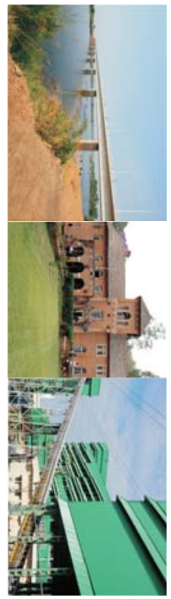
BANK OF ZAMBIA ANNUAL REPORT 2008

Bank Of Zambia

ANNUAL REPORT 2008



Even with the unfavourable global and domestic developments in 2008, preliminary indications are that Zambia recorded growth in real gross domestic product (GDP) of 6 percent. Construction, tourism and mining were among sectors that helped Zambia achieve this growth

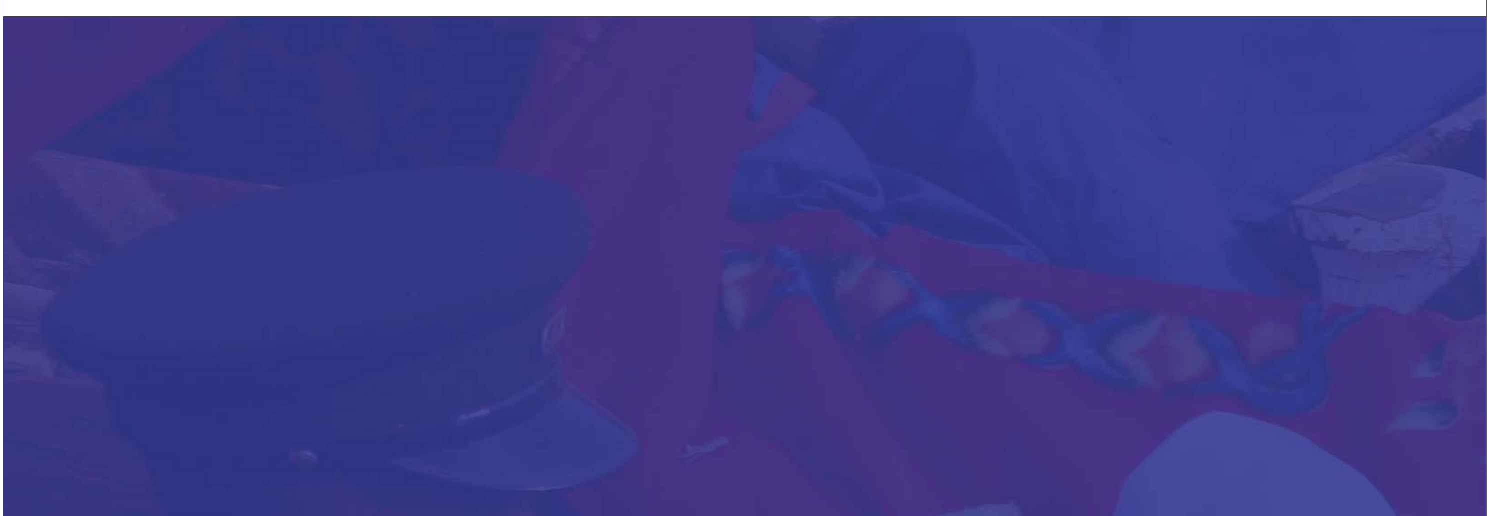
METAL PRODUCTION AND EXPORTS (METRIC TONS) **TABLE 19**

Date		Copper Exports	Copper Production	Cobalt Exports	Cobalt 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	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**
2008	January	37,356	42,369	378	341
	February	38,371	42,450	389	383
	March	65,042	54,103	406	420
	April	46,125	53,142	404	411
	May	46,717	49,569	321	311
	June	50,357	45,117	355	364
	July	32,024	45,781	463	425
	August	44,676	49,089	386	430
	September	49,983	43,470	383	438
	October	51,748	50,873	360	376
	November	54,393	55,795	411	422
	December	67,496	68,275	351	292
	Total	**584,288**	**600,033**	**4,608**	**4,613**

Source: Bank of Zambia

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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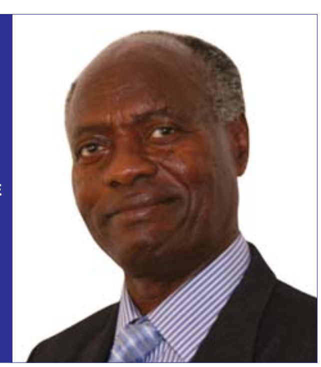

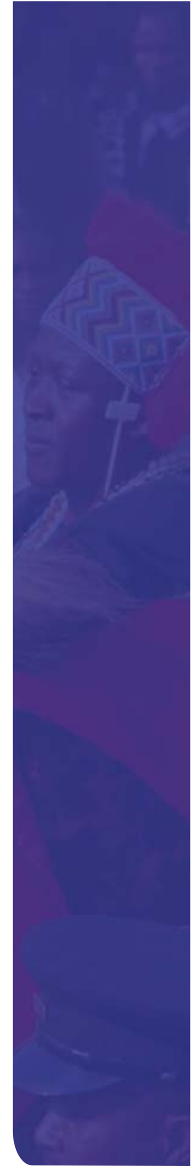

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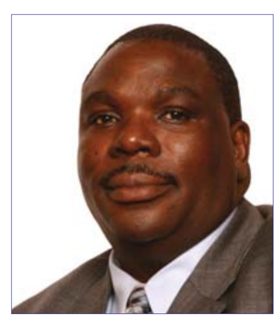
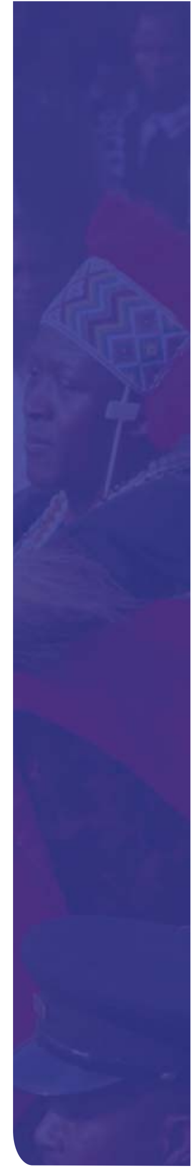


* Mr Kellyford Nkalamo passed away on 24th October 2008



SENIOR MANAGEMENT AS AT 31 DECEMBER 2008

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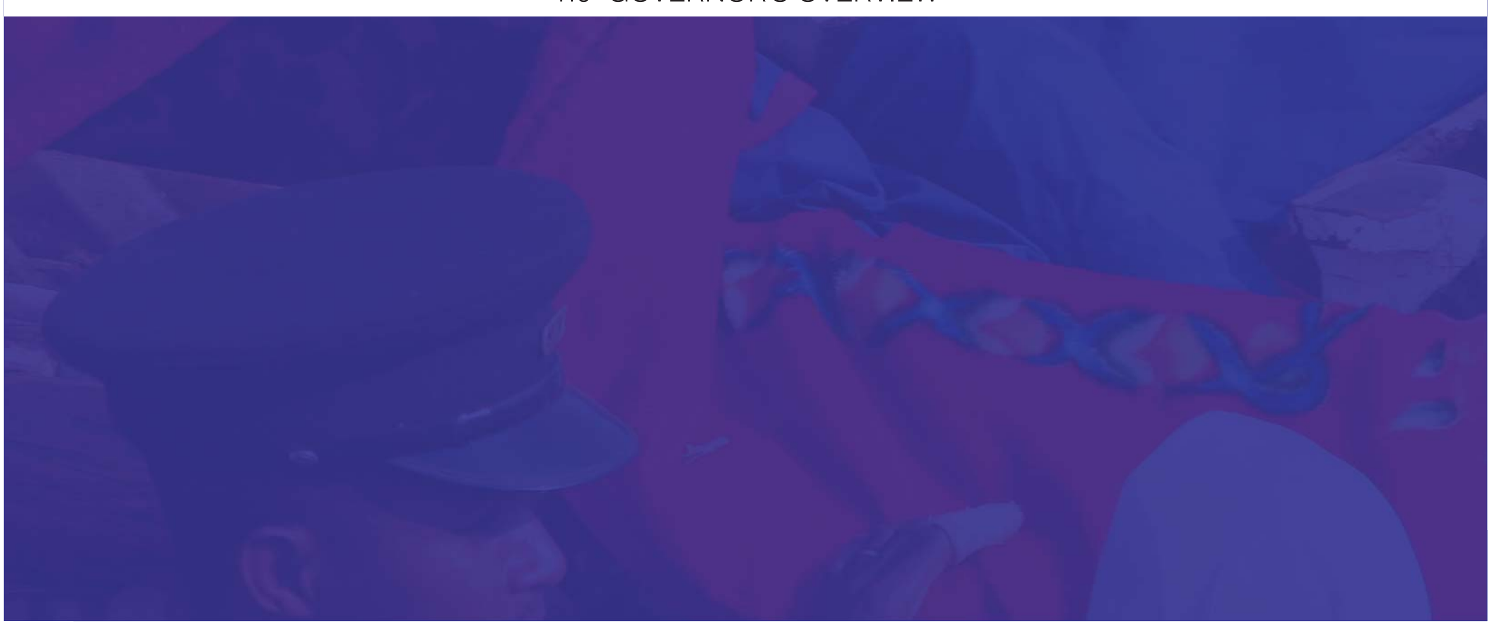
1.0 GOVERNOR'S OVERVIEW



1.0 GOVERNOR'S OVERVIEW

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

In 2008, global economic growth slowed down to 2.5% from 3.7% in 2007. The downturn was largely on account of the recession in the United States of America, Euro area, Japan, United Kingdom and Canada, partly triggered by the turbulence in the financial markets of these economies, which was associated with the US subprime housing turmoil and a weakening dollar. Growth in some emerging markets, such as, China, India, Russia and Brazil, continued to drive the global economy and mitigated the impact of the decline in economic growth experienced in advanced economies on the global economy. However, growth in these countries was also dampened by the effects of the global financial crisis. The emerging economies benefited from strong domestic demand and improved terms of trade from lower commodity prices, particularly in the second half of the year. Globally, inflation rose in 2008, partly driven by the surge in fuel and food prices. In some emerging and developing countries, there were inflation risks as higher commodity prices and continued pressure on local supply conditions affected wage demands and inflation expectations.

Despite the financial turmoil, economic developments in Africa remained fairly robust as the region grew by 5.9% compared with 6.3% in 2007. In addition, Africa's current account position improved. However, inflation rose on the backdrop of rising global food and oil prices, particularly in the first half of 2008. In Sub-Saharan Africa (SSA), growth, at 6.1% in 2008, continued to be strong compared with 6.9% in 2007, benefiting from terms of trade gains arising from the surge in commodity prices. Similarly, the current account position improved during the period under review. However, inflation rose to 11.7% from 7.1%. This outturn was attributed to most SSA countries experiencing rising food prices, particularly in the first half of 2008.

Notwithstanding the unfavourable global and domestic developments, preliminary estimates indicate that Zambia recorded growth in real gross domestic product (GDP) of 6.0% in 2008. This development extends Zambia's record to six consecutive years of economic growth exceeding 5.0%. This performance was mainly driven by growth in the transport, storage and communication; mining; manufacturing; and construction sectors.

Annual inflation, which was in single digits during the first quarter of the year, reverted to double digit level of 10.1% in April and ended the year at 16.6%, much higher than the 8.9% recorded at end-December 2007. This outturn was mainly attributed to the cost-push effects of high international oil and food prices alongside the pass-through effects of the depreciation of the Kwacha against major currencies.

In the external sector, the country was adversely affected by the global economic crisis as reflected by the significant narrowing of the surplus in the overall balance of payments. This was mainly attributed to the widening of the current account deficit to US $1,054.8 million in 2008 from US $754.5 million in 2007.

Inspite of the many domestic and external challenges, alluded to above, economic performance was supported by Government's continued prudent fiscal management. In this regard, a favourable budget deficit of 2.7% of GDP in 2008, below the projected deficit of 3.0%, was recorded.

During 2008, the Bank of Zambia continued to exercise effective regulation and supervision of the financial sector. Amidst the unfolding global financial crisis, induced by the credit crunch in advanced economies, the overall performance and condition of the financial sector remained sound during the year under review. The banking sector was adequately capitalised and its asset quality and earnings performance were satisfactory. The issuance of two new bank licences increased the number of registered banks to 15. The non-bank financial institutions also registered satisfactory performance. This sector continued to grow as reflected in the number of micro finance institutions registered with the Bank of Zambia increasing to 76 at the end of 2008 from 61 in 2007.

During the year under review, further progress was recorded in the implementation of the Financial Sector Development Plan (FSDP). Some of the achievements included the selection of a financial advisor for the establishment of a sovereign credit rating for Zambia and the enactment of the Accountants Amendment Bill as part of the process to harmonize various financial sector and business laws and regulations.

During the year, the Bank developed a Strategic Plan for the period 2008 – 2011 to provide a framework for the Bank to effectively meet its challenges in the dynamic global environment. Further, in order to ensure continuous availability of skills and new knowledge, the Bank continued to provide support to employees pursuing various study programmes.

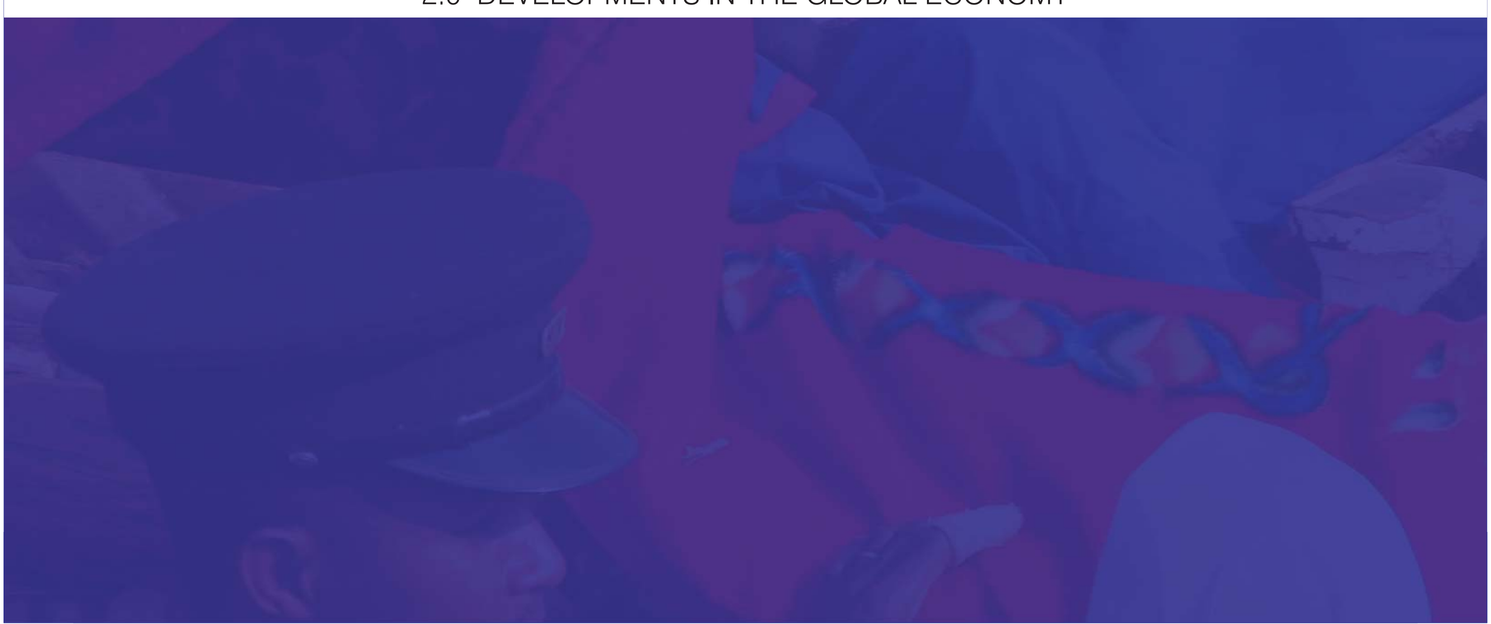
On a sad note, the Bank lost its Director of Economics, Mr. Kellyford Nkalamo who passed away on 24th October, 2008. The late Mr. Nkalamo was a great asset to the Bank and will be deeply missed. May His Soul Rest in Peace.

Finally, the main challenge for the Bank in 2009 will be to curb inflationary pressures and maintain financial stability against the backdrop of a turbulent global economic environment and the ensuing adverse impact on the domestic economy, particularly the mining sector. Therefore, achieving low inflation and a stable exchange rate, with a healthy financial system, will remain the policy focus of the Bank.

Dr. Caleb M. Fundanga

Governor and Chairman of the Board of Directors

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY



2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

Overview

The global economy suffered a serious financial crisis in 2008 which originated from the US subprime crisis that unfolded in 2007 and resulted into a credit crisis and disruptions of major financial institutions in the United States, Europe and the whole world economy.

The global financial crisis led to the collapse of commodity prices in 2008 as oil prices which reached record highs of US $147 per barrel in July, fell significantly to US $48 per barrel at the end of the year. In addition, copper prices declined to US $2,902 from the record high of US $8,985 per tonne in July 2008. Prices of other commodities such as fertilizer also followed similar trends.

Fuel and food prices reached historically high levels in the first half of the year and contributed significantly to inflationary pressures globally. These pressures were most felt by developing countries especially in Sub Saharan Africa (SSA) where inflation rose from 7.1% in 2007 to 11.7% in 2008. However, inflationary pressures were contained towards the end of the year due to the decline in global demand.

A number of advanced economies moved slowly into recession as credit conditions became tighter towards the end of 2008. This threatened a number of developing and emerging economies, as it had damaging effects on their domestic economies and adversely affected economic growth, inflation, the exchange rate and the terms of trade.

Global Economic Performance

The global economic growth slowed down to 2.5% in 2008 from 3.7% in 2007 largely on account of the recession in the United States of America (USA), Euro area, Japan, United Kingdom and Canada (see Table 1). The recession was partly triggered by the turbulence in the financial markets of these economies associated with the USA subprime housing turmoil, the subsequent credit crunch and general loss of confidence in the financial systems (see Box 1).

Expansion in growth in emerging markets such as China, India, Russia and Brazil, however, mitigated the decline in economic growth experienced in advanced economies. The emerging economies mainly benefited from strong domestic demand and improved terms of trade from falling commodity prices during the second half of the year. For instance, oil prices declined by over 50% since their peak in July 2008, reflecting the global economic downturn.

Box 1: Global Financial Crisis

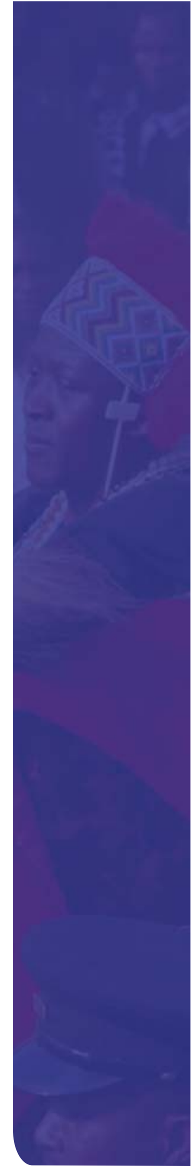
The genesis of the global economic crisis can be traced to the collapse of the sub-prime mortgage market in the United States of America (USA), which span over the period 2002-2006. During this period, lending to the household sector in the USA, was growing at a rate far beyond the country's economic growth. Poor underwriting standards for mortgage loans, weak regulation and supervision of the banking sector against many international banks with exposure to the sub-prime security backed financial assets characterized this period. Signs of the problem emerged as sub-prime borrowers were unable to service debt when interest rates rose, early in 2007 while loan defaults and foreclosures increased as demand for houses declined. Further, confidence among lending institutions waned, a situation, which led to a credit crunch. Financial institutions in the US (e.g. American International Group (AIG), Bank of America and Citigroup) short of liquidity, stopped lending to each other and were unable to provide credit to the private sector. Businesses scaled down operations (e.g. GM, Ford and Chrysler) or closed, reduced employment, and defaulted on their financial obligations. Growth in the USA slowed down and as the crisis spread to other advanced countries, the recession set-in. In response, the US Government and a number of Governments in the West put up stimulus measures, which included fiscal, interest rate and exchange rate adjustments. For instance, the US Government agreed a US $17.4 billion bail-out for General Motors (GM), Chrysler and Ford to help starve-off imminent collapse. Further, US politicians announced a US $700 billion deal to rescue America's financial system and end the credit crunch. The plan was prompted by a string of failures in large US financial institutions, including the government bail-out of insurance giant, AIG.

Immediate effects on the Zambian economy were withdrawals by foreign portfolio investors in Zambian Government and private securities, which in part, resulted in weakening of the Kwacha exchange rate. Further, the unfolding recession led to a sustained fall in commodity prices, such as, copper and oil.

Source: Various sources

Globally, inflation in 2008 rose, partly due to the surge in fuel and food prices. In advanced economies, inflation increased to 3.5% from 2.1% despite the decline in demand. Similarly, in emerging and developing economies, inflation rose to 9.2% from 6.4% the previous year. In other countries, there were inflation risks as higher commodity prices and continued pressure on local supply conditions affected wage demands and inflation expectations.

Higher commodity prices during the most part of 2008 resulted in the widening of the current account deficit in the advanced economies. This reflected increased current account surplus in the Commonwealth of Independent States (CIS) and the Middle-East which are net exporters of oil.



During 2008, a number of policy actions were implemented to address the root causes of the financial stress and to stimulate demand. For instance, the USA and the European Union instituted measures aimed at supporting key institutions, stabilising markets and bolstering confidence. These included government purchase of distressed assets, use of public funds to recapitalise banks and provide comprehensive guarantees, and a coordinated reduction in policy interest rates. In addition, some governments announced fiscal policy measures, such as tax relief, to support demand. Notwithstanding this, the financial markets remained volatile while the global economy slowed down remarkably underpinned by reduced consumption and investment in anticipation of prolonged financial crisis.

Table 1: World Real GDP, Inflation and Current Account Positions, 2006-2008

(Annual % change unless otherwise Stated)									
	Real GDP			**Inflation (%)**			**Current Account Positions (% of GDP)**		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**	**2006**	**2007**	**2008**
World	5.1	3.7	2.5	n/a	n/a	n/a	n/a	n/a	n/a
Advanced Economies	3.0	2.7	1.3	2.4	2.1	3.5	-1.3	-0.9	-1.0
United States	2.8	2.0	1.1	2.4	2.2	3.6	-6.0	-5.3	-4.6
Euro area	2.8	2.6	1.0	2.2	2.1	3.5	0.3	0.2	-0.5
Japan	2.4	2.4	-0.3	0.3	0.8	1.6	3.9	4.8	4.0
Commonwealth of Independent States	8.2	8.6	6.0	9.4	9.7	15.6	7.5	4.4	5.5
Russia	7.4	8.1	6.2	9.7	9.0	14.0	9.5	5.9	6.5
Excluding Russia	10.2	9.7	5.4	8.9	11.6	19.7	1.1	-0.5	2.3
Middle East	5.7	5.9	6.4	7.0	10.6	15.8	21.1	18.4	22.9
Latin America	5.5	5.6	4.6	5.3	5.4	7.9	1.5	0.4	-0.8
Emerging and Developing Economies	7.9	8.3	6.3	5.4	6.4	9.2	12.3	10.5	
Africa	6.1	6.3	5.9	6.3	6.2	10.2	2.9	0.4	3.0
Sub-Saharan Africa	6.6	6.9	6.1	7.3	7.1	11.9	-0.3	-3.0	-0.7

Source: IMF: World Economic Outlook Update, November 2008, Economic Outlook, October 2008
n/a = not applicable

Advanced Economies

The real GDP growth in advanced countries slowed down to 1.3% in 2008 from 2.7% in 2007, as most economies were affected by the financial turmoil and high commodity prices, especially in the first half of the year. For instance, in the USA, consumer and business confidence was eroded that tightened credit conditions and amplified the housing mortgage problem. This resulted in the contraction of the USA economy, as precipitated by declining investment in the residential sector and in private consumption.

The American International Group (AIG) was one of the organisations at the centre of the financial crisis. AIG insured many of the securities that mortgages in America were resold under

SOURCE: GOOGLE IMAGES

Financial turmoil and high commodity prices, mainly in the first half of 2008, negatively affected the performance of the USA economy in particular and the rest of the world in general. Leading financial houses were not spared from the negative economic developments

Economic activity in Western Europe also slowed down largely due to high oil prices, tightening credit conditions, US slowdown and the appreciating euro. Growth in the Euro area was pulled down by tightening financial conditions and falling confidence. Japan's economy initially showed resilience, but was slowly affected by declining exports and deteriorating domestic demand towards the end of 2008.

In advanced economies, inflation increased to 3.5% from 2.1%, following high oil prices during the first half of the year despite the decline in demand. In response to inflation concerns, the European Central Bank increased its policy rate to 4.2% in July 2008. However, the USA Federal Reserve held the Federal Funds Rate at 2% on concerns of the impending recession.

The current account deficit of advanced economies slightly widened to 1.0% of GDP in 2008 from 0.9%, the previous year. Developments in the Euro area largely explained this outturn, as its current account balance fell to negative 0.5% from a positive balance of 0.2%. However, the US current account deficit narrowed to 4.6% of GDP in 2008 from 5.3% in 2007, following weakening growth relative to its trading partners and the sustained depreciation of the US dollar since 2002.

Emerging and Developing Economies

Growth in emerging and developing economies slowed down to 6.3% in 2008 from 8.3% in 2007, due to a decline in domestic demand and net exports. Commodity exporting economies benefited from high export prices and maintained positive growth. By contrast, countries with strong trade links with the US and Europe experienced a slow down and those that relied on bank-related or portfolio inflows to finance large current account deficits were adversely affected by an abrupt tightening of external financing.

Inflation in emerging and developing economies was recorded at 9.2% in 2008 from 6.4% in 2007, with a number of countries experiencing double digit levels. This largely reflected rising food prices, which constitute a significant weight in the consumer price index. In response, most central banks raised interest rates while others increased reserve requirements. However, most of these steps were reversed towards the end of 2008 in response to the intense liquidity strains related to the financial crisis.

Commonwealth of Independent States (CIS)

Economic growth in the CIS region continued to expand due to strong domestic demand that was boosted by terms of trade gains in most countries and expansionary macroeconomic policies. Nonetheless, real GDP growth slowed down to 6.0% in 2008 from 8.6% in 2007 owing to weakening external demand and the effects of the unfolding global financial melt-down. Inflation in the region increased to 15.6% in 2008 from 9.7% in 2007 on account of high world prices of food and fuel. In the external sector, high international commodity prices continued to boost trade balances in net commodity exporters, while net commodity importers saw a marked weakening in their external position.

Latin America

Latin American economies faced a combination of factors, including falling equity prices, high inflation and difficult external conditions, notably exchange rate pressures and lower export prices. Consequently, economic growth slowed down to 4.6% in 2008 from 5.6% in 2007 while inflation at 7.9% was the highest in 5 years. In response to rising inflation, central banks raised policy interest rates. External positions of countries in Latin America were generally favourable, although the turbulence in the global economy eroded the cushions that were built over the years. The region's current account balance moved into deficit of 0.8% of GDP in 2008 after being in surplus since 2003.

Middle East

In the Middle East, economic growth at 6.4%, remained robust in 2008 supported by growing domestic demand. However, inflation surged to 15.8% in 2008 from 10.6% in 2007 due to domestic demand pressures. Current account developments differed widely between oil and non-oil exporters. While the former recorded large growing surpluses, the latter experienced widening deficits in response to rising import costs.

African Economies

Despite the financial turmoil, coupled with high energy and food prices, growth of African economies remained strong at 5.9% in 2008 compared with 6.3% in 2007 (see Table 2). Sub-Saharan Africa (SSA) economies expanded by 6.1% in 2008 compared with 6.9%, as many of these countries benefited from terms of trade gains arising from the surge in commodity prices. The slowing down in growth for the region reflected slower than expected growth in global demand and slowing capital inflows. In South Africa, SSA's largest economy, electricity shortages early in 2008 and the need to raise policy interest rates to contain inflation contributed to the slow growth in 2008.

Inflation in Africa increased to 10.2% in 2008 from 6.2% in 2007. Similarly, in SSA, inflation rose to 11.7% from 7.1%. This outturn was attributed to most SSA countries experiencing rising food prices, particularly in the first half of 2008, which in turn was principally driven by high grain prices on the international market. In addition, international oil prices rose sharply to a record high of US $147 per barrel, contributing to increased inflationary pressures in most countries.

African economies recorded an improvement in the current account surplus to 3.0% of GDP in 2008 from 0.4% in 2007, owing to rising commodity prices, particularly during the first half of the year. For SSA, the current account deficit narrowed to 0.7% of GDP from 3.0%.

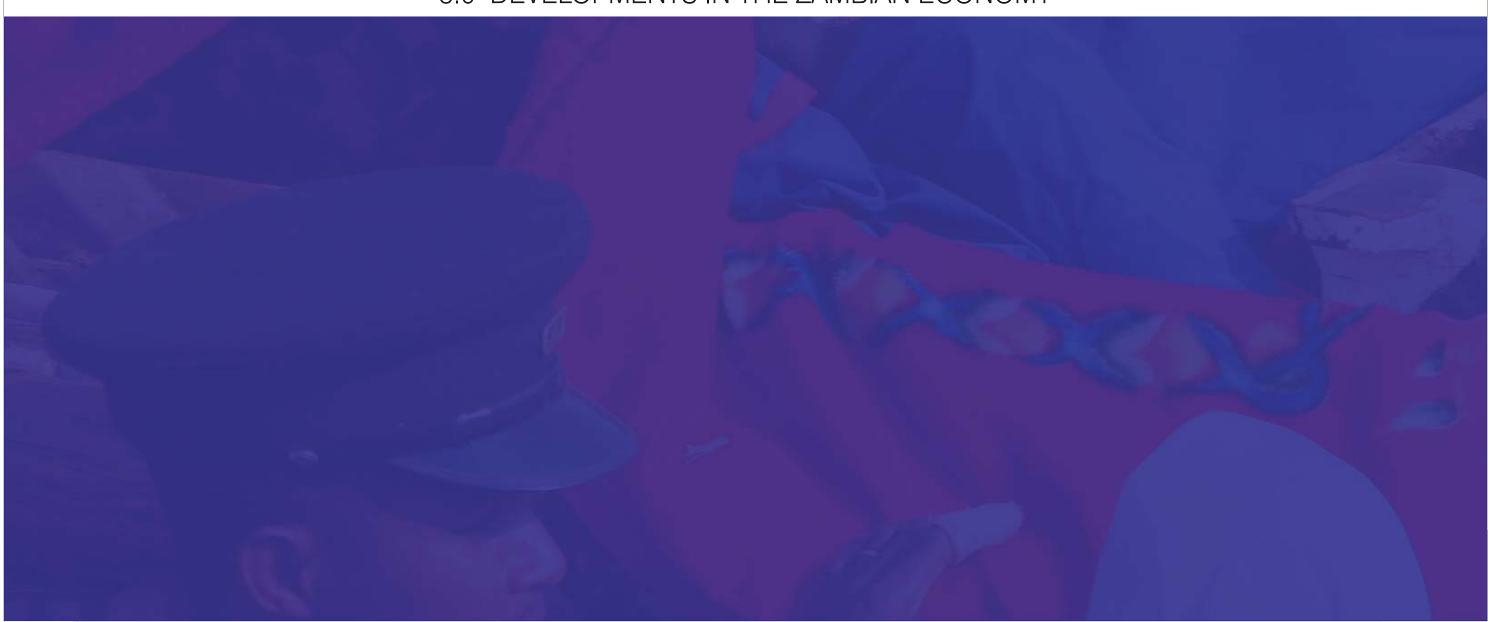
Table 2: Selected African Countries GDP and Inflation, 2006-2008

(Annual % change unless otherwise stated)

	Real GDP (%)			Inflation (%)		
	2006	2007	2008	2006	2007	2008
Africa	6.1	6.3	5.9	6.3	6.2	10.2
Angola	18.6	21.1	16.0	13.3	12.2	12.1
Ghana	6.4	6.3	6.5	10.2	10.7	16.8
Kenya	6.4	7.0	3.3	14.5	9.8	25.0
Nigeria	6.2	5.9	6.2	8.6	5.5	11.0
South Africa	5.4	5.1	3.8	4.7	7.1	11.8
Tanzania	6.7	7.1	7.5	7.3	7.0	9.2
Uganda	10.8	7.9	9.8	6.6	6.8	7.3
Zambia	6.2	6.2	6.0	8.2	8.9	16.6
Sub-Saharan Africa	6.6	6.9	6.1	7.3	7.1	11.9

Source: IMF: World Economic Outlook, October 2008, CSO 2009

3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY



3.0 DEVELOPMENTS IN THE ZAMBIAN ECONOMY

Overview

Government macroeconomic objectives in 2008 were to continue on a higher growth path while reducing inflation to single digits. Specific, major macroeconomic objectives during the year were to:

(i) achieve real GDP growth of at least 7%;

(ii) bring down end-year inflation to no more than 7%;

(iii) limit domestic borrowing to 1.2% of GDP; and

(iv) maintain gross international reserves at no less than 3.6 months of import cover.

Consistent with these objectives, growth in reserve money and broad money were to be limited to 11.5% and 11.6%, respectively.

Although annual overall inflation remained in single digit up to March 2008 at 9.8% from 8.9% in December 2007, it rose to 10.1% in April 2008 and steadily increased since then to 16.6% by December 2008. Increases in the prices of both food and non-food items contributed to the surge in the recorded inflation. However, fiscal performance was favourable as reflected in the deficit (as a proportion of GDP) of 2.5% compared with the programmed deficit of 3.2%. This was largely attributed to the lower than programmed expenditure. Further, the economy posted a growth of 6.0% during the year under review compared with 6.2% in 2007. Mining, manufacturing, construction, transport and communications, and financial intermediaries were among the key sectors that contributed to this positive growth.

An artist's impression of the planned Multi Faciltiy Economic Zone (MFEZ) in Chambishi on the Copperbelt Province of Zambia which is expected to facilitate local and foreign investment

CHAMBISHI MULTI FACILITY ECONOMIC ZONE MODEL

Apart from the negative global economic developments, Zambia also suffered massive floods that led to the destruction of agricultural fields and other infrastructure, threatening the country's economic growth

SOURCE: ZANIS

FLOODED MAIZE FIELD - WESTERN PROVINCE

3.1 MONETARY DEVELOPMENTS AND INFLATION

Monetary Policy Objectives

The main focus of monetary policy in 2008 was to maintain single digit inflation and achieve an end-year target of 7.0%. Consistent with this objective, reserve and broad money growth were to be limited to 11.5% and 11.6%, respectively. These monetary policy actions were to be complemented by prudent fiscal management.

Challenges to Monetary Policy

During 2008, there were some challenges to monetary policy implementation. These included high production costs due to electricity load shedding, an unanticipated increase in Government expenditure, inadequate supply of maize and the pass-through effects of the depreciation of the Kwacha against major foreign currencies, especially in the second half of the year. The other challenge was the unfolding global recession, emanating from the global financial crisis.

Monetary Policy Outcomes

Developments in the monetary sector indicated that monetary policy outcomes in 2008 were mixed, with inflation rising in spite of a slowdown in money supply growth. Annual overall inflation, which remained in single digit level during the first quarter of 2008, rose to 9.8% in March 2008 from 8.9% at end-December 2007. In April 2008, it rose to 10.1% and from then on steadily increased, reaching 16.6% by December 2008. This outturn was 9.6 percentage points above the end-year inflation target of 7.0% (see Table 3). Increases in both food and non-food inflation being the major factors explaining these developments.

Table 3: Actual Performance Against Projections, 2006 - 2008 (%)

	End-December 2006		End-December 2007		End-December 2008	
Description	Projection	Actual	Projection	Actual	Projection	Actual
Overall Inflation	10.0	8.2	9.0	8.9	7.0	16.6
Non-food Inflation	*8.3*	*18.1*	*10.7*	*11.9*	*8.3*	*12.9*
Food Inflation	*10.0*	*-0.2*	*7.3*	*5.9*	*6.0*	*20.5*
Reserve Money	10.5	29.6	6.0	9.2	11.5	25.4
Broad Money*	14.6	45.1	6.0	26.3	11.6	21.8
Domestic Credit*	10.0	25.7	-	20.3	5.8	37.8
Government	*5.2*	*-0.8*	-	*-20.2*	*34.0*	*22.1*
Public Enterprises	*4.2*	*-2.6*	-	*68.7*	-	*-61.0*
Private Sector Credit	*15.4*	*54.7*	-	*41.5*	-	*50.2*
Domestic Financing (% of GDP)	1.8	2.4	1.2	1.0	1.2	1.5

Source: Central Statistical Office, Bank of Zambia-Statistics Fortnightly
- Indicates no target under the economic programme
* Preliminary estimates for December 2008

Monetary Developments

Reserve Money

Reserve money growth accelerated in 2008 to 25.4% from the 9.2% recorded in 2007. In absolute terms, the stock of reserve money increased to K4,418.6 billion at end-December 2008 from the K3,523.7 billion recorded at end-December 2007 (see Table 4). This was largely due to an increase in Net Foreign Assets (NFA) as Net Domestic Assets (NDA) of the Bank of the Zambia declined.

The NFA increased by 24.1% compared to 35.6% in 2007 contributing 208 percentage points to reserve money growth, while NDA declined by 8.0% compared to a contraction of 167.7% the previous year and contributed negative 0.6 percentage points.

Currency in circulation and commercial banks' positive current account balances grew by 27.6% and 244.2%, contributing 16.7 and 14.1 percentage points, respectively. Foreign currency statutory reserve deposits, which declined by 32.2% in 2008 had a dampening impact on reserve money growth by contributing negative 6.8% percentage points to reserve money expansion during the year under review.

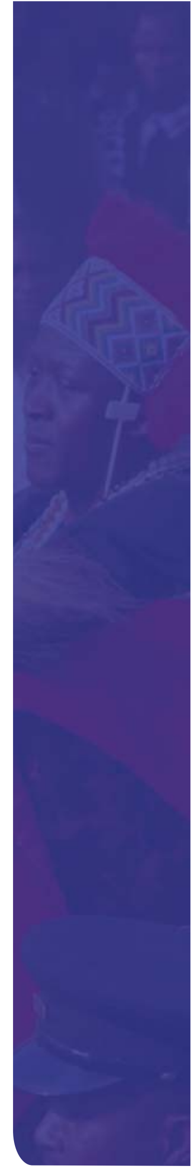


Table 4: Sources and Uses of Reserve Money, 2006-2008 (K' billions)

	2006	2007	2008
Net Foreign Assets	**2,807.2**	**3,807.7**	**4,725.4**
Net Domestic Assets	**419.7**	**-284.0**	**-306.8**
Net claims on government	844.3	-12.6	572.3
Claims on non-government	309.3	234.7	187.4
Other items, net	-734.0	-506.1	-1,066.5
Reserve Money	**3,226.9**	**3,523.7**	**4,418.6**
Of which:			
Currency	1,224.2	1,513.4	1,931.9
With banks	153.0	208.4	314.8
With non-banks	1,071.2	1,305.0	1,617.1
Bank deposits	1,992.7	1,992.9	2,467.9
Required reserves (Kwacha)	568.3	300.1	408.5
Required reserves (forex)	401.4	525.0	355.8
Settlement accounts	256.4	144.2	496.5
Other deposits	766.6	1,023.4	1,207.1
Contribution to Growth in Reserve Money (%)			
Growth in Reserve Money	**34.0**	**9.2**	**25.4**
Of which:			
Net Foreign Assets	159.1	31.0	208
Net Domestic Assets	-125.1	-21.8	-0.5
Domestic Credit	-12.1	-28.9	12.2
Government	-9.4	-26.6	13.2
Public Enterprises	-4.0	0.0	-5.2
Private Enterprises	-0.3	0.4	25.9
Households	-0.1	-0.1	35.1
Banks	1.5	-2.6	0.1
Other Items Net	-113.0	7.1	-12.7

Source: Bank of Zambia

Table 5: OMO Interventions, 2007 - 2008

	2007				2008			
Instrument Used	**Amounts Withdrawn, K'bn**	**Average Rate,%**	**Amount Supplied, K'bn**	**Average Rate, %**	**Amounts Withdrawn, K'bn**	**Average Rate,%**	**Amount Supplied, K'bn**	**Average Rate, %**
Term Deposits	6,745.0	12.8	0.0	0.0	4,780.6	12.4	0.0	0.0
Repurchase Agreements(Repos)	858.4	12.8	0.0	0.0	2,897.2	13.7	0.0	0.0
Outright Sales of Treasury Bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A
Secured Loans	0.0	0.0	342.5	113.3	0.0	0.0	0.0	N/A

Source: Bank of Zambia

Domestic Credit

During 2008, growth in domestic credit rose to 37.8% from 19.8% recorded in 2007. In absolute terms, it increased to K10, 536.2 billion in 2008 from K7,648.7 billion in 2007 owing to increased lending to both the private sector and the central Government (see Table 6). Excluding foreign currency denominated credit, which expanded by 71.8%, annual domestic credit growth increased to 22.7% from the 15.8% recorded in 2007.

Private sector credit increased by 50.2% in 2008, compared with 43.0% in 2007, and contributed 35.3 percentage points to the annual credit growth. Credit to households grew the most by 164.4%, while credit to the private enterprises grew by 26.6%. Credit to non-bank financial institutions increased by 3.5%.

Similarly, annual credit to the Government rose by 22.1% in 2008 compared with a contraction of 20.2% recorded in 2007, contributing 5.5 percentage points to annual credit expansion. However, credit to public enterprises declined by 61.0% and accounted for negative 3.0 percentage points to domestic credit expansion.

The share of household credit in domestic credit increased to 23.7% in 2008 from the 12.4% recorded in 2007.

In contrast, the share of private enterprises and Government declined to 51.8% and 21.9% from 56.6% and 24.4%, respectively.

Table 6: Developments in Domestic Credit, 2006 - 2008

Description	2006				2007				2008			
	K' bn	%			K' bn	%			K' bn	%		
		A	B	C		A	B	C		A	B	C
Domestic Credit	**6,469.0**	**28.0**	**28.0**	**100**	**7,648.7**	**19.8**	**19.8**	**100**	**10,536.**	**37.8**	**37.8**	**100**
Government	2,474.6	3.7	1.7	38.3	1,861.5	-21.6	-8.0	24.4	2,311.7	22.1	5.7	21.9
Public Enterprises	224.4	2.6	-0.1	3.5	378.5	68.7	2.4	5.0	147.5	-61.0	-3.0	1.4
Private Enterprises	3,054.7	62.6	23.3	47.2	4,309.1	41.5	19.9	56.6	5,455.2	26.6	15.0	51.8
Households	625.4	18.4	1.9	9.7	942.6	50.8	5.0	12.4	2,492.5	164.4	20.2	23.7
Non-bank Fin. Inst.	89.9	200.6	1.2	1.4	124.9	38.9	0.5	1.6	129.2	3.5	0.1	1.2

Source: Bank of Zambia

a: Change, b: Contribution to credit growth, c: Share

During 2008, commercial banks' loans and advances expanded by 41.4% compared with an increase of 46.7% witnessed in 2007. The largest percentage increase to a single sector was to restaurants and hotels by 280.9%, followed by the real estate sector, which grew by 221.3% and the financial services sector, by 163.4%. Other sectors also recorded increases except the gas, energy, and water sector that declined by 30.8%. On a sectoral basis, the share of loans and advances to households continued to be the largest, accounting for 25.4% in December 2008 followed by the agricultural sector at 16.2% (see Table 7 and Charts 1and 2).

