23.2	24.3						7.6	8.1	21.1	36.8	6.1
2004	December	18.3	49.3	n/a	16.5	18.5	19.8		19.9	21.3	22.2						5.6	5.3	11.1	29.8	12.6
2005	January	18.4	44.0	n/a	16.6	18.6	19.8		20.7	21.4	22.2						5.6	5.3	11.1	27.4	17.7
	February	18.8	44.0	n/a	16.8	18.7	19.9		20.4	21.4	21.6						5.6	5.3	11.1	28.0	9.5
	March	18.2	44.0	n/a	16.0	17.1	19.1		19.4	20.3	20.7						5.6	4.9	11.5	28.1	12.3
	April	17.8	44.0	n/a	15.2	16.8	17.8		18.2	19.4	19.0						5.5	4.9	11.5	28.0	7.3
	May	16.0	44.0	n/a	13.6	14.6	15.0		16.9	17.9	17.8						5.5	4.9	11.5	28.1	14.2
	June	15.9	44.0	n/a	14.6	14.5	15.3		16.0	17.1	17.6						5.5	4.9	11.3	30.0	14.4
	July	16.5	44.0	n/a	14.3	14.9	15.4		16.0	17.0	18.2						5.5	4.9	11.3	28.2	22.6
	August	16.4	44.0	n/a	14.4	14.9	15.8	17.0	16.0	17.0	18.2	21.6	25.3				5.5	4.9	11.3	28.2	9.9
	September	16.9	44.0	n/a	14.9	15.9	16.7	17.7	16.0	17.0	19.5	22.8	25.8				6.1	5.3	11.8	28.2	13.5
	October	16.9	44.0	n/a	14.8	15.7	16.4	17.4	16.0	17.0	19.1	22.0	25.2				6.1	5.3	12.3	28.2	22.7
	November	17.4	44.0	n/a	15.6	16.1	17.0	17.0	16.0	17.0	19.0	22.2	25.0				6.1	4.6	10.4	28.2	13.5
	December	17.1	44.0	n/a	15.6	16.6	16.9	17.1	16.0	17.0	19.0	22.4	24.9				6.1	4.6	10.4	26.7	24.9
2006	January	17.1	42.0	n/a	14.8	15.9	16.0	17.1	n/a	n/a	17.9	21.1	23.2				6.1	4.6	10.4	26.7	7.6
	February	16.1	39.4	n/a	13.8	14.2	14.4	13.8	n/a	n/a	15.5	19.1	20.9				6.1	4.6	10.4	26.4	6.3
	March	14.7	39.0	n/a	12.0	11.4	11.6	11.4	n/a	n/a	12.5	14.5	17.5				6.1	4.9	10.3	25.1	6.2
	April	11.0	32.2	n/a	7.7	8.6	9.2	9.3	n/a	n/a	9.8	11.0	14.2				6.1	4.9	10.3	25.2	6.0
	May	8.4	31.4	n/a	6.0	6.8	7.4	7.4	n/a	n/a	9.3	10.9	13.9				6.1	4.9	10.3	22.5	9.6
	June	7.5	33.5	n/a	6.1	8.0	8.3	10.0	n/a	n/a	10.2	11.8	13.8				6.1	4.9	10.3	21.6	8.3
	July	8.6	32.0	n/a	7.0	8.5	9.0	10.0	n/a	n/a	11.0	12.3	14.0				6.1	4.9	10.3	21.7	5.1
	August	9.6	33.6	n/a	7.8	8.6	10.0	10.5	n/a	n/a	11.5	12.8	14.5				6.1	4.9	10.3	21.7	5.0
	September	10.9	42.5	n/a	10.1	10.6	12.0	13.0	n/a	n/a	14.3	14.8	16.0				6.1	4.9	10.3	21.6	9.2
	October	12.3	35.5	n/a	9.4	9.7	10.4	11.3	n/a	n/a	14.3	14.8	16.0				6.1	4.9	10.3	21.6	10.6
	November	11.1	34.6	n/a	9.0	9.0	9.2	9.7	n/a	n/a	10.9	12.0	13.0				6.1	4.9	10.3	21.5	6.8
	December	10.7	38.2	n/a	9.3	9.2	9.9	10.3	n/a	n/a	10.5	12.2	13.6				6.1	4.9	10.3	21.6	7.9
2007	January	11.1	39.3	n/a	9.1	10.1	10.5	11.3	n/a	n/a	11.1	12.4	13.7				6.1	4.9	10.3	21.0	8.4
	February	11.8	39.0	n/a	9.8	10.7	11.1	11.3	n/a	n/a	12.4	13.0	13.9				6.1	4.9	10.3	21.0	9.1
	March	12.8	38.8	n/a	10.8	11.8	11.8	12.5	n/a	n/a	12.7	13.3	14.0				6.1	4.9	10.3	20.3	10.2
	April	14.0	40.9	n/a	12.0	12.9	13.4	13.3	n/a	n/a	13.5	13.8	14.6				6.1	4.9	10.3	18.2	9.7
	May	13.2	41.6	n/a	11.2	11.7	12.1	12.4	n/a	n/a	14.9	13.9	14.6				6.1	4.9	10.3	18.2	12.5
	June	12.9	40.9	n/a	10.9	11.4	12.1	12.8	n/a	n/a	14.8	13.5	15.0				6.1	4.9	10.3	18.2	11.7
	July	13.6	40.8	n/a	11.6	12.0	12.5	12.9	n/a	n/a	14.5	13.9	15.3				6.1	4.9	10.3	18.2	10.5
	August	13.4	41.8	n/a	11.4	12.5	12.7	12.8	n/a	n/a	14.5	15.0	15.3	17.8	19.1	20.0	6.1	4.9	10.3	18.2	12.8
	September	14.0	42.2	n/a	12.0	12.8	13.3	13.6	n/a	n/a	14.4	15.0	15.2	17.8	19.1	20.0	5.8	4.4	9.3	18.2	14.0
	October	13.5	38.7	n/a	11.5	12.2	12.1	12.0	n/a	n/a	14.4	15.0	15.2	17.8	19.1	20.0	4.8	3.1	6.3	18.2	11.7
	November	12.8	39.9	n/a	10.8	12.6	12.8	13.2	n/a	n/a	14.4	15.2	15.6	17.3	18.8	19.9	4.8	3.1	6.4	18.2	11.3
	December	13.5	38.4	n/a	11.5	12.7	13.0	13.3	n/a	n/a	14.4	15.4	15.8	17.3	18.8	19.9	4.8	3.1	6.3	18.3	10.4

Source: Bank of Zambia

Note: (1) The 28-day Treasury bill was suspended in 2003 while the 12-month and 18-month Government bonds were suspended in 2006.
(2) The 273-day and 364-day Treasury bills were introduced in 2000 and 2005, respectively. The 18-month and 24-month Government bonds were introduced in 1999, 3-year and 5-year bonds in 2005 and the 7, 10 and 15-year bonds in 2007.