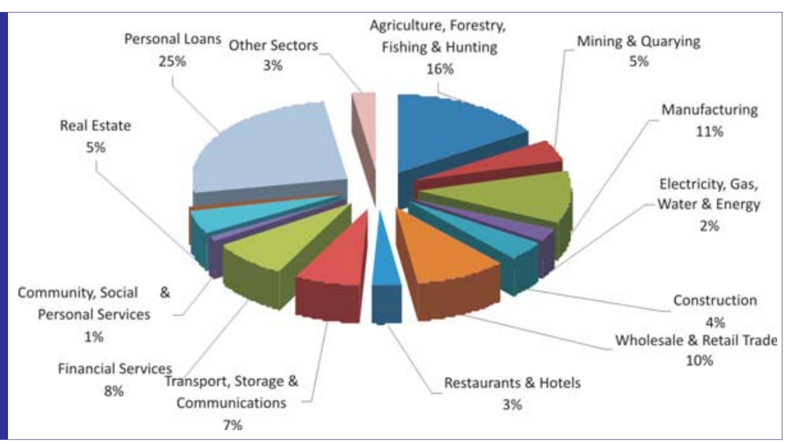
Table 7: Sectoral Shares in Total Loans and Advances, Dec 2006 - Dec 2008 (%)

Sectors	2006		2007		2008	
	K'bn	%Share	K'bn	%Share	K'bn	%Share
Agriculture	1,065.90	27.2	1,210.30	21	1,321.40	16.2
Mining & Quarrying	170.5	4.3	231.2	4	382.1	4.7
Manufacturing	520.3	**13.3**	615.2	10.7	878.5	10.8
Electricity, gas, water & energy	123.9	3.2	280	4.9	193.7	2.4
Construction	87.4	2.2	203	3.5	324.2	4
Wholesale and retail trade	568.2	14.5	622.2	10.8	789.9	9.7
Restaurants & hotels	78.3	2	67.3	1.2	256.3	3.1
Transport, storage and communications	312.3	8	414.3	7.2	568.2	7
Financial services	186	4.7	243	4.2	639.8	7.9
Community, social and personal services	97.8	2.5	94.8	1.6	107.8	1.3
Real Estate	190	4.8	125.3	2.2	402.4	4.9
Personal Loans	438.4	11.2	1,496.30	26.0	2,070.70	25.4
Others	84.5	2.2	154.3	2.7	207.7	2.6

Source: Bank of Zambia

CHART 1:

DISTRIBUTION OF LOANS AND ADVANCES[1] AS AT END-DECEMBER 2008



[1] Includes motgages.

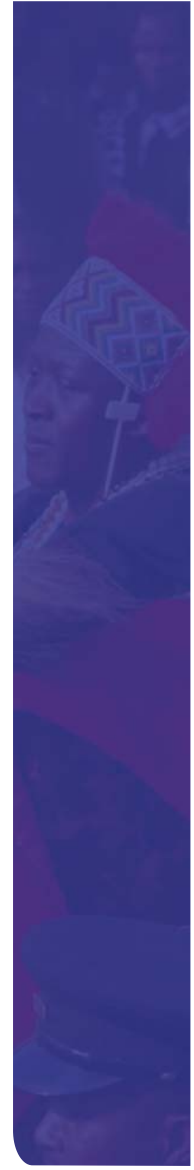
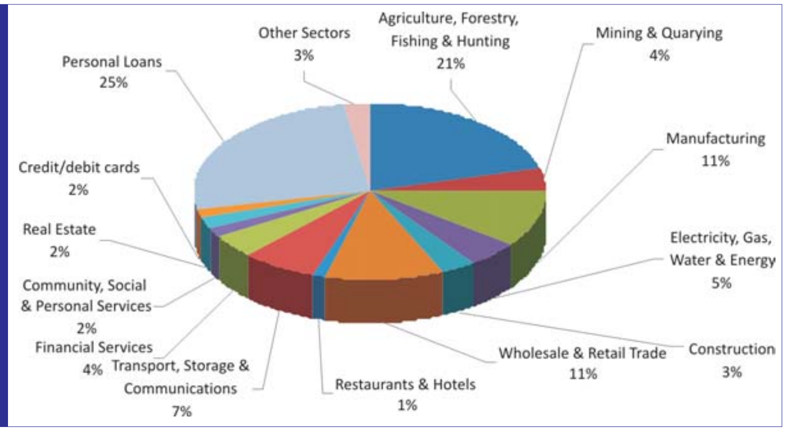


CHART 2:

DISTRIBUTION OF LOANS AND ADVANCES AS AT END-DECEMBER 2007



Broad Money

Broad money (M3) growth in 2008 slowed down to 21.8% from 25.9% in 2007. This outturn was 9.2 percentage points above the end-year target of 11.6%. The fall in broad money growth was largely due to the slowdown in the growth in NFA, as NDA growth increased. The growth in NFA slowed down to 10.7% from the 28.1% recorded in 2007, contributing 5.0 percentage points to M3 growth. However, NDA growth rose to 31.9% from 24.7% in 2007 and contributed 16.8 percentage points to M3 expansion (see Table 8 and Chart 3). Excluding foreign currency deposits, whose annual growth slowed down to 21.3% from 30.4% in 2007, money supply growth declined to 22.6% from 23.8% over the same period.

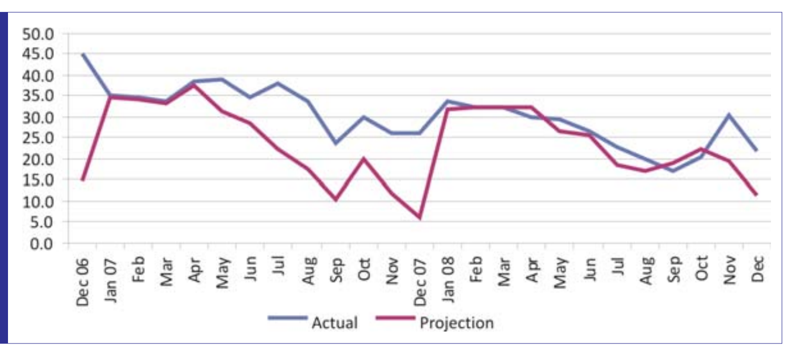
Table 8: Developments in Annual Broad Money, 2006 - 2008 (%)

Description	2006	2007	2008	contributions to ∆M3 (2008)
Broad Money (M3)	45.1	26.3	21.8	21.8
of which:				
Net Foreign Assets	1,503.8	28.1	10.7	5.0
Net Domestic Assets	- 26.1	24.7	31.9	16.8
Domestic Credit	25.8	20.3	37.8	27.0
Net Claims on Gov't.	- 0.5	-20.2	22.1	3.9
Public Enterprises	- 2.6	68.7	-61.0	-2.2
Private Enterprises	62.0	41.5	26.6	10.7
Households	18.4	50.8	164.4	14.5
NBFIs	200.6	38.9	3.5	0.0

Source: Bank of Zambia

CHART 3:

ANNUAL BROAD MONEY GROWTH, DEC 2006 - DEC 2008



Interest Rates Developments

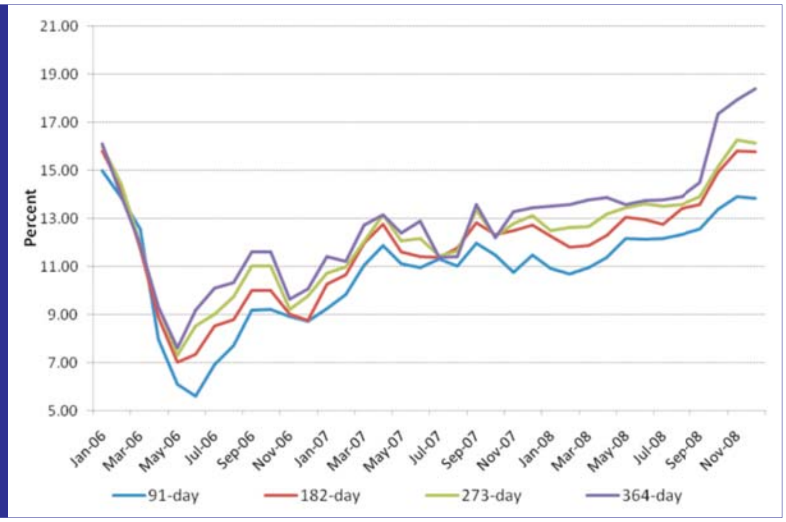
Yield Rates on Government Securities

Yield rates on all Treasury bills portfolios increased and resulted in the weighted average Treasury bill yield rate rising to 16.8% in December 2008 from 12.9% in December 2007 (see Chart 4). The decline in demand for

Government securities, coupled with relatively high inflationary expectations that prevailed for most of 2008, explained the rise in yield rates on Government securities during the year under review.

CHART 4:

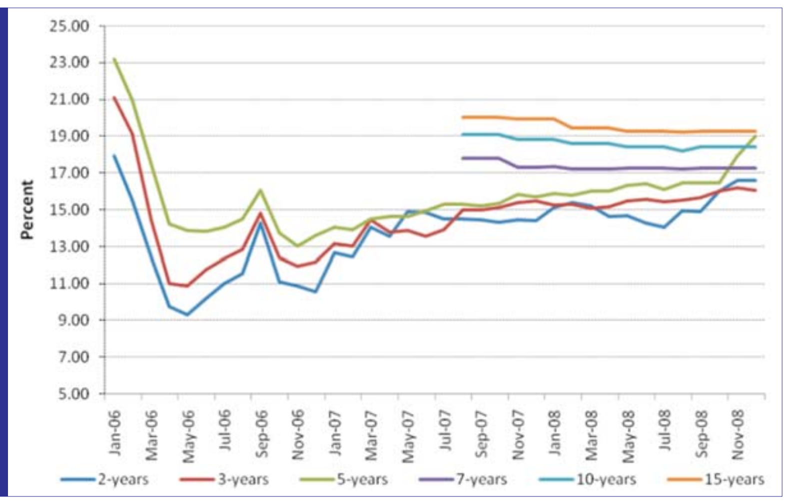
TREASURY BILLS YIELD RATES JAN 2006 - DEC 2008



Movements in yield rates on Government bonds portfolios were mixed. Yield rates at the short-end of the market rose while those at the long-end declined. Yield rates on the 2, 3 and 5-year bonds rose to 16.6%, 16.0% and 18.9% in December 2008 from 14.4%, 15.5% and 15.7% in December 2007, respectively. However, the yield rates on the 7, 10 and 15-year bonds declined to 17.3%, 18.4% and 19.3% from 17.7%, 18.8% and 19.9%, respectively. Nonetheless, the composite average yield rate on Government bonds increased to 16.7% from 15.6% (see Chart 5 and Table 9).

CHART 5:

GOVERNMENT BONDS YIELD RATES JAN 2006 - DEC 2008



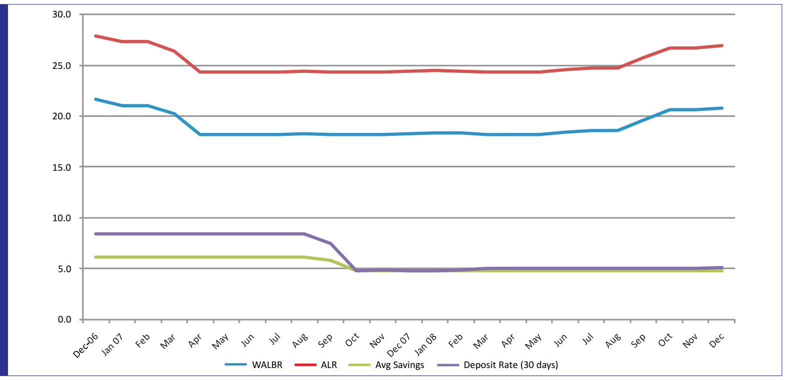
The 7, 10 and 15 year bonds were introduced in August 2007

Commercial Banks' Nominal Interest Rates

In 2008, all commercial banks' interest rates increased, except the average savings rate (ASR), which remained unchanged at 4.8%. The weighted average lending base rate (WALBR) increased to 20.8% in December 2008 from 18.3% in 2007, while the average lending rate (ALR) went up by 2.5 percentage points to 26.9%. The 30-day deposit rate, for amounts exceeding K20 million, rose to 5.1% from 4.8% (see Chart 6).

CHART 6:

LENDING AND SAVINGS INTEREST RATES (%), DEC 2005 - DEC 2008



Commercial Banks' Real Interest Rates

During 2008, all annual real interest rates declined, largely due to the increase in inflation. The real 30-day deposit rate for amounts above K20 million and the real ASR for amounts above K100,000.00 both declined to negative 11.6% and negative 11.8% from the negative 4.1% (for both) recorded at end-December 2007. In addition, the real ALR and the WALBR fell to 10.3% and 2.5% from the 15.7% and 9.4%, recorded at end-December 2007, respectively (see Chart 7).

CHART 7:

REAL INTEREST RATES, DEC 2006 - DEC 2008

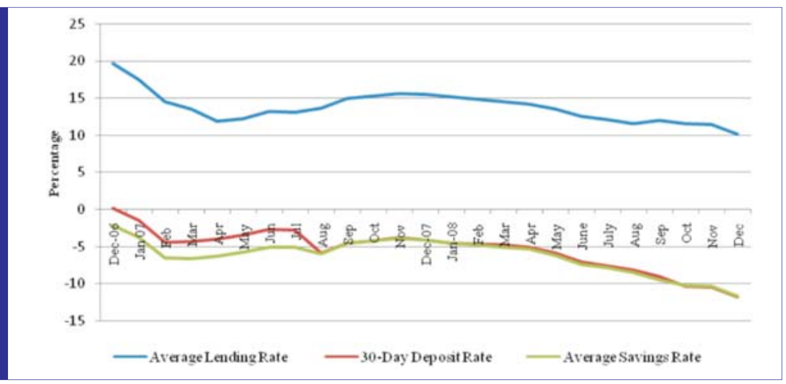


Table 9: Monthly Average Interest and Yield Rates, 2006 - 2008 (%)

	Nominal			Real		
Description	**2006**	**2007**	**2008**	**2006**	**2007**	**2008**
91-day Treasury bill	8.7	10.7	12.2	0.5	1.8	-4.4
182-day Treasury bill	8.7	11.3	13.5	0.5	2.4	-3.1
273-day Treasury bill	9.6	11.3	13.8	1.4	2.4	-2.8
364-day Treasury bill	9.9	11.2	14.9	1.7	2.3	-1.7
WATBR	9.2	11.1	14.0	1.0	2.2	-2.6
24-month Bond	10.6	14.1	15.2	2.4	5.2	-1.4
3-year Bond	12.1	14.3	15.6	3.9	5.4	-1.0
5-year Bond	13.5	14.9	16.5	5.3	6.0	-0.1
7-year Bond*		17.7	17.3		8.8	0.7
10-year Bond*		19.0	18.5		10.1	1.9
15-Year Bond*		20.0	19.3		11.1	2.7
Composite Yield Rate on Bonds		14.8	16.3		5.9	-0.3
Commercial banks' Weighted Average Lending Base Rate	21.6	18.3	19.1	13.4	9.4	2.5
Commercial banks' Average Lending Rate	27.9	27.9	26.9	19.7	15.7	10.3
Commercial banks' Average Savings Rate	6.1	4.8	4.8	-2.1	-4.1	-11.8
Deposit >K20 m (30 days)	8.4	4.8	5.0	0.2	-4.1	-11.6

Source: Bank of Zambia

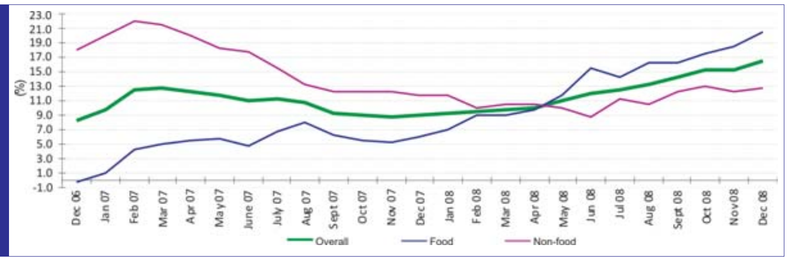
*These Government Bonds were introduced in August 2007.

Overall Inflation

The annual inflation rate remained in single digit level during the first quarter of the year, though it rose from 8.9% in December 2007 to 9.8% in March 2008. Annual inflation reverted to double digits of 10.1% in April, rising further to 12.1% in June 2008, and ended the year at 16.6% (see Table 10 and Chart 8). This outturn attributable to increases in both annual food and non-food inflation compared unfavourably to the 8.9% recorded at end-December 2007.

CHART 8:

ANNUAL INFLATION, DEC 2006 - DEC 2008



Non-Food Inflation

Developments in non-food inflation during the first half of the year were favourable. It slowed down to 8.8% at end-June 2008 from 11.9% at end-December 2007. This outturn was mainly attributed to the pass-through effects of the appreciation of the Kwacha against the US dollar by 14.4%. However, during the second half of the year, non-food inflation increased, ending the year at 12.9%, reflecting the depreciation of the Kwacha against the US dollar by 50.3%. Non-food inflationary pressures also emanated from domestic fuel prices, which increased by 11.6% during the third quarter due to high petroleum prices on the world market and the weakening of the Kwacha against the US dollar, resulting in the upward movement in transport costs.

Food Inflation

Annual food inflation increased to 11.7% in May 2008 and ended the year at 20.5% from 5.9% in 2007 (see Table 10). The sharp increase in food inflation was attributed to inadequate supply of most food commodities, particularly maize, maize products, wheat, other cereals and cereal products as well as beef and beef products. The supply of grains and beef was constrained by flush floods in most farming areas and the ban on the movement of cattle from and to Southern province in an effort to contain the spread of Contagious Bovine Pleural Pneumonia (CBPP), a cattle disease. In addition, rising production costs, associated with rising transport costs and electricity load-shedding resulted in higher prices of processed food items.

Table 10: Inflation Outturn, Dec 2006 - Dec 2008 (%)

	Monthly			Annual			Year-to-date		
	Overall	Food	Non-food	Overall	Food	Non-food	Overall	Food	Non-food
Dec 06	1.2	1.3	1.0	8.2	-0.2	18.1	8.2	-0.2	18.1
Dec 07	1.4	1.7	0.8	8.9	5.9	11.9	8.9	5.9	11.9
Jan 08	1.8	1.7	1.9	9.3	6.9	11.7	1.8	1.7	1.9
Feb 08	2.5	4.1	1.1	9.5	9.1	10.0	4.3	5.9	2.9
Mar 08	1.0	1.3	0.8	9.8	9.1	10.4	5.4	7.2	3.7
Apr 08	0.3	0.1	0.4	10.1	9.8	10.5	5.7	7.4	4.2
May 08	0.4	0.4	0.5	10.9	11.7	10.1	6.2	7.9	4.7
Jun 08	1.3	2.8	-0.1	12.1	15.6	8.8	7.6	10.9	4.5
Jul 08	0.8	-0.6	2.3	12.6	14.2	11.2	8.5	10.2	6.9
Aug 08	0.9	1.5	0.3	13.2	16.3	10.4	9.4	11.9	7.2
Sept 08	1.3	0.2	2.3	14.2	16.2	12.4	10.9	12.1	9.7
Oct 08	1.2	1.4	1.0	15.2	17.6	13.0	12.2	13.6	10.9
Nov 08	1.4	2.2	0.7	15.3	18.5	12.4	13.8	16.2	11.6
Dec 08	2.4	3.7	1.2	16.6	20.5	12.9	16.6	20.5	12.9

Source: Central Statistical Office and Bank of Zambia

3.2 MONEY AND CAPITAL MARKETS DEVELOPMENTS

Inter-bank Money Market

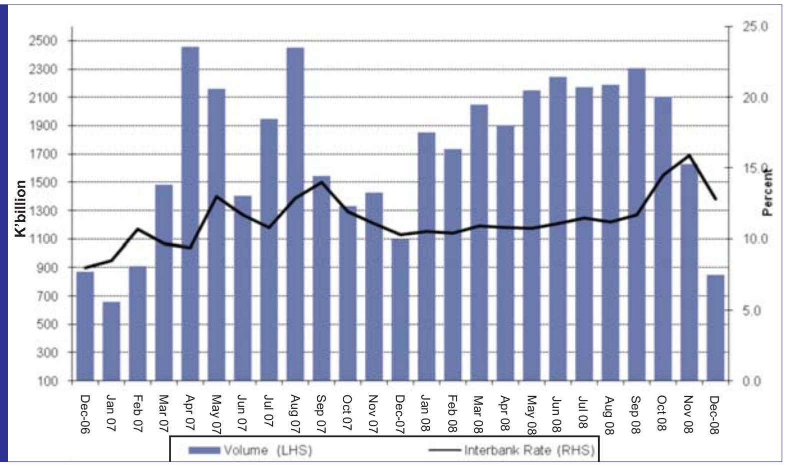
The turnover of transactions in the inter-bank market rose in 2008, with most of the increase taking place in the second half of the year. Total volume of funds traded in the market rose by 24.8% to K23,836.6 billion in

2008 from K18,851.6 billion in 2007. The increase in the volume of funds traded was partly attributed to the participation of foreign banks in the domestic market following the worsening of the global financial crisis and the subsequent tightening of credit conditions in international markets in the second half of the year. These factors prompted some foreign banks to source funds from the domestic inter-bank market through domestic counterparty banks.

With regard to the volumes of funds traded by tenor, overnight loans increased to K17,736.4 billion from K14,314.4 billion in 2007, while the volume of funds traded for periods exceeding one day increased to K6,100.2 billion from K4,537.2 billion. The participation of foreign banks in the domestic market was reflected in the borrowing of K864.7 billion in overnight loans and K1,489.5 billion for tenors exceeding overnight. The rise in demand for inter-bank loans, which was partly attributed to the foreign banks' participation in the market, was reflected in the increase in the weighted average inter-bank rate, which rose to 11.8% in 2008 from 11.1% in 2007 (see Chart 9). While domestic banks borrowed funds at an average of 12.0%, foreign banks borrowed at 18.6%.

CHART 9:

MONEY MARKET ACTIVITY DEC 2006 - DEC 2008



Government Securities Market

The Government securities market continued to be the main source of domestic financing for the Government in 2008. In 2008, the average size of the weekly Treasury bills and the monthly Government bonds auctions remained unchanged at K100.0 billion and K120.0 billion, respectively. However, demand was lower on both Treasury bills and Government bonds. In the Treasury bills market, demand declined to an average of K83.2 billion in 2008 from an average of K97.3 billion in 2007. The reduction in demand for Government bonds was even deeper, falling to an average of K98.6 billion from K219.7 billion. Consequently, average subscription rates on Treasury bills and Government bonds declined to 83.2% and 82.2% from 97.3% and 193.8%, respectively (see Table 11).

Table 11: Government Securities Transactions, 2007 - 2008

	2007			2008		
	Average Offers (K' billion)	Average Bids (K' billion)	Average Subscription Rate (%)	Average Offers (K' billion)	Average Bids (K' billion)	Average Subscription Rate (%)
91-day bills	18.2	15.1	82.9	17.0	12.1	71.2
182-day bills	21.8	18.9	86.7	21.1	15.6	73.9
273-day bills	19.2	17.5	91.1	17.8	13.1	73.6
364-day bills	40.8	45.8	112.3	44.1	42.4	96.1
Total	**100.0**	**97.3**	**97.3**	**100.0**	**83.2**	**83.2**
2-year bond	20.0	28.4	142.0	25.8	27.8	107.8
3-year bond	25.0	33.6	134.4	32.9	18.3	55.6
5-year bond	30.0	50.9	169.7	41.7	30.3	72.7
7-year bond	17.5	50.7	289.7	7.1	10.1	142.3
10-year bond	17.5	32.1	186.9	7.1	5.9	83.1
15-year bond	10.0	24.0	240.0	5.4	6.2	114.8
Total	**120.0**	**219.7**	**193.8**	**120.0**	**98.6**	**82.2**

Source: Bank of Zambia

Stock of Government Securities

The amount of outstanding Government securities, increased by 5.6% to K8,021.8 billion in 2008 from K7,595.3 billion in 2007. The rise in the stock of Government securities emanated from the expansion in the amount of outstanding Government bonds, as the stock of Treasury bills declined. The stock of Government bonds increased by 12.9% to K4,741.4 billion from K4,196.2 billion, thereby contributing 7.2% to the increase in the overall stock of Government securities. The amount of Treasury bills in circulation declined by 3.5% to K3,280.4 billion from K3,399.1 billion, and contributed negative 1.6% to the rise in the overall amount of outstanding Government securities.

Market Bidding Behaviour

The change in the overall stock of Government securities which was lower than the 13.3% recorded in 2007 reflected the bidding behaviour in the market. The subscription rates on each of the portfolios fell sharply. In the Treasury bills market, the 364-day Treasury bill portfolio continued to be the most preferred, although average subscription fell short of the average amount on offer by 3.9% in 2008 compared with an average over-subscription rate of 12.3% in 2007. Investors' preference for other Treasury bills tenors was even lower, with average subscription rates falling further in 2008. The 273, 182 and 91-day Treasury bills were under-subscribed by an average of 26.4%, 26.1% and 28.8% compared with average under-subscription rates of 8.9%, 13.3% and 17.1% recorded in 2007, respectively.

In the Government bonds market, a mixed pattern was exhibited by investors. The average subscriptions for the 2, 7 and 15-year bonds exceeded the average amounts on offer whilst over-subscription rates declined to 7.8%, 42.3% and 14.8% compared with the corresponding average over-subscription rates of 42.0%, 89.7% and 40.0% in 2007. The 3-year Government bond tenor was the least preferred in 2008 as reflected in an average under-subscription rate of 44.4% compared with an average over-subscription rate of 34.4% in 2007. The average subscription rates on the 5 and 10-year bonds also fell short of the average amounts on offer by 27.3% and 16.9% compared with the average over-subscription rates of 69.7% and 86.9% recorded in 2007, respectively. The overall decline in average subscription rates on Government bonds was attributed to the fall in demand for these securities by foreign investors, who were the main players in the longer term Government securities market. However, the subscription rate for local institutional investors such as National Pension Scheme Authority, remained stable as evidenced by the percentage of Treasury bills and Bond holdings of Pension funds which stood at 9.4% and 9.6% in 2007 and 2008 respectively.

Foreign Investments in Government Securities

During the year under review, investments in Government securities by foreign investors declined on account of the deterioration in global financial conditions and a rise in risk aversion to emerging market assets. Overall, the stock of Government securities held by foreign investors declined by 3.8% to K815.8 billion in 2008 from K847.6 billion in 2007. As a proportion of the total amount of outstanding Government securities worth K8,021.8 billion, foreign investors' holdings declined to 10.2% in 2008 from 11.2% the preceding year.

The reduction in non-residents' holdings of Government securities was attributed to the liquidation of Treasury bills by foreign investors who preferred not to roll-over maturing Treasury bills, particularly in the period following the deepening of the global financial crisis. As a result, the portfolio of Treasury bills held by foreign investors declined by 31.2% to K363.4 billion at the end of 2008. Further, as a proportion of the total amount of Treasury bills in circulation, the foreign investors' holdings declined to 11.1% in 2008 from 15% in 2007 (see Chart 10).

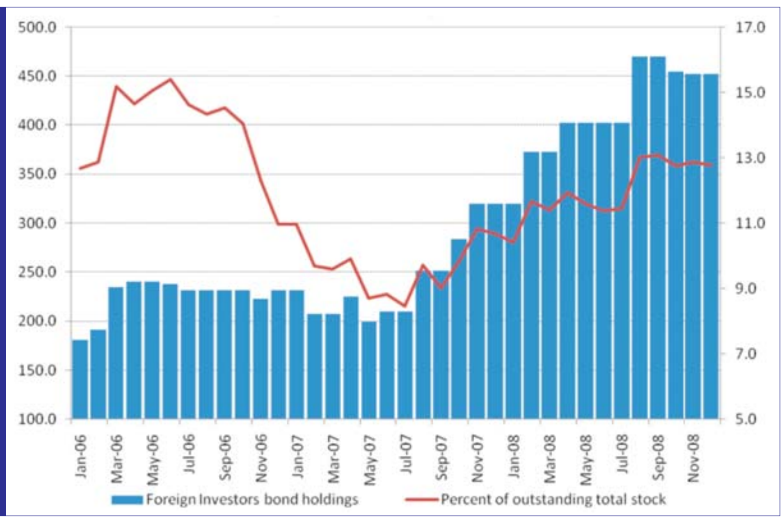
CHART 10:

FOREIGN INVESTORS' HOLDING OF TREASURY BILLS JAN 2006 - DEC 2008

In the Government bonds market, foreign investors continued to add to their Government bonds holdings, which increased by 41.6% to K452.4 billion in 2008. The net purchase of Government bonds by non-residents of K133.0 billion increased the proportion of foreign bond holdings to the total amount of marketable Government bonds to 12.8% at the end of 2008 from 10.7% at the end of 2007 (see Chart 11). Most of the purchases by foreign investors took place during the first half of 2008, prior to the deepening of the global financial crisis in the latter part of the year.

CHART 11:

FOREIGN INVESTORS HOLDING OF GOVERNMENT BONDS JAN 2006 - DEC 2008



Foreign Exchange Market

During 2008, the foreign exchange market was characterised by an increase in volatility. In the first half of the year, the net inflow of foreign exchange on the market contributed to the strengthening of the Kwacha against major foreign currencies. However, in the second half of the year, adverse developments, domestically and abroad, resulted in the rapid depreciation of the Kwacha. The volatility, particularly in the last six months of the year was attributed to a number of factors, including political uncertainty surrounding the illness and eventual passing on of President Levy Patrick Mwanawasa and the subsequent Presidential elections, the worsening of the global financial crisis and the sharp decline in copper prices, which impacted negatively on the supply of foreign exchange amid rising demand.

Foreign Exchange Transactions

Despite increased volatility, the turnover of foreign exchange transactions continued to increase in 2008. The increase in the turnover of transactions was reflected in higher amounts of foreign exchange supplied and demanded. The supply to the market, as reflected by commercial banks' purchases of foreign exchange from various sectors of the economy, increased to US $10,416.8 million from US $6,711.9 million in 2007. Similarly, demand for foreign exchange, as reflected by commercial banks' sales of foreign exchange to various sectors, increased to US $10,463.3 million from US $6,535.5 million in 2007. Hence, commercial banks recorded net sales of US $ 46.5 million in 2008 compared with net purchases of US $176.4 million in 2007.

Of the total supply, mining companies continued to be the major suppliers, supplying a total of US $1,232.0 million in 2008 compared to US $850.3 million in 2007. Supply by non-residents also increased to US $1,166.1 million compared with a total of US $599.2 million in 2007.

On the demand side, the major buyers of foreign exchange were non-residents, with total purchases of US$1,252.9 million, up from US $446.6 million, bringing the net purchases to US $86.8 million compared with net sales of US $92.5 million in 2007.

In the inter-bank market, the volume of transactions rose to US $4,512.3 million from US $2,821.5 million. There was also an increase in commercial banks' transactions with the non-bank public. Commercial banks' purchases from non-banks rose to US $5,705.0 billion from US$3,858.4 million, while their sales to non-banks increased to US $5,280.5 million from US $3,355.3 million. However, net purchases from the non-bank public declined to US $424.6 million in 2008 from US $503.1 million in 2007.

Activities in other major foreign currencies included Commercial banks' purchases from non-banks of the South African rand, which increased to ZAR3,396.8 million in 2008 from ZAR987.5 million in 2007, while sales rose to ZAR6,164.3 million from ZAR2,954.0 million. In addition, commercial banks' sales of the rand to bureaux increased to ZAR50.9 million from ZAR16.1 million over the same period. However, the level of inter-bank activity in the rand declined to ZAR12.9 million in 2008 from ZAR16.5 million in 2007. Overall, the continued net sale of the South African rand by commercial banks to non-banks was a reflection of the importance of the South African economy as a source for Zambia's imports. Further, commercial banks' purchases of the euro from non-banks rose to €215.7 million in 2008 from €158.6 million in 2007. Similarly, banks' sales of the euro increased to €119.2 million from €96.0 million. Furthermore, commercial banks' purchases and sales of the pound to non-banks rose to £52.2 million and £84.6 million from £44.4 million and £47.0 million, respectively.

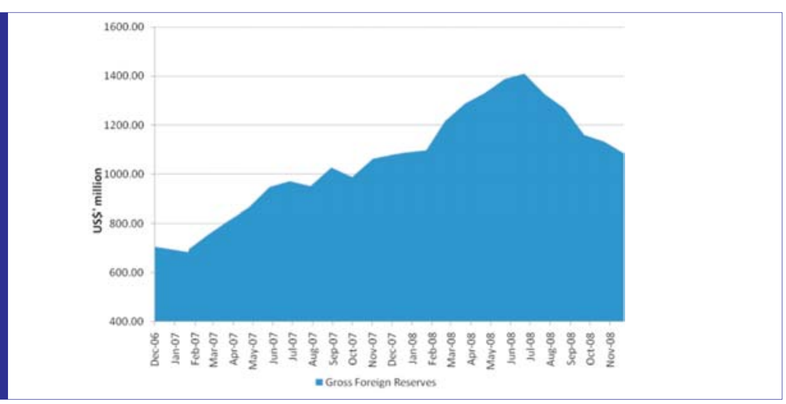
In response to demand pressures, and the need to reduce volatility in exchange rate movements, particularly during the second half of 2008, the Bank of Zambia increased the frequency and scale of interventions in the foreign exchange market. The Bank's sales of foreign exchange to the market rose to US $230.5 million in 2008 from US $88.5 million in 2007. However, the Bank's purchases of foreign exchange declined to US $58.5 million from US $141.9 million. Overall, the Bank recorded net sales of US $172.0 million in 2008 compared with net purchases of US $53.4 million in 2007.

Gross International Reserves

The level of foreign reserves ended the year 0.5% higher, at US $1,085.0 million, than the US $1,080.2 million recorded in 2007 (see Chart 12). The main factors that contributed to the increase were balance of payments support, tax receipts from mining companies and receipts of project funds. However, these were moderated by outflows attributed to net Bank of Zambia sales to the market, sales to the Government and external debt service.

CHART 12:

GROSS INTERNATIONAL RESERVES
DEC 2006 - DEC 2008



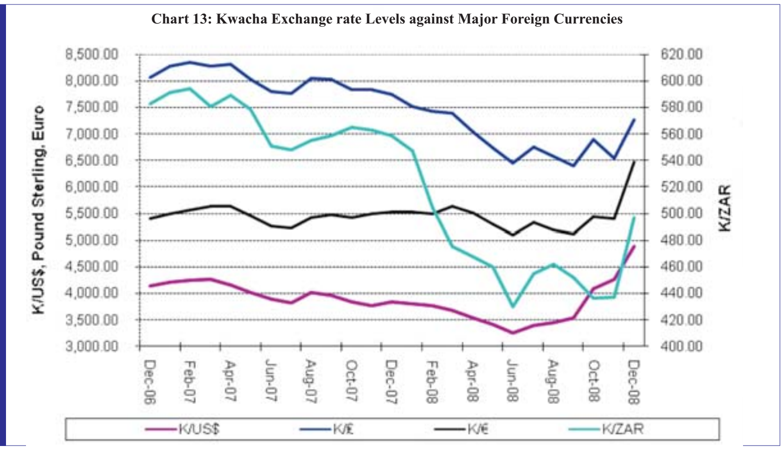
Nominal Exchange Rate

During 2008, the Kwacha depreciated by 27.3% to an average of K4,882.16 per US dollar in December 2008, compared with an appreciation of 7.2% in 2007. The Kwacha also weakened against the euro by 16.8% from a deprecation of 2.3% recorded in 2007. Accordingly, the Kwacha/euro exchange rate closed the year at an average of K6,462.35 per euro from an average of K5,532.27 per euro (see Chart 13). The depreciation of the Kwacha against the US dollar and the euro was mainly due to negative sentiments in view of the falling copper prices and heightened risk aversion to emerging markets following the global financial crisis. These, to some extent, led to the unwinding of portfolio investments in Government securities and equities. The increase in demand for US dollars by foreign participants was reflected by the net outflow of US $86.9 million from the domestic foreign exchange market in 2008 compared with a net inflow of US $92.5 million in 2007.

However, the Kwacha ended stronger against the rand and pound sterling, appreciating by 11.1% and 6.3% to averages of K496.72 per rand and K7,260.61 per pound from K558.82 per rand and K7,748.28 per pound, respectively. In 2007, the Kwacha appreciated by 4.2% against the rand and by 4.0% with respect to the pound sterling. The strengthening of the Kwacha against the South African rand and the British pound sterling was attributed to the general weakness in these currencies in international markets, particularly in the period following the worsening of the global financial crisis.

CHART 13:

KWACHA EXCHANGE RATE LEVELS AGAINST MAJOR FOREIGN CURRENCIES DEC 2006 - DEC 2008



Real Effective Exchange Rate

The real effective exchange rate (REER)[2] appreciated by 5.5% to 102.35 at end- December 2008 from 108.29 in December 2007 (see Chart 14 and Table 12). This was largely attributed to a 10.5% decline in relative prices (foreign to domestic), which was not fully offset by the 5.6% depreciation of the Nominal Effective Exchange Rate (NEER).

CHART 14:

REAL EFFECTIVE EXCHANGE RATE DEC 2006 - DEC 2008

[2]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 12: End Period Real Effective Exchange Rate, 2006-2008

	2006	2007	2008
Domestic Consumer Price Index	1,378.1	1,501.2	1,749.8
Weighted Foreign Consumer Price Index	173.4	183.2	191.0
NEER Index	1,567.1	1,527.7	1,613.8
REER Index	114.5	108.3	102.3
Percentage Change (Over Previous Year)	14.5	-5.5	-5.5

Source: Bank of Zambia

Capital Markets

Stock Market

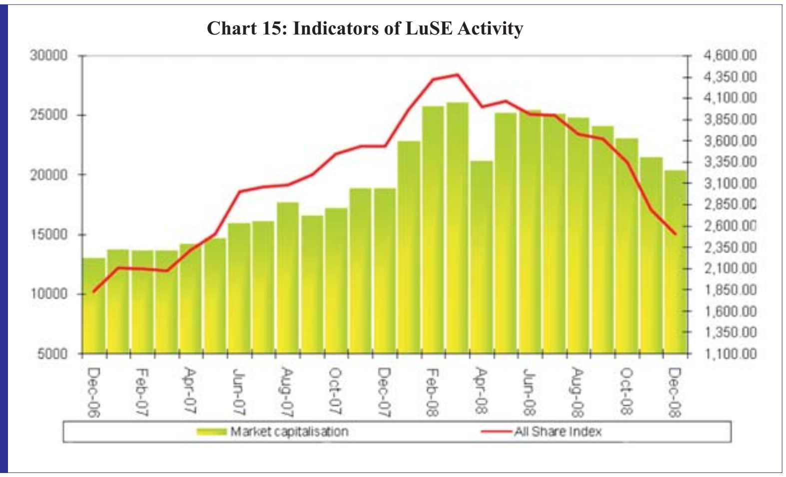
Trading activities at the Lusaka Stock Exchange (LuSE) declined in 2008 (see Table 13). The reduction in market activity was reflected in a fall in the volume of shares traded to 1,585.8 million in 2008 from 2,800.3 million in 2007. For most of the year, the market was characterised by bearish sentiments, which were worsened by the deepening of the global financial crisis in the second half of the year. The deepening of the global financial crisis led to increased aversion to emerging market assets, prompting foreign portfolio investors to liquidate their equities listed on LuSE. This resulted in the net negative position of US $5.7 million following purchases of US $58.3 million against sales of US $63.9 million. In 2007, foreign investors' participation on the stock exchange resulted in the net positive position of US $12.5 million, following purchases of US $30.6 million and sales of US $18.1 million.

Market capitalisation rose by 7.9% to K20,361.3 billion in 2008, largely on account of the listing of Copperbelt Energy Corporation, Zambia National Commercial Bank and Celtel (Zain). This was, however, lower than the increase of 13.9% in 2007.

The LuSE All Share Index (LASI) declined by 29.1% in 2008 to close the year at 2,505.88 points compared with an increase of 92.9% in 2007 (see Chart 15). The decline in the LASI reflected a broad decline in share prices of most listed stocks (see Table 14), which underpinned the weakening of economic fundamentals, both domestically and abroad.

CHART 15:

INDICATORS OF LUSE ACTIVITY DEC 2005 - DEC 2008



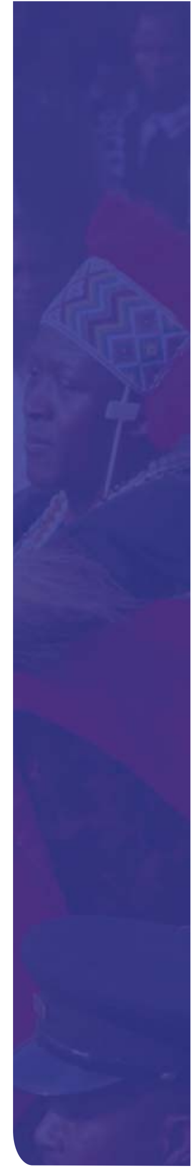


Table 13: Listed Companies Share Price Changes on the Lusaka Stock Exchange

Listed Company	Closing Share Price in 2007	Closing Share Price in 2008	Share Price change (%)
African Explosive (Z) Ltd	2,100.20	1,680.00	-20.0
British American Tobacco	1,550.00	1,450.00	-6.5
British Petroleum	900.00	575.00	-36.1
Copperbelt Energy Corporation[3]	-	450.00	2.3
Celtel[4]	-	300.00	-53.1
Lafarge	6,220.00	6,100.00	-1.9
Farmers House	1,700.00	1,000.00	-41.2
Farmers House Preference	4,280.00	4,280.00	0.00
National Breweries	8,200.00	6,880.00	-16.1
Pamodzi Hotel	171.00	500.00	192.4
Standard Chartered Bank	438.00	379.00	-13.4
Shoprite	18,000.00	16,000.00	-11.1
Zambeef	6,400.00	3,500.00	-45.3
Zamefa	511.64	299.00	-41.6
Zanaco[5]	-	385.00	-18.1
Zambia Breweries	2,400.00	1,710.00	-28.8
ZCCM-IH	4,500.00	28,000.00	522.2
Zambia Sugar	420.00	268.00	-36.2

Source: Lusaka Stock Exchange

Bonds Market

The secondary trading of Government bonds declined further in 2008, with the number of trades falling drastically to 6 from 25 in 2007. The decline in secondary trading also reflected a decline in the face value of bonds traded in the market to K3.1 billion from K75.6 billion recorded in 2007.

3.3 BALANCE OF PAYMENTS

Zambia's overall balance of payments (BoP) position in 2008, although narrowing, remained positive. International reserves accumulation came down to US $28.6 million from US $352.3 million in 2007. The overall balance of payments surplus also reduced significantly to US $12.7 million compared with US $310.5 million recorded in 2007 (see Table 14). This decline was attributed to the widening of the current account deficit, coupled with the narrowing of the capital and financial account balance.

To address matters of improving the country's BoP position, the country embarked on various economic activities. In agriculture, farmers in Mkushi Farming Bloc constructed dams collectively to facilitate irrigation

IRRIGATION DAM - MKUSHI

[3]Copperbelt Energy Corporation was listed in January 2008 with the share price of K440.00
[4]Celtel was listed on June 2008 with a share price of K640.00
[5]Zambia National Commercial Bank was listed in November 2008 with a share price of K470.00

Table 14: Balance of Payments, 2006 - 2008, (US $'million)

	2006	2007	2008*
Current Account	**142.8**	**-754.5**	**-1,054.9**
Merchandise Trade Balance	1,307.0	899.2	401.7
Exports , f.o.b	3,890.7	4,448.5	4,876.9
Metal sector	3,175.4	3,667.7	4,000.8
Copper	3,029.3	3,406.5	3,684.2
Cobalt	146.1	261.2	316.5
Non-traditional	715.3	780.8	876.2
Imports, f.o.b	-2,635.8	-3,610.5	-4,555.2
Metal sector	-520.7	-1,059.1	-1,380.5
Non-metal sector	-2,115.1	-2,551.4	-3,174.7
Of which Petroleum	-454.0	-493.0	-815.6
Goods Procured in ports by carriers	33.6	35.3	37.4
Non-monetary Gold	18.5	26.0	42.6
Services (net)	-358.2	-639.6	-618.1
Services Receipts	228.9	273.4	297.0
Services Payments	-587.1	-913.0	-915.1
Income (net)	-1,168.3	-1,544.6	-1,398.5
Income Receipts	18.4	35.2	29.5
Income Payments	-1,186.7	-1,579.8	-1,428.0
Of which: Income on Equity Payments	-1,107.0	-1,473.6	-1,345
Interest payments	-56.9	-13.3	-54.1
Current Transfers(net)	362.2	530.5	560.0
Private	153.7	227.9	239.0
Official	208.5	302.6	321.0
Commodity, SWAP & Global Fund	92.2	156.0	150.0
Budget Grants	116.3	146.6	171.0
Capital and Financial Account	1,007.4	1,065.4	1,017.5
Capital Account(net)	2,600.4	222.8	230.0
Capital Transfers	2,600.4	222.8	230.0
Project Assistance grants	197.0	222.8	230.0
Financial Account(net)	-1,593.0	842.6	787.5
Direct Investment	615.8	1,323.9	938.6
Portfolio Investment	50.4	41.8	-6.1
Other Investment	-2,259.2	-523.1	-145.0
Assets	-462.3	-1,005.8	-472.1
Increase in NFA - banks(-)	-48.8	-66.7	142.7
Other Short term Deposits	-413.6	-939.1	-614.8
Liabilities	-1,796.9	482.7	327.1
Government	-1,779.3	33.9	67.4
Disbursement of Loans	91.4	82.7	110.8
Project	82.7	82.7	79.0
Budget	8.8	0.0	31.8
Amortization of loans(-)	-1,870.7	-48.8	-43.3
Private Foreign Borrowing(net)	-59.9	448.8	259.6
Errors and Omissions	-328.5	0.0	50.1
Overall balance	821.6	310.5	12.7

Source: Bank of Zambia
* Preliminary

Current Account

During the year under review, the current account deficit widened to US $1,054.9 million from the US $754.9 million recorded in 2007, largely on account of a decline in the merchandise trade surplus. The merchandise trade surplus declined by 55.3% to US $401.7 million from US $899.2 million. This was attributed to a surge in the merchandise imports bill, which was higher than the increase in merchandise export earnings.

Zambia's merchandise export earnings growth of 9.6 per cent in 2008 was given a boost by increased agricultural activity that saw new investments in the sector and the production of various products like tobacco

CENTRE PIVOT IRRIGATION - MKUSHI

TOBACCO SORTING – MKUSHI

The merchandise imports bill grew by 26.2% to US $4,555.2 million in 2008 from US $3,610.5 million in 2007. This was mainly explained by high import bills associated with commodity groups, such as, petroleum products, which increased by 69.0%, fertiliser (47.1%), chemicals (40.1%), paper and paper products (40.4%), food items (38.4%) and motor vehicles (29.2%). The surge in these imports largely reflected the rise in world prices of food, petroleum and agro-inputs, particularly during the first half of 2008.

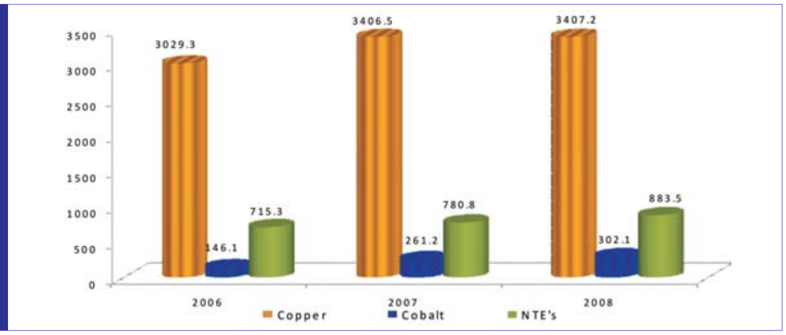
Merchandise export earnings increased by 9.6% to US $4,876.9 million in 2008 from the US $4,448.5 million recorded the previous year. This was attributed to an increase in both metal and non-metal export earnings. Metal export earnings rose by 9.1% to US $4,000.8 million from US $3,667.7 million, reflecting an increase in both copper and cobalt export earnings.

Copper export earnings grew by 8.2% to US $3,684.2 million from the US $3,406.5 million recorded in 2007 (see Chart 16). Increased copper export volumes, which more than offset the decline in the realised price, explained this outturn. Copper export volumes, at 585,170 metric tonnes (mt), were 19.2% higher than the 490,900 mt in 2007. The average realised price of copper declined by 9.3% to US $6,371.8 per mt from US $6,938.8 per mt in 2007. The sharp decline in copper prices on the international market, particularly in the fourth quarter of 2008 following the global economic crisis, explained this outturn.

Similarly, cobalt export earnings increased by 21.2% to US $316.9 million from US $261.2 million in 2007. This largely reflected a 26.4% rise in the realised price to US $68,517.8 per tonne from US $54,312.4 per tonne the preceding year. An upswing in cobalt prices on the international market, particularly during the first half of the year, explained this outturn. Cobalt export volumes, at 4,625.3 mt, however, were 4.1% lower than the 4,809.0 mt recorded in 2007.

CHART 16:

EXPORT EARNINGS 2006 - 2008 (IN US $'MILLIONS),



During the same period, non-traditional export earnings, at US $876.2 million, were 12.2% higher than the US $780.8 million realised in 2007. Increased earnings from cement and lime exports by 61.5%, wheat and mesulin (45%), gasoil (23.7%), burley tobacco (18.0%), gemstones (13.5%), fresh fruits and vegetables (9.9%), contributed to this outturn. However, products, such as copper wire, electrical cables, cane sugar, fresh flowers, cotton lint, cotton yarn, and electricity, recorded reduced earnings (see Table 15). The decline in earnings from the export of these products was partly attributed to the disruption in production due to electricity load-shedding, particularly during the first quarter of the year.

Table 15: Non-Traditional Exports (C.I.F.), 2006 - 2008, US $'millions

	2006	2007	2008	Change (%)
Copper Wire	175	195.4	163.5	-16.3
Cane Sugar	54.3	74.4	60.7	-18.5
Burley Tobacco	70.5	63.2	74.6	18.0
Cotton Lint	62.3	37.1	35.4	-4.6
Electrical Cables	103.7	150.5	54.5	-63.8
Fresh Flowers	34.7	38.3	23.7	-38.1
Cotton Yarn	18.9	12.4	7.5	-39.1
Fresh Fruits & Vegetables	25.3	24.6	27.0	9.9
Gemstones	18.1	28.6	32.4	13.5
Gasoil/Petroleum Oils	10.3	20.9	25.9	23.7
Electricity	7.0	7.3	3.3	-54.5
Other	161.5	265.0	445.5	68.1
Exporter Audit Adjustor	15.6	-91.0	-26.3	-71.1
Total	**757.2**	**826.6**	**927.6**	**12.2**

Source: Bank of Zambia

Capital and Financial Account

In the period under review, the capital and financial account balance narrowed to US $1,017.5 million from the US $1,065.4 million recorded in 2007. This stemmed largely from the decline in inflows in the form of foreign direct investment, portfolio investment and private borrowing.

Direction of Trade

Export Markets by Region

In the period under review, Europe maintained its position as Zambia's major export market, accounting for 58.8% of total exports. Exports to Europe grew by 31.4% to US $2,866.0 million in 2008 from the US $2,181.0 million recorded the previous year (see Chart 17). Within Europe, Switzerland and the EU accounted for 52.0% and 6.7% in 2008 from 43.3% and 5.6% in 2007, respectively. Increased copper exports to Switzerland and fresh flowers to the Netherlands accounted for this outturn.

Similarly, exports to the rest of Africa grew by 6.6% to US $1,433.0 million in 2008 from the US $1,344.0 million recorded in 2007. Exports to COMESA (exclusively)[6] increased by 56.0 % to US $418.0 million from US $268.0 million in 2007, mainly due to increased exports of copper to Egypt. However, exports to SADC (exclusively), declined by 19.4% to US $575.0 million from US $713.0 million in 2007. Lower exports of copper

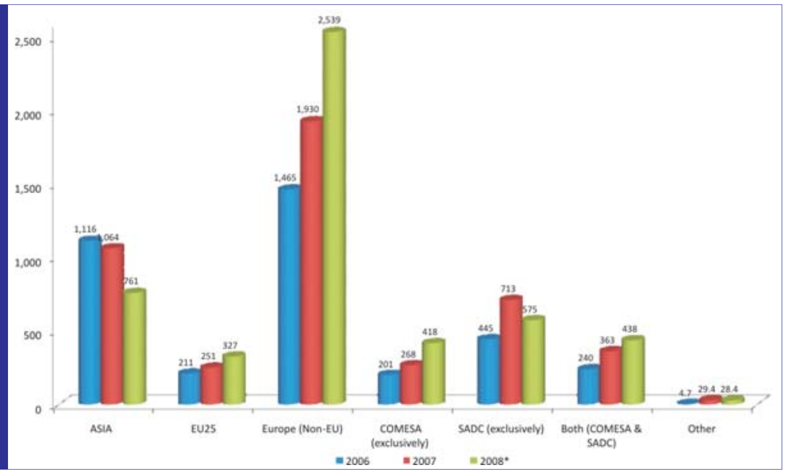
[6]Exclusively in this context refers to those countries that are only members of COMESA and do not belong to SADC. In both regional bodies, there are countries with dual membership. Total exports for either SADC or COMESA could be calculated by adding to either of these regional bodies, exports to countries that are both members of SADC and COMESA.

and copper ores to that region accounted for this outturn. Exports to countries that are both members of COMESA and SADC grew by 20.7% to US $438.0 million from US $363.0 million the previous year. Exports to Asia declined by 28.5% to US $761.0 million (15.6%) from the US $1,064.0 million (23.9%) recorded the previous year. This was largely attributed to the decline in metal exports to China. Exports to the rest of the world fell by 6.9% to US $27.0 million from US $29.0 million the preceding year.

CHART 17:

EXPORTS (FOB) BY REGION, 2006 - 2008 (US $'MILLIONS)

1. **Note:** Individual Totals for SADC & COMESA regions could be up rated by adding figures from line Both (SADC & COMESA) for the respective periods.
2. **Adjustor:** this factor was used to adjust the exports data from customs after obtaining additional information on actual prices and volumes from the mining companies.



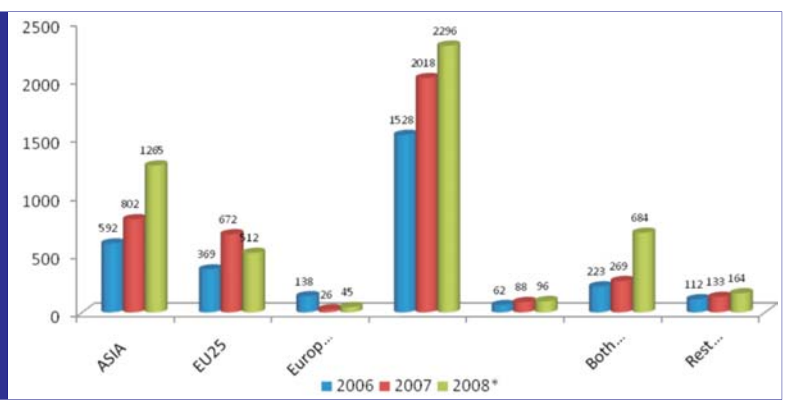
Major Sources of Imports by Region

On a regional basis, Africa continued to be the major source of Zambia's imports. Imports from the continent grew by 29.6% to US $3,078.9 million (accounting for 60.8%) in 2008 from the US $2,376.3 million recorded in 2007 (see Chart 18). This was largely explained by a rise in imports from COMESA and SADC. Imports from countries which are both members of COMESA and SADC more than doubled to US $684.3 million from US $269.3 million in 2007, while imports from the SADC (exclusively) grew by 13.8% to US $2,296.1 million (accounting for 45.4%) from US $2,017.6 million in 2007. Similarly, imports from COMESA (exclusively) increased by 9.1% to US $96.1 million (accounting for 1.9%) from US $88.1 million the previous year.

The value of Zambia's imports from Asia grew by 57.8% to US $1,264.7 million (accounting for 25.0% total exports) from US $801.5 million the previous year. The increase in the value of imports of iron and steel, and rubber products from China and crude oil from Kuwait largely explained this outturn. However, imports from Europe declined by 20.3% to US $556.6 million from US $698.1 million the preceding year. Imports from the rest of the world grew by 22.6% to US $161.1 million (accounting for 3.2%) from US $131.4 million in 2007.

CHART 18:

IMPORTS (CIF) BY REGION, 2006 - 2008, (US $'MILLIONS)



Note: Individual Totals for SADC & COMESA regions could be up rated by adding figures from line Both (SADC & COMESA) for the respective periods

(*) = Preliminary

3.4 EXTERNAL DEBT

External Debt Stock

Preliminary data indicate that Zambia's total stock of outstanding and disbursed external debt increased by 1.0% to US $2,109.4 million at end-2008 from the US $2,088.1 million recorded at end-2007 (see Table 16).

An analysis of the structure of Zambia's external debt stock indicates that 56.8% was Government external debt, while 43.2% was external debt contracted by the private sector. The stock of Government external debt increased by 8.3% to US $1,199.8 million from US $1,107.4 million, mainly as a result of disbursements from various creditors including the World Bank Group and the International Monetary Fund. Debt owed to multilateral creditors was US $762.5 million, accounting for 36.1% of total debt, while bilateral creditors accounted for 14.0%.

Total external debt owed by the private sector to various creditors decreased by 7.2% to US $909.6 million, as at end-2008 from US $980.7 million at end-2007. This decrease reflected repayment and clearance of outstanding arrears on various loans by the private sector.

Table 16: Zambia's External Debt Stock by Creditor, 2006 - 2008[7]

	2006		2007		2008*	
Creditor	**US$'mn**	**% share**	**US$'mn**	**% share**	**US$'mn**	**% share**
Bilateral	**277.4**	**14.6**	**286.8**	**13.8**	**295.2**	**14.0**
Paris Club	204.2	10.7	212.6	10.2	220.7	10.5
Non Paris Club	73.2	3.9	74.2	3.6	74.5	3.5
Multilateral	**588.3**	**30.9**	**709.2**	**34.0**	**762.5**	**36.1**
IMF	41.4	2.2	86.9	4.2	95.5	4.5
World Bank Group	260.6	13.7	316.9	15.2	436.0	20.7
Others	286.3	15.1	305.4	14.6	230.9	10.9
Suppliers/ Bank	**133.4**	**7.0**	**111.4**	**5.3**	**142.1**	**6.7**
Total Govt. Debt	**999.1**	**52.6**	**1,107.4**	**53.1**	**1,199.8**	**56.8**
Private Sector Debt	**901.9**	**47.4**	**980.7**	**46.9**	**909.6**	**43.2**
Total External Debt	**1,901.0**	**100.0**	**2,088.1**	**100.0**	**2,109.4**	**100.0**

Source: Ministry of Finance and National Planning, and Bank of Zambia
Notes: Total debt stock for 2008 is preliminary*.

External Debt Service

In 2008, Government external debt service amounted to US $64.0 million, representing an increase of 4.1% from US $61.5 million actual debt service recorded in 2007 (see Table 17). Principal maturities during the year amounted to US $43.4 million, while interest and other charges accounted for US $20.2 million. Of the total debt service for 2008, US $35.7 million was paid to bilateral creditors and US $28.0 million to multilateral creditors.

Table 17: Zambia's Official External Debt Service by Creditor, 2006 - 2008 (US $'million)

Creditor	**2006**	**2007**	**2008**
Bilateral	**38.3**	**35.9**	**35.7**
Paris Club	21.1	3.5	9.2
Others	17.2	32.4	26.5
Multilateral	**32.9**	**24.8**	**28.0**
IDA	13.2	3.0	3.5
IMF	6.7	0.0	3.4
ECU/EIB	4.4	15.2	14.9
Others	8.6	6.6	6.2
Suppliers/Bank	**0.7**	**0.8**	**0.3**
Total	**71.9**	**61.5**	**64.0**

Source: Bank of Zambia

3.5 FISCAL SECTOR DEVELOPMENTS

In 2008, the central Government recorded an overall budget deficit of K1,402.5 billion, on cash basis, 15.3% lower than the programmed deficit of K1,655.4 billion. This outturn was largely attributed to the lower than programmed expenditure. As a proportion of GDP, the deficit represented 2.5%, which was 0.7 percentage points lower than the programmed deficit of 3.2% of GDP. Excluding grants, the deficit stood at 6.3% of GDP against the projection of 8.5% of GDP (see Table 18).

[7]These figures reflect HIPC Initiative relief.

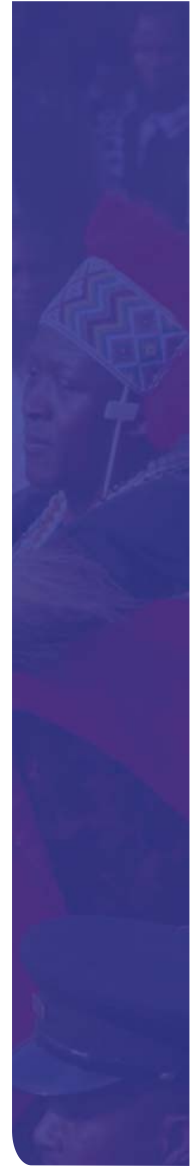


Table 18: Central Government Fiscal Operations, (K' billion)

	2006		2007		2008 Target		2008 (Preliminary)	
	K' bn	% of GDP	K' bn	% of GDP	K' bn	% of GDP	K' bn	% of GDP
Revenue and Grants	8,320.0	21.6	10,626.0	22.9	12,345.7	23.9	12,186.3	22.0
Domestic Revenue	6,618.0	17.2	8,522.1	18.4	9,602.3	18.6	10,113.6	18.2
Of which:								
Tax Revenue	6,317.0	16.4	8,183.6	17.7	8,907.5	17.3	9,546.3	17.2
Non-tax Revenue	301.0	0.8	338.5	0.7	694.8	1.3	567.3	1.0
Grants	1,702.0	4.4	2,103.9	4.5	2,743.4	5.3	2,072.7	3.7
Total Expenditure	8,955.7	23.2	11,209.5	24.2	13,890.1	26.9	13,280.0	24.0
Of which:								
Current Expenditure	7,414.7	19.2	9,366.5	20.2	11,210.3	21.7	11,313.0	20.4
Capital Expenditure	599.0	1.6	1,083.0	2.3	1,559.6	3.0	1,271.0	2.3
Change in balances	-476.0	-1.2	474.5	1.0	-111.0	-0.2	-308.8	-0.6
Overall bal including grants (Cash)	-1,111.7	-2.9	-109.0	-0.2	-1,655.4	-3.2	-1,402.5	-2.5
Of which:								
Overall bal. excluding grants (Cash)	-2,813.7	-7.3	-2,212.9	-4.8	-4,398.8	-8.5	-3,475.2	-6.3

Source: Ministry of Finance and National Planning

Revenue and Grants

Total revenue and grants, at K12,186.3 billion, were 1.3% below the programmed amount of K12,345.7 billion, despite a favourable posting in domestic revenue. This outturn was largely due to the lower than programmed collections of tax on domestic goods and services, non-tax revenue and grants. Domestic revenue, however, at K10,113.6 billion was 5.3% above the target. As a proportion of GDP, total revenue and grants, at 22.0%, were 1.9 percentage points below the projection of 23.9% (see Table 19).

Tax Revenue

Tax revenue was K9,546.3 billion, 7.2% above the projection of K8,907.5 billion. Explaining this outturn was largely the strong performance in income and international trade taxes, which were above the programmed levels by 16.0% and 23.5%, respectively. The strong performance in income tax was largely attributed to the favourable outturn in personal taxes, namely pay-as-you-earn and withholding taxes, following enhanced enforcement and improved compliance. The favourable outturn in international trade taxes was explained mainly by the higher than projected imports of items, such as, hydrocarbons (fuels), motor vehicles, and parts and accessories for motor vehicles. In addition, export duties were above target following largely higher exports of copper concentrates and scrap metal.

Taxes on domestic goods and services, however, were below target by 43.3%. This was mainly due to lower than programmed collection of domestic value added tax on account of administrative challenges.

Table a: Additional Mining Revenue (K'billion)

Following the introduction of a new fiscal and regulatory regime by the Minister of Finance and National Planning to bring about an equitable distribution of the mineral wealth between the Government and the mining companies, a total of K319.5 billion in additional mining tax revenue was collected, 65.2% lower than the programmed revenue of K917.4 billion. Of this amount, company tax at K22.2 billion was 93.6% below the programmed revenue of K300.5 billion. Similarly, windfall tax at K126.1 billion was 75.9% below target. Mineral royalty, however, at K171.2 billion was 49.1% above target (see Table a).

	2008 (Target)		**2008 (Actual)**	
	K'bn	**% of GDP**	**K'bn**	**% of GDP**
Total Revenue	**917.4**	**1.8**	**319.5**	**0.6**
Company Tax	300.5	0.6	22.2	0.0
Windfall Tax	502.1	1.0	126.1	0.2
Mineral Royalty	114.8	0.2	171.2	0.3

Non-Tax Revenue

Non-tax revenue, at K567.3 billion, was 18.4% below the programmed level of K694.8 billion. As a percentage of GDP, non-tax revenue was 1.0% compared with the target of 1.3%.This outturn was mainly explained by the unfavourable performance in user fees and charges. The reduction and delay in implementation of new passport fees and road user charges contributed to the poor performance in fees and charges.

Notwithstanding the above, collections of dividends, medical levy and exceptional revenue were above target, largely due to expansion of financial services and earlier than programmed recoveries of fertiliser loans.

Grants

Total grants in 2008 were K2,072.7 billion, 24.4% lower than the projection of K2,743.4 billion. As a percentage of GDP, grants were 3.7% against the programmed 5.3%. This outturn was mainly due to lower than programmed project receipts, which were 32.3% below the projection of K2,111.4 billion. Programme grants, however, at K643.0 billion, were above the target of K632.0 billion.

Table 19: Central Government Revenue, 2006 - 2008 (K'billion)

	2006		2007		2008* (Target)		2008* (Preliminary)	
	K' bn	% of GDP	K' bn	% of GDP	K' bn	% of GDP	K' bn	% of GDP
Revenue and Grants	**8,320.0**	21.6	**10,626.0**	**22.9**	**12,345.7**	**23.9**	**12,186.3**	**22.0**
Domestic Revenue	**6,618.0**	**17.2**	**8,522.1**	**18.4**	**9,602.3**	**18.6**	**10,113.6**	**18.2**
Tax Revenue	**6,317.0**	**16.4**	**8,183.6**	**17.7**	**8,907.5**	**17.3**	**9,546.3**	**17.2**
Income Tax	**2,959.8**	**7.7**	**3,831.9**	**8.3**	**3,776.3**	**7.3**	**4,379.9**	**7.9**
Personal Tax	2,206.6	5.7	2,541.4	5.5	2,352.3	4.6	2,986.0	5.4
Company Tax	694.5	1.8	1,222.9	2.6	1,352.0	2.6	1,327.0	2.4
Extraction Royalty	58.7	0.2	67.6	0.1	72.0	0.1	66.9	0.1
Domestic Goods & Services	**1,379.4**	**3.6**	**1,231.2**	**2.7**	**1,752.0**	**3.4**	**993.0**	**1.8**
Excise Taxes	821.1	2.1	1,204.5	2.6	1,394.0	2.7	1,424.0	2.6
Domestic VAT	558.3	1.4	26.7	0.1	358.0	0.7	-431.0	-0.8
International Trade Taxes	**1,977.8**	**5.1**	**3,120.5**	**6.7**	**3,379.2**	**6.6**	**4,173.4**	**7.5**
Import Tariffs	742.7	1.9	914.1	2.0	945.2	1.8	1,351.0	2.4
Import VAT	1,233.3	3.2	2,204.1	4.8	2,283.0	4.4	2,632.0	4.7
Export Duties	1.8	0.0	2.3	0.0	151.0	0.3	190.4	0.3
Non-tax Revenue	**301.0**	**0.8**	**338.5**	**0.7**	**694.8**	**1.3**	**567.3**	**1.0**
Fees and Charges	98.5	0.3	194.4	0.4	567.7	1.1	388.9	0.7
Dividends	44.7	0.1	29.3	0.1	12.9	0.0	21.1	0.0
Other Receipts	140.6	0.4	114.8	0.2	114.2	0.2	157.3	0.3
Grants	**1,702.0**	**4.4**	**2,103.9**	**4.5**	**2,743.4**	**5.3**	**2,072.7**	**3.7**
Programme	423.0	1.1	581.9	1.3	632.0	1.2	643.0	1.2
Projects	1,279.0	3.3	1,522.0	3.3	2,111.4	4.1	1,429.7	2.6

Source: Ministry of Finance and National Planning

Total Expenditure

Total expenditure in 2008, at K13,280.0 billion, was 4.4% below the projection of K13,890.1 billion due to the lower than programmed capital expenditure. As a percentage of GDP, total expenditure was 24.0%, 2.9 percentage points below the projection of 26.9% (see Table 20).

Current Expenditure

Current expenditure, at K11,313.0 billion, was K102.7 billion higher than the projection of K11,210.3 billion. The higher current expenditure was mainly due to overruns on personal emoluments, interest on public debt and subsidies by 4.2%, 55.8% and 90.9%, respectively. As a ratio of GDP, however, current expenditure, at 20.4%, was 1.3 percentage points below the projection of 21.7%.

The higher than programmed personal emoluments were due to the award of a 15% increment on public service wages and salaries against the programmed increase of 9%. The outturn in public debt interest largely reflected the unanticipated increase in yield rates on Government securities and the valuation effects of the depreciation of the Kwacha against major foreign currencies for domestic and external debt interest, respectively. The overrun on subsidies was necessitated by both the need to increase the number of beneficiaries of the Fertiliser Support Programme and to cushion against the impact of higher fertiliser prices.

Notwithstanding the above, some current expenditure items were below target, notably expenditure on use of goods and services. Expenditure on use of goods and services was below target by 13.4%, largely explained by the lower expenditure on the constitutional review process than projected, following fewer than planned sittings of the National Constitution Conference.

Table 20: Central Government Expenditure, 2006 - 2008 (K' billion)

	2006		2006		2008 (Target)		2008 (Preliminary)	
	K' bn	% of GDP	K' bn	% of GDP	K' bn	% of GDP	K' bn	% of GDP
Total Expenditure	**8,955.7**	**23.2**	**11,209.5**	**24.2**	**13,890.1**	**26.9**	**13,280.0**	**24.0**
Current Expenditure	**7,414.7**	**18.4**	**9,366.5**	**16.6**	**11,210.3**	**19.1**	**11,313.0**	**20.4**
Wages and Salaries	2,832.6	7.3	3,530.9	7.6	4,256.5	8.3	4,435.1	8.0
PSRP	15.0	0.0	35.0	0.1	53.0	0.1	30.0	0.1
Use of Goods and Services	1,885.0	4.9	2,437.0	5.3	2,846.1	5.5	2,464.8	4.4
Interest on Public Debt	749.2	1.9	775.6	1.7	706.9	1.4	1,101.7	2.0
Domestic Debt	689.5	1.8	721.3	1.6	650.8	1.3	879.8	1.6
Foreign Debt	59.7	0.2	54.3	0.1	56.1	0.1	221.9	0.4
Subsidies	-	-	409.0	0.9	275.0	0.5	525.0	0.9
Grants and Other Payments	1,610.0	4.2	933.0	2.0	1,967.9	3.8	1,676.0	3.0
Social Benefits	-	-	266.0	0.6	178.8	0.3	168.7	0.3
Other Expenses	322.9	0.8	980.0	2.1	926.1	1.8	911.7	1.6
Capital Expenditure	**1,541.0**	**4.0**	**1,843.0**	**4.0**	**2,679.8**	**5.2**	**1,967.0**	**3.5**
Domestically Financed	599.0	1.6	1,083.0	2.3	1,559.6	3.0	1,271.0	2.3
Foreign Financed	942.0	2.4	760.0	1.6	1,120.2	2.2	696.0	1.3

Source: Ministry of Finance and National Planning

Capital Expenditure

In contrast to current expenditure, total capital expenditure, at K1,967.0 billion, was 26.6% below the target of K2,679.8 billion. Government constrained expenditure during the second half of 2008 to accommodate unanticipated expenditures, such as, the enhanced Fertiliser Support Programme and Presidential elections. Further, low absorption by Ministries, Provinces and other Spending Agencies contributed to the slow pace of implementation of projects. As a percentage of GDP, total capital expenditure at 3.5% was below the projection of 5.2%.

Budget Financing

Total financing of the overall fiscal deficit in 2008 was K1,402.5 billion against the projection of K1,655.4 billion. This comprised net external financing of K590.9 billion and domestic financing of K811.6 billion (see Table 21). As a percentage of GDP, total financing was 2.5%, with external and domestic financing at 1.1% and 1.5%, respectively.

Table 21: Budget Deficit Financing, 2006 - 2008 (K' billion)

	2006		2007		2008 (Target)		2008 (Preliminary)	
	K' bn	% of GDP	K' bn	% of GDP	K' bn	% of GDP	K' bn	% of GDP
Total Financing	**1,111.7**	**2.9**	**109.0**	**0.2**	**1,655.4**	**3.2**	**1,402.5**	**2.5**
Domestic	**944.7**	**2.4**	**-36.0**	**-0.1**	**602.1**	**1.2**	**811.6**	**1.5**
Bank	204.7	0.5	-431.0	-0.9	602.1	1.2	711.6	1.3
Non-bank	740.0	1.9	395.0	0.9	0.0	0.0	100.0	0.2
External	**167.0**	**0.4**	**145.0**	**0.3**	**1,053.3**	**2.0**	**590.9**	**1.1**
Programme Loans	36.0	0.1	0.0	0.0	203.3	0.4	118.3	0.2
Project Loans	298.0	0.8	331.0	0.7	832.0	1.6	472.6	0.9
Amortisation	-167.0	-0.4	-186.0	-0.4	-114.5	-0.2	-151.7	-0.3

Source: Ministry of Finance and National Planning

3.6 REAL SECTOR DEVELOPMENTS

National Output

Preliminary data indicate that the economy posted a real growth of 6.0% in 2008 compared with 6.2% in 2007. The slowdown in the growth was mainly on account of the fall in agricultural production and electricity generation. However, mining and quarrying, manufacturing, construction, transport and communications and financial intermediaries were among the key sectors that contributed to the positive growth registered during the year under review (see Tables 22, 24a and 24b).

Zambia's real GDP growth, at about 6 per cent in 2008 was helped mainly by continued massive investment in the mining sector and the support from non-traditional sectors that included the export of day-old chicks to countries in the sub region

SOURCE: KCM PUBLIC RELATIONS

KCM OXYGEN PLANT - CHINGOLA

HYBRID POULTRY FARM - LUSAKA

Table 22: Sectoral Contribution to Real GDP [In Constant 1994 Prices], 2006 - 2008 (Percentage Points)

	2006	2007	2008
Growth in real GDP (%)	**6.4**	**6.2**	**6.0**
Agriculture, forestry and fisheries	0.3	0.1	0.0
Mining and quarrying	0.6	0.3	0.5
Manufacturing	0.6	0.3	0.4
Electricity, gas and water	0.3	0.0	0.0
Construction	1.3	2.0	1.1
Wholesale and retail trade	0.4	0.4	0.5
Restaurants and hotels	0.4	0.3	0.2
Transport, storage and communications	1.4	1.4	1.3
Financial intermediaries	0.3	0.3	0.4
Real estate and business services	0.3	0.3	0.3
Community, social, and personal services	0.7	1.0	1.2
Taxes on products	-0.1	-0.1	0.4
Financial Intermediary Services Indirectly Measured	-0.1	-0.1	-0.1

Source: Adapted from CSO National Accounts

Agriculture, Forestry and Fisheries

Agriculture, forestry and fisheries sector contracted by 0.1% in 2008 compared with a growth of 0.4% in 2007. This outturn was mainly on account of low crop output, which dropped by 4.4%. In particular, maize, sorghum and Virginia tobacco recorded reductions of 11.3%, 21.8% and 40.5%, respectively. Further, output of cassava declined by 2.1% (see Table 23). Persistent heavy rains during the 2007/08 agricultural season, resulting in floods in some parts of the country, mainly explained the fall in crop output.

Table 23: Comparative Summary Results of 2006/07 and 2007/08 Crop Forecast, (Metric Tons)

Crop	2006/07 Output	2007/08 Output	% change
Maize	1,366,158	1,211,566	(11.3)
Cassava	1,185,600	1,160,853	(2.1)
Wheat	185,000	180,000	(2.7)
Sorghum	12,773	9,992	(21.8)
Rice	18,317	24,023	31.2
Sweet Potatoes	75,664	106,522	40.8
Sunflower	8,953	12,662	41.4
Ground nuts	55,215	70,527	27.7
Soy Beans	55,194	56,839	3.0
Irish Potatoes	22,771	10,195	(55.2)
Virginia Tobacco (kg)	21,001,787	12,500,000	(40.5)
Burley Tobacco (kg)	5,382,000	8,000,000	48.6
Cotton	87,000	100,000	14.9

Source: Ministry of Agriculture and Co-operatives

Mining and Quarrying

During the year, the sector grew by 5.9% compared with 3.6% in 2007, thereby increasing its contribution to growth in real GDP to 0.5 percentage points from 0.3 percentage points. This growth was driven by metal mining, which registered a growth of 6.0% compared with 4.4% in 2007. The strong copper output and high copper prices, particularly in the first half of 2008, explained the growth in metal mining. Output of copper rose by 15.8% to 604,735 mt from 521,984 mt. However, cobalt output fell by 5.5% to 4,616 mt from 4,885 mt.

Manufacturing

Manufacturing activities increased during 2008, as the sector posted a real growth of 3.6%, compared with 3.0% in 2007. This increased the sector's contribution to the growth in national output to 0.4 percentage points from 0.3 percentage points. Mainly driving this growth were food, beverages and tobacco, wood and wood products, paper and papers products, and base metal products. However, unfavourable performance continued to characterise the textile and leather subsector as it contracted by 16.7%.

Tourism

Tourism, represented by restaurants, bars and hotels, grew by 5.7% in the year under review, compared with 9.6% in 2007. As a result, the sector contributed 0.2 percentage points to real GDP, slightly lower than 0.3 percentage points in the previous year.

Construction

Growth in the construction sector slowed down to 9.9% in 2008 from 20.0% in 2007 on account of disruptions in the supply of domestic cement due to power outages and rehabilitation of the plant by the leading domestic cement producer. In addition, the slowdowns also reflected the levelling-off of increased investment in construction activities as most key projects neared completion or were completed in 2008.

Transport, Storage and Communications

In 2008, the sector registered a growth of 15.8%, though lower than the 19.2% in 2007. The growth was driven by road, air and communications sub-sectors. Growth in communications was explained by the expansion in the subscriber base in the mobile phone industry. However, rail transport further contracted by 20.2%, mainly on account of operational difficulties facing rail operators. To this end, the sector's contribution to the growth in real GDP was 1.3% compared to 1.4% in 2007.

Disruptions in the production of cement slowed down growth of the construction sector in 2008 but even under the circumstances, many new housing projects were embarked on like the Lilayi Housing project, south of Lusaka

LILAYI HOUSING PROJECT - LUSAKA

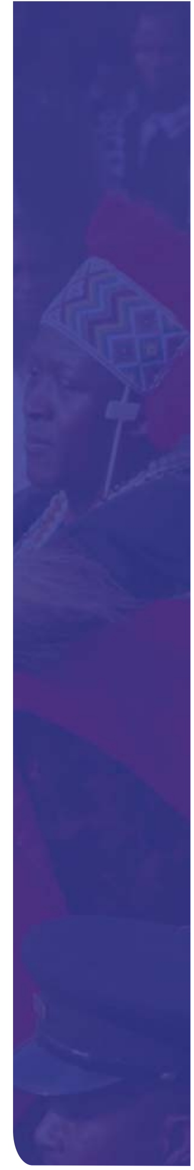
Even with the slowed growth in the construction sector, during 2008, Zambia managed to accomplish a long-term project of constructing a bridge over the Luapula River to boost communication

LEVY MWANAWASA BRIDGE - CHEMBE

During the year under review, the mining sector grew by 5.9 per cent compared with 3.7 per cent for 2007. Even with the negative global economic outturn, the investors went ahead with the Konkola Deep Mining Project, whose construction reached an advanced stage

SOURCE: KCM PUBLIC RELATIONS

KONKOLA DEEP MINING PROJECT HEADGEAR - CHILILABOMBWE



Electricity, Gas and Water

During 2008, the electricity, gas and water sector registered a decline in growth of 1.2%, compared to an increase of 1% in 2007. This development was partly due to strong domestic demand for electricity resulting from heightened economic activities, particularly in mining and construction sectors. The stronger demand relative to domestic supply led to load-shedding and sometimes prolonged shutdowns to facilitate rehabilitations and repairs.

Table 24a: GDP by Kind of Economic Activity at Constant 1994 Prices, 2006 - 2008 (K' billion)

KIND OF ECONOMIC ACTIVITY	2006	2007	2008*	Growth in 2008 (%)
Agriculture, Forestry and Fishing	458.2	460.2	459.7	(0.1)
Agriculture	212.3	206.6	198.3	(4.0)
Forestry	167.4	173.6	180.0	3.7
Fishing	78.5	79.9	81.4	1.8
Mining and Quarrying	290.6	301.2	319.0	5.9
Metal Mining	286.2	298.7	316.6	6.0
Other mining and quarrying	4.5	2.4	2.4	0.0
PRIMARY SECTOR	**748.8**	**761.4**	**778.7**	**2.3**
Manufacturing	354.6	365.2	378.2	3.6
Food, Beverages and Tobacco	224.0	241.1	251.9	4.5
Textile and Leather Industries	48.2	38.8	32.3	(16.7)
Wood and Wood Products	26.5	27.5	31.2	13.5
Paper and Paper Products	9.8	9.9	12.4	25.4
Chemicals, Rubber and Plastic Products	30.9	32.2	34.2	6.3
Non-Metallic Mineral Products	6.5	6.7	6.9	3.3
Basic Metal Products	1.4	1.4	1.8	30.5
Fabricated Metal Products	7.2	7.7	7.5	(2.8)
Electricity, Gas and Water	89.5	90.4	89.3	(1.2)
Construction	328.7	394.4	433.4	9.9
SECONDARY SECTOR	**772.7**	**850.0**	**900.9**	**6.0**
Wholesale and Retail Trade	588.1	602.4	619.3	2.8
Restaurants, Bars and Hotels	92.8	101.7	107.5	5.7
Transport, Storage and Communications	249.4	297.3	344.2	15.8
Rail Transport	9.2	7.5	5.9	(20.2)
Road Transport	96.5	102.6	116.2	13.2
Air Transport	51.2	63.5	72.2	13.7
Communications	92.6	123.8	149.9	21.1
Financial Intermediaries and Insurance	244.6	254.6	268.2	5.4
Real Estate and Business Services	296.2	305.4	314.8	3.1
Community, Social and Personal Services	257.0	289.1	331.1	14.5
Public Admin. & Defence; Public and Sanitary Service	106.6	122.3	126.5	3.4
Education	104.1	118.3	147.1	24.4
Health	15.5	15.7	18.7	19.5
Recreation, Religious and Culture	15.4	16.4	22.3	32.2
Personal Services	15.4	16.0	16.5	3.5
TERTIARY SECTOR	**1,728.2**	**1,850.5**	**1,985.2**	**7.3**
Less: FISIM	(141.6)	(146.1)	(148.8)	2.5
TOTAL GROSS VALUE ADDED	**3,108.2**	3,316.7	3,516.0	**6.0**
Taxes on Products	243.5	246.4	261.2	6.0
TOTAL GDP AT MARKET PRICES	**3,356.1**	**3,563.1**	**3,777.2**	**6.0**
Real Growth Rates	**6.2**	**6.2**	**6.0**	

Source: Central Statistical Office
*Preliminary estimates

Table 24b: Gross Domestic Product by Kind of Economic Activity at Current Prices, 2006 - 2008, (K'billion)

KIND OF ECONOMIC ACTIVITY	2006	2007	2008*	Growth in 2008 (%)
Agriculture, Forestry and Fishing	7,800.2	9,139.5	10,709.3	17.2
Agriculture	1,537.0	1,575.1	1,702.5	8.1
Forestry	5,855.7	7,127.7	8,506.2	19.3
Fishing	407.5	436.7	500.6	14.6
Mining and Quarrying	1,612.5	2,037.2	2,302.0	13.0
Metal Mining	1,597.5	2,027.2	2,291.3	13.0
Other Mining and Quarrying	15.0	9.9	10.6	7.1
PRIMARY SECTOR	**9,412.8**	**11,176.7**	**13,011.2**	**16.4**
Manufacturing	4,015.7	4,487.4	5,214.7	16.2
Food, Beverages and Tobacco	2,423.5	2,745.1	3,230.7	17.7
Textile, and Leather Industries	630.8	611.4	558.4	(8.7)
Wood and Wood Products	323.2	393.5	513.9	30.6
Paper and Paper products	191.3	226.1	326.2	44.3
Chemicals, rubber and plastic products	331.2	372.4	432.8	16.2
Non-metallic mineral products	55.3	61.1	69.0	12.9
Basic metal products	6.9	8.0	11.1	38.7
Fabricated metal products	53.6	69.9	72.5	3.7
Electricity, Gas and Water	1165.9	1,345.0	1,511.5	12.4
Construction	4,703.7	6,692.7	8,910.6	33.1
SECONDARY SECTOR	**9,885.3**	**12,525.1**	**15,636.8**	**24.8**
Wholesale and Retail trade	6,524.7	7,395.5	8,494.8	14.9
Restaurants, Bars and Hotels	1,120.1	1,354.2	1,613.2	19.1
Transport, Storage and Communications	1,629.2	2,147.0	2,450.4	14.1
Rail Transport	94.7	110.1	98.1	(10.9)
Road Transport	640.4	755.7	891.8	18.0
Air Transport	356.0	499.4	584.7	17.1
Communications	538.2	781.2	875.8	12.1
Financial Intermediaries and Insurance	3,246.9	3,647.2	4,221.1	15.7
Real Estate and Business services	2,296.4	2,678.2	3,136.3	17.1
Community, Social and Personal Services	3,462.2	4,324.1	5,649.8	30.6
Public Administration and Defence	983.0	1,258.3	1,459.0	15.9
Education	1,842.6	2,335.3	3,244.0	38.9
Health	389.9	445.2	592.3	33.0
Recreation, Religious, Culture	67.1	81.8	120.7	47.5
Personal services	179.6	203.5	233.8	14.9
TERTIARY SECTOR	**18,279.4**	**21,546.1**	**25,565.6**	**18.6**
Less: FISIM	(1,865.9)	(2,096.0)	(2,425.8)	15.7
TOTAL GROSS VALUE ADDED	**35,711.6**	**43,151.9**	**51,787.9**	**20.0**
Taxes on Products	2,849.2	3,205.4	3,640.4	13.6
TOTAL GDP AT MARKET PRICES	**38,560.8**	**46,357.3**	**55,428.3**	**19.5**

Source: Central Statistical Office
*Preliminary estimates

Investment Pledges

Total investment pledges were US $9,526.3 million in 2008 compared with the US $1,875.8 million the previous year. On a sectoral basis, mining, energy, manufacturing, tourism, services, financial, real estate and agricultural sectors attracted US $6,816.0 million, US $1,139.7 million, US $1,019.2 million, US $185.3 million, US $96.5 million, US $58.2 million, US $57.0 million and US $54.1 million, respectively. Transport, health, construction, engineering, and information and communication technology (ICT) sectors accounted for US $42.6 million, US $35.2 million, US $12.9 million, US $5.0 million and US $4.6 million, respectively.