COMMERCIAL BANK INTEREST RATES (PERCENT PER YEAR)

Table 12

End of Period		Weighted lending base rate	Savings rates: Weighted interbank rate	Savings rates: less than K100,000	more than K100,000	Deposits over K20 million: 24 hr call	7 day	14 day	30day	60 day	90 day	180 day
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	27.1	30.2	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	19.1	23.5	27.2	28.5	25.4	24.3
1998	December	37.4	16.0	9.3	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	December	46.7	25.4	4.1	8.7	7.0	13.3	17.8	19.8	23.1	24.3	26.8
2002	December	43.1	9.6	4.1	8.0	6.6	10.9	13.5	18.3	21.3	22.5	22.3
2003	December	36.8	6.1	5.5	7.6	8.1	12.4	12.4	17.3	20.4	21.1	20.4
2004	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	27.4	17.7	3.6	5.6	5.3	4.6	5.0	8.2	10.9	11.1	10.9
	February	28.0	9.5	3.6	5.6	5.3	4.6	5.0	8.2	10.9	11.1	10.9
	March	28.1	12.3	3.6	5.6	4.9	4.6	5.0	8.4	11.1	11.5	11.6
	April	28.0	10.6	3.6	5.6	4.9	4.6	5.0	8.4	11.1	11.5	12.0
	May	28.1	10.8	3.6	5.5	4.9	4.6	5.0	8.4	11.1	11.5	12.4
	June	28.6	14.2	3.6	5.5	4.9	4.6	5.0	8.4	11.1	11.3	12.1
	July	27.9	22.6	3.6	5.5	4.9	4.6	5.0	8.5	11.3	11.4	11.5
	August	28.3	9.9	3.6	5.5	4.9	4.6	5.0	8.5	11.3	11.4	11.5
	September	28.2	13.5	3.6	6.1	5.3	4.6	5.0	9.2	11.8	12.3	13.1
	October	28.2	22.7	3.6	6.1	5.3	4.6	5.0	9.2	11.8	12.3	13.1
	November	28.2	13.5	3.6	6.1	4.6	4.6	6.7	8.4	10.7	10.4	9.5
	December	26.7	24.9	3.6	6.1	4.6	4.6	6.7	8.4	10.7	10.4	9.5
2006	January	26.7	7.6	3.6	6.1	4.6	4.6	6.7	8.4	10.7	10.4	9.5
	February	26.4	6.3	3.6	6.1	4.6	4.6	6.7	8.4	10.7	10.4	9.5
	March	25.4	6.2	3.6	6.1	4.7	4.6	6.7	8.4	10.7	10.4	9.5
	April	25.2	6.0	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	May	22.8	9.6	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	June	21.6	8.3	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	July	21.7	5.1	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	August	21.7	5.0	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	September	21.6	9.2	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	October	21.6	10.6	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	November	21.5	6.8	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	December	21.6	7.9	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
2007	January	21.0	8.4	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	February	21.0	9.1	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	March	20.3	10.2	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	April	18.2	9.7	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	May	18.2	12.5	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	June	18.2	11.7	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	July	18.2	10.5	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	August	18.2	12.8	3.6	6.1	4.9	4.6	6.7	8.4	10.6	10.3	9.4
	September	18.2	14.0	3.6	5.8	4.4	4.1	5.9	7.5	9.5	9.3	8.6
	October	18.2	11.7	3.5	4.8	3.1	2.8	3.5	4.8	6.3	6.3	6.0
	November	18.2	11.3	3.5	4.8	3.1	2.8	3.5	4.9	6.3	6.4	6.2
	December	18.3	10.4	3.5	4.8	3.1	2.8	3.5	4.8	6.3	6.3	6.0