The pledges, when fully executed, were expected to generate 25,767 jobs compared with 12,711 jobs in 2007. The breakdown of jobs expected to be generated were as follows: mining, 7,472; manufacturing, 5,402; financial, 4,349; tourism, 3,195; agriculture, 1,568; services, 1,443; real estate, 693; energy, 509; health, 357; transport, 306; ICT, 265; construction, 183 and engineering, 25.

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 under review was satisfactory. As at 31 December, 2008, all banks met the minimum capital adequacy ratios of 5% and 10% for primary and total regulatory capital, respectively. However, one bank did not meet the minimum capital requirement of K12.0 billion. Asset quality was satisfactory, with the ratio of gross non-performing loans to total gross loans declining to 7.2% from 8.8% at end-December 2007. The earnings performance in 2008 was satisfactory, although a marginal increase in profit before tax of 1.6% was recorded. The liquidity position remained satisfactory despite the liquidity ratio declining to 43.0% from 46.0% in 2007.

Performance rating[8]

As at end-December, 2008, the overall performance ratings of the banking sector were satisfactory. Out of the 14 operating banks, 11 were rated satisfactory on capital adequacy and asset quality, while 9 and 5, were rated satisfactory for earnings performance and liquidity position, respectively (see Table 25).

Table 25: Performance Rating for Banks, 2006 - 2008

	Capital Adequacy			Asset Quality			Earnings			Liquidity		
Performance	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Strong	3	0	0	0	0	0	1	0	0	0	0	0
Satisfactory	8	11	11	8	10	11	8	9	9	8	8	5
Fair Needs Improvement	2	1	1	5	2	1	4	2	2	3	3	7
Marginal	0	0	1	0	0	1	0	1	0	0	1	1
Unsatisfactory	0	1	1	0	1	1	0	1	3	2	1	1
Total	13	13	14	13	13	14	13	13	14	13	13	14

Source: Bank of Zambia

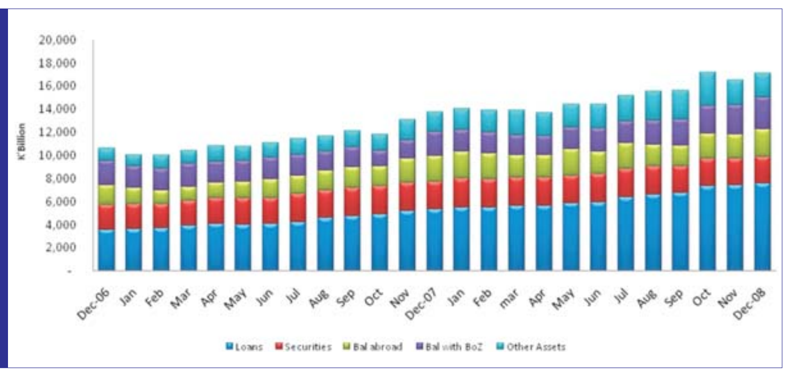
Balance Sheet Composition[9]

Asset Structure[10]

The banking sector's total assets increased by 24.4% to K17,146.6 billion in 2008 from K13,779.3 billion in 2007, largely on account of net loans and advances and balances with Bank of Zambia, which grew by 42.4% and 31.3%, respectively (see Chart 19).

CHART 19:

TOTAL ASSETS, DEC 2006 - DEC 2008



[8]The performance rating of banks is based on the financial ratio analysis on the four key components of a bank' s financial condition and performance. These four key components for off-site analysis are Capital Adequacy, Asset quality, Earnings performance and Liquidity position (CAEL). There are five component and composite ratings as follows:-
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 near term. The bank is under constant supervision and BOZ possession is most likely.

[9]The composition of the balance sheet is analysed to determine the type and spread of bank's business activities, as well as to consider the impact of changes thereto on the risk profile of the banking sector. The composition of a bank's balance sheet is normally a result of asset-liability and risk management decision.

[10]The banking sector's assets comprise items that are a reflection of individual banks' balance sheets, although the structure of balance sheets may vary significantly depending on business orientation, market environment, customer mix, or economic environment.

The composition of the banking sector's assets remained fairly unchanged and continued to be dominated by net loans and advances, at 44.3% of total assets in 2008, from 38.7% in 2007. Other significant assets were balances with Bank of Zambia at 15.9%, balances with foreign institutions, 13.8% and investments in securities, 13.6% compared to 15.1%, 16.1% and 17.7% in 2007, respectively (see Chart 20).

CHART 20:

INDUSTRY ASSET STRUCTURE, DEC 2008 - DEC 2007

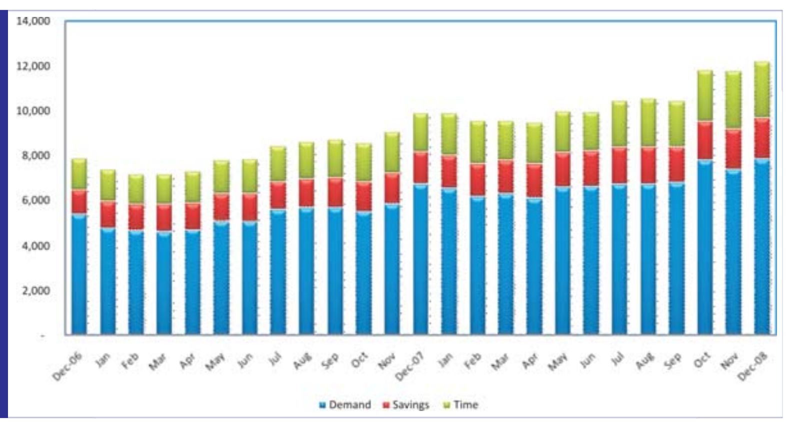
Deposits and other Liabilities

In the year under review, total liabilities increased by 24.7% to K15,490.3 billion from K12,421.7 billion in 2007, largely on account of total deposits, which grew by 22.9% to K12,203.5 billion from K9,928.1 billion.

The composition of liabilities also remained fairly unchanged. Total liabilities accounted for 90.3% of total liabilities and shareholders funds compared to 90.1 % in 2007, and total deposits continued to be the largest source of funding. As at end-December 2008, total deposits accounted for 78.8% and 71.2% of total liabilities and total assets compared to 79.9% and 72.0% in 2007, respectively. Further, demand deposits continued to be the largest component of total deposits, constituting 64.4% as at end-December, 2008 compared to 67.9% in 2007 (see Chart 21).

CHART 21:

TOTAL DEPOSITS, DEC 2006 - DEC 2008



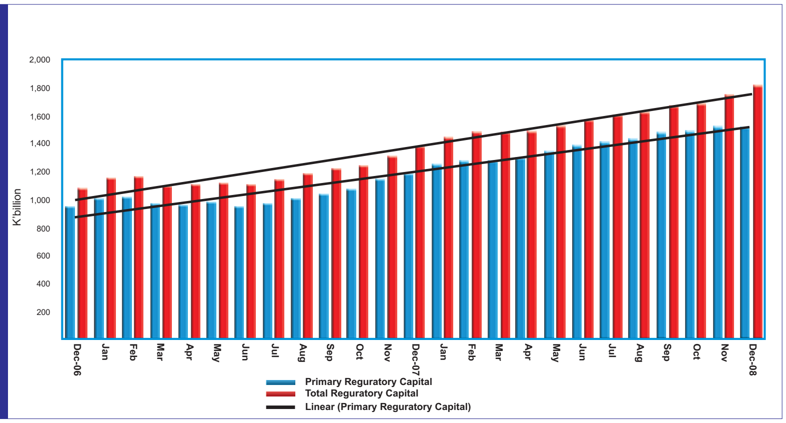
Capital Adequacy[11]

In nominal terms, primary regulatory capital and total regulatory capital increased by 29.4% and 31.2% to K1,534.7 billion and K1,817.0 billion, respectively (see Chart 22). The increase in regulatory capital was on account of the rise in paid-up share capital, subordinated term debt and retained earnings by 64.3%, 58.8% and 17.1%, respectively.

[11] Capital remains the most critical indicator of the relative strength of a bank. It provides a cushion against any losses that may be incurred by a bank. A bank's capital should be commensurate with the level of risk a bank takes to protect depositors as well as other providers of funds.

CHART 22:

CAPITAL ADEQUACY, DEC 2006 - DEC 2008



The overall banking sector's capital adequacy ratios closed the year at 15.7% and 18.6% for primary regulatory capital and total regulatory capital from 15.9% and 18.6% in 2007, respectively. Chart 23 depicts a decline in the capital adequacy ratios over the past three years. This was on account of the increase in the industry's total risk-weighted assets by 31.0% to K9,769.0 billion. The increase in total risk-weighted assets reflected a shift in the risk profile of the industry's total assets, from assets of lower-credit risk, largely Government securities, cash balances and balances with other banks, to assets of higher-credit risk, largely net loans and advances (see Chart 24).

CHART 23:

CAPITAL ADEQUACY RATIOS, DEC 2006 - DEC 2008

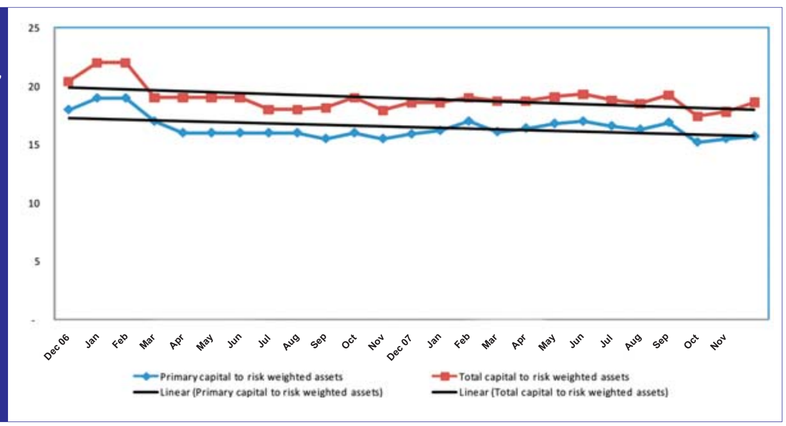
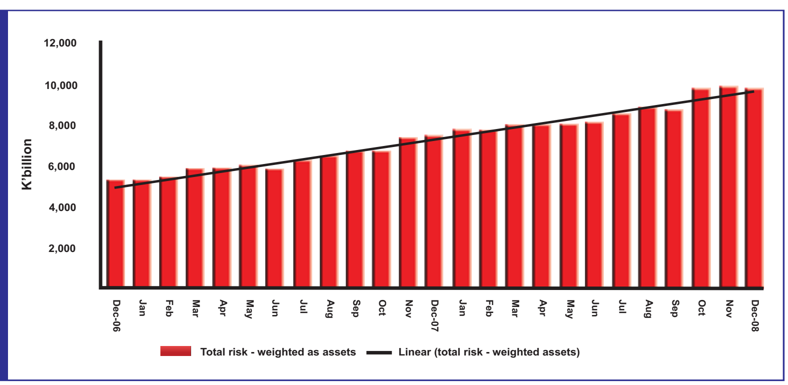


CHART 24:

TOTAL RISK-WEIGHTED ASSETS, DEC 2006 - DEC 2008



On a bank-by-bank basis, all banks in the sector, except for one, met the minimum capital requirement of K12.0 billion. However, all banks met the capital adequacy ratios of 5% and 10% for primary and total regulatory capital, respectively.

Asset Quality[12]

Sectoral Distribution of Loans and Advances

The asset quality of the banking sector in the year under review was satisfactory. During the year, gross loans and advances went up significantly by 41.9% to K8,085.7 billion from K5,700.1 billion in 2007. The rapid growth was notable largely in the following sectors; other sectors, individuals and households (or personal loans), 144.5%, the financial services sector, 163.7%, the real estate sector, 236.1% and the manufacturing sector, 45.0%.

The new Lafarge Cement Factory in Chilanga was one of the beneficiaries of increased lending to the manufacturing sector

NEW CEMENT FACTORY - CHILANGA

On a sector-by-sector basis, the 'other sectors, individuals and households (or personal loans)' accounted for the largest share of the banking industry's total loans and advances at 26.1% from 15.5% in 2007, displacing the agriculture, forestry, fishing and hunting sector, which was ranked first in 2007, at 18.4% and in 2008 accounted for 14.9%. Other significant sectors were the manufacturing sector at 10.9%, wholesale and retail trade sector, 9.8% and the financial services sector, 8.1% compared to 11.0%, 11.1% and 4.4% in 2007, respectively. The above sectors together accounted for 69.8% of the total industry's loans and advances, up from 60.4% in 2007.

Non-Performing Loans

The industry's Non Performing Loans (NPLs) increased by 17% to K583.8 billion at end-December 2008 from K498.8 billion at end-December 2007. However, the ratio of gross NPLs to total gross loans, a key indicator of asset quality, improved to 7.2% from 8.8%, while that for net non-performing loans to total regulatory capital to 5.2% from 9.6%. Further, the allowance for loan losses to minimum regulatory requirement[13] also improved to 104.6% from 98.4%, while the ratio for the allowance for loan losses to gross non-performing loans improved significantly to 83.8% from 73.2% (see Table 26).

Table 26: Key Asset Quality Ratios, Dec 2006 - Dec 2008

Key Ratios	2006	2007	2008
Non-performing loans to Total loans (%)	11.3	8.8	7.2
Net Non-performing loans to Total regulatory capital (%)	16.1	9.6	5.2
Allowance for loan losses to minimum regulatory requirement (%)	83.3	98.4	104.6

Source: Bank of Zambia

On a sector-by-sector basis, NPLs continued to be concentrated in the agriculture, forestry, fishing and hunting sector, but as a proportion of the industry's total NPLs, declined to 33.5% from 37.2% in 2007. This was followed by the wholesale and retail trade sector at 15.6%, manufacturing sector, 11.9%, and community, social and personal services sector, 10.7% compared with 14.6%, 11.4% and 6.5% in 2007, respectively. The above sectors together accounted for 71.7% of the industry's total NPLs (see Table 27).

[12]The asset quality refers to the amount of risk or “probable” loss in a bank's assets and the strength of management processes to control credit risk. The greatest concern is the loss associated with credit quality in the bank's loan portfolio. Credit risk is generally measured by the ratio of gross non-performing loans to total loans.

[13]The Statutory Instrument No. 142 (Classification and Provisioning of Loans, Regulations, 1996) [Regulation 18(1)] stipulates the minimum provisioning requirements of 20% for the Substandard loans category, 50% for the Doubtful loans category and 100% for the Loss category.

Table 27: Analysis of NPLs by Economic Sector, Dec 2006 - Dec 2008 (%)

Sector	2006	2007	2008
1. Agriculture, forestry, fishing and hunting	56	37	33
2. Mining and quarrying	2	5	3
3. Manufacturing	4	11	12
4. Electricity, gas, water and energy	0	0	2
5. Construction	1	6	7
6. Wholesale and retail trade	10	15	16
7. Restaurants and hotels	2	2	4
8. Transport, storage and communication	3	7	3
9. Financial services	0	0	1
10. Community, social and personal services	6	7	11
12. Real estate	0	1	1
11. Other sectors	15	9	7
Total	100	100	100

Tourism is one of the key contributors to the Zambia's economy. To boost the sector, the country has in the recent past engaged in the promotion of the Northern Circuit, tourism sites and activities in the Northern parts of Zambia like the Shiwang'andu Manor in Northen Province (top picture) and the annual Mutomoboko Ceremony of the Lunda people in Luapula Province (picture below)

SHIWANG'ANDU MANOR - NORTHERN PROVINCE

UMUTOMBOKO CEREMONY - KAZEMBE

Table 28: Credit Risk Classification of Loans and Advances, Dec 2006 - Dec 2008

	2006		2007		2008	
Loan Category	K'bn	%	K'bn	%	K'bn	%
Pass	3,428.7	88.7	5,201.2	91.2	7,502.0	92.8
Substandard	99.1	2.6	109.5	1.9	99.9	1.2
Doubtful	84.9	2.2	80.0	1.4	75.8	0.9
Loss	253.9	6.5	309.4	5.5	408.0	5.0
Total Loans	3,866.6	100.0	5,700.1	100.0	8,085.7	100.0

Source: Bank of Zambia

Earnings Performance[14]

In the year under review, the sector's earnings performance was satisfactory. The sector's profit before tax increased by 1.6% to K544.3 billion from K536.0 billion the preceding year (see Table 29). While total net operating income increased by 26.5%, total non-interest expenses increased by 42.0%, contributing to the marginal increase in profitability (see Table 31). Further, the increase in provisions for loan losses by 13.4% negatively affected the profitability of the banking sector. Consequently, the industry's average return on assets and return on equity declined to 3.6% and 20.8% from 4.7% and 35.1%, respectively. However, the overall earnings performance remained satisfactory.

Table 29: Earnings Performance Indicators, 2006 - 2008

Key Ratios	2006	2007	2008
Return on Assets	5.1	4.7	3.6
Return on Equity	30.6	35.1	20.8
Net Interest Margin	11.8	11.5	10.4
Efficiency[15] Ratio	63.7	65.0	72.2

Source: Bank of Zambia

Table 30 below gives a summary of the banking industry's earnings performance over the last 3 years to 2008.

Table 30: Earnings Performance, 2006 - 2008 (K'billion)

Item	2006	2007	2008
Interest Income	953.8	1,224.0	1,619.8
Interest Expenses	171.4	245.3	365.1
Net Interest Income	**782.4**	**978.7**	**1,254.8**
Non-Interest Income	630.2	714.6	887.8
Net Operating Income	**1,412.6**	**1,693.3**	**2,142.5**
Loan Loss Provisions	174.5	160.7	182.3
Gross Operating Profit	**1,238.1**	**1,532.6**	**1,960.2**
Non-Interest Expenses	788.9	996.8	1,416.0
Profit Before Taxation	**449.2**	**535.8**	**544.2**
Taxation	141.6	148.2	228.3
Net Profit	**307.6**	**387.6**	**315.9**

Source: Bank of Zambia

The principal sources of income for the sector, in order of significance, were interest from loans and advances and income from foreign exchange transactions at 39.7% and 17.0% of total income compared to 36.3% and 15.8% in 2007, respectively. Other sources were interest income from securities and income from commissions, fees and service charges at 12.9% and 17.2% compared to 14.6% and 19.7%, correspondingly (see Chart 25).

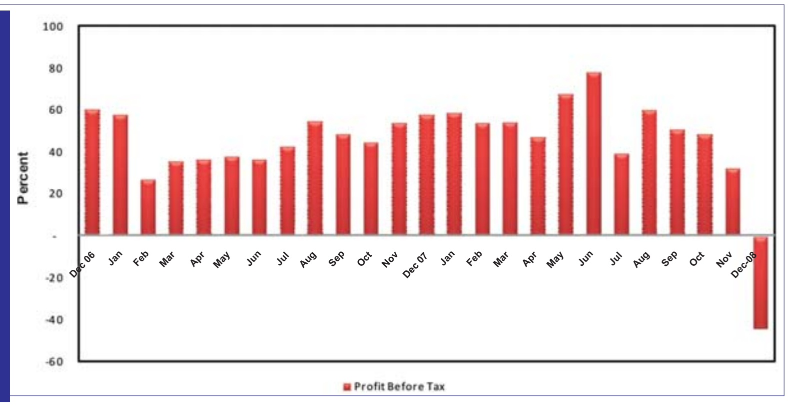
On the other hand, total non-interest expenses largely comprised salaries and employee benefits at 53.5% of the total compared to 54.5% in 2007. Other significant expenses were management fees at 7.1%, depreciation costs at 4.5% and occupancy at 4.3% relative to 5.1%, 4.7% and 4.2% in 2007, respectively.

[14]Earnings are an important source for capital formation. An evaluation of a bank's earnings performance involves an assessment of the quality of income and the long term sustainability of the activities that generate the income.

[15]The "overhead efficiency ratio" gives a measure of how effectively a bank is operating. An increase in the efficiency ratio means that the bank is losing a larger percentage of its income to overhead expenses. However, if it is getting lower, it is a good measure of improving profitability. The international benchmark for the efficiency ratio is normally 60%.

CHART 25:

INDUSTRY'S PROFIT BEFORE TAX, DEC 2006 - DEC 2008



Liquidity and Funds Management

In the year under review, the industry's liquidity position remained satisfactory, although liquidity indicators pointed downwards. The liquidity ratio[16] declined to 42.5% from 46.0% in 2007, and the ratio of liquid assets to total assets to 35.0% from 37.6% (see Table 31). In addition, the banking industry's core deposit ratio[17] declined to 79.4% from 82.5% and the deposit concentration ratio[18] to 39.8% from 35.1%. Further, the banking sector's liquidity position continued to show some signs of weakening over the past 3 years (see Chart 26).

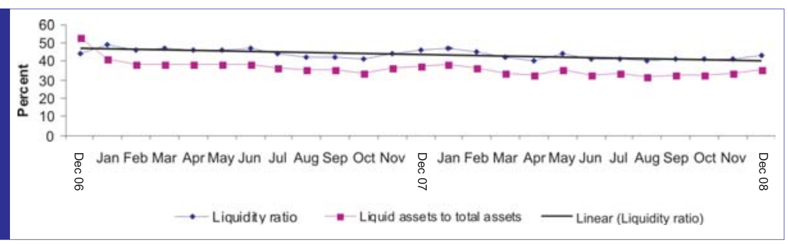
Table 31: Liquidity Ratios Dec 2006 - Dec 2008

Key Ratios	2006	2007	2008
Liquid assets to total assets	43.7	37.6	35.0
Liquid assets to deposits & short-term liabilities (*Liquidity ratio*)	52.5	46.0	42.5
Core deposits/ total deposits ratio	82.3	82.5	79.4
Deposit concentration ratio	37.1	35.1	39.8

Source: Bank of Zambia

CHART 26:

TRENDS IN KEY LIQUIDITY RATIOS, DEC 2006 - DEC 2008



Sensitivity Tests

Government Securities Trading Income Tests

During the year, income from investments in Government securities for the banking industry increased by 13.9% to K322.4 billion from K283.2 billion in 2007, while overall net profit before tax increased by only 1.6%. The sensitivity test results for Government securities trading income shows that income flows from Government securities as a source of income had reduced influence on profit before tax than it had in 2007. The increase in profit was driven largely by interest income from loans and advances, which went up by 42.5%, implying that profit was more sensitive to changes in interest income from loans and advances than to changes in income flows from Government securities. Profit before tax, however, increased only marginally because of the significant increase of 42.1% in non-interest expenses.

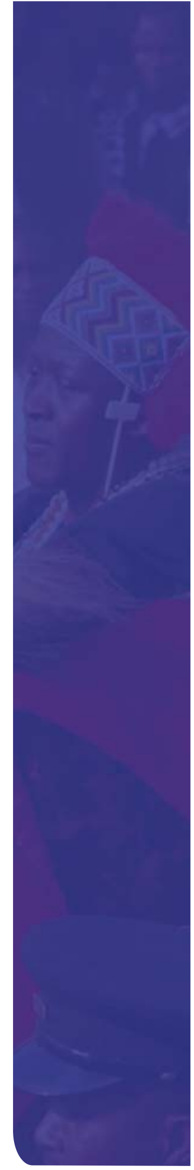
Foreign Exchange Trading Income Tests

With regard to foreign exchange trading, income increased by 55.6% to K373.2 billion from K239.8 billion in 2007. The sensitivity test revealed that despite foreign exchange trading income increasing significantly in

[16] 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 at least a maturity of six months). However, the liquidity ratio takes a more conservative approach by assuming that no loan proceeds are expected in the coming six months.

[17] The 'Core deposits' shows how much of the asset base is funded by core deposits (Demand plus Savings Deposits). A larger ratio is better and suggests less liquidity risk.

[18] The 'Deposit Concentration ratio' (an indication of funding risk) is measured by the aggregate of each bank's twenty largest deposits.



2008, profit was less sensitive to this profit and loss item. Industry income was more sensitive to interest income from loans and advances which, in nominal terms, increased by a greater proportion. However, the banking industry's overall profitability was held back by the large increase in non-interest expenses.

Market Share and Performance Indicators

Market Share and performance indicators by bank

The banking industry's market share, based on the proportion of assets, loans and deposits held of the industry's totals as at 31 December 2008, continued to be dominated by Barclays Bank, Zambia National Commercial Bank, Standard Chartered Bank, Stanbic Bank and Finance Bank. The five largest banks, in terms of asset size, were Barclays Bank, Zambia National Commercial Bank, Standard Chartered Bank, Stanbic Bank and Finance Bank, which together accounted for 76.4% of the industry's total assets compared to 73.4% in 2007. The five banks that accounted for the largest portion of the industry's total profit before tax, in order of significance, were Finance Bank, Citibank, Barclays Bank, Zambia National Commercial Bank and Standard Chartered Bank (see Table 32).

Table 32: Commercial Banks' Market Share and Performance Indicators, 2008

Bank	Percentage of assets	Percentage of loans	Percentage of deposits	Percentage of profit before tax	Return on Assets (%)	Return on Equity (%)
Barclays	24.8	36.6	18.5	15.7	2.2	14.1
ZNCB	16.4	12.1	18.9	12.5	3.1	28.3
Stanchart	14.3	13.5	16.6	9.7	2.4	13.7
Stanbic	11.8	13.5	13.3	7.1	1.9	14.3
Citibank	6.1	3.6	5.4	17.8	9.3	27.6
Indo Zambia	6.7	3.4	7.2	7.8	4.8	14.6
Finance Bank	9.1	8.6	10.0	20.3	7.8	43.5
Bank of China	3.0	0.2	3.1	3.2	4.1	29.5
First Alliance Bank	1.3	1.1	1.3	4.6	13.1	24.4
ABC	1.9	3.2	1.1	(0.8)	(1.8)	(12.3)
Investrust	2.7	3.5	2.8	3.5	4.4	34.8
Cavmont Capital	1.0	0.3	1.1	1.1	3.8	20.8
Intermarket	0.6	0.5	0.6	(1.1)	(14.4)	(79.5)
Access	0.3	0.0	0.3	(1.4)	(62.7)	(175.4)
Total/Weighted average	100.0	100.0	100.0	100.0	3.6	20.8

Source: Bank of Zambia

Market Share: assets, loans and deposits by ownership

Subsidiaries of foreign banks[19] continued to dominate the banking industry in terms of assets, loans and deposits. As at end-December, 2008, they owned 63.8%, 65.2% and 60.2% of the banking industry's total assets, total loans and total deposits compared to 62.8%, 71.1% and 58.8 in 2007%, respectively. Government owned banks[20] on the other hand accounted for 20.6%, 16.5% and 23.8% of the industry's total assets, total loans and total deposits compared with 23.1%, 15.5% and 26.0%, in that order. Local banks[21] accounted for 15.5%, 18.4% and 16.0% compared with 14.1%, 13.4% and 15.2%, correspondingly (see Table 33).

Table 33: Assets, Loans and Deposits by Type of Ownership, 2006 - 2008 (%)

	2006			2007			2008		
	Assets	Loans	Deposits	Assets	Loans	Deposits	Assets	Loans	Deposits
Subsidiaries of foreign banks	63.6	67.4	61.1	62.8	71.1	58.8	63.8	65.2	60.2
Banks with Government stake	21.7	16.0	24.5	23.1	15.5	26.0	20.6	16.5	23.8
Local banks	14.8	16.6	14.4	14.1	13.4	15.2	15.5	18.4	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

[19] These are locally incorporated subsidiaries of foreign banks (Eight)

[20] Banks which are partly owned by the Government of the Republic of Zambia (Two).

[21] Other banks incorporated locally which are neither subsidiaries of foreign banks nor partly owned by Government (Four).

Market Share: profit before tax by ownership

During the year under review, the distribution of profit before tax by type of ownership indicated that subsidiaries of foreign banks accounted for 50.2% of the industry's total earnings, down from 69.8% in 2007. Local banks accounted for 29.6% compared to 22.3% while Government owned banks had 20.3%, up from 8.0% (see Table 34).

Table 34: Profit-before Tax by Type of Ownership (%)

	2006	2007	2008
	Profit before tax	Profit before tax	Profit before tax
Subsidiaries of foreign banks	68.7	69.8	50.2
Banks with Government stake	11.2	8.0	20.3
Local banks	20.2	22.3	29.6
Total	100.0	100.0	100.0

Source: Bank of Zambia

Regulation and Supervision

Licensing

During the year under review, banking licences were issued to Access Bank Zambia Limited and First National Bank Zambia Limited. Access Bank Zambia Limited is a wholly owned subsidiary of Access Bank PLC of Nigeria. It commenced operations in August 2008. First National Bank Zambia Limited is a wholly owned subsidiary of FirstRand Bank Holdings Limited of South Africa. The bank is expected to commence operations in April 2009.

Financial Inclusiveness

In line with its strategic objective on financial inclusion, the Bank continued to evaluate and approve innovations by commercial banks aimed at deepening and broadening the financial system in Zambia. To this end, a number of initiatives were approved such as the In-Store banking services, Truck Banking Services, Mobile Banking Services and Internet Banking Services. The focus during the year under review was towards promoting non-traditional distribution channels as well as products and services. In addition to these initiatives, the Bank conducted a survey on Islamic Banking in Zambia which culminated into the first ever Islamic Finance Conference, which was held in Lusaka between 20 and 21 October 2008.

Risk Based Supervision Approach

During the year under review, the Bank of Zambia rolled out the Risk Based Supervision (RBS) framework following the formal approval of the RBS Policy in August 2008 and the subsequent issuance of the Risk Management Guidelines (RMG) in early October 2008. The RMG provides guidance to the banks and financial institutions in their design and implementation of risk management systems, and enables the Bank of Zambia to focus supervisory resources on ensuring that management of all banks and financial institutions are able to identify, measure, control and monitor the types and levels of all risks assumed. Overall, the Risk-based approach to supervision will enable the Bank of Zambia to focus and dedicate supervisory resources to identifying activities and practices of greater risk to the soundness of banks, and also to identifying higher-risk institutions.

Bank Branch Network and Agencies[22]

During the year under review, the commercial banks' branch and agency network increased by 10.9% to 224 as at end-December 2008 from 202 in 2007 (see Table 35).

[22] A bank agency falls under a branch and does not offer the full range of products and services which are provided at the branch. Further, depending on the bank, an agency may not open on all the working days of the week.

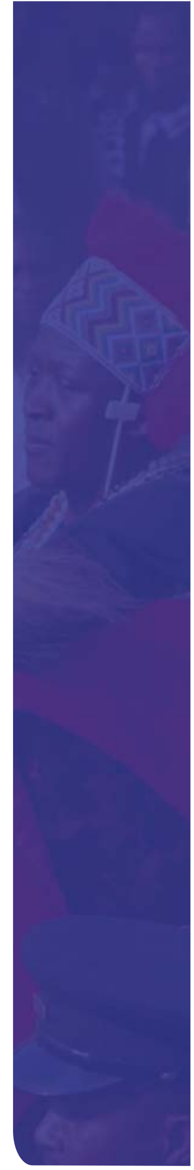


Table 35: Commercial Banks' Branch Network and Agencies, 2006 - 2008

Bank Name	2006	2007	2008
Access Bank Zambia Limited*	n/a	n/a	1
African Banking Corporation (Z) Ltd	2	2	2
Bank of China	1	1	1
Barclays Bank Zambia Plc	21	39	52
Cavmont Capital Bank Limited	11	12	12
Citibank Zambia Limited	2	2	2
Finance Bank Zambia Limited	40	42	44
First Alliance Bank (Z) Limited	3	3	3
Indo-Zambia Bank Limited	9	9	12
Intermarket Banking Corporation (Z) Ltd	3	3	3
Investrust Bank Plc	7	8	9
Stanbic Bank Zambia Limited	12	12	12
Standard Chartered Bank Zambia Plc	15	16	17
Zambia National Commercial Bank Plc	52	53	54
Total	178	202	224

Source: Bank of Zambia *Access Bank started operating in 2008. n/a = not applicable

4.2 NON-BANK FINANCIAL INSTITUTIONS SECTOR

Overview

In 2008, the overall financial performance and condition of the non-bank financial institutions sector was satisfactory. The leasing, bureaux de change and microfinance sub-sectors and the development finance institutions registered satisfactory performance while the building societies and the savings and credit institutions showed some improvements.

The structure of Non-Bank Financial Institutions (NBFIs) supervised by the Bank of Zambia as at 31 December 2008 is tabulated in Table 36 below.

Table 36: Structure of NBFIs under the Supervisory Ambit of the BoZ, Dec 2006 - Dec 2008

Type of Institution	*Number of Institutions 2006*	*Number of Institutions 2007*	*Number of Institutions 2008*
Leasing Companies	10	12	10
Building Societies	3	3	3
Bureaux de change	31	35	39
Savings and credit institutions	1	1	1
Microfinance institutions	4	8	21
Development finance institutions	1	1	1
Credit reference bureaux	1	1	1
Total	**51**	**61**	**76**

Source: Bank of Zambia

The number of NBFIs, increased to 76 as at end-December 2008 from 61 as at end-December 2007. This development was mainly due to an increase in the number of microfinance institutions (MFIs) to 21 from 8 during the same period following the Bank's directive for all MFIs to comply with the Banking and Financial Services (Microfinance) Regulations, by 1 February 2008.

Regulation and Supervision

During the year, 18 operating licences for NBFIs were granted. Out of this number, 13 were for MFIs whilst five[23] were for bureaux de change (see Table 37).

As at end-December 2008, two leasing companies, Access Leasing Limited and Access Financial Services Limited, which were under the statutory management of the Bank since 13 January 2003, had been placed under compulsory liquidation.[24]

[23] One bureau de change was restructured and in the process changed its name from Ourrosogui Bureau de Change to Dondou Bureau de Change.
[24] The compulsory liquidation was effected on 27th November 2008.

Table 37: Licences Issued in 2008

Sub-Sector	Institution Licensed	Date Licensed
A. Micro Finance Institutions	1. Capital Solutions Limited	20 March 2008
	2. Mtawila Financial Services Ltd	31 March 2008
	3. Unity Finance Limited	2 April 2008
	4. FINCA Zambia Limited	8 April 2008
	5. Bomach Finance Limited	16 May 2008
	6. Meanwood Finance Corporation	6 August 2008
	7. CETZAM Financial Services Ltd	18 August 2008
	8. Yakabutala Musa Limited	18 August 2008
	9. Microbankers Trust	18 August 2008
	10. Pulse Financial Services Limited	18 August 2008
	11. Pelton Finance Limited	19 October 2008
	12. Genesis Finance Limited	3 December 2008
	13. Microcredit Foundation Limited	3 December 2008
B. Bureaux de Change	1. Challenge Bureau de Change Limited	11 January 2008
	2. Roseco Bureau de Change Limited	20 February 2008
	3. Swift Bureau de Change Limited	31 March 2008
	4. Dondou Bureau de Change Limited	7 April 2008
	5. Walk Tall Bureau de Change Limited	16 May 2008

Source: Bank of Zambia

Seven bureau de change branch applications were approved in 2008 while seven NBFIs branches were opened (see Tables 38 and 39).

Table 38: Approved Bureau de Change Branch Applications

No.	*Name of Institution*	*No. of Branches*	*Date Approved*
1	Bullion Bureau de Change- Lusaka, Chipata and Ndola branches	3	24 July 2008
2	Struts Bureau de Change Ltd- Westgate Mall Branch, Lusaka	1	8 September 2008
3	CFB Bureau de Change- Lusaka and Solwezi Branches	2	5 November 2008
4	FX Africa Zambia Bureau de Change- Chipata Branch	1	8 December 2008
	Total	**7**	

Source: Bank of Zambia

Table 39: New NBFIs Branches Opened in 2008

No.	*Name of Institution*	*No. of Branches*	*Date Opened*
1	Unity Finance Limited	2	2 April 2008
2	CETZAM Financial Services Zambia Limited- Livingstone, Kabwe and Ndola Branches	3	18 August 2008
3	National Savings and Credit Bank- Lukulu Branch	1	17 October 2008
4	Blue Financial Services Zambia Limited- Mongu Branch	1	25 November 2008
	Total	**7**	

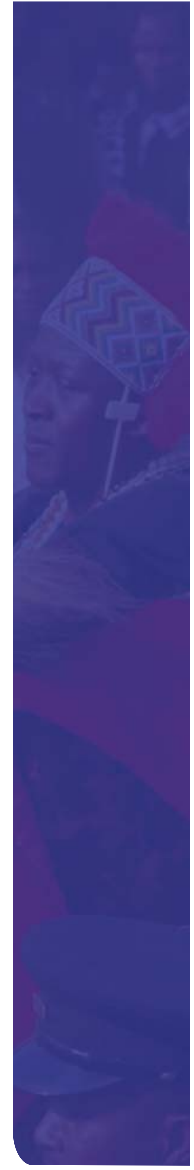
Source: Bank of Zambia

Performance of the Non-Bank Financial Sector

During 2008, the overall financial performance and condition of the NBFIs was satisfactory[25] as was the case in 2007. Forty NBFIs, five of which were deposit taking, accounting for 51% of total sector assets were rated satisfactory while nine NBFIs accounting for 15% of total sector assets were rated fair. In addition, five NBFIs,

[25]The financial condition and performance of the NBFIs was evaluated on the basis of their performance in the parameters of **C**apital Adequacy, **A**sset Quality, **E**arnings Performance and **L**iquidity (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*



four of which were deposit-taking, accounting for 33% of total sector assets, were rated unsatisfactory and measures to address the capital deficiencies of the five NBFIs were instituted.

Leasing

During the year, the overall performance of the leasing sub-sector was satisfactory (see Tables 40a and 40b). The leasing sub-sector maintained adequate capital and reserves relative to their risk profiles. Out of the 10 leasing companies in operation as at 31 December 2008, eight met the prescribed minimum capital adequacy ratio of 10%, while two had regulatory capital deficiencies and as a result remedial measures were instituted for each institution.

Table 40a: Year-End Composite Rating for the Leasing Sub-Sector, 2006-2008

Performance Category	Composite Rating Scale	Number of Leasing companies			Proportion of Industry Assets (%)		
		2006	2007	2008	2006	2007	2008
Current Condition Satisfactory	1.0-2.0	3	4	4	48.5	51.1	49.8
Possible Emerging Problem	2.1-2.5	3	1	1	47.6	1.7	6.6
Watch	2.6-3.5	1	2	3	1.1	8.7	7.9
Problem	3.6 or greater	1	3	2	2.8	38.5	35.7
Total		8	10	10	100	100	100

Source: Bank of Zambia

Table 40b: Year-End Performance Rating for the Leasing Sub-Sector, 2006-2008

Performance Category	Capital Adequacy No. of Leasing companies			Asset Quality No. of Leasing companies			Earnings No. of Leasing companies			Liquidity No. of Leasing companies		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Strong	4	2	4	1	1	0	1	1	1	1	3	3
Satisfactory	2	3	1	4	3	5	2	1	1	0	1	2
Fair Needs Improvement	1	2	2	2	2	2	4	4	1	3	1	1
Marginal	0	1	1	0	1	2	0	0	3	2	1	1
Unsatisfactory	1	2	2	1	3	1	1	4	4	2	4	3
Total	**8**	**10**	**10**	**8**	**10**	**10**	**8**	**10**	**10**	**8**	**10**	**10**

Source: Bank of Zambia

Capital Adequacy

As at 31 December 2008, the sub-sector's regulatory capital decreased to K36,110 million from K42,829 million in 2007. Nevertheless, this was above the minimum regulatory capital of K25,000 million (see Chart 27). The decrease was mainly as a result of the sub-sector's after tax loss of K2,964 million recorded during the year coupled with lease and other loss adjustments of K31,790 million, which were largely attributed to one leasing company. The sub-sector's after tax loss and adjustments to regulatory capital outweighed additional capital injected by four existing leasing companies amounting to K28,066 million.

CHART 27:

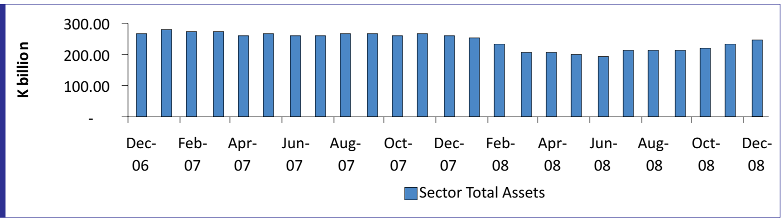
LEASING SUB-SECTOR REGULATORY CAPITAL, DEC 2006 - DEC 2008

Asset Quality

As at 31 December 2008, the total assets of the leasing sub-sector declined by 5% to K250,715 million from K263,882 million the previous year (see Chart 28). This was largely attributed to the reduction in the sub-sector's other assets which reduced by 31% to K29,544 million at 31 December 2008 from K42,916 million in 2007, as total loans and advances remained relatively unchanged.