Source: Bank of Zambia

KWACHA/US DOLLAR EXCHANGE RATES

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	December	1,272.27	1,292.62	1,282.45	1,294.97	1,328.81	1,263.38
1997	December	1,382.90	1,405.03	1,393.97	1,410.16	1,487.67	1,448.92
1998	December	2,263.34	2,299.55	2,281.45	2,329.97	2,445.95	2,387.96
1999	December	2,573.00	2,614.17	2,593.59	2,643.93	2,727.98	2,685.96
2000	December	4,079.32	4,141.36	4,110.34	4,227.64	4,418.45	4,323.05
2001	December	3,790.01	3,850.65	3,820.33	4,114.04	4,203.50	4,158.77
2002	December	4,702.43	4,777.67	4,740.05	4,897.96	5,000.82	4,949.39
2003	December	4,548.02	4,607.49	4,577.75	4,672.50	4,769.25	4,720.88
2004	December	4,621.82	4,681.36	4,651.51	4,700.06	4,794.46	4,747.26
2005	January	4,755.35	4,814.90	4,785.12	4,819.66	4,892.98	4,856.32
	February	4,728.72	4,788.13	4,758.39	4,794.05	4,855.56	4,824.80
	March	4,681.86	4,739.23	4,710.54	4,753.66	4,820.29	4,786.97
	April	4,638.89	4,697.12	4,675.15	4,714.76	4,787.84	4,751.30
	May	4,661.43	4,717.68	4,689.56	4,732.93	4,801.20	4,767.07
	June	4,659.58	4,716.45	4,688.02	4,741.72	4,813.68	4,777.70
	July	4,595.73	4,653.19	4,624.46	4,697.07	4,773.40	4,735.24
	August	4,370.77	4,432.90	4,401.83	4,527.67	4,617.53	4,572.60
	September	4,408.69	4,470.66	4,439.67	4,519.90	4,607.93	4,377.56
	October	4,312.11	4,380.05	4,346.08	4,463.22	4,548.96	4,506.10
	November	3,990.13	4,066.51	4,026.68	4,146.81	4,247.96	4,197.40
	December	3,383.32	3,449.36	3,416.34	3,542.77	3,650.17	3,596.47
2006	January	3,332.64	3,394.78	3,363.72	3,455.09	3,548.96	3,502.02
	February	3,257.81	3,321.41	3,289.61	3,370.38	3,455.83	3,413.10
	March	3,266.20	3,323.28	3,294.74	3,342.00	3,429.00	3,486.27
	April	3,172.89	3,230.12	3,201.50	3,291.47	3,366.94	3,329.20
	May	3,142.46	3,202.74	3,172.60	3,209.99	3,300.34	3,255.17
	June	3,440.18	3,501.02	3,470.61	3,527.80	3,598.66	3,563.23
	July	3,515.28	3,578.15	3,546.72	3,599.21	3,673.29	3,636.25
	August	3,865.95	3,901.94	3,883.95	3,911.73	4,002.80	3,957.27
	September	4,021.50	4,056.42	4,046.46	4,044.23	4,153.46	4,098.84
	October	3,825.18	3,845.26	3,835.17	3,874.73	3,988.14	3,931.43
	November	3,974.96	3,994.97	3,984.97	4,000.43	4,078.18	4,039.31
	December	4,117.86	4,137.81	4,127.83	4,123.88	4,204.66	4,164.27
2007	January	4,211.10	4,231.03	4,221.06	4,251.89	4,335.86	4,293.88
	February	4,237.52	4,251.02	4,254.02	4,287.38	4,354.52	4,320.95
	March	4,248.54	4,268.52	4,258.53	4,290.13	4,354.02	4,322.08
	April	4,151.47	4,171.47	4,161.47	4,194.78	4,276.59	4,235.69
	May	4,004.27	4,023.37	4,013.82	4,073.84	4,161.00	4,115.32
	June	3,878.13	3,898.09	3,888.11	3,947.20	4,025.19	3,986.20
	July	3,817.21	3,837.21	3,827.21	3,859.15	3,936.03	3,897.59
	August	4,003.08	4,023.08	4,013.08	4,038.33	4,109.86	4,074.09
	September	3,950.75	3,970.66	3,960.70	4,023.39	4,091.80	4,057.60
	October	3,821.42	3,841.31	3,831.36	3,870.12	3,953.31	3,911.71
	November	3,756.72	3,776.63	3,766.67	3,807.53	3,881.09	3,844.31
	December	3,826.89	3,846.87	3,836.88	3,842.57	3,912.63	3,877.60

Source: Bank of Zambia

Note: Since July 2003, the Bank of Zambia has established a broad-based foreign exchange trading system as the new mechanism for determining the exchange rate in Zambia. This implies that Bank of Zambia has ceased to auction foreign exchange to the market on behalf of major foreign exchange earners. Foreign exchange earners can now transact directly with commercial bank of their choice.

COMMERCIAL BANK FOREIGN EXCHANGE RATES

TABLE 14

	Non Banks US$			Bureaux US$	INTERBANK US$			UK Pound			EURO			SAR			ZIM Dollar		
Date	Buying	Selling	Mid-rate	Selling	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate	Buying	Selling	Mid-rate
Monthly Avg.																			
2003																			
December	4,568.78	44,600.96	4,584.87	4,650.84	4,563.79	4,598.38	4,581.08	7,950.13	8,143.45	8,046.79	5,581.91	5,710.97	5,646.44	698.34	721.86	710.10	5.54	5.86	5.70
2004																			
December	4,632.00	4,706.63	4,655.29	4,723.04	4,639.23	4,670.94	4,655.08	8,871.69	9,062.65	8,967.17	6,118.46	6,272.23	6,195.34	803.82	827.20	815.51	0.81	0.85	0.83
2005																			
January	4,755.39	4,821.97	4,771.26	4,839.35	4,775.58	4,807.00	4,791.29	8,853.87	9,036.11	8,944.99	6,164.62	6,318.29	6,241.46	793.37	816.90	805.13	0.84	0.89	0.86
February	4,728.77	4,793.96	4,746.56	4,783.18	4,745.62	4,777.64	4,761.63	8,850.06	9,067.75	8,958.90	6,078.02	6,234.34	6,156.18	784.69	805.88	795.28	0.81	0.85	0.83
March	4,689.36	4,752.67	4,721.02	4,771.65	4,698.13	4,730.60	4,714.36	8,867.64	9,083.00	8,975.32	6,125.18	6,271.39	6,198.29	775.16	799.19	787.18	0.77	0.81	0.79
April	4,642.76	4,709.83	4,676.30	4,732.03	4,658.28	4,692.08	4,675.18	8,715.14	8,951.28	8,833.21	5,959.65	6,111.11	6,035.38	746.15	772.62	759.39	0.76	0.80	0.78
May	4,660.32	4,729.79	4,695.05	4,754.78	4,682.72	4,715.27	4,698.99	8,616.56	8,824.19	8,720.37	5,882.07	6,032.86	5,957.46	735.03	759.07	747.05	0.70	0.74	0.72
June	4,657.10	4,726.44	4,691.77	4,753.19	4,680.00	4,713.33	4,696.66	8,404.49	8,622.04	8,513.27	5,651.31	5,797.24	5,724.28	690.52	716.27	703.40	0.52	0.56	0.54
July	4,605.10	4,674.87	4,639.99	4,703.90	4,613.28	4,647.78	4,630.53	8,029.53	8,241.66	8,135.59	5,513.58	5,658.13	5,585.86	685.18	708.91	697.05	0.46	0.50	0.48
August	4,396.55	4,471.01	4,433.78	4,514.51	4,395.38	4,432.64	4,414.01	7,815.68	8,034.56	7,925.12	5,368.02	5,508.63	5,438.32	675.68	696.51	686.10	0.25	0.26	0.26
September	4,414.57	4,489.13	4,451.85	4,529.76	4,428.91	4,468.08	4,448.49	7,927.02	8,154.03	8,040.53	5,349.23	5,491.30	5,420.26	687.86	713.37	700.61	0.18	0.25	0.21
October	4,331.49	4,410.60	4,371.04	4,443.71	4,341.10	4,376.52	4,358.81	7,485.42	7,706.73	7,596.08	5,178.53	5,330.45	5,254.49	658.14	682.58	670.36	0.15	0.16	0.15
November	4,025.56	4,117.17	4,071.36	4,147.90	4,005.46	4,049.31	4,027.39	6,992.49	7,213.09	7,102.79	4,780.86	4,911.99	4,846.42	607.06	630.96	619.01	0.07	0.09	0.08
December	3,400.23	3,509.19	3,454.71	3,528.19	3,407.90	3,449.49	3,428.69	5,923.89	6,160.35	6,042.12	4,098.74	4,233.91	4,166.33	534.52	560.02	547.27	0.06	0.07	0.06
2006																			
January	3,335.30	3,445.98	3,390.64	3,458.83	3,356.63	3,394.95	3,375.79	5,839.65	6,075.37	5,957.51	4,022.12	4,172.06	4,097.09	542.34	571.17	556.76	0.06	0.06	0.06
February	3,260.72	3,356.77	3,308.74	3,344.52	3,270.66	3,311.22	3,290.94	5,653.55	5,890.01	5,771.78	3,881.25	4,024.52	3,952.88	528.06	555.89	541.97	0.05	0.06	0.05
March	3,254.65	3,334.20	3,294.43	3,340.46	3,280.34	3,315.66	3,298.00	5,637.62	5,865.83	5,751.72	3,896.49	4,023.32	3,959.91	519.04	543.85	531.45	0.05	0.06	0.05
April	3,185.16	3,266.34	3,225.75	3,283.46	3,194.72	3,227.19	3,210.96	5,578.66	5,807.30	5,692.98	3,886.95	4,028.78	3,957.86	519.72	544.38	532.05	0.05	0.06	0.05
May	3,134.12	3,225.91	3,180.02	3,253.10	3,177.23	3,216.25	3,196.74	5,794.39	6,043.06	5,918.73	3,960.72	4,121.67	4,041.19	497.53	521.76	509.64	0.05	0.06	0.05
June	3,422.40	3,516.16	3,469.28	3,547.92	3,462.12	3,499.21	3,480.67	6,231.08	6,494.93	6,363.01	4,270.85	4,439.08	4,354.96	491.71	514.38	503.05	0.05	0.06	0.05
July	3,490.86	3,583.77	3,537.31	3,624.47	3,534.01	3,568.86	3,551.43	6,375.62	6,626.37	6,501.00	4,380.58	4,545.78	4,463.18	488.97	508.81	498.89	0.05	0.06	0.06
August	3,821.01	3,917.17	3,869.09	3,955.30	3,874.48	3,899.23	3,886.86	7,172.89	7,458.57	7,315.73	4,823.22	5,006.96	4,915.09	544.75	567.76	556.26	5.04	5.30	5.17
September	3,969.18	4,086.68	4,027.93	4,099.80	4,046.22	4,069.04	4,057.63	7,497.67	7,759.80	7,628.74	5,017.36	5,194.31	5,105.84	538.81	563.26	551.03	11.97	12.30	12.14
October	4,331.49	4,410.60	4,371.04	4,443.71	4,341.10	4,376.52	4,358.81	7,485.42	7,706.73	7,596.08	5,178.53	5,330.45	5,254.49	658.14	682.58	670.36	0.15	0.16	0.15
November	4,025.56	4,117.17	4,071.36	4,147.90	4,005.46	4,049.31	4,027.39	6,992.49	7,213.09	7,102.79	4,780.86	4,911.99	4,846.42	607.06	630.96	619.01	0.07	0.09	0.08
December	3,400.23	3,509.19	3,454.71	3,528.19	3,407.90	3,449.49	3,428.69	5,923.89	6,160.35	6,042.12	4,098.74	4,233.91	4,166.33	534.52	560.02	547.27	0.06	0.07	0.06
2007																			
January	4,145.29	4,284.47	4,214.88	4,300.78	4,214.53	4,205.40	4,209.97	8,119.35	8,412.39	8,265.87	5,395.86	5,576.06	5,485.96	578.52	600.72	589.62	16.70	17.13	16.91
February	4,185.45	4,311.00	4,248.23	4,311.41	4,241.32	4,258.97	4,250.14	8,207.66	8,479.47	8,343.56	5,476.84	5,645.20	5,561.02	584.28	603.62	593.95	16.89	17.19	17.04
March	4,180.58	4,310.11	4,245.34	4,305.97	4,251.99	4,270.15	4,261.07	8,163.67	8,425.34	8,294.50	5,544.39	5,715.17	5,629.78	571.47	590.51	580.99	16.87	17.25	17.06
April	4,100.78	4,227.69	4,164.24	4,223.92	4,151.93	4,171.19	4,161.56	8,202.18	8,435.58	8,318.88	5,561.72	5,709.80	5,635.76	579.83	597.14	588.49	16.55	17.04	16.80
May	3,964.84	4,091.52	4,028.18	4,080.88	4,010.79	4,028.71	4,019.75	7,915.92	8,119.40	8,017.66	5,387.69	5,525.35	5,456.52	570.28	587.34	578.81	16.05	16.43	16.24
June	3,840.22	3,973.44	3,906.83	3,964.59	3,883.88	3,900.39	3,892.13	7,677.23	7,919.25	7,798.24	5,191.17	5,336.40	5,263.79	542.54	559.26	550.90	15.66	16.05	15.86
July	3,752.93	3,884.73	3,818.83	3,885.18	3,821.74	3,838.59	3,830.16	7,657.89	7,918.44	7,788.16	5,160.39	5,310.33	5,235.36	540.45	557.54	549.00	15.02	13.00	14.01
August	3,933.05	4,062.48	3,997.76	4,055.95	4,004.50	4,023.67	4,014.09	7,931.89	8,164.18	8,048.03	5,345.52	5,498.33	5,421.93	546.69	563.38	555.03	15.65	16.12	15.88
September	3,907.40	4,037.61	3,972.51	4,032.80	3,956.53	3,976.17	3,966.35	7,894.55	8,167.14	8,030.85	5,397.13	5,563.01	5,480.07	549.28	567.83	558.55	4.11	4.31	4.21
October	3,779.09	3,905.47	3,842.28	3,896.47	3,829.65	3,848.30	3,838.97	7,718.39	7,975.33	7,846.86	5,346.27	5,511.11	5,428.69	555.65	574.70	565.17	0.21	0.22	0.22
November	3,710.11	3,836.25	3,773.18	3,826.67	3,765.81	3,784.80	3,775.30	7,700.57	7,959.84	7,830.21	5,407.09	5,577.98	5,492.53	552.20	573.60	562.90	0.12	0.13	0.13
December	3,761.91	3,888.67	3,825.29	3,896.12	3,828.65	3,845.77	3,837.21	7,624.97	7,887.18	7,756.07	5,448.40	5,623.04	5,535.72	548.72	570.12	559.42	0.13	0.13	0.13