CHART 28:

LEASING SUB-SECTOR TOTAL ASSETS, DEC 2006 - DEC 2008

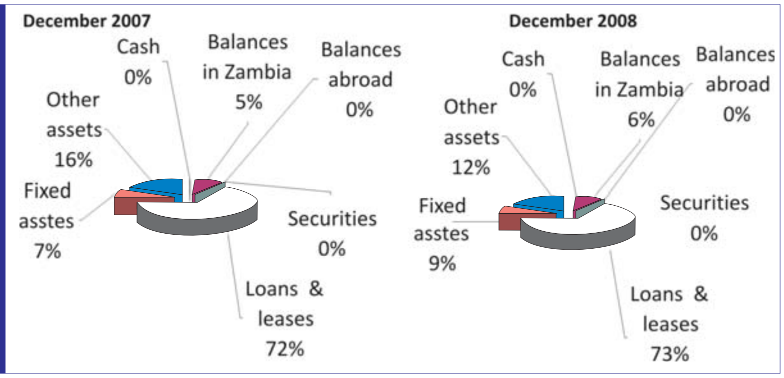


Net loans and advances constituted the largest proportion of total assets at 73% compared to 72% in 2007 (see Chart 29). Non-performing loans amounted to K38,891 million out of the sub-sector's total gross loan portfolio of K212,886 million and represented 18% of total loans which was above the prudential level of 10%. One leasing company accounted for K27,315 million or 70% of the sub-sector's total non-performing loans. On the basis of the ratio of net non-performing loans and advances to gross loan portfolio, the leasing sub-sector's asset quality was rated fair.

As at 31 December 2008, total earning assets amounted to K190,543 million and accounted for 76% of total assets.

CHART 29:

LEASING SUB-SECTOR ASSETS, YEAR-ON-YEAR COMPARISON



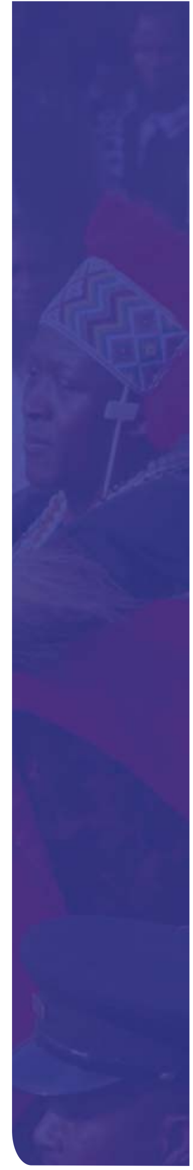
Earnings

The earnings performance of the leasing sub-sector was designated unsatisfactory because of a loss before tax of K3,214 million recorded in the period under review. However, the loss declined by 26% from a loss of K4,358 million recorded in 2007 largely due to a decline in provisions for loan and lease losses of K7,624 million (see Table 41 and Chart 30).

Table 41: Earnings Performance, 2006 - 2008 (K'million)

Particulars	**2006**	**2007**	**2008**
Interest income	38,897	41,437	39,048
Interest expenses	13,807	17,533	15,545
Net interest income	**25,090**	**23,904**	**23,412**
Provisions/(Provisions reversals)	(729)	11,795	4,171
Net interest income after provisions	25,819	11,957	19,854
Non-interest income	4,726	6,080	5,770
Total net income	30,545	18,037	24,981
Non-interest expenses	18,255	22,395	28,118
Profit before tax	**12,290**	**(4,358)**	**(3,214)**
Tax	319	615	41
Profit after tax	**11,971**	**(4,973)**	**(3,255)**

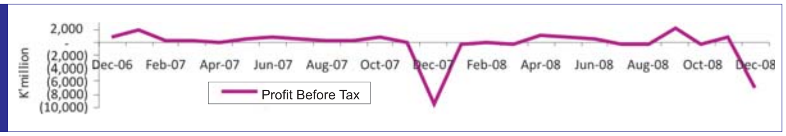
Source: Bank of Zambia



The principal source of income for the leasing sub-sector continued to be interest from loans and leases, and was 87% of total income in 2008. Interest income decreased by 6% to K39,048 million in 2008 from K41,437 million in 2007. This was largely due to the decrease in income from leases to K17,178 million from K21,096 million over the period under review. Interest expenses decreased by 11% to K15,545 million in 2008 from K17,533 million in 2007, driven by the 54% drop in borrowings from financial institutions in Zambia and abroad. Non-interest expenses increased by 26% to K28,118 million from K22,395 million during the same period largely on account of a 56% rise in other expenses.

CHART 30:

LEASING SUB-SECTOR PROFIT BEFORE TAX, DEC 2006 - DEC 2008

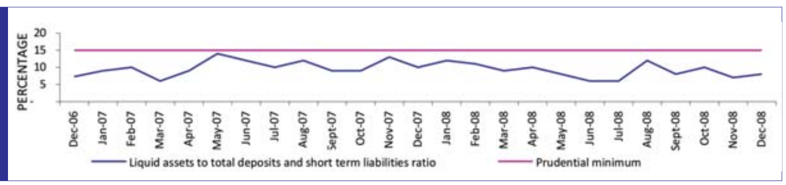


Liquidity

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 9% which was below the acceptable ratio of 15% (see Chart 31). Despite the sector liquidity ratio being below the acceptable ratio, the liquidity was designated marginal, rather than unsatisfactory, because a number of leasing companies had lines of credit with commercial banks, which they could call on as and when necessary.

CHART 31:

LEASING SUB-SECTOR LIQUIDITY TREND



Building Societies Sub-Sector

During the year, the overall performance of the building society sub-sector showed some improvements largely on account of improvement in capital adequacy. Out of the 3 building societies, only one was rated unsatisfactory on account of capital deficiency and marginal liquidity (see Tables 42a and 42b).

Capital Adequacy

As at 31 December 2008 the building society sub-sector's aggregate regulatory capital, although below requirement, improved by 66% to negative K10,971 million from negative K32,281 million in 2007. This was largely due to the profit after tax recorded in the year amounting to K10,384 million, coupled with capital injections of K25,188 million. Out of the three building societies in operation, one did not meet the minimum risk-weighted regulatory capital of K9,767 million, signaling the need to prompt remedial measures by shareholders aimed at recapitalising the institution.

Table 42a: Year-End Composite Rating for the Building Society Sub-Sector, 2006-2008

Performance Category	Composite Rating Scale	Number of Building Societies			Proportion of Industry Assets (%)		
		2006	2007	2008	2006	2007	2008
Current Condition Satisfactory	1.0-2.0	0	2	1	0	37.4	31.8
Possible Emerging Problem	2.1-2.5	1	0	1	29.1	0	5.2
Watch	2.6-3.5	0	0	0	0	0	0
Problem	3.6 or greater	2	1	1	70.9	62.6	63.0
Total		3	3	3	100	100	100

Source: Bank of Zambia

Table 42b:Year-End Performance Rating for the Building Society Sub-Sector, 2006-2008

Performance Category	Capital Adequacy No. of Building Societies			Asset Quality No. of Building Societies			Earnings No. of Building Societies			Liquidity No. of Building Societies		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Strong	1	1	1	1	1	0	0	0	0	0	1	0
Satisfactory	0	1	0	0	0	2	1	3	1	1	2	0
Fair Needs Improvement	0	0	1	0	2	1	1	0	2	1	0	1
Marginal	0	0	0	1	0	0	1	0	0	0	0	2
Unsatisfactory	2	1	1	1	0	0	0	0	0	1	0	0
Total	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**

Source: Bank of Zambia

Asset Quality

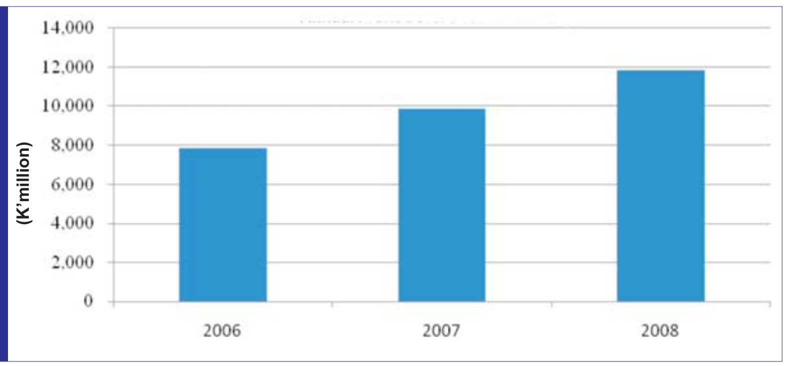
The asset quality of the building society sub-sector was designated fair during the year. The proportion of net non-performing assets to total assets was 2.7% in 2008 representing an increase of 2.6 percentage points from the previous year. Total assets of the sector increased by 22% to K271,765 million as at 31 December 2008 from K222,839 million as at 31 December 2007. The increase in total assets was largely accounted for by increases in net mortgage advances of K38,589 million.

Earnings Performance

During 2008, the earnings performance of the building society sub-sector was satisfactory, with profit before tax rising by 20% to K11,820 million from a profit of K9,857 million for 2007 (see Chart 32). The improvement in earnings performance was largely due to the increase in interest income by 69% to K42,040 million from K24,819 million in 2007, which in turn was mainly on account of the growth in the mortgage portfolio.

CHART 32:

BUILDING SOCIETY SUB-SECTOR PROFIT BEFORE TAX, 2006 - 2008

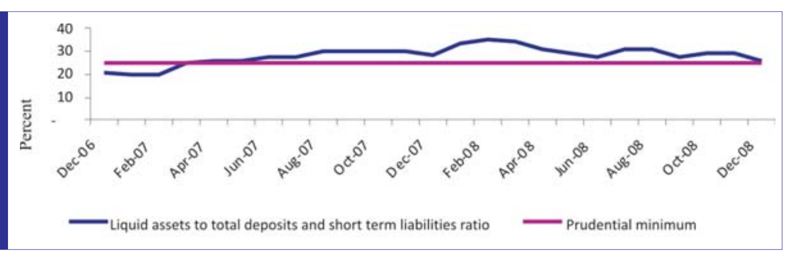


Liquidity

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 30% in 2008. This was above the prudential minimum ratio of 25% for building societies and was therefore, designated satisfactory (see Chart 33).

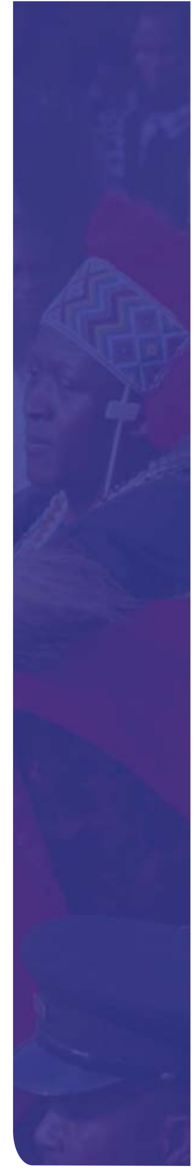
CHART 33:

BUILDING SOCIETY SUB-SECTOR LIQUIDITY



Micro Finance Institutions

The financial condition and performance of the micro finance institutions (MFIs) was designated satisfactory.



All the MFIs licensed and supervised by the Bank of Zambia were adequately capitalised as at 31 December 2008. The aggregate capital of the MFIs increased by 84% to K145,921 million as at 31 December 2008 from K79,263 million as at 31 December 2007. The increase was largely due to retained profits recorded in the year, amounting to K49,178 million, coupled with capital injections of K13,204 million introduced by newly licensed institutions. Total assets amounted to K467,777 million, representing an increase of 84% from the position of K254,687 million as at 31 December 2007. Loans and advances constituted the largest component of total assets at 82% compared to 90% 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

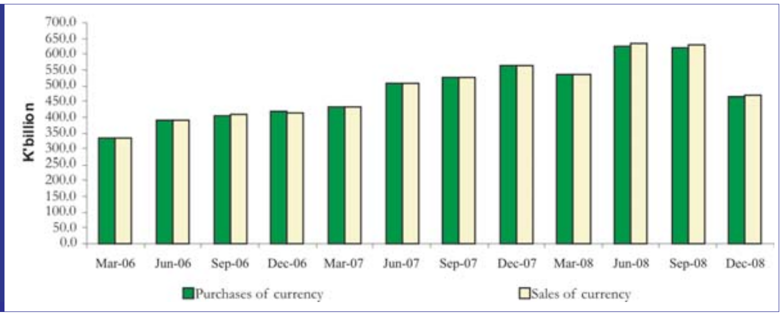
As at 31 December 2008, the bureau de change sub-sector was adequately capitalised. All the 37 bureaux de change, which were in operation met their minimum regulatory capital requirement of K40 million. Aggregate capital and reserves increased by 58% to K28,314 million in 2008 from K17,976 million in 2007, largely due to retained profits of K4,210 million, coupled with capital injections of K6,762 million from newly licensed bureaux de change.

Total assets, at K39,301 million, represented an increase of 63% from K24,176 million in 2007. The increase in total assets was largely financed by capital injections of K6,762 million, profits after tax of K4,210 million and borrowings amounting to K4,786 million.

During 2008, bureaux de change purchased a total of K2,249,351 million (US $462 million) compared with K1,964,423 million (US $510 million) in 2007. Further, the volumes of sales were K2,280,066 million (US $468 million) compared with K1,988,425 million (US $516 million), (see Chart 34). This represented an increase of 15% in the volume of transactions.

CHART 34:

BUREAU DE CHANGE VOLUMES OF TRANSACTIONS, MAR 2006 - DEC 2008



4.3 FINANCIAL SECTOR DEVELOPMENT PLAN[26]

Overview

During the year under review, progress continued to be made in the implementation of the Financial Sector Development Plan (FSDP). Notable milestones during the year included the following:

Sovereign Credit Rating for Zambia

The Government approved the proposal to conduct a sovereign credit rating for Zambia and subsequently selected a financial advisor to assist the country prepare for the rating. The rating exercise is expected to commence in 2009 and is part of Government's initiatives to promote investment in Zambia and stimulate the development of domestic capital markets.

Supply Side Study

During the year, the FSDP Steering Committee approved the results of the FinScope Supply Side Survey and subsequently disseminated the findings to banks and NBFIs. Major findings of the Survey included, among others:

- Commercial banks only reached about one million people;
- Spreads between deposits and lending rates were too high;
- Financial institutions needed to improve management of their cost structures in order to increase outreach;
- Formal banking sector, commercial micro-lenders, insurance companies and pension funds all serviced the top 20%, mostly the salaried adult population, while the outreach of social microfinance institutions was extremely limited.

[26]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.

Credit Reference Services

Since the licensing of the first credit reference bureau by the Bank, Credit Reference Bureau Africa Limited (CRBAL), in June 2006, provision of data and usage of the Credit Reference Bureau (CRB) by financial institutions was still low. To enhance the usage of the CRB, the Bank directed all credit providers in December 2008 to provide credit data to the CRB and not to grant new loans without reference to the CRB.

Law Review

As part of the on-going law review exercise, the following guidelines, regulations and various legislations were considered.

The legal review of financial sector legislation aimed at modernising and harmonising laws, which include the Bank of Zambia Act, Securities Act, Pensions and Insurance Act, and Building Societies Act, among others, continued in 2008. The Accountants Amendment Bill was enacted on 24 September 2008 as part of the process to harmonize various financial sector and business laws and regulations.

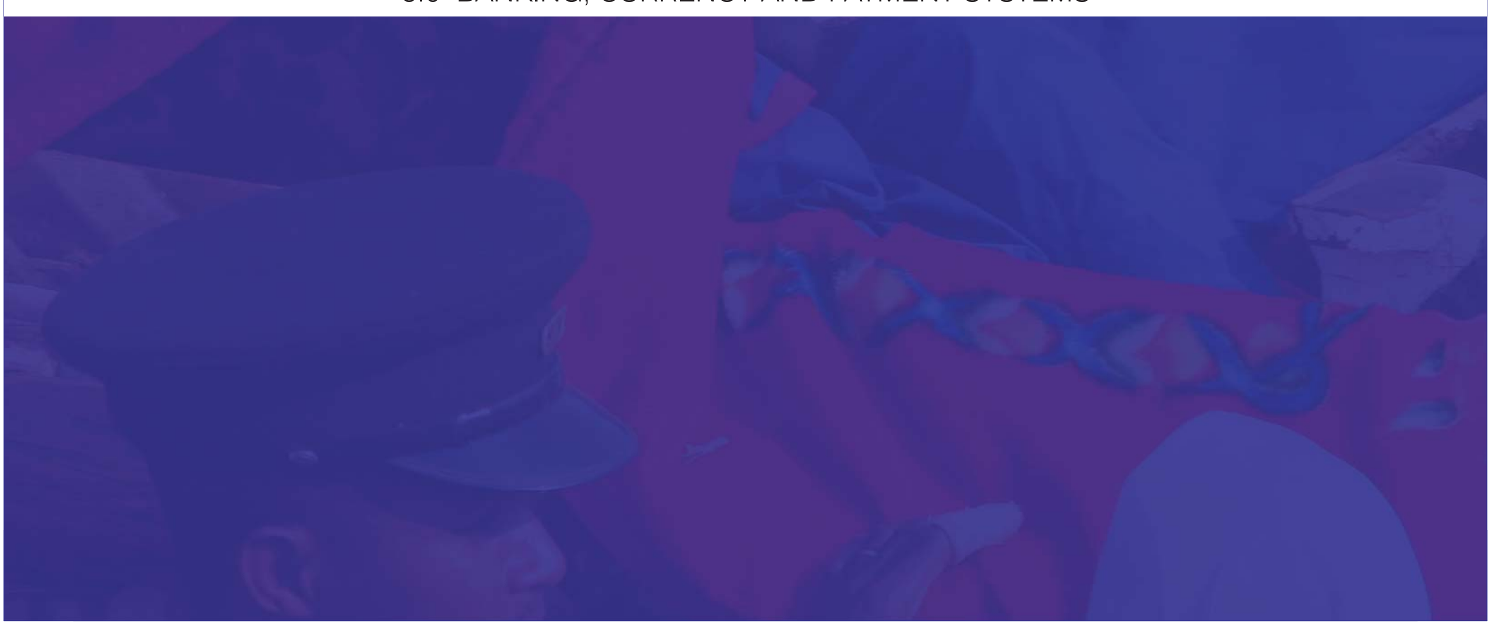
- Deposit Protection Scheme and Risk Management Guidelines

  The concept paper and the draft deposit insurance bill were developed while as an initiative aimed at enhancing financial stability, the Risk Management Guidelines were approved by the Bank and subsequently issued to all banks and NBFIs under the supervisory ambit of the Bank on 20 October 2008.

- Disclosure and Publication of NBFIs Financial Charges

  The Bank issued a circular requiring financial institutions and financial businesses to submit information to the Bank on all financial charges or levies with regard to their services and transactions. This followed complaints from the public and more specifically financial sector customers on the high financial charges, fees and commissions for accounts and other general services and transactions being levied by NBFIs.

5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS



5.0 BANKING, CURRENCY AND PAYMENT SYSTEMS

Overview

In 2008, banking, currency and payment systems operations were satisfactory. The performance of commercial banks in general was satisfactory, despite some commercial banks having failed to maintain sufficient funds on their settlement accounts to meet their clearing obligations on time. In the area of currency and payments systems, the Bank continued to implement the Clean Note Policy and the National Payment Systems Act.

5.1 BANKING

Operations of Commercial Banks Current Accounts

The Bank 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. The performance of commercial banks in general was satisfactory, despite some commercial banks having failed to maintain sufficient funds on their settlement accounts to meet their clearing obligations on time. Overall, all commercial banks that accessed the intra-day credit facility were able to repay the funds by close of business. In addition, the Bank continued to perform its role as banker to the Government by providing banking services for revenue collections and facilitated funding of Government operations.

Management of Project Loans

Zambia Agriculture Marketing and Processing Infrastructure Project (ZAMPIP)

During 2008, the Bank continued to receive principal repayments and interest from Participating Commercial Banks (PCBs) on the Zambia Agriculture Marketing and Processing Infrastructure Project (ZAMPIP) outstanding loans. As at 31st December 2008, principal repayments and interest earned amounted to US $256,602 and US $11,197.40, respectively, bringing the total funds available on the ZAMPIP US Dollar revolving fund account to US $938,118.69. The loan amount outstanding from PCBs on the ZAMPIP facility at 31st December 2008 was US $100,000.00.

Multi-Purpose Credit Facility

During the year under review, principal and interest collections under the Multi-Purpose Credit Facility continued. As at 31 December 2008, total principal and interest collections amounted to US $24,012,968.45 and US $2,996,722.13, respectively. However, during 2008, there were no loans extended as disbursements were suspended in November 2007 to facilitate a restructuring exercise meant to enhance service delivery of the Apex Unit (established to manage the Facility).

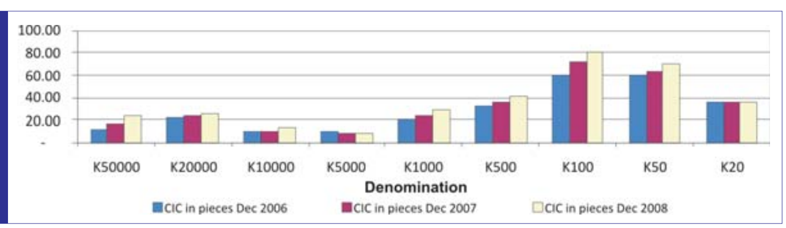
5.2 CURRENCY

Currency in Circulation

As at end-December 2008, currency in circulation (CIC) increased by 28% to K1,934 billion (327.3 million pieces) from K1,515 billion (289.2 million pieces) as at end of the previous year. This was higher than the growth of 24% in 2007 (see Charts 35a and 35b). The increase was particularly high during the crop marketing season, especially over the period June to October 2008 and due to an unanticipated increase in Government expenditure. Other reasons for increased demand for currency, especially the high value banknotes, was the rise in consumer price inflation that was higher than was projected.

CHART 35a:

CURRENCY IN CIRCULATION (MILLION OF PIECES)



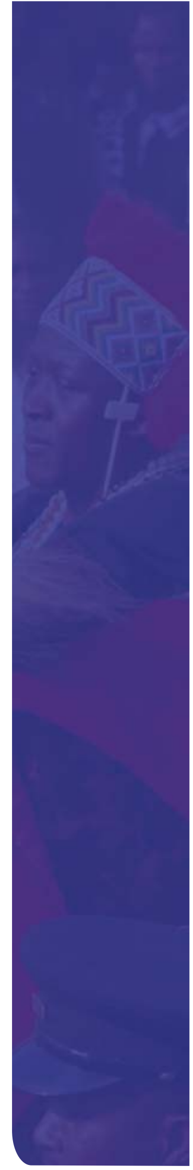
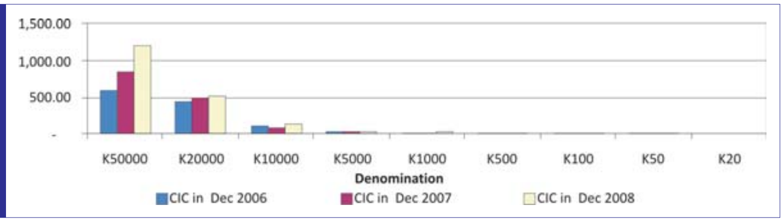


CHART 35b:

CURRENCY IN CIRCULATION (KWACHA BILLIONS)



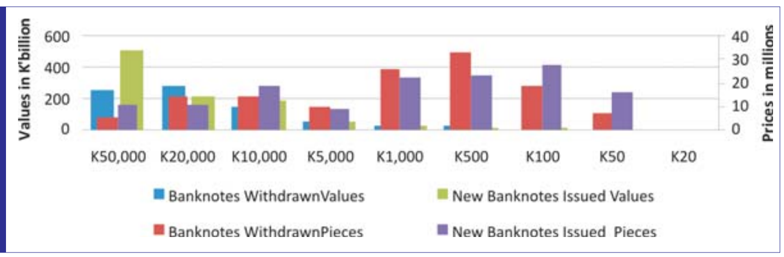
Withdrawal of Unfit Banknotes from Circulation

In continued pursuit of the Bank of Zambia's Clean Note Policy, a total of 80.9 million pieces, valued at K617.2 billion, of unfit banknotes were withdrawn from circulation during the period under review compared with 69.0 million pieces, with a value of K497.0 billion, in 2007 (see Chart 37). Of the total unfit banknotes withdrawn, 30.8 million pieces, with a value of K23.9 billion, were unfit polymer banknotes. In addition, a total of 52,004 pieces of mutilated banknotes, valued at K141.2 million, were exchanged for clean banknotes by members of the public compared with 59,020 mutilated banknotes, valued at K141.2 million, in 2007. Of this total, 51,369 mutilated banknotes, with a value of K 166.5 million, were paid out at full face value, while 635 mutilated banknotes valued at K14.2 million were paid out at half face value.

During the same period, the Bank put into circulation a total of 135.7 million pieces of new banknotes, with a value of K994.5 billion. Most of these new banknotes, in terms of pieces, were low value banknotes from K1000 - K20 denomination, which accounted for 61.4% of the total new banknotes issued by the Bank of Zambia for the period January to December 2008. The high value notes (K50,000 and K20,000) and middle value notes (K10,000 and K5,000) accounted for 15.6% and 20.1%, respectively (see Chart 36).

CHART 36:

BANKNOTES WITHDRAWN AGAINST ISSUANCE OF NEW BANKNOTES IN 2008



Destruction of Unfit Banknotes

During the year under review, a total of 113.3 million pieces, with a face value of K613.1 billion, unfit banknotes were destroyed, mostly through briquetting exercises compared with a total of 75.3 million pieces, valued at K556.1 billion, in the previous year.

5.3 PAYMENT SYSTEMS

National Switch Project

During the year under review, payment system stakeholders resolved to set-up a National Switch in fulfilment of one of the strategies under the National Payment Systems Vision and Strategy 2007-2011. The switch will provide a gateway that links consumers and merchants by means of e-payment products regardless of the bank they hold an account with.

Linking of Lusaka Stock Exchange to ZIPSS/RTGS

During the period under review, a memorandum of understanding to link the Lusaka Stock Exchange to the Zambian Interbank Payment and Settlement System/Real Time Gross Settlement System (ZIPSS/RTGS) was agreed and signed off by all capital market stakeholders.

Implementation of the National Payment Systems Act

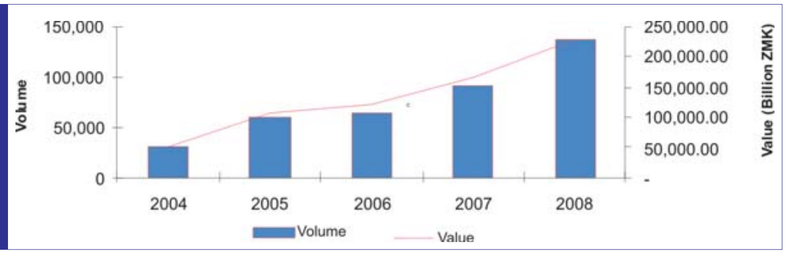
In 2008, the Bank of Zambia designated 14 Payment System Businesses to offer payment services, 14 commercial banks to participate on DDACC, RTGS and Cheque systems and 3 payment systems, namely ZECHL, RTGS and E-Switch. This was in accordance with the provisions of the National Payment Systems Act No. 1 of 2007 (NPSA).

Zambian Interbank Payment and Settlement System (ZIPSS)

During the year under review, ZIPSS operated satisfactorily with 13 out of the 14 commercial banks participating actively. The volume of transactions processed increased by 49.5% to 136,720 transactions in 2008 from 91,462 in 2007. Similarly, the value of transactions increased by 39.2% to K228,613 billion in 2008 from K164,295 billion in 2007 (see Chart 37).

CHART 37:

ZIPSS VOLUMES AND VALUES 2004[26] - 2008



The increase in volume and value of transactions follows the full implementation of the Item Value Limits (IVL) after Government's adoption of the initiative. In addition, the unanticipated increase in Government expenditure related to the Presidential by-election partly explained the increased value of transactions in the RTGS.

Physical Interbank Clearing System

In 2008, the volume of cheques processed through the Physical Inter-bank Clearing (PIC) system increased by 4% to 2,593,070 cheques in 2008 from 2,489,190 in 2007 while the value of cheques processed decreased by 25% to K20,236 billion in 2008 from K29,719 billion in 2007 (see Table 43). The decrease in the value of transactions is attributed to the full implementation of IVL during the year.

Table 43: Physical Inter-bank Clearing Volumes and Values, 2006 - 2008

Month	Volumes				Values (K'billion)			
	2006	2007	2008	% Change (2007 to 2008)	2006	2007	2008	% Change (2007 to 2008)
Jan	186,399	206,242	217,724	*6%*	2,730	2,766	1,957	*-29%*
Feb	174,012	187,580	205,654	*-9%*	1,890	2,288	1,639	*-28*
Mar	197,805	203,588	196,717	*-3%*	2,169	2,648	1,619	*-39%*
Apr	168,603	193,629	223,182	*15%*	1,992	2,521	1,808	*-29%*
May	197,208	213,672	213,313	*-0.16%*	2,164	2,576	1,742	*-23%*
Jun	198,018	204,793	218,511	*6.7%*	2,143	2,546	1,812	*-29%*
Jul	186,036	211,029	226,817	*7.5%*	2,218	2,823	1,958	*-31%*
Aug	203,501	217,821	208,618	*-4%*	2,521	2,741	1,873	*-32%*
Sep	185,071	202,495	227,699	*12.4%*	2,548	2,446	2,010	*-18%*
Oct	203,213	227,790	219,944	*-3%*	2,754	2,224	1,977	*-11%*
Nov	202,921	218,272	207,407	*-5%*	2,603	2,125	1,841	*-13%*
Dec	187,480	202,279	227,484	*12.4%*	2,536	2,015	2102	*4%*
Total	**2,290,267**	**2,489,190**	**2,593,070**	**4%**	**28,268**	**29,719**	**22,337**	**-25%**
Monthly Average	**190,856**	**207,433**	**216,089**	***4%***	**2,356**	**2,477**	**1861**	***-25%***

Source: Zambia Electronic Clearing House Limited

Direct Debit and Credit Clearing System

During the year under review, the volume of transactions processed through the DDACC payment stream increased by 35% to 1,267,990 in 2008 from 895,637 in 2007 while the value decreased by 3% to K3, 562 billion in 2008 from K3, 677 billion in 2007, respectively (see Table 44). The increase in the volume of transactions can be attributed to customers' increased preference for electronic payment methods resulting from awareness campaigns embarked on by the commercial banks and the Bank of Zambia. The decrease in the value of transactions is attributed to the implementation of IVL during the year.

Table 44: Direct Debit and Credit Clearing Volumes, and Values, 2006 - 2008

Month	Volumes				Values (K'billion)			
	2006	2007	2008	% Change (2007 to 2008)	2006	2007	2008	% Change (2007 to 2008)
Jan	54,118	63,150	76,801	*21%*	174	262	275	*5%*
Feb	51,912	57,061	95,011	*66%*	156	206	254	*23%*
Mar	56,713	68,793	83,681	*21%*	175	246	264	*7%*
Apr	48,115	68,715	105,091	*52%*	158	270	299	*11%*
May	62,421	71,446	97,402	*36%*	181	297	308	*4%*
Jun	54,499	64,965	104,482	*60%*	176	294	296	*0.6%*
Jul	51,846	82,784	116,467	*41%*	185	326	330	*1.2%*
Aug	69,766	76,622	102,001	*33%*	229	395	318	*-19%*
Sep	49,776	53,993	116,832	*116%*	209	281	331	*17%*
Oct	67,831	92,768	112,623	*21%*	219	429	323	*-25%*
Nov	61,783	89,236	97,813	*10%*	256	308	131	*-68%*
Dec	75,171	106,104	159,786	*51%*	277	339	433	*27%*
Total	**703,951**	**895,637**	**1,267,990**	***42%***	**2,395**	3,677	**3,562**	***-3%***
Monthly Average	**58,663**	**74,636**	**105,666**	***42%***	**200**	**306**	**297**	***-3%***

Source: Zambia Electronic Clearing House Limited

Unpaid Cheques

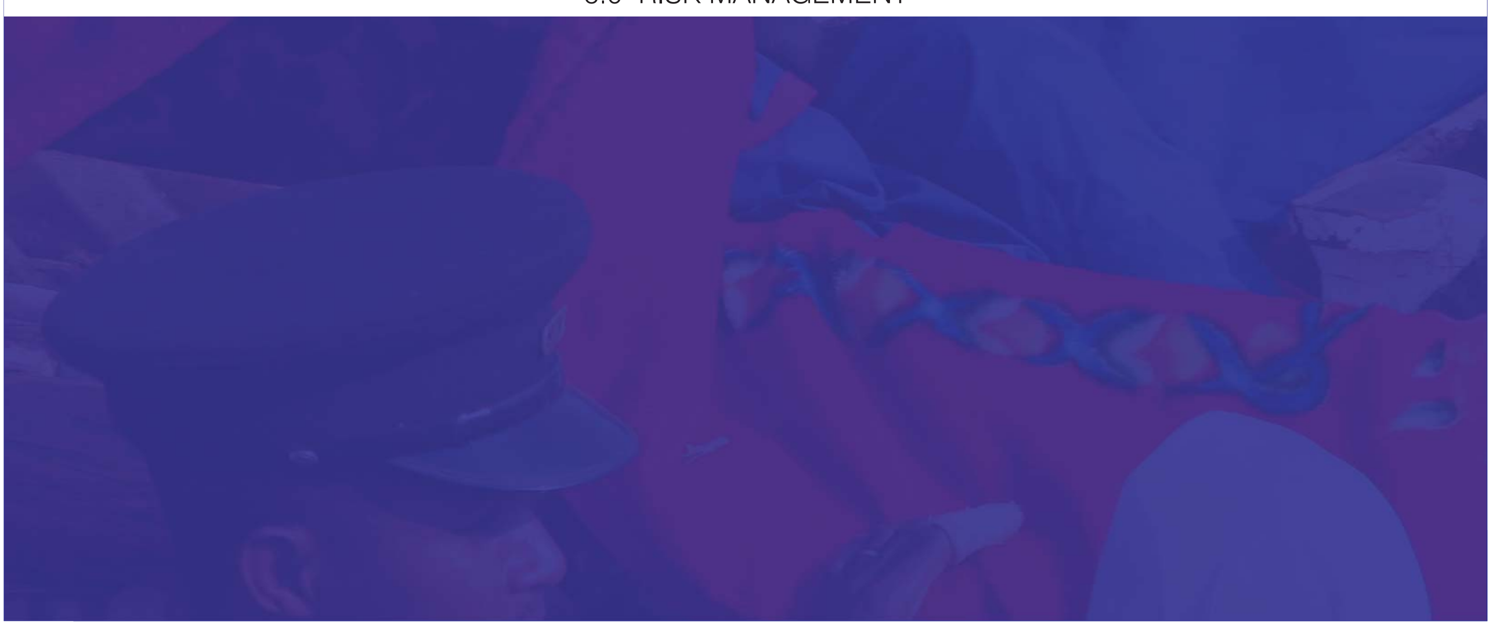
The volume of cheques written against insufficient funds and returned unpaid decreased by 5% to 16,447 in 2008 from 17,270 cheques in 2007. Similarly, the value of unpaid cheques decreased by 6% to K127 billion in 2008 from K173 billion in 2007 (see Table 45). The reduction in the level of unpaid cheques was a result of the Bank's continued efforts in enforcing compliance to requirements to issue cheques against sufficient funds under the National Payment Systems Act.

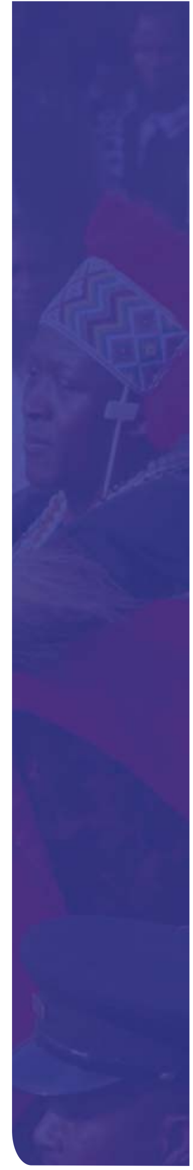
Table 45: Unpaid Cheques Volumes and Values, 2006 - 2008

Quarter	Volumes				Values (K'billion)			
	2006	2007	2008	% Change (2007 to 2008)	2006	2007	2008	% Change (2007 to 2008)
Q1	7,702	4,860	3,700	*-24%*	213	40	26	*-35%*
Q2	6,386	4,095	3,564	*-13%*	54	42	23	*-46%*
Q3	5,963	4,214	4,102	*-3%*	76	38	28	*-27%*
Q4	5,688	4,101	5,081	*24%*	58	53	50	*-6%*
TOTAL	**25,739**	**17,270**	**16,447**	***-5%***	**401**	**173**	**127**	***-27%***

Source: Zambia Electronic Clearing House Limited

6.0 RISK MANAGEMENT





6.0 RISK MANAGEMENT

In the year under review, the Bank continued to implement the Bank-wide Risk Management Framework, focusing primarily on financial risk management, operational risk management and business continuity management activities.

Financial Risk Management Project

The Bank engaged a consultant to review existing processes and identify gaps in its operations that had a bearing on financial risk. The consultant submitted a diagnostic report that laid the foundation for the design phase, that would give a more detailed and focused analysis of operations and recommend possible solutions for dealing with the identified gaps in the management of financial risks.

Operational Risk Management Framework

The Bank commenced the context establishment, risk identification and risk assessment in the quest to implement an operational risk management framework. In this regard, a series of training workshops for risk liaison officers and alternates were conducted. Among the workshops conducted was the 'Risk Assessment' workshop which aimed at enhancing appreciation and understanding of risk analysis, and risk evaluation processes. This in turn was expected to facilitate the completion of the risk assessment stage. To augment these processes, management approved the draft Operational Risk Management Procedures Manual. In addition, the Board approved the 'Risk Assessment Framework', which is a part of the Procedures Manual for Operational Risk Management.

Business Continuity Management Activities

During the reviewed year, the Board approved the Business Continuity Management Policy to guide the Bank of Zambia in its efforts to ensure that critical processes and resources were available at all times in order to facilitate the achievement of strategic objectives. Specifically, the policy outlined the main objectives as:

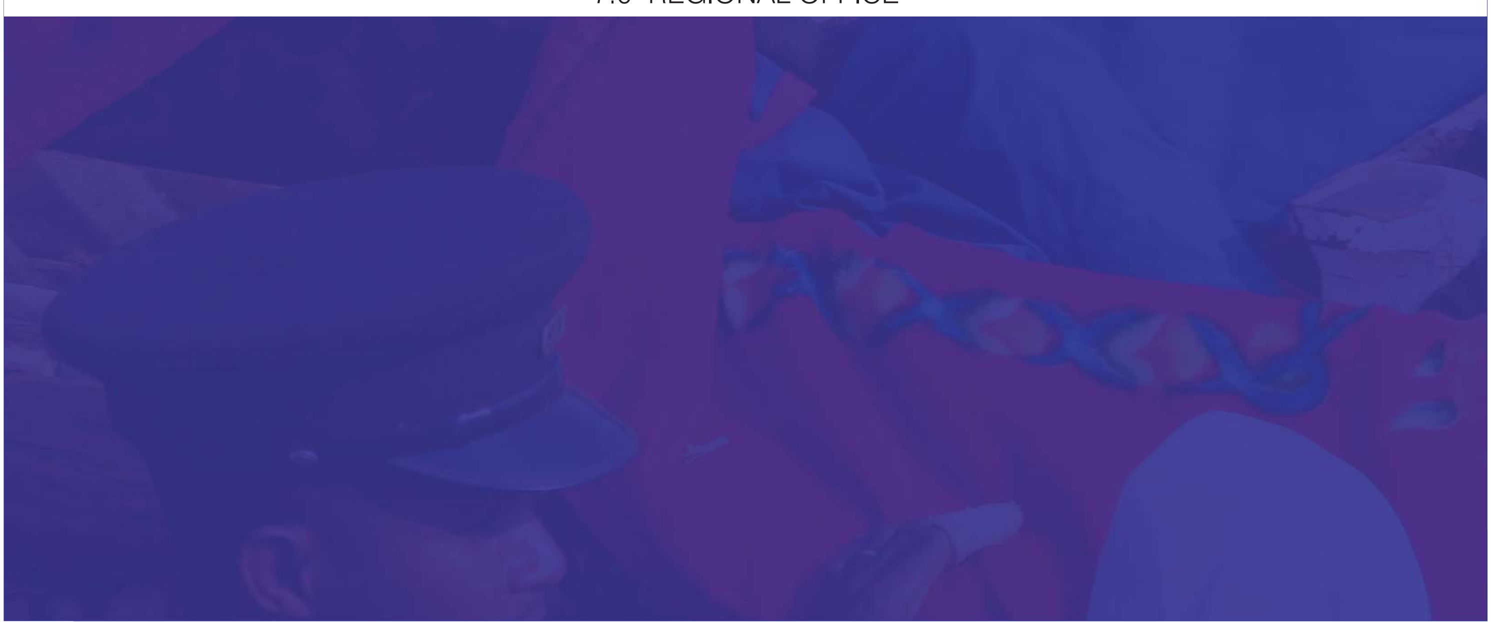
(i) To ensure the uninterrupted availability of all key business resources required to support essential (or critical) business activities at the Bank;

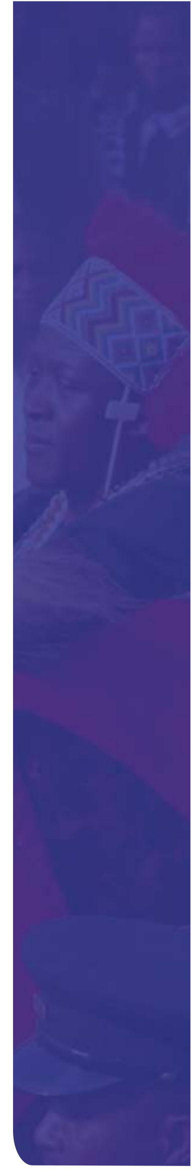
(ii) To enable the Bank to continuously deliver its mission critical services, whilst responding to an emergency; and

(iii) To provide the Bank flexibility to address a broad range of disruptions including improving the Zambian financial system's resilience to operational disruption.

Further, the Bank successfully undertook partial testing of its Disaster Recovery (DR) capability on 23 October 2008.

7.0 REGIONAL OFFICE

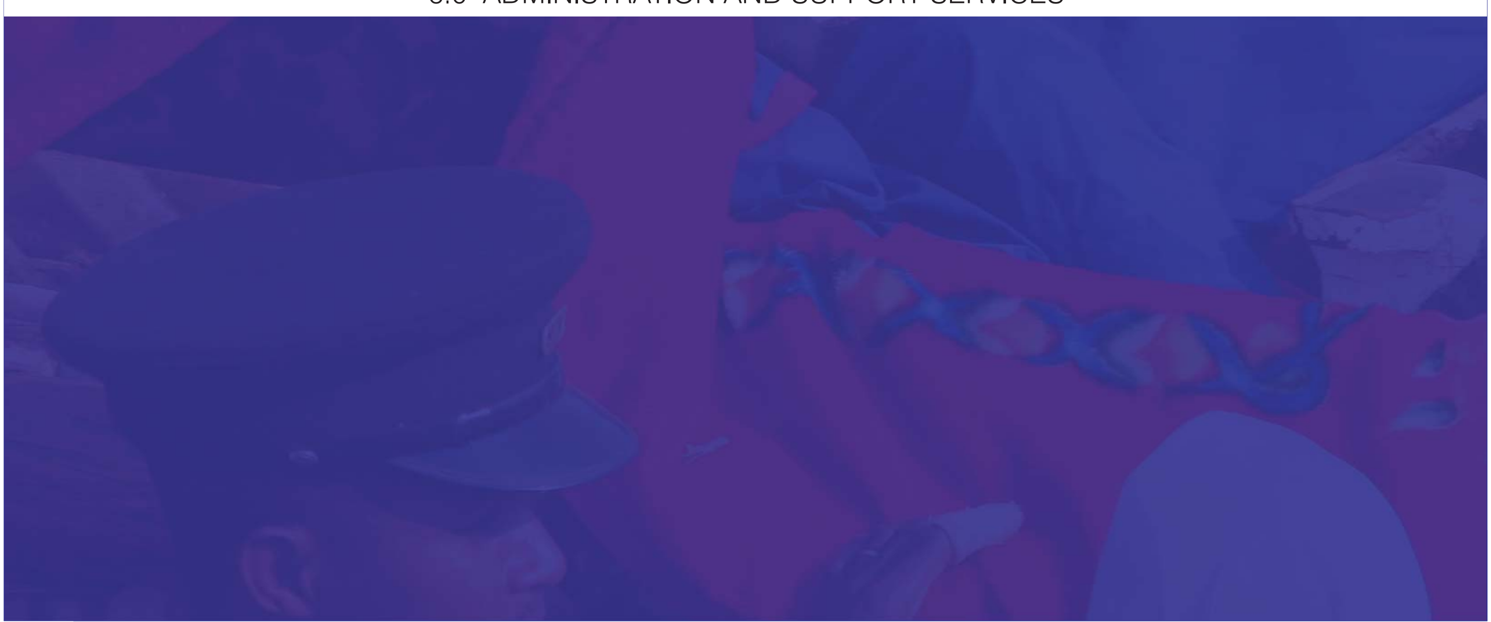


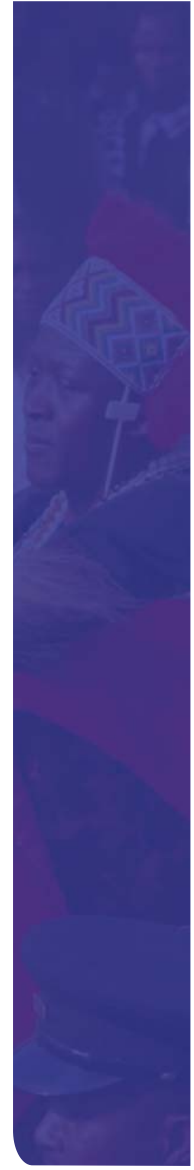


7.0 REGIONAL OFFICE

During the year, Regional Office continued to carry out on-site inspections of commercial bank branches and pre-inspections of non-bank financial institutions to ensure compliance with financial system regulatory requirements and guidelines. To enhance currency distribution, the Office facilitated the opening of a sub-chest in Solwezi. In addition, the Regional Office participated in carrying out several surveys which included the Quarterly Survey of Business Opinion and Expectations, Quarterly Private Sector External Debt Reconciliation Survey, Real Sector Survey, Transport Sector Survey, and Tourism Sector Survey.

6.0 ADMINISTRATION AND SUPPORT SERVICES





8.0 ADMINISTRATION AND SUPPORT SERVICES

8.1 HUMAN RESOURCE MANAGEMENT

8.1.1 Structure and Staffing

In 2008, the Bank's approved establishment increased by 14 from 679 to 693 due to the expansion of the Financial Markets department from 33 to 47. The Economics department underwent re-organisation during the period under review, which resulted in the creation of a Research Division. However, the establishment for the Department remained at 49.

The total staff complement of the Bank was 584 against the establishment of 693. The gender composition of the 584 employees was 393 (or 67%) male and 191 (or 33%) female. This complement comprised 479 (82%) employees on Permanent and Pensionable Service and 105 (18%) on Fixed-Term Employment Contracts (see Tables 46 and 47).

Table 46: Staffing Levels, 2006 - 2008

No.	Functions	2006			2007			2008		
		Estab	Actual	Diff	Estab	Actual	Diff	Estab	Actual	Diff
1	**Executive**	10	9	-1	10	9	-1	10	11	1
	Subtotal	***10***	***9***	***-1***	***10***	***9***	***-1***	***10***	***11***	***1***
2	**Core Departments**									
	Economics	49	41	-8	49	42	-7	49	41	-8
	Bank Supervision	37	38	-2	37	34	-3	37	32	-5
	Non Banks Financial Institutions Supervision	34	28	-6	34	32	-2	34	30	-4
	Financial Markets	33	31	-2	33	31	-2	47	29	-18
	Banking, Currency & Payment Systems	93	81	-12	93	85	-8	93	84	-9
	Regional Office	120	117	-3	120	116	-4	120	112	-8
	Subtotal	***366***	***336***	***-33***	***366***	***340***	***-26***	***380***	***328***	***-52***
3	**Support Services**									
	Finance	44	39	-5	44	37	-7	44	36	-8
	Procurement & Maintenance Services	73	65	-8	73	67	-6	73	63	-10
	Human Resources	38	33	-5	38	32	-6	38	32	-6
	Information & Communications Technology	39	31	-8	39	33	-6	39	32	-7
	Bank Secretariat	19	15	-4	19	16	-3	19	16	-3
	Security	53	49	-4	53	48	-5	53	41	-12
	Internal Audit	26	21	-5	26	20	-6	26	20	-6
	Risk Management Department	11	4	-7	11	5	-6	11	5	-6
	Subtotal	***303***	***257***	***-46***	***303***	***258***	***-45***	***303***	***245***	***-58***
	TOTAL	**679**	**599**	**-80**	**679**	**607**	**-72**	**693**	**584**	**-109**

Source: Bank of Zambia

Table 47: Distribution of Staff, 2008

OFFICE	PERMANENT & PENSIONABLE			CONTRACT			Grand
	Male	Female	Subtotal	Male	Female	Subtotal	Total
Lusaka	260	118	***378***	58	35	***93***	**471**
Ndola	66	35	***101***	10	2	***12***	**113**
Subtotal	**326**	**153**	***479***	**68**	**37**	***105***	**584**

Source: Bank of Zambia

8.1.2 Staff Movements

During the year under review, the Bank hired a total of 16 new employees on three-year Fixed Term Contracts, while 37 separations were recorded, resulting in a net staff decrease of 21. The separations from the Bank were through Voluntary Early Separation Scheme, death, resignations, and statutory retirements. There were no dismissals recorded in the year (see Table 48).

Table 48: Staff Movements, 2008

MOVEMENT TYPE	MONTH												TOTALS
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Recruitments	1	4	0	0	3	0	5	0	2	1	0	0	16
Reinstatement	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Inward Staff Movements	***1***	***4***	***0***	***0***	***3***	***0***	***5***	***0***	***2***	***1***	***0***	***0***	***16***
Dismissals	0	0	0	0	0	0	0	0	0	0	0	0	0
Resignations	0	1	0	0	0	0	0	0	0	0	0	0	1
Statutory Retirements	1	0	0	3	1	0	0	0	0	1	0	0	6
VESS	0	9	0	0	0	0	3	0	0	2	0	3	17
Death	1	0	1	3	1	0	0	2	1	2	2	0	13
Total Outward Staff Movements	***2***	***10***	***1***	***6***	***2***	***0***	***3***	***2***	***1***	***5***	***2***	***3***	***37***
Net Staff Movements	**-1**	**-6**	**-1**	**-6**	**+1**	**0**	**+2**	**-2**	**+1**	**-4**	**-2**	**-3**	**-21**

Source: Bank of Zambia

8.1.3 Capacity Building Programmes

8.1.3.1 Staff Development

In its continued quest to ensure availability of skills and new knowledge, the Bank provided support to employees pursuing various study programmes on short and long term. The support was in form of paid study leave, full Bank scholarships and time-off to study part-time programmes. The training was undertaken at various training institutions as well as at the Bank's In-Service Training Centre (ISTC). A total of 11 employees completed various study programmes in the year under review (see Table 49).

Table 49: Study Programmes*, 2003 - 2008

PROGRAMME	YEAR						TOTALS
	2003	2004	2005	2006	2007	2008	
PhD	1	0	1	2	3	0	**7**
Masters Qualifications; MBA, LLM, MSc etc	6	8	9	7	8	5	**43**
Bachelor's Degrees in Laws, Banking & Financial Services, Public Administration & Computing	2	4	2	1	3	3	**15**
Professional Qualifications; *Chartered Financial Analyst, Certified Internal Auditors & Association of Certified Chartered Accountants*	4	1	0	1	1	2	**9**
Diplomas in Business Management, Public Administration, Treasury & International Banking, Computing, Banking, Purchasing & Supply & accounting	15	12	3	5	8	1	**44**
TOTAL	**28**	**25**	**15**	**16**	**23**	**11**	**118**

Source: Bank of Zambia

* The figures in the table refer to the number of completed programmes in the respective years

8.1.3.2 University Chairs

The Bank signed a Memorandum of Understanding (MoU) with the Copperbelt University (CBU) and the University of Zambia (UNZA) to continue providing support to the two state institutions. One of the key changes in the MoU was the shifting of sponsorship from undergraduate to postgraduate studies at UNZA.

8.1.3.3 Library and Records Management

The Library re-stocking exercise continued during the year under review. Implementation of the Electronic Document Management System began in April 2008. The File Plan was developed and the Project charter was finalised to facilitate the system deployment by the vendors.

8.1.4 Employee Relations

During the year, the Bank experienced a harmonious industrial climate. The Bargaining Unit successfully concluded negotiations for the revision of the Collective Agreement covering the period August 2008 to

August 2010. The Conditions of Service for Management and Bank Non-Unionised (BNU) employees were also revised.

8.1.5 Staff Welfare

8.1.5.1 Employee Health

Building on the gains made in previous years, sensitisation campaigns on HIV/AIDS were intensified in 2008. The number of Staff and their dependants accessing Antiretroviral drugs (ARVs) increased to 164 from 163 in 2007 (see Table 50 and Chart 38).

Further, under the initiative of the 'Keep Zambia Clean and Healthy Campaign', the Bank organised nutrition talks and visits by opticians to conduct eye tests on staff.

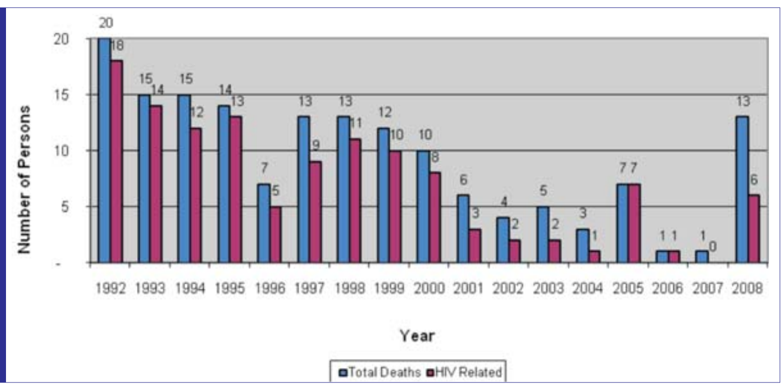
Table 50: Beneficiaries of VCT AND/OR ARTs, 2000 - 2008

YEAR	Staff	Spouses	Children	TOTALS
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
2008	94	53	18	165

Source: Bank of Zambia

CHART 38:

STAFF MORTALITY TREND FROM 1992 - 2008



8.1.6 Organisational Development

During the period under review, the decision to relocate the Strategic Planning Monitoring Unit from the Organisation Development Division of the Human Resources Department to the Executive Department was crystallised.

8.1.7 Projects

Performance Management System

Following the commencement of the Performance Management System Project in 2006, the Bank executed the Performance Related Pay (PRP) to deserving employees in 2008. The system implemented is a four phased cycle which begins with the Planning Phase and ends with Rewarding Performance.

Computerised Human Resources System:

During the period under review, the Bank embarked on the implementation of an integrated computerised human resources system, which is scheduled to go live in March 2009.

Development and Review of Policies

The Bank formulated the Employee Resourcing and Retention Policy, which was subsequently approved by the Board. This was aimed at streamlining the recruitment process. The Training and Development Policy was under review to ensure that it was responsive to the Bank's needs.

8.2 INTERNAL AUDIT

In 2008, the Bank through its Internal Audit activities, continued to undertake audits and reviews of the Bank's operations in order to provide assurance to the Board of Directors and senior management on the effectiveness of internal controls. These controls were with respect to accounting, operational and administrative functions of the Bank. Further, internal audit activities aimed at assisting management meet the Bank's objectives through efforts to improve risk management and control assessment, and promotion of sound corporate governance practices.

8.3 BANK SECRETARIAT

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

- Resolution that Access Financial Services Limited and Access Leasing Limited be compulsorily liquidated;
- Approval of the Bank of Zambia Information and Communication Technology Governance Policy. This would form the basis for the development and implementation of procedures based on best industry practice;
- Approval of the codification of Management conditions of service and the Bank Non- Unionised Staff conditions of service; and
- Approval of the Risk Based Supervision Policy.

The law review exercise, under the Financial Sector Development Plan (FSDP), resulted in the completion of eleven (11) layman's drafts of financial sector laws. These were: the Banking and Financial Services Act; Companies Act; Insurance Act; the Money Lenders Act; Securities Act; Central Securities Depository Bill; Pensions Scheme Regulation Act; Exchange Bill; Registration of Business Names Act; Cheques Act and Building Societies Bill.

The Bank participated in the Southern African Development Community (SADC) Committee of Central Bank Governors' (CCBG) initiative to develop a model central bank law for the region. The draft model law was developed and approved by the Committee of Governors at their September 2008 meeting. The Bank intends to use this model law as a basis for initiating amendments to the Bank of Zambia Act once all stakeholders have been consulted.

During the year, the Bank continued to engage closely with the media and to keep them informed of pertinent economic developments in general and the Bank's operations in particular. During the period under review, the Bank continued to disseminate information to the public through several publications that included the Monetary Policy Statement, the Quarterly Financial and Statistical Review, and the ZAMBANKER. The dissemination was also done through quarterly media briefings and participation at the Zambia International Trade Fair, the Agricultural and Commercial Show of Zambia, the Copperbelt Mining, Agriculture and Commercial Show, the EUROMONEY Conference[27], the Smart Partnership Dialogue and the Annual Meetings of the International Monetary Fund/ World Bank as well as those of the African Development Bank.

8.4 INFORMATION AND COMMUNICATIONS TECHNOLOGY

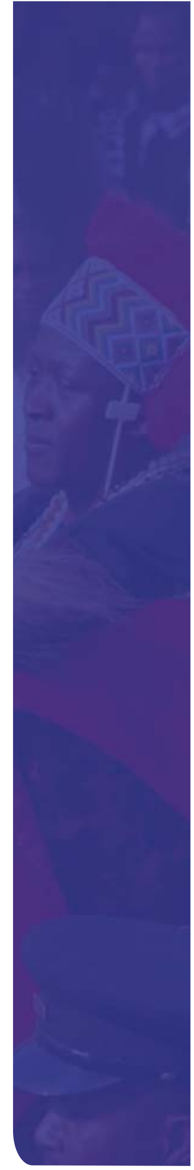
During 2008, the Bank of Zambia accomplished several objectives in the area of Information and Communications Technology (ICT) by undertaking a number of projects, including the following:

- **IT Governance Implementation:** Continued implementing the Control Objectives for Information and related Technologies (COBIT) as a framework for ICT Governance.
- **Implementation of the Oracle Human Resources Management System (HRMS):** The system implementation commenced, premised on a single integrated data model that provides an integrated view of human resources-related activities.
- **Bank Supervision Application (BSA) Upgrade**: Significant progress was made toward the deployment of the new version of BSA for the East and Southern Africa bank supervisors. The new version has enhanced security and reporting functionalities.
- **Network Infrastructure:** The Bank's core network infrastructure was upgraded in order to improve performance, security and management capabilities. During the same period, a dedicated link to the Internet through a VSAT link was acquired and installed in order to improve access to the internet.
- **ICT Service Continuity:** A second annual disaster recovery test was conducted as part of the overall Bank of Zambia business continuity management.

8.5 SECURITY ACTIVITIES

During 2008, a total of 188 security investigations were conducted compared with 248 the previous year. Of these, 172 cases were related to counterfeit bank notes, indicating a decline from 186 cases in 2007. This

[27]The EUROMONEY Conference was the first of its kind in SSA and very well attended

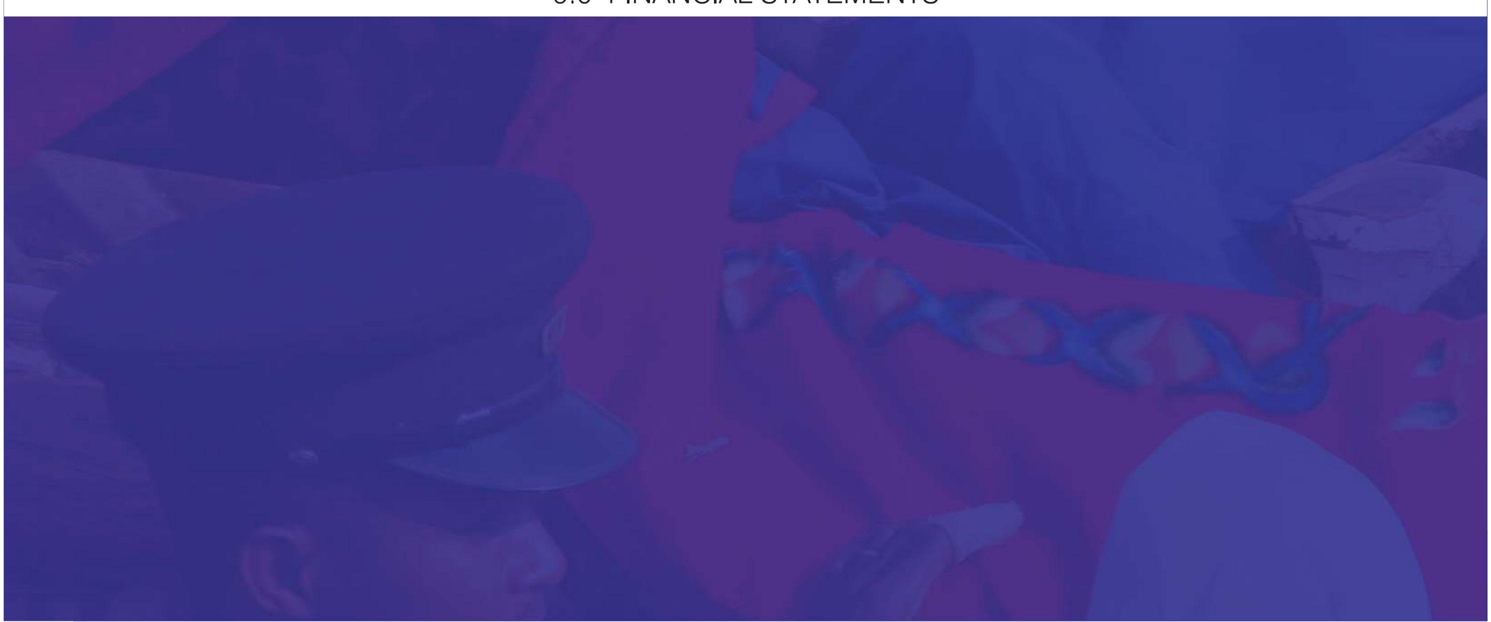


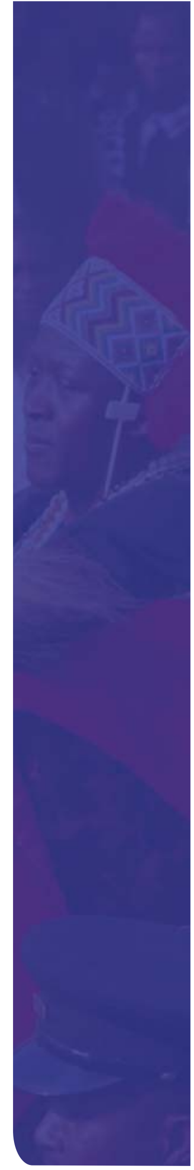
development was partly attributed to the sensitisation programmes the Bank conducted for various stakeholders.

8.6 PROCUREMENT AND MAINTENANCE

During the period under review, the Bank successfully completed refurbishment of parts of the Head Office and Regional Office buildings. The renovations included the replacement of ceilings, installation of air conditioning units and associated electrical works. The Bank also procured two high speed banknote processing machines and one banknote packing system as well as one bullion truck.

9.0 FINANCIAL STATEMENTS





Bank of Zambia

Financial Statements

For the year ended 31 December 2008

Contents

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 2008, 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.

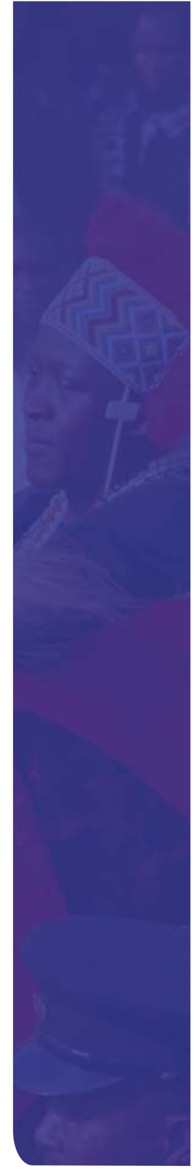
The directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the Bank will not be a going concern in the year ahead.

Approval of the financial statements

The financial statements of the Bank as indicated above and set out on pages 74 to 119 were approved by the Board of Directors on 26 February 2009 and signed on its behalf by:

Governor

Director



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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 2008, 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 78 to 119.

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 2008, 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

KPMG
Chartered Accountants of Zambia

Hampande Hachongo
Partner

26 February 2009
Lusaka, Zambia

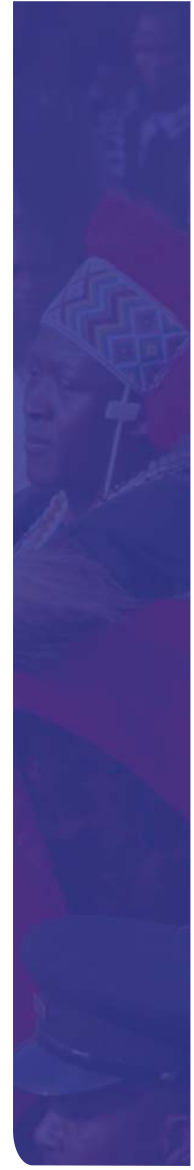
Bank of Zambia

Income statement
for the year ended 31 December 2008

In millions of Zambian Kwacha

	Note	**2008**	2007
Interest income	*6*	**310,091**	319,095
Interest expense	*6*	**(121,280)**	(84,008)
Net interest income		**188,811**	235,087
Fee and commission income	*7*	**42,557**	35,135
Fee and commission expense	*7*	**(105)**	(80)
Net fee and commission income		**42,452**	35,055
Net income from foreign exchange transactions		**13,762**	7,903
Other operating income/(expense)	*8*	**639,176**	(277,648)
		652,938	(269,745)
Total operating income		**884,201**	397
Net impairment loss (reversal) on financial assets	*9*	**3,333**	(1,685)
Personnel expenses	*10*	**(244,668)**	(203,194)
Depreciation and amortisation	*23,24*	**(13,492)**	(12,474)
Operating expenses	*11*	**(128,393)**	(87,334)
Profit/(loss) for the year		**500,981**	(304,290)

The notes on pages 78 to 119 form part of these financial statements.



Bank of Zambia

Balance sheet
as at 31 December 2008

In millions of Zambian Kwacha

	Note	**2008**	2007
Assets			
Domestic cash in hand		**2,566**	1,747
Foreign currency cash and bank accounts	*13*	**5,202,878**	4,145,314
Items in course of settlement	*14*	**5,296**	40,609
Loans and advances	*15*	**38,208**	38,569
Held to maturity financial assets	*16*	**1,963,925**	1,963,491
Other assets	*18*	**23,608**	5,508
Amounts due from closed financial institutions	*19*	**-**	-
Available for sale investments	*20*	**2,786**	2,786
IMF funds receivable from Government	*21*	**85,311**	68,837
IMF Subscriptions	*22*	**2,824,220**	3,085,870
Property, plant and equipment	*23*	**203,430**	184,466
Intangible assets	*24*	**3,020**	1,835
Total assets		**10,355,248**	9,539,032
Liabilities			
Deposits from the Government of the Republic of Zambia	*27*	**1,340,637**	1,951,177
Deposits from financial institutions	*28*	**2,657,260**	2,066,714
Foreign currency liabilities to other institutions	*29*	**98,536**	90,724
Other deposits	*30*	**21,556**	29,616
Other liabilities	*31*	**72,001**	47,816
Provisions	*32*	**27,405**	4,000
Domestic currency liabilities to IMF	*33*	**2,824,220**	3,085,870
Foreign currency liabilities to IMF	*34*	**464,285**	334,023
Employee benefits	*35*	**-**	-
Notes and coins in circulation	*36*	**1,934,426**	1,515,151
Total liabilities		**9,440,326**	9,125,091
Equity			
Capital	*37*	**10,020**	10,020
General reserve fund	*38*	**92,588**	42,490
SDR allocation	*38*	**246,897**	246,897
Property revaluation reserves	*38*	**144,459**	147,684
Retained earnings	*38*	**420,958**	(33,150)
Total equity		**914,922**	413,941
Total liabilities and equity		**10,355,248**	9,539,032

These financial statements were approved by the Board of Directors on 26 February 2009.

Governor *Director*

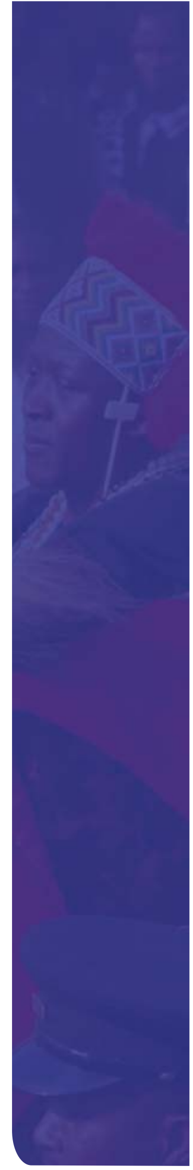
The notes on pages 78 to 119 form part of these financial statements.

Bank of Zambia

Statement of changes in equity
for the year ended 31 December 2008

In millions of Zambian Kwacha	Share capital	General reserve fund	SDR allocation	Property revaluation reserve	Retained earnings	Total
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	-	-	-	(3,261)	(301,029)	**(304,290)**
Balance at 31 December 2007	10,020	42,490	246,897	147,684	(33,150)	**413,941**
Balance at 1 January 2008	**10,020**	**42,490**	**246,897**	**147,684**	**(33,150)**	**413,941**
Net income recognised directly in equity:						
- Amortisation of revaluation surplus relating to properties	**-**	**-**	**-**	**(3,225)**	**3,225**	**-**
- Profit for the year	**-**	**-**	**-**	**-**	**500,981**	**500,981**
Total recognised income and expense for the year	**-**	**-**	**-**	**(3,225)**	**504,206**	**500,981**
Transfer to general reserve	**-**	**50,098**	**-**	**-**	**(50,098)**	**-**
Balance at 31 December 2008	**10,020**	**92,588**	**246,897**	**144,459**	**420,958**	**914,922**

The notes on pages 78 to 119 form part of these financial statements.



Bank of Zambia

Statement of cash flows
for the year ended 31 December 2008

In millions of Zambian Kwacha	*Notes*	**2008**	2007
Cash flows from operating activities			
Profit/(loss) for the year		**500,981**	(304,290)
Adjustment for:			
- Depreciation/amortisation	*23,24*	**13,492**	12,474
- Dividends received		**-**	(152)
- Gain on disposal of plant and equipment		**(28)**	(1,163)
- Impairment loss on available for sale investments		**(53)**	53
- Impairment loss on other assets		**(2,263)**	2,022
- Impairment loss on amounts due from closed financial institutions		**(1,017)**	(390)
- Provisions made during the year		**23,525**	1,110
- Provisions paid		**(120)**	-
- Write off of property, plant and equipment		**-**	88
		534,517	(290,248)
Changes in operating assets and liabilities			
Change in IMF subscription		**261,650**	(866,214)
Change in loans and advances		**361**	2,805
Change in Government holdings from international institutions		**(16,474)**	7,119
Change in held to maturity financial assets		**(434)**	(13,183)
Change in held for trading financial assets		**-**	1,906
Change in amounts due from closed financial institutions		**1,017**	390
Change in items in course of settlement		**35,313**	84,572
Change in available for sale investments		**53**	-
Change in other assets		**(15,837)**	(1,489)
Change in notes and coins in circulation		**419,275**	288,990
Change in foreign currency liabilities to other institutions		**7,812**	(68,683)
Change in foreign currency liabilities to IMF		**130,262**	184,258
Change in domestic currency liabilities to IMF		**(261,649)**	866,214
Change in deposits from the Government		**(610,540)**	850,646
Change in deposits from financial institutions		**590,546**	11,443
Change in other deposits		**(8,060)**	(17,478)
Change in employee benefits		**-**	(11,500)
Change in other liabilities		**24,184**	19,046
		1,091,996	1,048,594
Dividends received		**-**	152
Net cash generated from operating activities		**1,091,996**	1,048,746
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	*23,24*	**(33,709)**	(12,325)
Proceeds from sale of property, plant and equipment		**96**	1,242
Net cash out flows from investing activities		**(33,613)**	(11,083)
Net change in cash and cash equivalents		**1,058,383**	1,037,663
Cash and cash equivalents at the beginning of year		**4,147,061**	3,109,398
Cash and cash equivalents at the end of the year		**5,205,444**	4,147,061
Cash and cash equivalents at the end of the year comprise of:			
Domestic cash in hand		**2,566**	1,747
Foreign currency cash and bank accounts		**5,202,878**	4,145,314
		5,205,444	4,147,061

The notes on pages 78 to 119 form part of these financial statements.

Bank of Zambia

Notes to the financial statements
for the year ended 31 December 2008

1 Principal activity

The Bank of Zambia (the “Bank” or “BoZ”) is the Central Bank of Zambia, which is governed by the provisions of the Bank of Zambia Act No. 43 of 1996.

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 issued by the International Accounting Standards Board (IASB) and comply with the requirements of the BoZ Act No. 43 of 1996.

(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 or 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.

(d) 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.

(i) 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 indication 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.

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

2 Basis of preparation of financial statements (continued)

(d) Use of estimates and judgements (continued)

(i) Key sources of estimation uncertainty (continued)

Determination of fair values

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 value of financial instruments is 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.

(ii) 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.

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 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. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

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.

Interest income and expense presented in the income statement include:

- interest on financial assets and liabilities at amortised cost calculated on an effective interest basis.
- interest on available-for-sale investment securities calculated on an effective interest basis.

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

3 Significant accounting policies *(continued)*

(b) Fees and commission income

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

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

Other fees and commission expense relates 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 or 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.

(d) Foreign currency transactions

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 which are recognised directly in equity.

(e) Financial instruments

(i) Classification

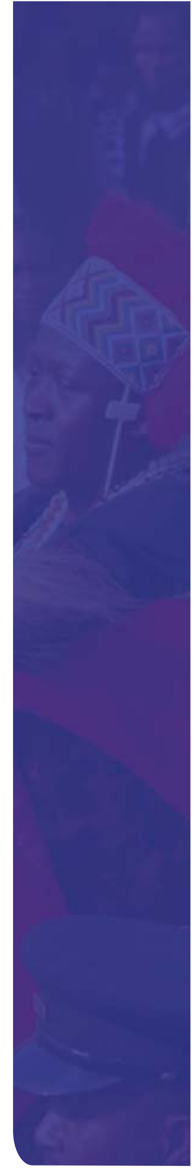
Management determines the appropriate classification for financial instruments on initial recognition of the financial assets and financial liabilities. Financial instruments of the Bank are classified as follows:

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;
- Loans and advances;
- Amounts due from closed financial institutions;
- Items in course of settlement; and
- Other assets.



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

3 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(i) Classification *(continued)*

Financial assets *(continued)*

Financial assets 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.

Financial assets at fair value through profit or loss are those assets that the Bank acquires principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

The Bank has classified all treasury bills held for trading financial assets at fair value through profit or loss except for the treasury bills arising from the November 2007 conversion of a portion of the GRZ consolidated bond and the staff savings treasury bills.

Held -to- maturity

If the Bank has the positive intent and ability to hold debt securities to maturity, then they are classified as 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 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.

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;
- Deposits from the GRZ;
- Deposits from financial institutions; and
- Other deposits.

(ii) Recognition

The Bank recognises all financial assets and financial liabilities on the date at which they are transferred. Regular way purchases and sales of financial assets are recognised on settlement date at which the Bank receives or delivers the financial instrument. From this date any gains or losses arising from changes in fair value of the assets are recognised.

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

3 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(ii) Recognition *(continued)*

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

(iii) Amortised cost measurement

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. The following financial assets are carried at amortised cost:

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

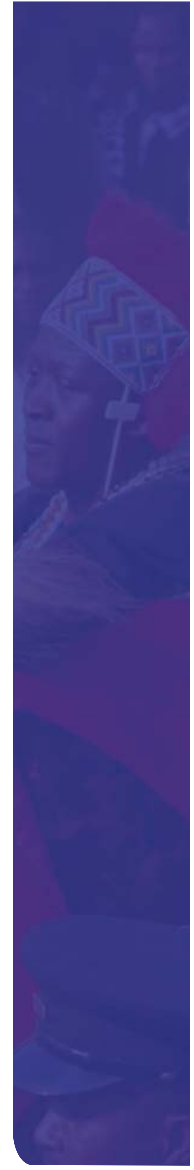
(iv) Fair value measurement

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.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Bank does not hold positions with its financial instruments.



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

3 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(v) Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are 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 ('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.

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.

The Bank first assesses whether objective evidence of impairment exists individually for loans and advances and held to maturity securities that are individually significant, and individually or collectively for those 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.

In assessing collective impairment the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

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.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

3 Significant accounting policies *(continued)*

(e) Financial instruments *(continued)*

(v) Impairment of financial assets *(continued)*

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

(vi) 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.

The Bank writes off certain loans and investment securities when they are determined to be uncollectible.

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

(vii) 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.

(f) Property, plant and equipment

(i) Recognition and measurement

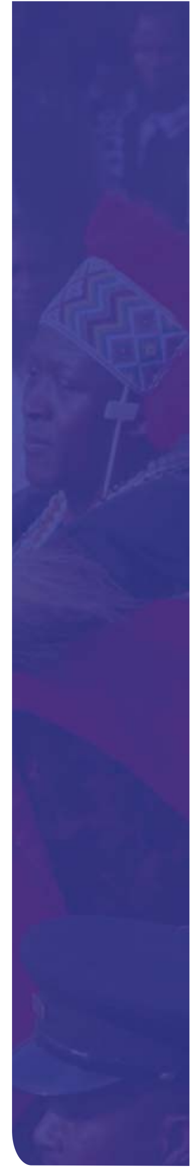
Items of property and equipment are measured at cost or revalued amount less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. 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.



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

3 Significant accounting policies *(continued)*

(f) Property, plant and equipment

(iii) Revaluation surplus

Property, which comprises offices and residential buildings, are subsequently measured at their market value, based on valuation by independent external valuations. The bank revalues its properties after every five years. The market value is based on the depreciated replacement cost since the buildings are considered to be of a specialised nature without an observable reference market price.

The surplus arising on revaluation of property is credited to the revaluation reserve (which is an equity 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.

(iv) 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%
Security systems and other equipment	10 - 20%
Motor vehicles	25%
Computer equipment - hardware	25%
Office equipment	33.3%

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

(v) 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.

(g) Intangible assets - Computer software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to develop software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

3 Significant accounting policies *(continued)*

(g) Intangible assets - Computer software *(continued)*

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three years.

(h) 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.

(i) 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 pre-tax 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 or equity if the revalued properties are impaired to the extent that an equity reserve is available.

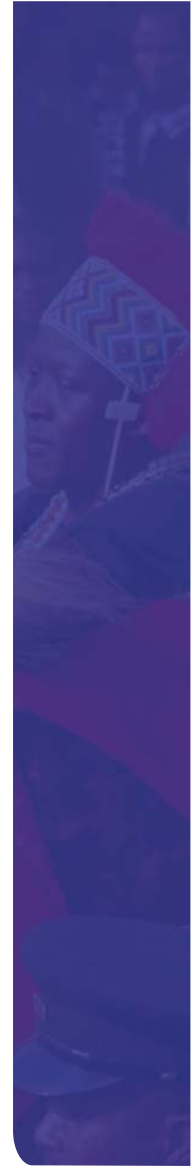
Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only 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.

(j) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Bank contributes to the Statutory Pension Scheme in Zambia, namely National Pension Scheme Authority (NAPSA) where the Bank pays an amount equal to the employees' contributions. Membership, with the exception of expatriate employees is compulsory.



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

3 Significant accounting policies *(continued)*

(j) Employee benefits *(continued)*

(ii) Defined benefit plans

The Bank provides for retirement benefits (i.e. a defined benefit plan) for all permanent employees as provided for in Statutory Instrument No. 119. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Bank's net obligation in respect of its defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets. To determine the net amount in the balance sheet, any unrecognised actuarial gains (losses) not recognised because of the "corridor" approach described below are added (deducted) and unrecognised past service costs are deducted. The discount rate is the yield at the reporting date on the Government bonds that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed after every three years by a qualified actuary using the attained age (projected unit credit) method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to the income statement when they arise. Past-service costs are recognised immediately in the income statement.

When the calculations above result in a benefit to the Bank, the recognised asset is limited to the net total of any cumulative unrecognised actuarial losses and past service costs and the present value of any economic benefits available in the form of any refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Bank if it is realisable during the life of the plan or on settlement of the plan liabilities.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

3 Significant accounting policies *(continued)*

(j) Employee benefits *(continued)*

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus, gratuity or leave days if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Other staff benefits

The Bank also operates a staff loans scheme for its employees for the provision of facilities such as house, car and other personal loans. From time to time, the Bank determines the terms and conditions for granting of the above loans with reference to the prevailing market interest rates and may determine different rates for different classes of transactions and maturities.

In cases where the interest rates on staff loans are below market rates, a fair value calculation is performed using appropriate market rates. The Bank recognises, in the income statement, the resulting staff loan benefit arising as a result of mark to market adjustment, on a straight line basis over the remaining period to maturity (see note 15).

(k) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with other central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

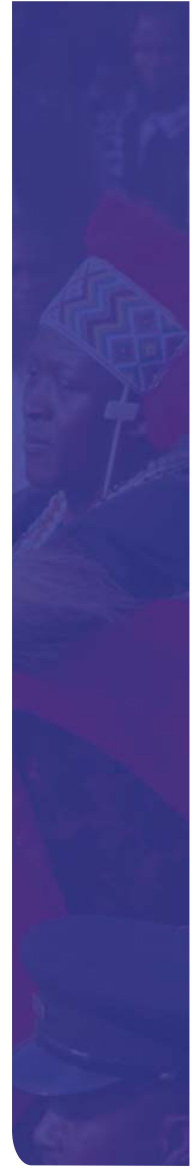
(l) Transactions with the International Monetary Fund ("IMF")

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, 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 No. 1 and No. 2 accounts which appear in the books of the Bank under the heading “Domestic currency liabilities to IMF”.

The Quota is fixed in Special Drawing Rights 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 affected 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.



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

3 Significant accounting policies *(continued)*

(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.

4 Risk management policies

(a) Overview and risk management framework

The Bank has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

In its ordinary operations, the Bank is exposed to various financial and operational risks, which if not 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, the Board has since established a Risk Management Department, whose role is to co-ordinate the Bank-wide framework for risk management and establish risk standards and strategies for the management and mitigation of risks.

The Audit Committee 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 Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Board of Directors has ultimate responsibility for ensuring that sound risk management practices are in place that enables the Bank to 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 disaster.

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.

iv) Maintain risk identification, measurement, treatment and monitoring as well as control systems. Management reviews risk management strategies and ensures that they remain relevant.

v) 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.

vi) 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 2008 *(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.

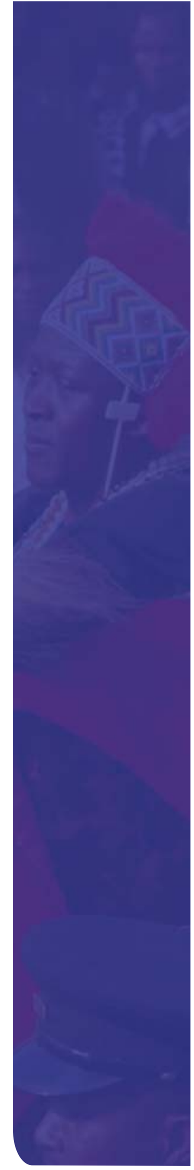
The major issues covered in the credit risk assessment include establishing criteria to determine choice of counter parties to deal with, limiting exposure to a single counter party, reviewing collectability of receivables and determining appropriate credit policies.

Exposure to credit risk

The Bank is exposed to credit risk on all its deposits, investments and its loans and advances portfolios. The credit risk on deposits and investments arise from direct exposure on account of deposit placements, direct issuer exposure with respect to investments including sovereigns, counterparty exposure arising from repurchase transactions, and settlement exposure on foreign exchange or securities counterparties because of time zone differences or because securities transactions are not settled on a delivery versus payment basis.

The Bank invests its reserves in assets that are deemed to have low credit risk such as deposits at other central banks, or deposits at highly rated supranational such as the Bank for International Settlement (BIS) and other typically AAA rated institutions.

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



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(b) Credit risk *(continued)*

Exposure to credit risk

	Note	**Loans and advances to staff**		**Investment securities**		**Other receivables**		**Amounts due to closed financial institutions**	
Carrying amounts	*15 - 20*	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Assets at amortised cost		**38,208**	38,569	**1,966,711**	1,966,277	**23,608**	5,508	-	-
Individually impaired		-	-	-	-	**2,495**	4,757	**137,163**	138,181
Allowance for impairment		-	-	-	-	**(2,495)**	(4,757)	**(137,163)**	(138,181)
Carrying amount	*18 - 19*	-	-	-	-	-	-	-	-
Collectively impaired		-	-	-	-	-	-	-	-
Past due but not impaired		-	-	-	-	-	-	-	-
Neither past due nor impaired		**38,208**	38,569	**1,963,925**	1,963,491	**23,608**	5,508	-	-
Carrying amount	*15 - 19*	**38,208**	38,569	**1,963,925**	1,963,491	**23,608**	5,508	-	-
Available-for-sale (AFS) assets									
Individually impaired		-	-	-	-	-	-	-	-
Allowance for impairment		-	-	-	-	-	-	-	-
Carrying amount	*20*	-	-	-	-	-	-	-	-
Neither past due nor impaired		-	-	**2,786**	2,786	-	-	-	-
Carrying amount	*20*	-	-	**2,786**	2,786	-	-	-	-
Assets at fair value through profit or loss									
Carrying amount at fair value		-	-	-	-	-	-	-	-
Total carrying amount	*15 - 20*	**38,208**	38,569	**1,966,711**	1,966,277	**23,608**	5,508	-	-

(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.