Source: Bank of Zambia

Note: (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.

FOREIGN EXCHANGE TRANSACTIONS

TABLE 15

Period Monthly/Annual Totals		Bank of Zambia Inflows: Purchases from ZCCM	Bank of Zambia Inflows: Other Non-GRZ	Bank of Zambia Inflows: Donor Inflows	Bank of Zambia Outflows: Dealing	Bank of Zambia Outflows: Other Non-GRZ	Bank of Zambia Outflows: GRZ Debt Servicing	Bank of Zambia Outflows: GRZ Other Uses	Gross International Reserves
1995	December	393.79	43.25	302.09	458.88	51.09	330.98	72.07	210.53
1996	December	85.80	214.60	175.12	154.90	37.84	218.54	97.45	211.00
1997	December	45.05	114.20	141.21	36.96	20.49	150.06	68.72	237.88
1998	December	28.00	28.44	5.24	30.80	19.89	130.82	52.16	68.56
1999	December	16.36	9.60	199.64	25.30	23.95	153.98	40.08	45.33
2000	December	0.00	120.79	297.42	27.40	49.52	139.28	50.53	713.58
2001	December	16.66	8.35	0.91	38.90	0.23	115.22	1.46	116.46
2002	December	15.60	0.18	337.35	-33.50	0.40	113.67	2.68	489.78
2003	December	0.00	14.14	45.29	1.00	2.63	124.81	2.35	285.70
2004	December	0.00	12.41	1.60	2.00	9.67	6.55	1.00	337.23
2005	January	0.00	11.04	22.11	-10.00	19.52	25.06	2.28	333.51
	February	0.00	13.32	1.17	-6.00	14.57	17.70	0.44	321.28
	March	0.00	10.67	13.26	-16.90	13.06	11.05	1.12	336.88
	April	0.00	10.16	189.82	-23.00	12.37	23.54	1.68	522.27
	May	0.00	8.65	0.00	-12.00	15.30	4.68	5.72	516.49
	June	0.00	9.62	62.05	-19.700	20.81	128.02	2.17	456.22
	July	0.00	18.83	12.72	-31.000	11.22	1.19	4.92	502.41
	August	0.00	16.49	3.02	-5.500	16.04	14.83	0.90	495.00
	September	0.00	8.59	12.26	0.000	9.85	13.85	8.60	483.43
	October	0.00	28.86	2.91	0.000	23.93	1.50	1.73	488.04
	November	0.00	17.93	39.03	0.000	23.94	7.25	-7.41	516.60
	December	0.00	18.60	67.45	-5.000	17.52	138.34	1.12	450.68
2006	January	0.00	21.02	16.77	-9.000	15.10	6.58	11.85	463.95
	February	0.00	11.50	13.15	0.000	17.05	8.79	1.07	461.69
	March	0.00	16.52	13.79	0.000	13.04	14.46	2.10	462.40
	April	0.00	15.20	1.45	-39.500	5.42	3.36	3.57	506.20
	May	0.00	21.98	12.15	-15.500	18.99	6.08	4.35	526.40
	June	0.00	20.66	8.51	-4.50	13.54	0.71	11.85	533.97
	July	0.00	38.37	0.39	5.00	16.48	10.17	4.68	536.40
	August	0.00	16.49	8.78	5.50	12.98	2.70	1.98	538.52
	September	0.00	16.12	32.32	-84.80	14.95	2.44	3.43	688.28
	October	0.00	35.30	26.26	-19.00	18.03	11.16	1.05	738.60
	November	0.00	24.48	12.06	8.50	12.41	2.21	0.63	751.39
	December	0.00	21.44	2.80	22.70	14.30	3.31	3.97	731.35
2007	January	0.00	30.58	0.90	32.00	18.92	2.79	0.09	709.03
	February	0.00	14.99	24.67	4.50	20.45	2.89	0.38	720.47
	March	0.00	24.03	11.88	-35.50	13.35	3.31	-3.91	779.13
	April	0.00	62.72	1.05	-16.50	10.94	4.53	6.77	837.17
	May	0.00	20.53	18.95	-27.40	12.96	2.61	6.05	888.63
	June	0.00	30.53	61.28	-12.00	13.39	3.13	3.53	972.39
	July	0.00	66.55	0.00	-3.00	13.86	8.95	5.68	1013.46
	August	0.00	39.48	4.53	27.50	41.69	11.45	0.65	976.18
	September	0.00	64.26	27.58	-9.50	18.01	6.54	1.21	1051.77
	October	0.00	46.56	15.65	-3.00	71.67	1.34	32.66	1011.30
	November	0.00	52.66	2.14	5.00	17.38	3.35	-47.38	1087.75
	December	0.00	73.51	2.20	-6.50	54.21	5.38	5.19	1105.18

Source: Bank of Zambia

Note: (1) Inflows from Zambia Consolidated Copper Mines (ZCCM) ceased to be applicable after the privatisation of the mining industry
(2) Gross International Reserves are as at the end of each month

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

TABLE 16

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	Annualised	
1995	December	161.6	3.3	49.5	3.4	46.1	2.2	40.8	3.0	46.0	42.3	3.2
1996	December	218.5	4.2	34.8	5.1	34.6	3.7	36.4	4.3	35.2	65.5	2.5
1997	December	259.1	2.3	19.0	2.0	17.2	1.6	19.1	2.0	18.6	27.0	-0.8
1998	December	338.3	5.9	30.7	5.9	31.1	5.0	30.0	5.6	30.6	93.4	1.2
1999	December	408.1	1.5	20.0	1.6	18.5	2.1	23.6	1.7	20.6	22.3	-0.7
2000	December	531.1	2.4	28.3	2.2	27.1	3.4	35.6	2.6	30.1	36.1	2.9
2001	December	630.3	4.0	21.7	4.1	19.0	2.1	14.1	3.5	18.7	51.1	1.4
2002	December	798.3	4.6	26.2	5.5	31.5	3.8	23.2	4.6	26.7	71.5	2.5
2003	December	935.3	3.5	16.3	3.0	15.8	2.0	19.8	2.9	17.2	40.9	2.2
2004	December	1,099.0	2.6	17.8	2.7	16.7	1.1	17.8	2.2	17.5	29.8	1.3
2005	January	1,134.3	3.1	18.2	3.2	17.6	3.4	18.8	3.2	18.2	45.9	2.7
	February	1,151.6	1.3	18.1	1.2	17.8	2.3	20.5	1.5	18.7	19.6	1.9
	March	1,156.1	0.9	17.2	-0.3	15.3	0.2	19.6	0.4	17.4	4.9	0.9
	April	1,171.5	1.7	16.9	1.5	20.2	1.0	18.5	1.3	18.6	16.8	1.3
	May	1,184.7	1.2	17.4	1.2	19.9	1.1	19.7	1.1	19.1	14.0	1.2
	June	1,194.8	0.8	17.4	0.9	19.8	0.8	19.9	0.8	19.2	10.0	1.4
	July	1,196.6	0.3	17.5	0.2	19.2	0.1	19.0	0.2	18.7	2.4	0.5
	August	1,214.4	1.7	19.2	0.8	18.6	1.8	19.9	1.5	19.3	19.6	0.6
	September	1,231.2	1.2	19.8	1.8	18.9	1.2	19.8	1.4	19.5	18.2	1.9
	October	1,244.1	1.0	18.7	1.0	18.2	1.2	17.8	1.1	18.3	14.0	1.0
	November	1,260.6	1.5	17.7	1.8	17.7	0.6	16.1	1.3	17.2	16.8	0.5
	December	1,273.2	1.5	16.4	1.7	16.6	-0.4	14.4	1.0	15.9	12.7	-0.6
2006	January	1,272.3	0.3	13.2	-0.6	12.3	-0.2	10.5	-0.1	12.2	-1.2	0.5
	February	1,270.0	0.5	12.3	-0.9	10.0	-0.6	7.4	-0.2	10.3	-2.4	0.8
	March	1,279.6	0.6	12.0	0.9	11.4	0.9	8.1	0.8	10.7	10.0	0.9
	April	1,281.6	-0.3	10.5	0.3	9.9	0.8	7.3	0.2	9.4	2.4	0.5
	May	1,286.8	0.0	9.3	0.0	8.5	1.4	7.6	0.4	8.6	4.9	2.4
	June	1,296.8	0.1	8.5	1.3	9.1	1.4	8.2	0.8	8.5	10.0	1.5
	July	1,300.2	0.2	8.6	-0.3	8.4	0.9	8.9	0.3	8.7	3.7	1.8
	August	1,311.1	0.7	7.3	-0.5	6.1	2.3	10.5	0.8	8.0	10.0	3.0
	September	1,332.6	1.6	7.7	1.7	6.6	1.7	10.4	1.6	8.2	21.0	1.4
	October	1,341.8	1.1	7.9	0.7	6.3	0.0	9.2	0.7	7.9	8.7	0.7
	November	1,362.0	1.4	7.8	1.6	6.0	1.6	10.2	1.5	8.1	19.6	1.2
	December	1,378.1	1.3	7.6	1.3	5.6	0.9	11.6	1.2	8.2	15.4	1.0
2007	January	1,397.5	1.0	7.3	1.6	13.6	1.5	8.9	1.4	9.8	18.2	2.1
	February	1,430.1	2.5	11.0	2.5	17.1	2.1	10.6	2.3	12.6	31.4	2.6
	March	1,441.9	0.8	10.9	0.7	16.9	0.9	11.0	0.8	12.7	10.0	0.4
	April	1,441.0	-0.2	10.3	0.4	16.5	-0.3	11.0	-0.1	12.4	-1.2	1.1
	May	1,423.0	-0.4	9.9	0.2	15.1	-0.4	10.6	-0.2	11.8	-2.4	0.8
	June	1,441.0	-0.2	8.3	0.7	14.2	0.1	10.7	0.2	11.1	2.4	1.1
	July	1,445.8	0.5	9.2	0.2	13.5	0.3	10.7	0.3	11.2	3.7	0.0
	August	1,450.9	-0.2	9.6	0.5	11.6	0.6	10.7	0.4	10.7	4.9	1.0
	September	1,457.1	0.2	8.0	0.4	10.1	0.6	9.6	0.4	9.3	4.9	0.6
	October	1,462.0	0.8	8.0	1.1	11.3	-0.4	7.9	0.3	9.0	3.7	0.5
	November	1,481.2	1.0	7.4	1.0	10.7	1.7	8.1	1.3	8.7	16.8	1.2
	December	1,501.2	1.8	7.9	0.8	10.7	1.5	8.4	1.3	8.9	16.8	0.8