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(b) Credit risk *(continued)*

Exposure to credit risk *(continued)*

(iii) Fixed term deposits *(continued)*

The table below provides credit risk rating information on institutions where the Bank invests its funds:

Currency	Country / Location	Country Ceiling	Correspondent Bank	Bank Short Term	Bank Long Term
EUR	European Union	AAA	BIS Basle account	-	-
EUR	European Union	AAA	Deutsche Bundes bank	-	-
GBP	United Kingdom	AAA	Bank of England	-	A+
GBP	European Union	AAA	BIS Basle account	-	-
SDR	USA	AAA	IMF	-	-
USD	European Union	AAA	BIS Basle account	-	-
USD	USA	AAA	Federal Reserve Bank and Citi New York	-	-
ZAR	South Africa	AAA	Reserve Bank of South Africa	-	-

Institutional credit risk exposure analysis

The table below shows the maximum exposure to credit risk for the financial instruments held.

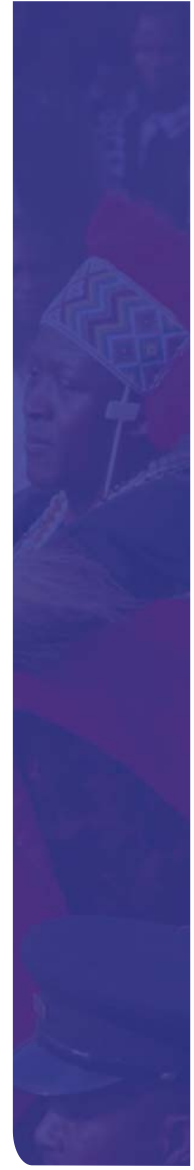
Currency	Credit rating	2008	2007
BIS Fixbis - Euro	A+	**1,179,317**	940,981
BIS Fixbis - USD	A+	**1,672,047**	1,859,370
BIS Fixbis - GBP	A+	**795,185**	584,119
BIS Fixed Term - Euro	A+	**679,386**	-
BIS Fixed Term - USD	A+	**394,728**	151,687
BIS Fixed Term - GBP	A+	**199,198**	91,014
Bank of England	A+	**13,443**	232
Federal Reserve Bank NY	AAA	**328**	1,523
Citibank New York C/A	AA+	**13,648**	21,872
BIS Current account - USD	A+	**116,666**	108,327
BIS Current account - GBP	A+	**10,589**	2,273
BIS Current account - EUR	A+	**71,933**	55,699
Deutsche Bundes Bank Current a/c	-	**429**	1,010
SDR Holdings account	A+	**51,047**	37,147
Reserve Bank of South Africa	-	**40**	110

(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) 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.



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(b) Credit risk *(continued)*

Exposure to credit risk *(continued)*

(v) Staff loans *(continued)*

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. 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 2008 and 2007.

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

	Gross	**Impairment**	**Gross**	**Impairment**
	2008	**2008**	2007	2007
Not past due	**38,208**	-	38,569	-
Past due 0-30 days	**-**	-	-	-
Past due 31-120 days	**-**	-	-	-
More than one year	**-**	-	-	-
Total	**38,208**	-	38,569	-

An estimate of the fair value of collateral held against financial assets is shown below:

	Loans and advances (Note 15)		Other assets(Note 18)	
	2008	2007	**2008**	2007
Against past due but not impaired	**-**	-	**-**	
- Motor vehicles	**-**	-	**-**	778
Against neither past due nor impaired	**20,258**	18,372	**-**	-
- Property	**8,673**	7,617	**-**	-
- Motor vehicles	**15,829**	9,980	**-**	-
- Gratuity and leave days	**44,760**	35,969	**-**	-

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 a reporting date is shown below:

	Loans and advances (Note 15)		Sundry receivables (Note 18)	
	2008	2007	**2008**	2007
Carrying amount	**38,208**	38,569	**16,872**	6,542
Concentration by nature				
- House loans	**17,694**	18,695	**-**	-
- Motor vehicle loans	**8,264**	9,573	**-**	-
- Multi-purpose loans	**6,893**	6,231	**-**	-
- Personal loans	**1,518**	1,744	**-**	-
- Other advances	**3,839**	2,326	**-**	-
- Former staff loans	**-**	-	**2,286**	2,962
- Other	**-**	-	**14,586**	3,580
	38,208	38,569	**16,872**	6,542

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(b) Credit risk *(continued)*

Exposure to credit risk *(continued)*

(vi) Impaired loans and investment debt securities

Impaired loans and securities are loans and advances and investment securities (other than those carried at fair value through profit or loss) for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / investment security agreement(s). Loans and advances and investment debt securities carried at fair value through profit or loss are not assessed for impairment but are subject to the same internal grading system.

(vii) Allowances for impairment

The Bank establishes a specific allowance for impairment losses on assets carried at amortised cost or classified as available for sale that represents its estimate of incurred losses in its loan and investment security portfolio. The only component of this allowance is a specific loss component that relates to individually significant exposures. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

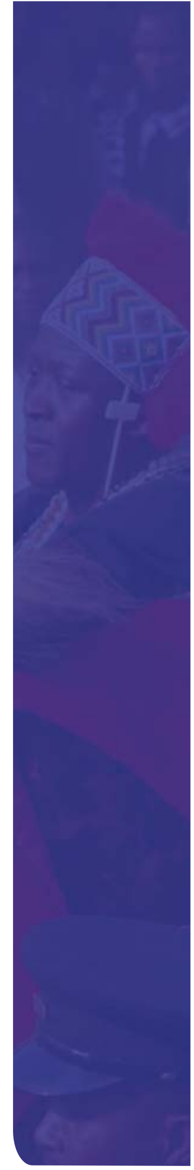
(viii) Write-off policy

The Bank writes off a loan or investment security balance, and any related allowances for impairment losses, when the Bank Investment Committee determines that the loan or security is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance loans, write-off decisions generally are based on a product specific past due status.

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



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(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 2008.

Residual contractual maturities of financial liabilities

	On demand	Due within 3 months	Due Between 3 - 12 Months	Due Between 1 5 years	Due after 5 years	Total Carrying Amounts
31 December 2008						
Non-derivative liabilities						
Deposits from the Government	**1,340,637**	-	-	-	-	**1,340,637**
Deposits from financial institutions	**2,657,260**	-	-	-	-	**2,657,260**
Foreign currency liabilities to other Institutions	**98,536**	-	-	-	-	**98,536**
Other deposits	**21,556**	-	-	-	-	**21,556**
Other liabilities	-	-	**72,001**	-	-	**72,001**
Domestic currency liabilities to IMF	**2,824,220**	-	-	-	-	**2,824,220**
Foreign currency liabilities to IMF	**464,285**	-	-	-	-	**464,285**
Notes and coins in circulation	**1,934,426**	-	-	-	-	**1,934,426**
Total non-derivative liabilities	**9,340,920**	-	**72,001**	-	-	**9,412,921**

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(d) Liquidity risk *(continued)*

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						
Deposits from the Government	1,951,177	-	-	-	-	1,951,177
Deposits from financial institutions	2,066,714	-	-	-	-	2,066,714
Foreign currency liabilities to other					-	
institutions	90,724	-	-	-	-	90,724
Other deposits	29,616	-	-	-	-	29,616
Other liabilities	-	-	47,816	-	-	47,816
Domestic currency liabilities to IMF	3,085,870	-	-	-	-	3,085,870
Foreign currency liabilities to IMF	334,023	-	-	-	-	334,023
Notes and coins in circulation	1,515,151	-	-	-	-	1,515,151
Total non-derivative liabilities	9,073,275	-	47,816	-		9,121,091

(e) Market risk

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

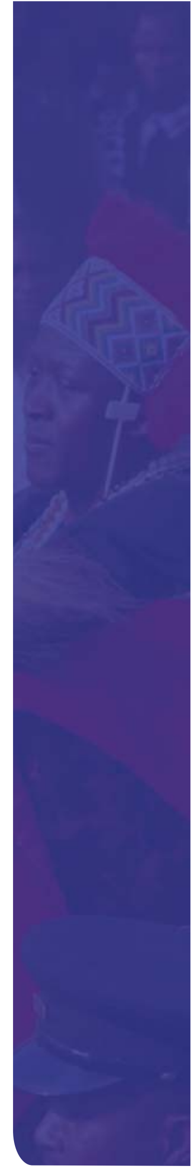
The Bank sets its strategy and tactics on the level of market risk that is acceptable and how it would be managed through the Investment Committee. The major thrust of the strategy has been to achieve a sufficiently diversified portfolio of foreign currency investments to reduce currency risk and induce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

(i) Exposure to 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.



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(e) Market risk *(continued)*

(i) Exposure to currency risk *(continued)*

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 2008 was as shown in the table below.

	USD	GBP	EUR	SDR	Other	Total
At 31 December 2008						**Kwacha**
Foreign currency assets						
Foreign currency cash and bank accounts	**2,199,515**	**1,019,341**	**1,932,355**	**51,617**	**50**	**5,202,878**
IMF Subscriptions	**-**	**-**	**-**	**2,824,220**	**-**	**2,824,220**
Total foreign currency assets	**2,199,515**	**1,019,341**	**1,932,355**	**2,875,837**	**50**	**8,027,098**
Foreign currency liabilities						
Foreign currency liabilities to other institutions	**78,704**	**313**	**16,393**	**3,125**	**-**	**98,535**
Foreign currency liabilities to IMF	**-**	**-**	**-**	**464,285**	**-**	**464,285**
Total foreign currency liabilities	**78,704**	**313**	**16,393**	**467,410**	**-**	**562,820**
Net exposure	**2,120,811**	**1,019,028**	**1,915,962**	**2,408,427**	**50**	**7,464,278**

	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	**2,422,140**	**678,021**	**946,747**	**2,759,411**	**118**	**6,806,437**

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

	Reporting date Spot rate	
	2008	2007
	ZMK	ZMK
USD 1	4,800.36	3,843.98
GBP 1	6,958.60	7,644.32
EUR 1	6,767.57	5,579.76

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(e) Market risk *(continued)*

(i) Exposure to currency risk *(continued)*

Foreign currency sensitivity

The following table illustrates a 12 percent strengthening 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 2007.

Effect in millions of Kwacha

	Equity	Income statement
	ZMK	ZMK
31 December 2008		
USD	-	**(263,809)**
GBP	-	**(122,328)**
EUR	-	**(231,983)**
	Equity	Income statement
	ZMK	ZMK
31 December 2007		
USD	-	(290,657)
GBP	-	(81,400)
EUR	-	(113,609)

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

(ii) Exposure to 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 2008 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(e) Market risk *(continued)*

(ii) Exposure to interest rate risk

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 table below 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.

	Less than 3 months	Between 3 months & one year	Over 1 year	Non interest Bearing	Total
At 31 December 2008					
Assets					
Domestic cash in hand	**-**	**-**	**-**	**2,566**	**2,566**
Foreign currency cash and bank accounts	**5,201,065**	**-**	**-**	**1,813**	**5,202,878**
Items in course of settlement	**-**	**-**	**-**	**5,296**	**5,296**
Loans and advances	**-**	**1,491**	**33,938**	**2,779**	**38,208**
Held to maturity financial assets	**-**	**631,544**	**1,332,381**	**-**	**1,963,925**
Other assets	**-**	**-**	**-**	**23,608**	**23,608**
Available for sale investments	**-**	**-**	**939**	**1,847**	**2,786**
IMF funds receivable from Government	**-**	**-**	**-**	**85,311**	**85,311**
IMF Subscriptions	**-**	**-**	**-**	**2,824,220**	**2,824,220**
Total financial assets	**5,201,065**	**633,035**	**1,367,258**	**2,947,440**	**10,148,798**
Liabilities					
Deposits from the Government	**-**	**-**	**-**	**1,340,637**	**1,340,637**
Deposits from financial institutions	**-**	**-**	**-**	**2,657,260**	**2,657,260**
Foreign currency liabilities to other Institutions	**-**	**-**	**-**	**98,536**	**98,536**
Other deposits	**19,049**	**-**	**-**	**2,507**	**21,556**
Other liabilities	**-**	**-**	**-**	**72,001**	**72,001**
Domestic currency liabilities to IMF	**-**	**-**	**-**	**2,824,220**	**2,824,220**
Foreign currency liabilities to IMF	**-**	**-**	**-**	**464,285**	**464,285**
Notes and coins in circulation	**-**	**-**	**-**	**1,934,426**	**1,934,426**
Total financial liabilities	**19,049**	**-**	**-**	**9,393,872**	**9,412,921**
Net exposure at 31 December 2008	**5,182,016**	**633,035**	**1,367,258**	**(6,446,432)**	**735,877**

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

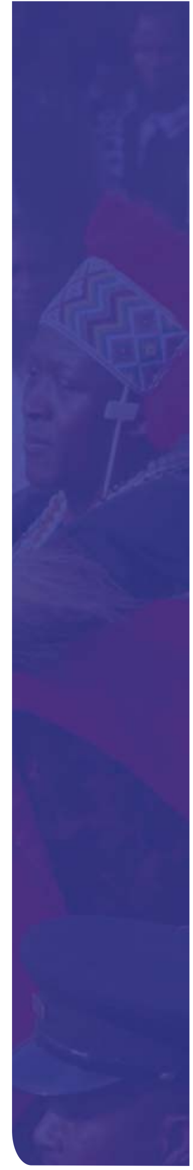
4 Risk management policies *(continued)*

(e) Market risk *(continued)*

(ii) Exposure to interest rate risk *(continued)*

	Less than 3 Months	Between 3 Months & one year	Over 1 year	Non interest bearing	Total
At 31 December 2007					
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

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 2008 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(f) 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 sheets.

	Carrying Amount 2008	Fair value 2008	Carrying Amount 2007	Fair value 2007
Assets				
Domestic cash in hand	**2,566**	**2,566**	1,747	1,747
Foreign currency cash and bank accounts	**5,202,878**	**5,202,878**	4,145,314	4,145,314
Items in course of settlement	**5,296**	**5,296**	40,609	40,609
Loans and advances	**38,208**	**34,975**	38,569	35,054
Held to maturity financial assets	**1,963,925**	**1,963,925**	1,963,491	1,963,491
Other assets	**23,608**	**23,608**	5,508	5,508
Available for sale investments	**2,786**	**2,786**	2,786	2,786
IMF funds receivable from Government	**85,311**	**85,311**	68,837	68,837
IMF Subscriptions	**2,824,220**	**2,824,220**	3,085,870	3,085,870
Total financial assets	**10,148,798**	**10,145,893**	**9,352,731**	**9,349,216**
Liabilities				
Deposits from the Government	**1,340,637**	**1,340,637**	1,951,177	1,951,177
Deposits from financial institutions	**2,657,260**	**2,657,260**	2,066,714	2,066,714
Foreign currency liabilities to other institutions	**98,536**	**98,536**	90,724	90,724
Other deposits	**21,556**	**21,556**	29,616	29,616
Other liabilities	**72,001**	**72,001**	47,816	47,816
Domestic currency liabilities to IMF	**2,824,220**	**2,824,220**	3,085,870	3,085,870
Foreign currency liabilities to IMF	**464,285**	**464,285**	334,023	334,023
Notes and coins in circulation	**1,934,426**	**1,934,426**	1,515,151	1,515,151
Total financial liabilities	**9,412,921**	**9,412,921**	**9,121,091**	**9,121,091**

(g) 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.

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

4 Risk management policies *(continued)*

(g) Management of capital *(continued)*

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

	Notes	2008	2007
Capital	37	**10,020**	10,020
General reserve fund	38	**92,588**	42,490
SDR allocation	38	**246,897**	246,897
Property revaluation reserve	38	**144,459**	147,684
Retained earnings/ (Accumulated loss)	38	**420,958**	(33,150)
Total		**914,922**	413,941

5 New standards and interpretations not yet adopted

The Bank has considered all standards and interpretations issued but not yet effective at 31 December, 2008. All interpretations and amendments to some standards not yet effective for the year ended 31 December 2008 have not been applied in preparing these financial statements.

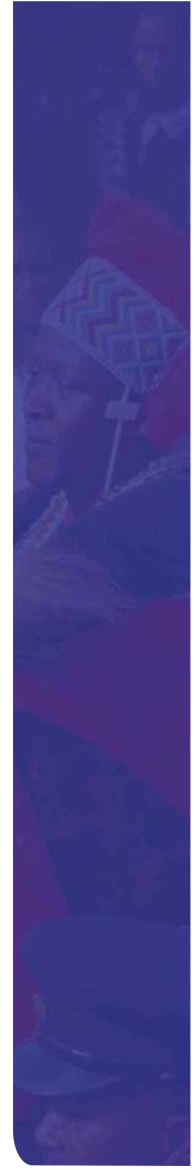
- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 becomes mandatory for the Bank's 2009 financial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

- Amendment to IFRS 2 Share-based Payment Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Bank's 2009 financial statements, with retrospective application. The Amendment to IFRS 2 is not expected to have any impact on the Bank's 2009 financial statements.

- Revised IFRS 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Bank's operations:
  - The definition of a business has been broadened, which may result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognised in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

  Revised IFRS 3, which becomes mandatory for the Bank's 2010 financial statements, will be applied prospectively. The revised IFRS 3 is not expected to have any impact on the Bank's 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 a change in the presentation and disclosure of segment information based on the internal reports that are 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 Bank's financial statements.



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

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

- Revised IAS 1 Presentation of Financial Statements (2007) introduces the term "total comprehensive income," which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Bank's 2009 financial statements, is expected to have a significant impact on the presentation of the financial statements as the Bank plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 financial statements.

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. 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 requirements, 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 Bank's financial statements.

- Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Bank loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Bank's 2010 financial statements are not expected to have a significant impact on the financial statements.

- Amendments to IAS 32 and IAS 1 Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Bank's 2009 financial statements with retrospective application required are not expected to have any significant impact on the financial statements.

- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2009 financial statements. The Bank does not expect these amendments to have any significant impact on the financial statements.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged Items clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Bank's 2010 financial statements, with retrospective application required. This Amendment to IAS 39 is not expected to have any impact on the Bank's 2010 financial statements.

- IFRIC 15 Agreements for the Construction of Real Estate addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. Agreements within the scope of IFRIC 15 are described as 'agreements for the construction of real estate', and may include the delivery of other goods or services. IFRIC 15 addresses two (related) issues:
  - determining whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue; and
  - when revenue from the construction of real estate should be recognised.

  IFRIC 15, which becomes mandatory for the Bank's 2009 financial statements, is not expected to have any impact on the Bank's financial statements.

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

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

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation clarifies that:
  - net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation.
  - the hedging instrument may be held by any entity within the Bank except the foreign operation that is being hedged.
  - on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.

The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. IFRIC 16, which becomes mandatory for the Bank's 2009 financial statements, is not expected to have any impact on the Bank's financial statements.

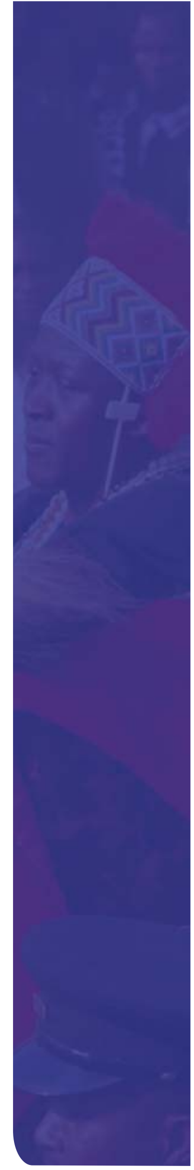
6 Net interest income

	2008	2007
Interest income		
Interest on held to maturity Government securities	**177,928**	152,502
Interest on loans and receivables	**3,062**	2,962
Interest on foreign currency investments and deposits	**129,101**	163,631
Total interest income	**310,091**	319,095
Interest expense		
Interest paid on open market operations	**119,519**	82,883
Interest paid on staff savings	**1,761**	1,125
Total interest expense	**121,280**	84,008
Net interest income	**188,811**	235,087

No interest is paid on deposits from financial institutions, GRZ and foreign currency liabilities to other institutions.

7 Net fee and commission income

	2008	2007
Fee and commission income		
Fees and commission income on transactions with the Government	**19,694**	15,943
Supervision fees	**17,935**	12,316
Penalties	**1,768**	4,556
Licences and registration fees	**847**	730
Other	**2,313**	1,590
Fees and commission income	**42,557**	35,135
Fee and commission expense		
Fees and commission paid on foreign exchange transactions	**105**	80
Net fee and commission income	**42,452**	35,055



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

8 Other operating income/(expense)

	2008	2007
Dividend on available for sale investments	**-**	152
Realised foreign exchange gains	**147,624**	58,404
Unrealised foreign exchange gains/(losses)	**476,369**	(339,886)
Rental income	**886**	953
Profit on disposal of property, plant and equipment	**28**	1,163
Other income	**14,269**	1,566
	639,176	(277,648)

Other income includes ZK10 billion representing under accrual of income from the Bank's management of the Apex Unit of the World Bank's Multi-purpose Credit Facility. The under accrual was due to the non-availability of the signed contract for the management of the Apex Unit.

9 Impairment losses

	Amounts due from closed banks (Note 19)	**Other assets (Note 18)**	**Available for sale Investments (note 20)**	**Total**
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
At 1 January 2008	138,181	4,757	53	142,991
Impairment loss for the year				
- Charge for the year	**33**	**-**	**-**	**33**
- Reversal during the year	**(1,051)**	**(2,262)**	**(53)**	**(3,366)**
	(1,018)	**(2,262)**	**(53)**	**(3,333)**
Balance at 31 December 2008	**137,163**	**2,495**	**-**	**139,658**

10 Personnel expenses

	2008	2007
Wages and salaries	**115,560**	100,118
Employer's pension contributions	**14,184**	13,069
Employer's NAPSA contributions	**2,218**	2,079
Other employee costs	**112,146**	87,928
Staff loan benefit	**560**	-
	244,668	203,194

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

11 Other expenses

	2008	2007
Administrative expenses	**62,683**	42,395
Repairs and maintenance costs	**8,937**	7,870
Expenses for bank note production	**56,755**	37,058
Other banking office expenses	**18**	11
	128,393	87,334

12 Income tax

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

13 Foreign currency cash and bank accounts

	2008	2007
Current account balances with non-resident banks	**212,836**	472,931
Clearing correspondent accounts with other central banks	**14,240**	2,875
Foreign currency cash with banking office	**1,813**	1,005
Deposits with non-resident banks	**4,922,372**	3,631,102
Special Drawing Rights (“SDR's”)	**51,617**	37,401
	5,202,878	4,145,314

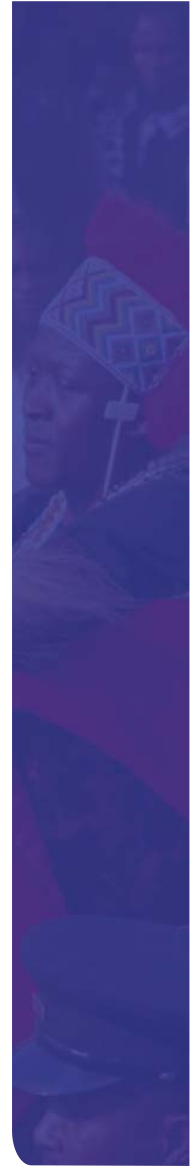
14 Items in course of settlement

Items in the course of settlement represent a claim on credit institutions in respect of cheques lodged in the Bank by its customers on the last business day of the year and presented to the Bank on or after the first business day of the new year.

	2008	2007
Settlement position at the clearing house	**5,296**	40,609

15 Loans and advances

	2008	2007
Staff loans benefit at market value	**3,233**	3,515
Staff loans	**31,963**	32,728
Total staff loans	**35,196**	36,243
Staff advances	**3,012**	2,326
Total staff loans and advances	**38,208**	38,569



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

15 Loans and advances *(continued)*

Movement in staff loans benefit

	2008	2007
Balance at 1 January	**3,515**	3,181
Current year fair value adjustment of new loans	**278**	334
	3,793	3,515
Amortised to income statement	**(560)**	-
Balance at 31 December	**3,233**	3,515

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.

Where staff loans are issued to members of staff at concessionary interest rates, fair value is calculated based on market rates. This will result in the long term staff loans benefit as shown above.

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

	2008	2007
House loans	**10%**	10%
Multi-purpose loans	**12.5%**	12.5%
Personal loans	**10%**	10%

16 Held to maturity financial assets

	2008	2007
The Government of the Republic of Zambia ("GRZ") Consolidated Securities (Note 17)	**1,656,416**	1,661,494
Other GRZ securities	**299,593**	297,555
Staff savings treasury bills	**7,916**	4,442
	1,963,925	1,963,491

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

	2008	2007
6% GRZ Consolidated Bond	**1,122,396**	1,121,892
364 days Treasury Bills	**534,020**	539,602
	1,656,416	1,661,494

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

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

Effective 1 December 2007 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.

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

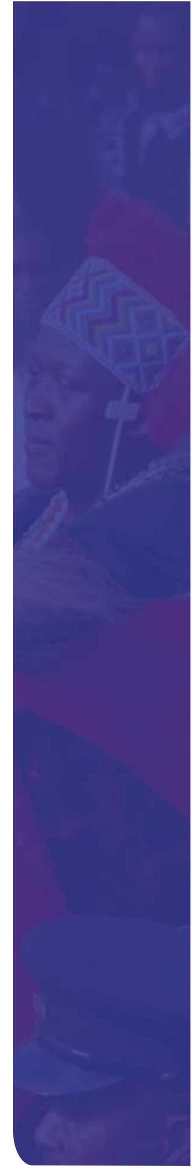
The bond is carried at amortised cost at an effective interest rate of 6.04%. The bond is also reviewed regularly for any impairment.

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 income statement.

18 Other assets

	2008	2007
Sundry receivables	**16,872**	6,542
Stationery and office consumables	**1,055**	1,168
Prepayments	**8,176**	2,555
	26,103	10,265
Specific allowances for impairment (note 9)	**(2,495)**	(4,757)
	23,608	5,508

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



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

19 Amounts due from closed financial institutions

	2008	2007
Overdrawn current accounts	**78,161**	78,161
Other credits to other financial institutions	**59,002**	60,020
	137,163	138,181
Specific allowances for impairment (note 9)	**(137,163)**	(138,181)
	-	-

20 Available for sale investments

	2008	2007
Zambia Electronic Clearing House Limited	**1,847**	1,847
African Export Import Bank	**939**	939
Development Bank of Zambia	**-**	53
	2,786	2,839
Specific allowance for impairment (note 9)	**-**	(53)
	2,786	2,786

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. The contributions made by the Bank during the year of K38 million (2007: K45 million) 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 had an equity investment of K53 million in DBZ. This investment was considered an available for sale financial asset. It was carried at cost, as there was 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 impaired the balance in full, and during the year, following Board approval, the full amount was written off.

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

20 Available for sale investments *(continued)*

Valuation for available for sale investments

The available for sale investments are disclosed at cost because there is no market for these investments which could provide evidence of their current fair values.

21 IMF funds receivable from the Government

	2008	2007
Poverty Reduction and Growth Facility (PRGF)*	**83,472**	66,295
Accrued charges - SDR Allocation	**1,839**	2,542
	85,311	68,837

* Formerly Enhanced Structural Adjustment Facility (ESAF) obligations.

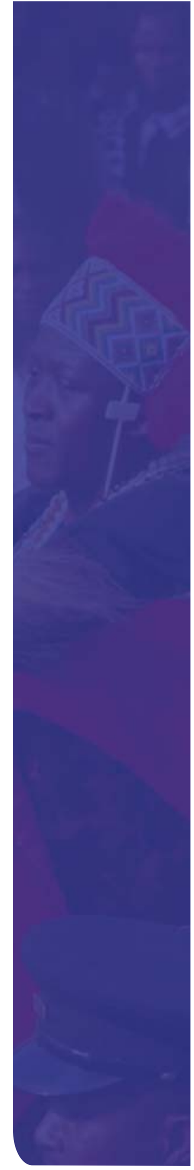
This represents funds drawn by the Government of the Republic of Zambia against the IMF PRGF facility (Note 34).

22 IMF subscription

	2008	2007
IMF subscription	**2,824,220**	3,085,870

The IMF subscription represents membership quota amounting to SDR 489,100,000 (2007: 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 33. 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 2008 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.



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

23 Property, plant and equipment

	Leasehold Buildings	Furniture Fittings Computer, Plant, Machinery and Equipment	Motor Vehicles	Capital Work In Progress	Total
Cost or valuation					
At I 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)
Write off	-	-	-	(90)	(90)
31 December 2007	164,233	54,303	12,239	8,091	238,866
At I January 2008	**164,233**	**54,303**	**12,239**	**8,091**	**238,866**
Additions	**235**	**7,820**	**2,794**	**20,390**	**31,239**
Transfers	**2,886**	**21,402**	**42**	**(24,742)**	**(412)**
Disposals	**(19)**	**(1,368)**	**(487)**	**-**	**(1,874)**
31 December 2008	**167,335**	**82,157**	**14,588**	**3,739**	**267,819**
Depreciation					
At I 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)
Write off	-	-	2	-	2
At 31 December 2007	11,142	34,141	9,117	-	54,400
At 1 January 2008	**11,142**	**34,141**	**9,117**	**-**	**54,400**
Charge for the year	**3,304**	**6,665**	**1,825**	**-**	**11,794**
Disposals	**(5)**	**(1,313)**	**(487)**	**-**	**(1,805)**
At 31 December 2008	**14,441**	**39,493**	**10,455**	**-**	**64,389**
Carrying amounts					
At 31 December 2008	**152,894**	**42,664**	**4,133**	**3,739**	**203,430**
At 31 December 2007	153,091	20,162	3,122	8,091	184,466

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

23 Property, plant and equipment *(continued)*

(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.

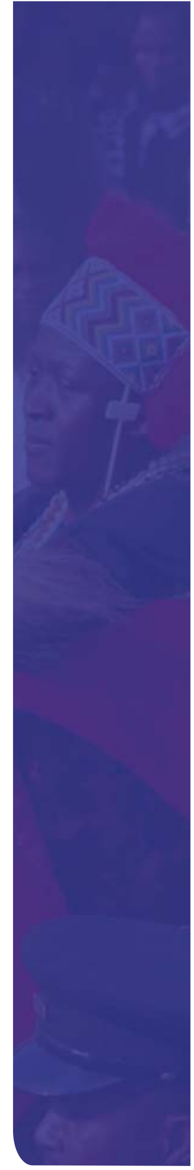
(b) Capital work-in-progress represents the expenditure to date on office refurbishment and software upgrade projects.

24 Intangible assets

	Purchased Software
Cost	
At 1 January 2007	19,853
Additions	1,023
Transfers from capital work in progress	63
At 31 December 2007	20,939
At 1 January 2008	**20,939**
Additions	**2,470**
Transfers from capital work in progress	**413**
At 31 December 2008	**23,822**
Amortisation and impairment	
At 1 January 2007	16,637
Charge for the year	2,467
At 31 December 2007	19,104
At 1 January 2008	**19,104**
Charge for the year	**1,698**
At 31 December 2008	**20,802**
Carrying amounts	
At 31 December 2008	**3,020**
At 31 December 2007	1,835

25 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.



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

26 Capital commitments

	2008	2007
Authorised by the directors but not contracted for	**34,648**	41,526

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

27 Deposits from the Government of the Republic of Zambia

	2008	2007
Deposits of the Ministry of Finance and National Planning	**1,340,637**	1,951,177

The deposits are non-interest bearing and are payable on demand.

28 Deposits from financial institutions

	2008	2007
Commercial bank current accounts	**497,130**	145,036
Minimum reserve requirements	**951,258**	856,359
Term deposits from financial institutions	**1,207,007**	1,063,246
Deposits of banks in liquidation	**1,468**	1,476
Deposits from other international financial institutions	**363**	563
Deposits from other central banks	**34**	34
	2,657,260	2,066,714

The deposits, except for term deposits are non interest bearing and are payable on demand. Term deposits from financial institutions arise from Open Market Operations (OMO). These are short term instruments with maximum maturity of up to 90 days and are used as means of implementing monetary policy.

29 Foreign currency liabilities to other institutions

	2008	2007
Deposits from other governments	**98,536**	90,724

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

30 Other deposits

	2008	2007
Staff savings, deposits and clearing accounts	**21,389**	29,322
Other savings and deposits	**167**	294
	21,556	29,616

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

31 Other liabilities

	2008	2007
Accrued expenses payable	**54,410**	33,001
Accounts payable	**17,591**	14,815
	72,001	47,816

32 Provisions

	Provision for Litigation
Balance at 1 January 2007	2,890
Provisions made during the year	1,110
Payments made during the year	-
Balance at 31 December 2007	4,000
Balance at 1 January 2008	**4,000**
Provisions made during the year	**23,525**
Payments made during the year	**(120)**
Balance at 31 December 2008	**27,405**

The provisions are in respect of various legal cases currently being contested by the Bank in the courts of law.

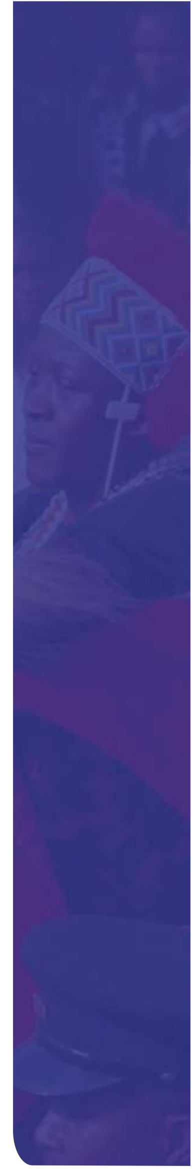
33 Domestic currency liabilities to IMF

	2008	2007
International Monetary Fund:		
Securities account	**2,816,397**	3,078,033
No. 1 account	**7,713**	7,713
No. 2 account	**110**	124
	2,824,220	3,085,870

The above liability arises from IMF Quota subscriptions (Note 22) and has no repayment terms and bears no interest. The decrease in value is on currency valuation adjustments between 2008 and 2007 as advised by IMF.

34 Foreign currency liabilities to IMF

	2008	2007
Due to the International Monetary Fund:		
- Poverty Reduction and Growth Facility (PRGF) (Note a)	**462,446**	331,481
- Charges on SDR allocation (Note b)	**1,839**	2,542
	464,285	334,023



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

34 Foreign currency liabilities to IMF *(continued)*

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 bears an interest rate of one-half per centum. The balance has increased on account of additional receipt of funds and exchange rate movements during the year.

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.

35 Employee benefits

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 valuation 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 was paid in full to the fund.

Since the last actuarial valuation was performed in 2006, the Bank has made approximations of the present value obligation of the defined benefit fund as at the balance sheet date. This is based on the assumptions made in the last actuarial valuation report.

	2008	2007
Present value of unfunded obligations	**-**	-
Present value of funded obligations	**213,070**	187,176
Total present value of obligations	**213,070**	187,176
Fair value of plan assets	**(212,911)**	(196,017)
Unrecognised (obligation)/plan asset	**(159)**	8,841
Recognised liability for defined benefit obligations	**-**	-

Plan assets consist of the following:

	2008	2007
Equity securities	**9,639**	11,846
Government bonds	**115,989**	95,027
Corporate bonds	**3,826**	2,000
Treasury bills	**41,447**	33,356
Investment properties	**28,729**	30,133
Other assets	**13,281**	23,655
Total plan assets	**220,284**	196,017

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

35 Employee benefits *(continued)*

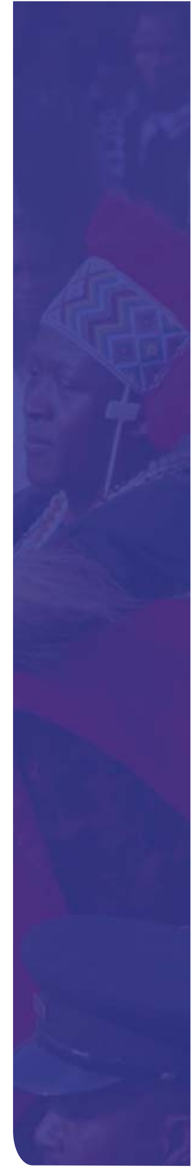
Movement in the present value of the defined benefit obligations	2008	2007
Defined benefit obligations at 1 January	**187,176**	155,374
Benefits paid by the plan	**(16,742)**	(5,233)
Current service costs and interest	**42,636**	37,035
Defined benefit obligations at 31 December	**213,070**	187,176

Movement in the present value of plan assets	2008	2007
Fair value of plan assets at 1 January	**196,017**	143,874
Contributions paid into the plan	**18,805**	28,878
Benefits paid by the plan	**(16,742)**	(5,233)
Expected return on plan assets	**29,557**	23,354
Unrecognised actuarial (loss) or gains	**(14,726)**	5,144
Fair value of plan assets at 31 December	**212,911**	196,017
Actual return on plan assets	**24,498**	14,831

Actuarial assumptions

Principle actuarial assumptions at the balance sheet date were:

	2008	2007
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 2008 *(continued)*

In millions of Zambian Kwacha

36 Notes and coins in circulation

	2008	2007
Bank notes issued by denomination		
K20	**714**	702
K50	**3,498**	3,129
K100	**8,096**	7,210
K500	**20,537**	18,307
K1,000	**28,370**	23,938
K5,000	**41,992**	38,373
K10,000	**131,613**	100,154
K20,000	**507,947**	485,699
K50,000	**1,191,433**	837,413
Bank notes issued	**1,934,200**	1,514,925
Coins issued	**226**	226
	1,934,426	1,515,151

37 Capital

	2008	2007
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.

38 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.

Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

38 Reserves *(continued)*

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.

39 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 2008 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.

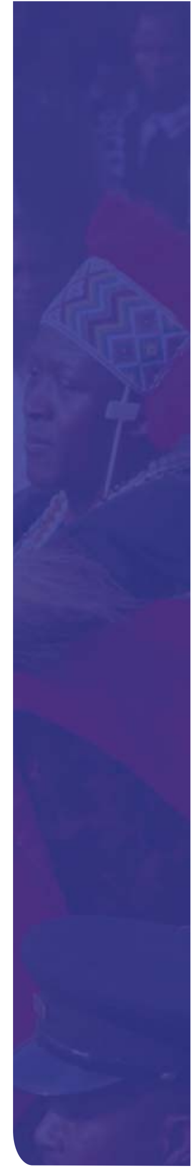
Transactions and balances with the Government of the Republic of Zambia

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:

	2008	2007
Profit on foreign exchange transactions	**5,569**	3,685
Fees and commission income on transactions with the Government	**19,694**	15,453
Interest on held to maturity Government securities	**177,424**	150,030
Interest on advances to GRZ	**101**	-
Total	**202,788**	169,168

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



Bank of Zambia

Notes for the year ended 31 December 2008 *(continued)*

In millions of Zambian Kwacha

39 Related party transactions *(continued)*

Transactions and balances with the Government of the Republic of Zambia *(continued)*

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

	2008	2007
GRZ - year end balances		
Holdings of Government securities	**1,967,925**	1,963,491
Deposits from Government Institutions	**(1,340,637)**	(1,951,177)

Transactions and balances with directors and key management

c) Directors' and key management remuneration during the year was as follows

Directors' and key management remuneration		
Directors' fees	**296**	251
Remuneration for key management personnel		
● Salaries and allowances	**16,697**	14,973
● Pension contributions	**802**	631
	17,795	15,855
Loans and advances to key management personnel		
Balance at 31 December	**1,642**	2,819

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

40 Contingent liabilities

The Bank is a party to various litigation cases whose ultimate resolution, in the opinion of the Directors, is not expected to materially affect the operations of the Bank. In a majority of cases the possibility of loss is remote.

41 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 staff loans and receivables on note 15.

42 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.

10.0 2008 ANNUAL STATISTICAL REPORT

TABLE NO. **DESCRIPTION** **Page**

*2007 numbers may differ from those published in 2007 Annual Report as these were preliminary while 2008 Annual Report presents final numbers for all the years.