Source: Bank of Zambia

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

TABLE 17

Period		Treasury Bills Tender Sales										
		28 Days	91 Days	182 Days	273 Days	364 Days	Total Sales	Settlement value	Maturites	Special Taps & Off-Tender Sales	Re-discounts	Total Outstanding Bills
1995	December	947,454.8	133,789.5	32,563.5	n/a		1,113,807.8	1,067,059.6	1,111,683.1	113,222.0	93,620.3	211,403.3
1996	December	1,460,360.5	321,309.4	46,956.8	n/a		1,828,626.4	1,597,371.6	1,790,302.5	97,341.5	178,153.8	231,802.0
1997	December	586,437.0	564,869.5	154,802.0	n/a		1,306,108.5	1,217,575.8	1,346,526.2	54,276.0	70,101.9	248,032.5
1998	December	481,595.0	403,860.0	35,075.0	n/a		920,530.0	837,764.4	1,010,197.4	57,231.7	49,805.0	217,360.9
1999	December	1,040,240.0	414,286.0	47,970.0	n/a		1,502,496.0	1,440,115.7	1,558,906.6	102,462.9	46,518.0	263,413.2
2000	December	255,340.0	586,940.0	311,120.0	28,210.0		1,181,610.0	1,074,191.2	1,182,147.8	81,778.9	106,054.0	4,016,755.9
2001	December	28,825.0	70,350.0	43,250.0	23,270.0		165,695.0	142,233.9	160,514.0	13,717.0	4,260.0	676,701.6
2002	December	19,080.0	61,270.0	33,035.0	36,220.0		149,605.0	132,868.3	185,017.0	10,878.0	12,650.0	817,612.8
2003	December	0.0	85,070.0	93,875.0	89,920.0		268,865.0	243,720.6	197,585.0	0.0	0.0	1,325,561.0
2004	December	0.0	85,530.0	83,360.0	51,455.0		220,345.0	203,454.6	241,337.0	31,000.0	4,050.0	1,438,873.0
2005	January	0.0	155,407.0	121,445.0	117,105.0		393,957.0	362,273.1	335,916.0	6,747.0	0.0	1,503,661.0
	February	0.0	102,313.0	111,025.0	87,255.0		300,593.0	268,165.0	249,760.0	0.0	0.0	1,554,494.0
	March	0.0	105,209.0	90,260.0	118,910.0		314,379.0	283,135.7	189,351.0	0.0	0.0	1,679,522.0
	April	0.0	79,891.0	108,799.0	142,718.0		331,408.0	280,170.3	271,924.0	0.0	0.0	1,739,447.0
	May	0.0	76,297.0	105,249.0	126,012.0		307,558.0	256,603.8	280,018.0	0.0	0.0	1,766,987.0
	June	0.0	74,737.0	76,785.0	100,199.0		251,721.0	233,206.6	236,901.0	0.0	0.0	1,781,807.0
	July	0.0	151,842.0	71,905.0	86,218.0		309,965.0	268,612.3	305,274.0	0.0	0.0	1,786,498.0
	August	0.0	62,531.0	76,298.0	115,690.0	20,100.0	274,619.0	248,150.0	219,814.0	0.0	0.0	1,841,303.0
	September	0.0	85,424.0	60,947.0	52,742.0	141,365.0	340,478.0	278,721.3	310,181.0	0.0	0.0	1,871,600.0
	October	0.0	43,414.0	67,014.0	95,320.0	131,653.0	337,401.0	292,161.0	312,477.0	0.0	0.0	1,896,524.0
	November	0.0	58,288.0	47,222.0	54,205.0	169,315.0	329,030.0	290,594.1	255,075.0	0.0	0.0	1,970,479.0
	December	0.0	87,601.0	98,410.0	97,595.0	154,166.9	437,772.9	381,954.5	319,604.0	0.0	0.0	2,088,647.9
2006	January	0.0	60,514.0	95,662.5	136,225.0	167,000.0	459,401.5	390,603.9	318,031.0	0.0	0.0	2,230,018.4
	February	0.0	39,118.0	84,850.0	142,081.0	140,860.0	406,909.0	336,472.9	245,470.0	0.0	0.0	2,391,457.4
	March	0.0	74,443.2	58,195.0	71,194.0	76,645.0	280,477.2	260,526.7	212,876.0	0.0	0.0	2,459,058.6
	April	0.0	61,543.5	83,900.0	107,480.0	106,590.0	359,513.5	337,089.6	186,605.0	0.0	0.0	2,631,967.1
	May	0.0	57,546.0	82,985.0	87,910.0	96,170.0	324,611.0	304,995.5	197,750.0	0.0	0.0	2,758,828.1
	June	0.0	76,336.0	108,563.0	36,224.0	41,704.0	262,827.0	252,547.7	238,271.2	0.0	0.0	2,783,383.9
	July	0.0	70,605.0	74,555.0	36,559.0	72,675.0	254,394.0	241,191.9	230,826.0	0.0	0.0	2,806,951.9
	August	0.0	47,477.0	81,945.0	55,585.0	70,090.0	255,097.0	240,417.3	217,051.0	0.0	0.0	2,844,997.9
	September	0.0	72,305.0	109,483.0	58,616.0	96,979.0	337,383.0	315,923.0	394,841.0	0.0	0.0	2,787,539.9
	October	0.0	73,432.0	93,285.0	95,295.0	114,415.0	376,427.0	339,764.0	394,473.0	0.0	0.0	2,769,493.9
	November	0.0	74,083.0	71,122.0	85,690.0	103,700.0	334,595.0	310,757.5	438,413.0	0.0	0.0	2,665,675.9
	December	0.0	64,169.0	90,208.0	71,448.0	808,352.0	1,033,897.9	325,182.6	437,583.0	0.0	0.0	3,261,990.8
2007	January	0.0	63,759.0	91,967.0	73,115.0	126,911.0	355,752.0	304,864.1	385,822.0	0.0	0.0	3,232,199.9
	February	0.0	32,512.0	61,099.0	83,878.5	144,603.0	322,092.5	297,074.7	390,023.0	0.0	0.0	3,164,269.4
	March	0.0	54,560.0	97,568.0	43,579.0	113,740.0	309,447.0	285,040.6	317,941.0	0.0	0.0	3,155,775.4
	April	0.0	56,758.0	70,705.0	54,940.0	232,260.0	414,663.0	376,251.0	300,193.0	0.0	0.0	3,270,245.4
	May	0.0	66,647.0	67,555.0	68,774.0	201,020.0	403,996.0	369,356.0	255,389.0	0.0	0.0	3,418,852.4
	June	0.0	72,716.0	68,899.0	53,327.0	116,654.0	311,596.0	276,783.0	245,088.0	0.0	0.0	3,485,360.4
	July	0.0	21,769.0	73,300.0	45,923.0	151,290.0	292,282.0	248,063.3	316,695.0	0.0	0.0	3,460,947.4
	August	0.0	47,439.0	36,313.0	87,854.0	185,885.0	357,491.0	324,058.2	372,373.0	0.0	0.0	3,446,065.4
	September	0.0	34,921.0	36,996.0	19,285.0	105,830.0	197,032.0	176,594.4	249,864.0	0.0	0.0	3,393,233.4
	October	0.0	34,053.0	52,070.0	79,203.0	160,850.0	326,176.0	297,827.4	280,004.0	0.0	0.0	3,439,405.4
	November	0.0	102,759.0	121,755.0	54,995.0	126,180.0	405,689.0	371,618.0	369,072.5	0.0	0.0	3,476,021.9
	December	0.0	27,548.0	39,860.0	22,230.0	75,034.0	164,672.0	148,513.4	203,679.0	0.0	0.0	3,437,014.9

Source: Bank of Zambia

GRZ BONDS OUTSTANDING (MILLIONS OF KWACHA)

TABLE 18

End of period		By Holder		Total Outstanding
		Commercial banks	Others	
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	6,165.2	36,341.2
1998	December	19,714.0	5,680.2	25,394.2
1999	December	44,835.0	19,090.0	63,925.0
2000	December	126,033.1	75,671.9	201,705.0
2001	December	289,366.5	113,219.5	402,586.0
2002	December	395,675.7	237,887.3	633,563.0
2003	December	721,380.5	412,723.5	1,134,104.0
2004	December	841,986.6	287,995.6	1,129,982.2
2005	January	896,625.3	401,181.9	1,297,807.2
	February	915,881.6	415,077.5	1,330,959.1
	March	923,982.5	428,190.3	1,352,172.8
	April	950,014.9	406,711.9	1,356,726.8
	May	898,029.9	469,003.3	1,367,033.2
	June	948,572.4	419,012.4	1,367,584.8
	July	972,434.0	435,009.0	1,407,443.0
	August	971,006.9	458,961.1	1,429,968.0
	September	962,156.3	431,839.6	1,393,995.9
	October	1,005,479.5	432,345.7	1,437,825.2
	November	941,743.8	536,656.3	1,478,400.1
	December	916,851.0	552,026.3	1,468,877.3
2006	January	989,060.0	524,323.2	1,513,383.2
	February	955,611.0	599,041.2	1,554,652.2
	March	926,221.0	673,929.2	1,600,150.2
	April	972,824.4	673,962.5	1,646,786.9
	May	957,548.2	692,984.9	1,650,533.1
	June	917,467.2	744,085.6	1,661,552.8
	July	901,261.9	768,867.5	1,670,129.4
	August	920,399.6	764,998.1	1,685,397.7
	September	910,585.4	785,812.5	1,696,397.9
	October	912,863.6	844,093.8	1,756,957.4
	November	956,834.2	939,621.7	1,896,455.9
	December	992,339.7	1,120,618.5	2,112,958.1
2007	January	1,068,689.4	1,074,573.6	2,143,263.0
	February	1,071,820.7	1,103,378.2	2,175,198.9
	March	1,064,004.4	1,158,785.6	2,222,790.1
	April	1,093,950.7	1,250,100.9	2,344,051.6
	May	1,058,940.7	1,392,816.2	2,451,756.9
	June	1,023,719.7	1,354,367.8	2,378,087.5
	July	1,038,225.2	1,442,109.0	2,480,334.2
	August	1,079,760.2	1,491,317.2	2,571,077.4
	September	1,104,659.7	1,554,383.0	2,659,042.7
	October	1,114,602.4	1,646,925.3	2,761,527.8
	November	1,123,847.9	1,680,990.6	2,804,838.5
	December	1,069,506.9	1,705,733.2	2,775,240.0

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	Total	344,297	307,558	2,469	2,931
1996	Total	327,474	313,923	3,866	4,829
1997	Total	300,718	312,457	4,673	4,028
1998	Total	257,394	272,437	5,319	4,961
1999	Total	251,333	255,894	3,408	4,378
2000	Total	200,574	221,167	2,996	2,877
2001	Total	296,387	296,446	4,379	4,182
2002	Total	329,964	337,367	4,025	3,990
2003	Total	353,414	349,814	3,374	3,211
2004	Total	393,182	409,543	6,102	6,082
2005	January	30,997	32,095	499	511
	February	25,736	28,810	413	437
	March	32,430	30,972	508	568
	April	32,950	32,838	418	435
	May	40,523	38,663	455	436
	June	38,283	37,858	488	485
	July	34,945	37,027	450	474
	August	39,429	37,189	420	432
	September	34,227	34,546	549	481
	October	37,994	43,336	465	471
	November	33,022	40,218	373	378
	December	47,850	44,327	413	421
	Total	428,385	437,878	5,451	5,529
2006	January	36,338	41,010	363	368
	February	36,128	40,143	371	360
	March	47,199	44,727	469	456
	April	35,689	44,393	374	392
	May	46,370	50,231	405	426
	June	47,701	43,748	365	391
	July	42,600	40,845	404	374
	August	31,817	38,497	413	439
	September	45,041	39,172	462	433
	October	36,056	40,873	315	405
	November	28,737	33,454	448	381
	December	42,428	40,076	274	234
	Total	476,104	497,169	4,663	4,658
2007	January	30,916	35,750	239	248
	February	35,026	35,538	237	254
	March	44,706	39,683	335	357
	April	30,266	39,104	399	381
	May	38,212	40,604	454	446
	June	44,126	42,865	411	440
	July	35,353	43,962	480	462
	August	51,327	48,590	465	480
	September	48,476	45,803	391	416
	October	34,982	46,288	396	384
	November	36,744	43,479	449	427
	December	43,281	49,251	356	396
	Total	473,415	510,917	4,614	4,690

Source: Bank of Zambia