MONETARY SURVEY (IN MILLIONS OF KWACHA)

TABLE 1

Monetary Account/Period	2006 December	2007 December	2008 January	February	March	April	May	June	July	August	September	October	November	December
NET FOREIGN ASSETS	**3,887,665**	**5,023,122**	**5,163,901**	**4,725,679**	**4,939,938**	**5,066,459**	**5,155,860**	**4,572,243**	**5,606,407**	**4,901,812**	**4,535,508**	**5,700,716**	**5,382,624**	**5,551,234**
Foreign assets (BOZ)	5,559,756	7,250,652	7,235,947	7,190,089	7,482,969	7,597,833	7,178,305	7,053,327	7,826,554	7,497,338	7,351,760	8,149,507	7,978,079	8,047,625
o/w: IMF	2,483,658	3,123,697	3,123,974	3,120,012	3,137,016	3,133,815	2,868,901	2,865,209	2,869,389	2,865,353	2,865,798	2,876,092	2,872,320	2,875,838
Foreign assets (banks)	1,838,533	2,339,236	2,492,340	2,341,038	2,044,926	2,020,038	2,419,585	1,935,110	2,358,284	2,033,770	1,909,122	2,358,756	2,262,071	2,539,169
Foreign liabilities (BOZ)	-2,767,681	-3,442,937	-3,445,452	-3,405,662	-3,424,731	-3,400,601	-3,126,913	-3,142,838	-3,177,966	-3,162,502	-3,165,176	-3,264,845	-3,264,514	-3,322,202
o/w: IMF	-2,607,730	-3,352,180	-3,354,609	-3,349,803	-3,352,669	-3,331,511	-3,065,436	-3,080,711	-3,112,852	-3,102,449	-3,105,133	-3,190,022	-3,180,467	-3,221,295
Foreign liabilities (banks)	-742,943	-1,123,829	-1,118,934	-1,399,786	-1,163,225	-1,150,811	-1,315,117	-1,273,356	-1,400,465	-1,466,794	-1,560,198	-1,542,702	-1,593,012	-1,713,358
DOMESTIC ASSETS	**4,538,776**	**5,610,939**	**5,472,182**	**5,556,836**	**5,318,358**	**5,131,852**	**5,630,010**	**6,237,397**	**5,731,369**	**6,458,061**	**6,629,220**	**7,040,269**	**7,376,752**	**7,440,501**
DOMESTIC CREDIT	6,469,046	7,616,607	7,644,299	7,569,991	7,390,573	6,932,272	7,489,420	7,749,267	7,697,880	8,002,806	8,299,548	9,151,132	9,966,242	10,536,232
Net Claims on General Government	2,474,646	1,861,453	1,629,048	1,537,891	1,188,744	722,612	1,047,600	1,229,928	815,331	865,166	1,000,576	1,212,542	1,907,122	2,311,668
Claims on government (BOZ)	1,941,618	1,944,215	1,941,494	1,938,901	1,945,667	1,946,655	1,952,020	1,950,129	1,950,012	1,950,012	1,955,696	1,950,298	1,949,250	1,950,036
Claims on government (banks)	2,102,848	2,496,823	2,531,443	2,472,627	2,558,581	2,454,206	2,607,365	2,721,680	2,577,306	2,436,296	2,374,007	2,187,265	2,577,577	2,570,100
Government deposits at BOZ	-1,036,523	-1,956,823	-2,336,315	-2,418,824	-2,794,510	-3,121,658	-2,993,710	-2,953,367	-3,070,201	-2,780,964	-2,559,651	-2,200,573	-2,031,861	-1,377,776
Government deposits at banks	-533,297	-622,762	-507,574	-454,815	-520,993	-556,592	-518,076	-488,514	-641,786	-740,177	-769,476	-724,448	-587,845	-830,691
Claims on public enterprises	224,415	378,545	353,322	323,042	284,010	238,567	207,157	162,866	156,531	146,317	148,457	148,519	148,035	147,545
Claims on public enterprises (BOZ)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on public enterprises (banks)	224,415	378,545	353,322	323,042	284,010	238,567	207,157	162,866	156,531	146,317	148,457	148,519	148,035	147,545
Claims on private enterprises	3,054,686	4,309,122	4,189,259	4,076,678	4,276,250	3,913,914	4,005,271	4,073,226	4,399,505	4,564,377	4,693,963	5,332,392	5,285,218	5,455,233
Claims on private enterprises (BOZ)	16,059	18,151	6,820	10,094	11,259	14,349	16,515	16,514	17,847	18,481	20,011	21,213	22,845	5,962
Claims on private enterprises (banks)	3,038,626	4,290,971	4,182,439	4,066,584	4,264,990	3,899,565	3,988,756	4,056,712	4,381,658	4,545,896	4,673,951	5,311,179	5,262,373	5,449,271
Claims on households	625,392	942,615	1,368,713	1,554,413	1,520,273	1,930,046	2,056,831	2,138,954	2,172,196	2,276,218	2,333,547	2,345,881	2,489,546	2,492,545
Claims on households (BOZ)	41,713	37,935	37,156	37,553	36,613	36,578	37,457	36,562	37,168	38,031	37,912	37,976	38,600	38,959
Claims on households (banks)	583,679	904,680	1,331,557	1,516,859	1,483,660	1,893,468	2,019,374	2,102,392	2,135,027	2,238,187	2,295,634	2,307,906	2,450,947	2,453,586
Claims on nongovernment/nonprofit inst.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on nongovernment/nonprofit inst. (BOZ)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on nongovernment/nonprofit inst. (banks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on nonbank financial institutions	89,907	124,872	103,957	77,967	121,297	127,132	172,560	144,292	154,316	150,727	123,005	111,798	136,321	129,240
Claims on nonbank financial institutions (BOZ)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on nonbank financial institutions (banks)	89,907	124,872	103,957	77,967	121,297	127,132	172,560	144,292	154,316	150,727	123,005	111,798	136,321	129,240
OTHER ITEMS NET	**-1,930,270**	**-2,005,668**	**-2,172,118**	**-2,013,154**	**-2,072,216**	**-1,800,419**	**-1,859,409**	**-1,511,869**	**-1,966,510**	**-1,544,745**	**-1,670,327**	**-2,110,863**	**-2,589,491**	**-3,095,731**
Claims on banks (BOZ)	208,373	123,994	93,392	96,783	124,683	119,885	122,730	120,066	99,038	98,608	101,743	92,483	90,734	87,660
Bankers deposits at BOZ	2,089,535	54,642	54,642	54,642	54,642	54,642	54,702	54,709	54,720	54,720	54,720	54,735	54,735	54,792
BOZ liabilities to banks	-2,025,288	2,080,588	1,881,254	1,848,411	1,691,757	1,665,711	1,876,156	1,989,037	1,843,900	2,108,410	2,249,576	2,374,937	2,543,440	2,724,733
Credit from BOZ	-113,199	-1,992,860	-1,679,900	-1,710,516	-1,637,352	-1,600,487	-1,850,270	-1,878,012	-1,784,446	-1,951,438	-2,008,530	-2,052,752	-2,246,522	-2,467,915
Other items net (BOZ)	-757,414	-23,727	-43,352	-26,528	-36,367	-23,282	-71,142	-61,759	-89,820	-90,490	-154,259	-79,749	-76,218	-80,001
o/w: IMF	-136,544	-506,097	-496,738	-415,168	-380,371	-202,143	130,837	362,936	-183,918	6,346	-6,993	-870,208	-734,568	-1,066,455
Other items net (banks)	-1,385,851	-1,742,208	-1,981,416	-1,860,778	-1,889,208	-1,814,745	-2,122,422	-2,098,847	-1,905,984	-1,770,900	-1,906,583	-1,630,309	-2,221,091	-2,348,544
BROAD MONEY	**8,426,441**	**10,634,061**	10,636,082	10,282,516	10,258,296	10,198,311	10,785,870	10,809,640	11,337,776	11,359,872	11,164,728	12,740,986	12,759,375	12,991,735
MONEY	3,463,739	4,172,541	3,862,525	3,665,071	3,784,881	3,829,520	4,414,683	4,396,676	4,455,554	4,487,977	4,650,406	5,002,810	4,901,631	5,101,414
Currency outside banks	1,071,151	1,305,005	1,189,751	1,168,230	1,177,557	1,216,743	1,296,989	1,359,406	1,498,076	1,520,131	1,469,774	1,623,075	1,582,963	1,617,059
Demand deposits at BOZ	1,365	543	542	529	536	497	472	309	309	305	328	1,040	500	437
Demand deposits at banks	2,391,223	2,866,993	2,672,233	2,496,313	2,606,788	2,612,281	3,117,223	3,036,961	2,957,169	2,967,541	3,180,304	3,378,695	3,318,168	3,483,919
QUASI-MONEY	4,962,702	6,461,520	6,773,557	6,617,444	6,473,415	6,368,790	6,371,187	6,412,964	6,882,222	6,871,895	6,514,322	7,738,176	7,857,744	7,890,321
Savings Deposits	1,095,235	1,425,783	1,449,364	1,472,224	1,512,166	1,517,067	1,551,670	1,596,048	1,658,829	1,674,011	1,612,643	1,735,703	1,780,856	1,827,184
Savings deposits at BOZ	8,656	16,924	14,977	14,036	13,902	14,582	13,134	11,468	11,774	11,463	12,910	13,280	13,854	18,389
Savings deposits at banks	1,086,580	1,408,859	1,434,387	1,458,189	1,498,265	1,502,485	1,538,537	1,584,581	1,647,056	1,662,549	1,599,733	1,722,423	1,767,003	1,808,795
Time deposits and other deposits	1,203,873	1,170,708	1,191,191	1,356,592	1,355,507	1,383,836	1,386,113	1,369,177	1,546,322	1,505,091	1,416,081	1,691,166	1,790,956	1,743,785
Time deposits	1,203,442	1,170,105	1,190,699	1,356,188	1,355,103	1,383,502	1,385,667	1,368,655	1,545,884	1,504,488	1,415,586	1,690,553	1,790,497	1,743,395
Bills payable	431	603	492	404	404	334	446	522	438	603	495	613	459	390
Acceptances payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency deposits	2,663,594	3,865,029	4,133,002	3,788,628	3,605,742	3,467,888	3,433,404	3,447,739	3,677,071	3,692,793	3,485,598	4,311,307	4,285,932	4,319,351
Foreign currency demand deposits	2,453,207	3,300,851	3,430,661	3,194,371	3,196,157	2,965,532	2,961,503	3,092,040	3,157,843	3,057,335	2,867,121	3,674,607	3,483,341	3,541,644
Foreign currency savings deposits	12,117	10,542	9,784	11,504	9,866	11,213	12,196	11,492	12,142	11,459	11,649	14,324	13,036	16,504
Foreign currency time deposits	198,270	553,636	692,557.0	582,753.0	399,719.0	491,143.0	459,705.0	344,207.0	507,086.0	623,999.0	606,828.0	622,376.0	789,555.0	761,203.8
Verticle 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	2006 December	2007 December	2008 January	February	March	April	May	June	July	August	September	October	November	2008 December
NET FOREIGN ASSETS	**2,792,076**	**3,807,715**	**3,814,900**	**3,784,428**	**4,058,238**	**4,197,232**	**4,051,392**	**3,910,489**	**4,648,588**	**4,334,836**	**4,186,584**	4,884,662	**4,713,565**	**4,725,424**
Gross foreign assets	5,559,756	7,250,652	7,235,947	7,190,089	7,482,969	7,597,833	7,178,305	7,053,327	7,826,554	7,497,338	7,351,760	8,149,507	7,978,079	8,047,625
Monetary gold	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserve position in the Fund	2,423,995	3,085,871	3,085,871	3,085,871	3,085,871	3,085,871	2,824,221	2,824,221	2,824,221	2,824,221	2,824,221	2,824,221	2,824,221	2,824,221
SDR holdings	59,663	37,826	38,103	34,141	51,146	47,945	44,680	40,988	45,168	41,132	41,576	51,870	48,099	51,617
Foreign exchange holdings	3,053,761	4,110,377	4,108,523	4,066,445	4,326,629	4,439,317	4,275,312	4,153,515	4,922,777	4,612,469	4,480,133	5,267,790	5,100,176	5,154,356
Other foreign assets	22,337	16,579	3,450	3,633	19,323	24,700	34,092	34,603	34,389	19,516	5,829	5,626	5,583	17,431
Gross foreign liabilities	-2,767,681	-3,442,937	-3,421,047	-3,405,662	-3,424,731	-3,400,601	-3,126,913	-3,142,838	-3,177,966	-3,162,502	-3,165,176	-3,264,845	-3,264,514	-3,322,202
Use of Fund credit	-2,424,225	-3,020,135	-3,020,135	-3,020,135	-3,020,135	-3,020,135	-2,758,486	-2,758,486	-2,758,486	-2,758,486	-2,758,486	-2,758,486	-2,758,486	-2,758,486
Fund administered accounts	-182,943	-331,481	-333,911	-329,105	-331,970	-310,813	-306,387	-321,662	-353,803	-343,400	-346,084	-431,173	-421,618	-462,446
Fund charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other foreign liabilities	-159,950	-90,758	-66,437	-55,858	-72,062	-69,090	-61,477	-62,128	-65,114	-60,052	-60,043	-74,823	-84,047	-100,907
DOMESTIC ASSETS	**467,401**	**-283,984**	**-723,956**	**-696,018**	**-1,002,017**	**-1,151,692**	**-679,448**	**-412,450**	**-1,095,333**	**-614,766**	**-396,562**	**-914,077**	**-610,266**	**-306,824**
DOMESTIC CREDIT	1,224,815	222,113	-227,217	-280,850	-621,646	-949,549	-810,285	-775,386	-911,415	-621,113	-389,569	-43,869	124,302	759,632
Claims on Gen.Government (net)	905,095	-12,608	-419,227	-479,922	-848,844	-1,175,003	-1,041,689	-1,003,238	-1,120,188	-830,952	-603,954	-250,275	-82,611	572,259
Claims on the central government	1,941,618	1,944,215	1,941,494	1,938,901	1,945,667	1,946,655	1,952,020	1,950,129	1,950,012	1,950,012	1,955,696	1,950,298	1,949,250	1,950,036
Central government deposits	-1,036,523	-1,956,823	-2,360,720	-2,418,824	-2,794,510	-3,121,658	-2,993,710	-2,953,367	-3,070,201	-2,780,964	-2,559,651	-2,200,573	-2,031,861	-1,377,776
Claims on nonfin. public enterprises	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on the private enterprises	16,059	18,151	6,820	10,094	11,259	14,349	16,515	16,514	17,847	18,481	20,011	21,213	22,845	5,962
Claims on households	41,713	37,935	37,156	37,553	36,613	36,578	37,457	36,562	37,168	38,031	37,912	37,976	38,600	38,959
Claims on nongovernment/nonprofit inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on banks	208,373	123,994	93,392	96,783	124,683	119,885	122,730	120,066	99,038	98,608	101,743	92,483	90,734	87,660
Claims on nonbank financial inst.	53,574	54,642	54,642	54,642	54,642	54,642	54,702	54,709	54,720	54,720	54,720	54,735	54,735	54,792
OTHER ITEMS (NET)	**-757,414**	**-506,097**	**-496,738**	**-415,168**	**-380,371**	**-202,143**	**130,837**	**362,936**	**-183,918**	**6,346**	**-6,993**	**-870,208**	**-734,568**	**-1,066,455**
Other assets	370,599	350,664	359,238	365,271	366,712	374,223	372,743	377,842	393,953	406,624	421,146	456,200	445,447	396,741
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	0	0	0	0
Gov/IMF Securities account	109,942	66,295	66,781	65,980	66,667	62,520	61,734	57,629	63,511	61,763	62,295	77,680	76,040	83,472
BIS SDR Umbrella Account	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Land and Fixed assets	249,154	258,436	259,326	261,297	262,286	264,991	266,219	266,171	266,276	271,050	275,294	283,705	285,331	291,365
Other investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Items in transit	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other assets	11,502	25,933	33,131	37,994	37,759	46,712	44,791	54,042	64,166	73,811	83,557	94,815	84,076	21,904
Other liabilities	-1,128,012	-856,761	-855,977	-780,439	-747,083	-576,366	-241,906	-14,906	-577,871	-400,277	-428,139	-1,326,408	-1,180,015	-1,463,196
Provision for bad & dfll debt	-143,004	-146,521	-145,781	-145,781	-145,895	-151,232	-151,232	-151,232	-150,027	-150,027	-150,027	-149,907	-149,557	-151,765
Other provisions	-21,276	-5,888	-17,819	-19,404	-31,669	-32,501	-33,522	-34,610	-35,764	-36,304	-21,713	-23,555	-24,541	-47,115
Profit and loss carried over	227,309	-355,783	-25,426	-25,720	-35,347	-10,152	-10,689	-10,958	-10,958	-11,496	-11,764	-12,033	-12,033	-12,566
Profit and loss current year	-510,340	256,831	9,349	55,572	77,711	300,624	375,148	609,289	234,448	411,989	408,864	-371,156	-227,563	-531,511
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	-10,020	-10,020	-10,020	-10,020
Reserves and retained earnings	-215,252	-148,276	-148,276	-148,276	-146,877	-146,877	-146,340	-146,071	-146,071	-145,534	-145,265	-144,996	-144,996	-144,459
Allocation of SDRs	-246,486	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897	-246,897
Forex arrears accounts	-3,067	-5,344	-5,383	-3,902	-2,053	-2,597	-3,389	-4,143	-5,447	-6,152	-7,243	-9,700	-1,313	-1,839
Credit for IMF Subscript. pyt.	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325	-325
Revaluation account (liabilities)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other liabilities	-205,551	-65,735	-65,735	-65,735	-65,735	-65,735	-65,735	-65,735	-65,735	-65,735	-65,735	-65,735	-65,735	-65,735
RESERVE MONEY	**3,259,477**	**3,523,732**	**3,090,945**	**3,088,410**	**3,056,221**	**3,045,540**	**3,371,944**	**3,498,039**	**3,553,255**	**3,720,070**	**3,790,022**	**3,970,585**	**4,103,299**	**4,418,600**
Currency in circulation:	1,224,168	1,513,404	1,395,526	1,363,329	1,404,431	1,429,974	1,508,069	1,608,251	1,756,726	1,756,863	1,768,253	1,903,513	1,842,424	1,931,859
add: notes and coins issued	1,226,161	1,515,152	1,397,728	1,367,384	1,408,617	1,431,673	1,510,520	1,610,747	1,760,955	1,760,254	1,771,346	1,907,195	1,845,337	1,934,426
less: teller's cash (BOZ)	-1,993	-1,747	-2,202	-4,055	-4,186	-1,699	-2,451	-2,497	-4,229	-3,391	-3,092	-3,681	-2,913	-2,566
Liabilities to commercial banks	2,025,288	1,992,860	1,679,900	1,710,516	1,637,352	1,600,487	1,850,270	1,878,012	1,784,446	1,951,438	2,008,530	2,052,752	2,246,522	2,467,915
Required reserves (Kwacha deps.)	564,723	300,139	279,157	274,074	292,331	364,180	344,697	312,356	395,512	331,493	463,042	356,223	467,702	408,515
Required reserves (Forex deps.)	71	19	19	19	19	19	19	19	19	19	19	19	19	19
Required reserves (Forex deps in **US$**.)	401,384	525,035	370,744	353,647	338,438	339,552	351,193	380,980	392,050	405,863	374,203	356,933	365,582	355,830
Current account balances (positive)	256,457	144,238	193,306	199,475	169,047	202,326	219,436	232,160	146,319	155,667	148,969	303,581	298,772	496,535
Term deposits of banks (Kwacha)	792,622	1,022,703	836,419	883,047	835,368	689,243	934,671	952,243	850,293	1,058,143	1,022,043	1,035,743	1,114,193	1,206,493
Other bank deposits (Kwacha)	10,032	727	254	254	2,150	5,167	254	254	254	254	254	254	254	523
Settlement position at clearing cntre	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities to non-banks	10,021	17,467	15,519	14,564	14,438	15,079	13,605	11,777	12,083	11,768	13,239	14,320	14,353	18,826
o/w: non government deposits	8,656	16,924	14,977	14,036	13,902	14,582	13,134	11,468	11,774	11,463	12,910	13,280	13,854	18,389
Memo items:														
K/USD exchange rate (end of period - BOZ mid-rate)	4,407	3,845	3,823	3,745	3,674	3,674	3,409	3,186	3,514	3,517	3,577	4,646	4,507	4,832
K/USD exchange rate (period average - BOZ mid-rate)	4,128	3,834	3,793	3,754	3,666	3,666	3,399	3,250	3,393	3,453	3,540	4,044	4,257	4,883
Reserve money (BoZ definition)	2,057,546	1,974,725	5,258,285	5,286,511	5,168,852	5,227,116	2,085,355	2,164,253	2,310,350	2,255,505	2,393,194	2,576,615	2,622,771	2,855,317
NIR in USD (estimated from MS):	680	997	1,007	1,009	1,112	1,152	1,192	1,203	1,370	1,255	1,183	1,208	1,107	968
Assets	1,292	993	1,006	1,008	1,107	1,145	2,112	2,170	2,306	2,171	2,077	2,015	1,874	1,648
Liabilities:	-612	-898	1	1	5	7	-920	-967	-937	-916	-894	-807	-767	-680
Liabilities to the Fund	-595	-882	-1,786	-1,800	-1,848	-1,836	-912	-958	-928	-908	-887	-800	-756	-668
Short-term liabilities	-17	-16	0	0	0	0	-7	-9	-8	-8	-7	-8	-10	-12
NIR reported by the BoZ in dollars:	-521	-521	-541	-541	-541	-541	-521	1,180	1,180	1,180	1,180	1,180	1,180	1,180
Assets	243	243	225	225	225	225	243	1,282	1,282	1,282	1,282	1,282	1,282	1,282
o/w Escrow a/c bal.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities:	-764	-764	-766	-766	-766	-766	-764	-102	-102	-102	-102	-102	-102	-102
Liabilities to the Fund	-764	-764	-766	-766	-766	-766	-764	-102	-102	-102	-102	-102	-102	-102
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	2006 December	2007 December	2008 January	February	March	April	May	June	July	August	September	October	November	December
FOREIGN ASSETS (NET)	**1,095,590**	**1,215,407**	**1,373,406**	**941,252**	**881,701**	**869,227**	**1,104,468**	**661,754**	**957,819**	**566,976**	**348,924**	**816,054**	**669,059**	**825,811**
Gross assets	1,838,533	2,339,236	2,492,340	2,341,038	2,044,926	2,020,038	2,419,585	1,935,110	2,358,284	2,033,770	1,909,122	2,358,756	2,262,071	2,539,169
Liabilities	-742,943	-1,123,829	-1,118,934	-1,399,786	-1,163,225	-1,150,811	-1,315,117	-1,273,356	-1,400,465	-1,466,794	-1,560,198	-1,542,702	-1,593,012	-1,713,358
RESERVES (CREDIT TO BOZ)	**2,242,552**	**2,288,987**	**2,087,029**	**2,043,510**	**1,918,630**	**1,878,942**	**2,087,236**	**2,237,881**	**2,102,550**	**2,345,142**	**2,548,055**	**2,655,376**	**2,802,901**	**3,039,534**
Cash in vaults	153,017	208,399	205,775	195,099	226,873	213,231	211,080	248,844	258,650	236,732	298,480	280,438	259,461	314,801
Other balances at BOZ	388,506	161,779	264,441	232,281	201,984	261,002	193,258	311,677	145,258	152,231	251,018	497,595	482,972	571,031
Statutory reserves at BOZ (kwacha and forex)	992,574	858,749	772,788	732,336	653,725	714,780	747,461	728,863	852,569	839,187	976,206	821,249	955,843	946,757
Money market placements	708,455	1,060,060	844,025	883,794	836,048	689,929	935,437	948,497	846,073	1,116,992	1,022,352	1,056,094	1,104,625	1,206,945
CREDIT TO DOMESTIC ECONOMY	**5,506,178**	**7,573,130**	**7,995,145**	**8,002,266**	**8,191,545**	**8,056,347**	**8,477,137**	**8,699,429**	**8,763,052**	**8,777,246**	**8,845,579**	**9,342,219**	**9,987,409**	**9,919,052**
Claims on general government (net)	1,569,550	1,874,061	2,023,870	2,017,813	2,037,587	1,897,614	2,089,289	2,233,166	1,935,520	1,696,118	1,604,531	1,462,816	1,989,732	1,739,409
Claims on general government	2,102,848	2,496,823	2,531,443	2,472,627	2,558,581	2,454,206	2,607,365	2,721,680	2,577,306	2,436,296	2,374,007	2,187,265	2,577,577	2,570,100
Treasury bills	1,105,947	1,307,922	1,429,131	1,232,413	1,348,694	1,221,718	1,272,186	1,386,208	1,392,819	1,141,774	1,053,022	905,760	1,185,141	1,195,741
Other assets	996,900	1,188,901	1,102,312	1,240,214	1,209,886	1,232,488	1,335,179	1,335,472	1,184,487	1,294,522	1,320,985	1,281,504	1,392,437	1,374,359
Deposits of general government	-533,297	-622,762	-507,574	-454,815	-520,993	-556,592	-518,076	-488,514	-641,786	-740,177	-769,476	-724,448	-587,845	-830,691
Claims on parastatals & state enterpr.	224,415	378,545	353,322	323,042	284,010	238,567	207,157	162,866	156,531	146,317	148,457	148,519	148,035	147,545
Claims on private enterprises	3,038,626	4,290,971	4,182,439	4,066,584	4,264,990	3,899,565	3,988,756	4,056,712	4,381,658	4,545,896	4,673,951	5,311,179	5,262,373	5,449,271
Claims on households	583,679	904,680	1,331,557	1,516,859	1,483,660	1,893,468	2,019,374	2,102,392	2,135,027	2,238,187	2,295,634	2,307,906	2,450,947	2,453,586
Claims on nonbank fin. inst.	89,907	124,872	103,957	77,967	121,297	127,132	172,560	144,292	154,316	150,727	123,005	111,798	136,321	129,240
Claims on nongov./nonprofit inst.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER ITEMS (NET)	**-1,385,851**	**-1,742,208**	**-1,981,416**	**-1,860,778**	**-1,889,208**	**-1,814,745**	**-2,122,422**	**-2,098,847**	**-1,905,984**	**-1,770,900**	**-1,906,583**	**-1,630,309**	**-2,221,091**	**-2,348,544**
Assets	937,454	1,436,890	1,444,907	1,546,825	1,722,058	1,700,103	1,413,133	1,456,700	1,808,370	2,162,613	2,046,511	2,663,321	1,469,424	1,426,703
Balances held with comm. banks	111,266	132,628	173,126	155,779	163,655	189,432	274,674	88,697	239,333	187,948	244,832	204,597	142,388	171,602
Balances with branches	11,794	9,846	15,110	35,633	42,779	7,413	14,150	14,361	11,654	6,114	10,383	10,132	11,420	12,638
Bank premises	246,336	366,152	370,091	374,362	403,276	415,662	415,640	419,817	487,273	498,077	522,458	534,977	542,097	597,372
Other assets	568,057	928,264	886,580	981,050	1,112,347	1,087,596	708,668	933,825	1,070,109	1,470,473	1,268,837	1,913,615	773,519	645,092
Liabilities	-2,323,305	-3,179,098	-3,426,323	-3,407,603	-3,611,266	-3,514,848	-3,535,555	-3,555,547	-3,714,353	-3,933,513	-3,953,094	-4,293,629	-3,690,515	-3,775,248
Liabilities to comm. banks	-140,524	-177,552	-255,968	-238,206	-241,924	-219,638	-260,541	-100,056	-227,413	-227,056	-200,496	-151,058	-121,797	-148,208
Balances with branches	-7,727	-47,148	-50,634	-53,213	-49,796	-64,689	-54,258	-65,844	-69,191	-82,532	-60,611	-128,166	-90,914	-8,312
Capital	-1,026,135	-1,352,279	-1,393,875	-1,425,153	-1,443,490	-1,434,669	-1,469,121	-1,515,702	-1,534,386	-1,571,408	-1,600,693	-1,603,582	-1,650,808	-1,653,096
Reserves	-152,470	-200,138	-198,035	-196,723	-193,666	-188,807	-184,825	-178,046	-185,406	-184,677	-188,916	-213,640	-217,963	-415,199
Other liabilities	-996,449	-1,401,981	-1,527,811	-1,494,309	-1,682,391	-1,607,045	-1,566,810	-1,695,899	-1,697,958	-1,867,840	-1,902,378	-2,197,183	-1,609,033	-1,550,432
LIABILITIES TO NONGOVERNMENT SECTOR	**7,345,270**	**9,311,588**	**9,430,812**	**9,099,721**	**9,066,301**	**8,966,489**	**9,475,276**	**9,438,457**	**9,827,617**	**9,827,973**	**9,681,715**	**11,103,591**	**11,162,059**	**11,355,851**
Demand deposits in Kwacha	2,391,223	2,866,993	2,672,233	2,496,313	2,606,788	2,612,281	3,117,223	3,036,961	2,957,169	2,967,541	3,180,304	3,378,695	3,318,168	3,483,919
Demand deposits in forex	2,453,207	3,300,851	3,430,661	3,194,371	3,196,157	2,965,532	2,961,503	3,092,040	3,157,843	3,057,335	2,867,121	3,674,607	3,483,341	3,541,644
Savings deposits in Kwacha	1,086,580	1,408,859	1,434,387	1,458,189	1,498,265	1,502,485	1,538,537	1,584,581	1,647,056	1,662,549	1,599,733	1,722,423	1,767,003	1,808,795
Savings deposits in forex	12,117	10,542	9,784	11,504	9,866	11,213	12,196	11,492	12,142	11,459	11,649	14,324	13,036	16,504
Time deposits in Kwacha	1,203,442	1,170,105	1,190,699	1,356,188	1,355,103	1,383,502	1,385,667	1,368,655	1,545,884	1,504,488	1,415,586	1,690,553	1,790,497	1,743,395
Time deposits in forex	198,270	553,636	692,557	582,753	399,719	491,143	459,705	344,207	507,086	623,999	606,828	622,376	789,555	761,204
Bills payable	431	603	492	404	404	334	446	522	438	603	495	613	459	390
Acceptances payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CREDIT FROM THE BOZ	**113,199**	**23,727**	**43,352**	**26,528**	**36,367**	**23,282**	**71,142**	**61,759**	**89,820**	**90,490**	**154,259**	**79,749**	**76,218**	**80,001**

Source: Bank of Zambia

SOURCES OF LIQUIDITY (IN MILLIONS OF KWACHA)

TABLE 4

End of period.		Government Transactions					Foreign		Non- bank		**Total**
		Revenue	Expenditure.	Domestic. interest.	Other Govt Transactions	**Total Govt Infuence.**	Exchange influence.	Other BOZ influence.	Bond influence	Non-bank T.B influence.	**primary influence.**
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	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
2008	January	-1,099,751	20,114	36,995	968,953	-73,689	-43,028	-9,517	16,888	-52,266	-161,611
	February	-881,459	7,121	54,726	878,844	59,232	10,841	19,648	20,685	76,277	186,683
	March	-854,489	13,195	35,478	924,534	118,718	41,107	4,399	-39,699	-36,455	88,070
	April	-1,103,396	9,863	56,910	858,740	-177,883	67,618	5,967	-40,354	151,000	6,348
	May	-819,688	10,994	46,738	1,092,286	330,330	-28,402	14,826	6,886	25,361	349,001
	June	-886,245	11,979	37,279	1,126,026	289,038	25,005	9,731	-16,510	-40,490	266,774
	July	-1,159,643	13,733	50,687	1,203,590	108,367	-108,112	-46,037	0	-10,122	-55,903
	August	-967,321	8,365	50,233	999,329	90,605	-15,098	38,912	-13,922	1,008	101,506
	September	-1,047,159	14,381	37,070	1,091,944	96,236	-67,244	-4,394	5,331	10,661	40,590
	October	-1,220,044	10,007	46,860	1,327,845	164,668	-197,171	-203	39,897	78,892	86,083
	November	-872,648	8,942	50,369	985,101	171,764	-48,320	-49,566	21,305	-54,799	40,384
	December	-1,120,202	18,380	46,984	1,726,680	671,841	-334,750	16,677	-20,822	14,487	347,434

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 balance 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	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
2008	January	-161,611.3	117,474.1	-83,257.5	20,980.7	155,482.2	-0.1	49,068.0
	February	186,682.9	30,359.2	-64,151.5	5,083.3	-151,804.6	1.2	6,170.5
	March	88,069.6	-41,232.0	-85,642.5	-18,256.5	26,627.2	4.8	-30,429.4
	April	6,348.1	-23,049.8	20,680.8	-71,849.4	101,151.3	-1.5	33,279.6
	May	349,001.3	-78,850.0	44,780.2	19,483.6	-317,302.0	0.6	17,113.7
	June	266,773.9	-100,225.1	-93,351.9	-8,759.0	-51,723.0	4.2	12,719.2
	July	-55,903.3	-150,190.5	8,583.1	-42,058.1	154,096.0	-2.0	-85,474.8
	August	101,505.6	697.5	41,097.7	64,019.4	-231,848.0	0.4	-24,527.4
	September	40,589.6	-11,093.6	85,904.9	-131,549.5	-11,027.5	-0.9	-27,177.1
	October	86,082.8	-135,851.3	71,166.1	106,819.7	26,757.0	-2.5	154,971.9
	November	40,384.3	65,226.3	59,497.7	-111,478.5	-64,091.9	-1.3	-10,463.4
	December	347,433.9	-92,343.2	-42,106.3	59,186.9	-68,755.0	1.7	203,418.0

Source: Bank of Zambia

COMMERCIAL BANKS' LIQUIDITY AND OPERATING RATIOS

TABLE 6

Year	End of period	Core liquid assets (a)	Minimum required	Other liquid assets (b)	**Total**	Advances plus bills of exchange as percentage of total deposits
1995	December	57.1	30.0	40.6	97.7	57.2
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	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
2008	January	23.2	9.0	46.8	70.1	59.4
	February	31.9	9.0	48.6	80.5	62.0
	March	33.7	9.0	46.5	80.1	63.4
	April	0.0	9.0	45.7	45.7	63.8
	May	47.7	9.0	47.9	95.6	63.1
	June	54.1	9.0	48.7	102.9	64.4
	July	48.4	9.0	45.9	94.3	64.4
	August	49.1	9.0	44.8	93.9	66.3
	September	50.5	9.0	46.9	97.4	68.8
	October	50.8	9.0	40.5	91.3	66.0
	November	44.3	9.0	44.9	89.2	67.4
	December	47.7	9.0	45.0	92.8	66.4

Source: Bank of Zambia

Note: (a) 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

(b) 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)

TABLE 7

Period		Bank of Zambia Claims					Commercial Banks Claims						(A+B)
		Treasury	GRZ	GRZ	Loans &	(A)	Treasury	GRZ	Loans &		Tax Revenue	(B)	TOTAL
End Month		Bills	Stock	Position	Advances	**Total**	Bills	Securities	Advances	Deposits	Suspense a/c	**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	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	-233,116.7	1,209,923.5	1,023,719.7	-5,720.7	-464,459.7	0.0	1,763,462.8	1,530,346.1
	July	503,441.3	1,309,952.0	-2,154,408.2	0.0	-341,014.8	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	-389,672.4	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	-569,184.2	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	-818,579.0	1,668,913.0	1,105,723.7	-8,034.7	-381,619.0	0.0	2,384,983.0	1,566,404.0
	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	-7,573.7	-428,870.3	0.0	2,225,889.3	1,440,616.2
	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	2,208,757.6	1,920,387.6
2008	January	623,818.9	1,310,020.7	-2,331,967.4	0.0	-398,127.8	1,388,430.6	1,149,511.0	7,407.3	-426,314.6	0.0	2,119,034.3	1,720,906.5
	February	631,722.4	1,310,020.7	-2,387,804.4	0.0	-446,061.3	1,381,049.8	1,238,018.9	-7,579.7	-395,639.7	0.0	2,215,849.2	1,769,787.9
	March	628,158.0	1,310,020.7	-2,669,817.7	0.0	-731,639.1	1,337,775.5	1,214,690.3	-7,475.7	-453,772.4	0.0	2,091,217.7	1,359,578.7
	April	629,097.7	1,310,020.7	-3,092,200.2	0.0	-1,153,081.8	1,353,744.3	1,178,695.1	-7,767.7	-452,068.0	0.0	2,072,603.6	919,521.8
	May	127,552.2	1,310,020.7	-2,990,791.8	0.0	-1,553,218.9	1,786,050.4	1,330,602.5	-5,063.7	-452,068.0	0.0	2,659,521.2	1,106,302.3
	June	82,936.0	1,310,020.7	-2,939,196.3	0.0	-1,546,239.6	1,976,589.7	1,324,916.8	-5,063.7	-418,165.1	0.0	2,878,277.7	1,332,038.1
	July	116,998.5	1,310,020.7	-2,887,175.6	0.0	-1,460,156.5	1,918,992.3	1,301,872.3	-7,655.7	-458,481.2	0.0	2,754,727.7	1,294,571.2
	August	10,472.5	1,290,956.7	-2,630,039.4	0.0	-1,328,610.1	1,771,750.1	1,287,844.2	-7,655.7	-458,481.2	0.0	2,593,457.4	1,264,847.2
	September	12,198.0	1,237,443.5	-2,415,791.1	0.0	-1,166,149.6	1,762,996.4	1,333,966.3	-4,532.7	-718,264.0	0.0	2,374,166.0	1,208,016.5
	October	9,839.0	1,259,544.8	-2,126,197.8	0.0	-856,814.0	1,645,506.0	1,276,146.9	-6,938.7	-635,652.3	0.0	2,279,061.9	1,422,247.9
	November	6,725.2	1,166,277.9	-1,926,428.9	0.0	-753,425.8	1,487,814.2	1,385,047.2	-6,938.7	-635,652.3	0.0	2,230,270.4	1,476,844.6
	December	84,155.2	1,304,102.5	-1,436,746.9	0.0	-48,489.2	1,738,268.3	1,346,046.8	-4,967.7	-635,652.3	0.0	2,443,695.1	2,395,205.9

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	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
2008	January	1,397,727,970	1,397,501,689	226,281	205,775	205,775	0	1,397,522,195	1,397,295,914	226,281
	February	1,367,383,936	1,367,157,655	226,281	195,099	195,099	0	1,367,188,836	1,366,962,556	226,281
	March	1,408,616,639	1,408,390,359	226,281	226,873	226,873	0	1,408,389,766	1,408,163,485	226,281
	April	1,431,673,072	1,431,446,791	226,281	213,231	213,231	0	1,431,459,841	1,431,233,560	226,281
	May	1,510,520,028	1,510,293,747	226,281	211,080	211,080	0	1,510,308,948	1,510,082,667	226,281
	June	1,610,747,193	1,610,520,912	226,281	248,844	244,245	4,599	1,610,498,349	1,610,276,667	221,682
	July	1,760,955,471	1,760,729,190	226,281	258,650	250,996	7,654	1,760,696,821	1,760,478,194	218,627
	August	1,760,254,067	1,760,027,786	226,281	236,732	236,732	0	1,760,017,335	1,759,791,054	226,281
	September	1,771,345,701	1,771,119,420	226,281	298,480	298,480	0	1,771,047,221	1,770,820,940	226,281
	October	1,907,194,703	1,906,968,422	226,281	280,438	280,438	0	1,906,914,265	1,906,687,984	226,281
	November	1,845,336,765	1,845,110,484	226,281	259,461	259,461	0	1,845,077,304	1,844,851,023	226,281
	December	1,934,425,552	1,934,199,271	226,281	314,801	314,801	0	1,934,110,751	1,933,884,470	226,281

Source: Bank of Zambia

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

TABLE 9

End of Period		Government	Statutory Bodies	Parastatal Bodies	Public	Individuals and Households	Other Fin. institutions	Non-Resident	Foreign Currency (Kwacha)	US $	Total
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	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
											0
2008	January	469,881,549	284,811,168	309,496,313	2,167,631,125	1,723,248,677	40,828,000	13,449,000	4,169,869,000	1,095,762	9,179,214,832
	February	446,386,667	244,100,168	253,404,313	2,136,240,125	1,884,733,677	30,341,000	12,950,000	3,811,486,000	1,011,608	8,819,641,950
	March	512,565,294	219,680,168	274,142,313	2,117,262,125	1,850,448,677	18,434,000	11,018,000	3,633,718,000	985,252	8,637,268,577
	April	548,163,961	241,774,168	358,136,313	2,069,432,125	1,852,674,677	21,952,000	15,534,000	3,496,242,000	988,066	8,603,909,244
	May	509,648,345	290,806,168	373,461,313	2,535,968,125	1,903,389,677	34,086,000	10,384,000	3,483,422,000	1,020,335	9,141,165,628
	June	480,085,997	248,718,168	354,940,313	2,325,813,125	1,921,624,677	37,449,000	13,219,000	3,478,171,000	1,065,554	8,860,021,280
	July	671,360,563	272,714,168	193,359,313	2,297,996,125	2,197,195,677	36,771,000	11,300,000	3,703,056,000	1,087,915	9,383,752,846
	August	731,749,358	243,361,168	179,599,313	2,375,329,125	2,220,070,677	33,065,000	12,868,000	3,764,966,000	1,089,471	9,561,008,641
	September	761,047,926	290,387,168	261,362,313	2,395,725,560	2,105,563,362	33,022,000	15,367,000	3,514,253,241	990,175	9,376,728,570
	October	716,020,206	289,670,168	282,008,313	2,783,315,196	2,309,776,839	23,073,000	27,476,000	4,362,681,691	1,074,794	10,794,021,414
	November	579,416,921	447,382,168	210,949,313	2,764,072,167	2,386,560,362	42,893,000	39,655,000	4,334,340,163	1,009,619	10,805,269,094
	December	808,503,982	445,599,168	127,638,313	2,255,860,864	3,278,756,391	11,975,000	25,891,000	4,371,877,889	884,257	11,326,102,607

Source: Bank of Zambia

Note: (1) Data has been corrected for casting errors identified in previous series.
(2) Exchange rate used is the commercial banks' monthly weighted retail average selling rate. (3) From August 2003 Exchange rate used is the Monthly Non Bank's Selling rate

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

TABLE 10

End of Period		Government	Statutory Bodies	Parastatal Bodies	Private	Individuals and households	Other Fin. institutions	Non-resident	US$(3)	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	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
2008	January	1,725,381	6,056,996	347,265,400	4,120,764,320	1,331,557,310	103,957	106,000	493,226	5,807,579,364
	February	2,195,381	8,184,996	314,857,400	4,023,539,320	1,516,859,310	77,967	106,000	503,052	5,865,820,374
	March	2,386,381	8,420,996	275,589,400	4,205,259,320	1,483,660,310	121,297	106,000	483,830	5,975,543,704
	April	1,964,381	8,517,996	230,049,400	3,840,506,320	1,893,468,310	127,132	97,000	478,618	5,974,730,539
	May	4,576,381	7,656,996	199,500,400	3,930,434,320	2,019,374,310	172,560	97,000	471,139	6,161,811,967
	June	4,525,381	8,612,996	154,253,400.0	3,999,198,320	2,102,392,310	144,292	93,000	695,913	6,269,219,699
	July	4,983,381	7,523,996	149,007,400.0	4,322,855,320	2,135,027,310	154,316	15,312,000	711,664	6,634,863,723
	August	6,677,381	8,602,996	137,714,400.0	4,504,381,320	2,238,187,310	150,727	15,167,000	765,208	6,910,881,134
	September	7,597,381	496,996	1,479,604.0	4,619,198,320	2,295,634,310	123,005	15,306,000	746,622	6,939,835,616
	October	5,357,381	298,996	1,482,204.0	5,253,195,320	2,307,905,629	111,798	19,765,000	760,244	7,588,116,327
	November	7,389,381	298,996	1,477,364.0	5,204,369,492	2,450,946,755	136,321	19,741,000	747,777	7,684,359,309
	December	6,738,381	695,996	1,468,494.0	5,388,889,492	2,453,585,807	129,240	16,792,000	705,391	7,868,299,410

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

End of period		Central Bank	Penalty rate	Treasury bills rates: 28 days	91 days	182 days	273 days	364 days	Government bonds: 12 months	18 months	24 months	3 year	5 year	7 year	10 year	15 year	Commercial bank deposits: Savings	24 hr call	7-90 day	Weighted lending base rate	Weighted Interbank rate
1995	December	51.5	66.7	41.7	41.5	38.9	0.0		43.6	-	n/a						28.7	31.1	36.7	47.7	33.1
1996	December	70.0	82.5	57.5	60.0	61.4	0.0		37.0	-	n/a						27.1	30.5	44.6	57.4	50.4
1997	December	23.3	38.8	13.8	20.3	22.3	0.0		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	0.0		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	0.0		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	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	17.6	19.0	20.0	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
2008	January	13.2	37.0	n/a	11.2	12.5	13.0	13.6	n/a	n/a	14.6	15.4	15.7	17.3	18.8	19.9	4.8	3.1	6.3	18.4	10.4
	February	12.6	38.9	n/a	10.6	11.8	12.4	13.6	n/a	n/a	15.2	15.2	15.8	17.3	18.8	19.8	4.8	2.9	6.4	18.3	10.6
	March	12.9	39.5	n/a	10.9	12.0	12.8	13.8	n/a	n/a	15.3	15.2	15.9	17.2	18.6	19.4	4.8	2.6	6.6	18.2	11.0
	April	13.0	40.0	n/a	11.0	11.7	12.7	13.8	n/a	n/a	15.2	15.1	16.0	17.2	18.6	19.4	4.8	2.6	6.6	18.2	10.6
	May	14.1	39.1	n/a	12.1	13.0	13.4	13.6	n/a	n/a	14.6	15.6	16.5	17.2	18.5	19.4	4.8	2.6	6.6	18.2	10.7
	June	14.1	38.3	n/a	12.1	13.0	13.6	13.7	n/a	n/a	14.6	16.1	17.1	17.2	18.4	19.3	4.8	2.6	6.6	18.5	11.0
	July	14.1	40.1	n/a	12.1	12.6	13.5	13.8	n/a	n/a	14.1	15.4	16.1	17.3	18.4	19.3	4.8	2.6	6.6	18.6	11.9
	August	14.3	40.0	n/a	12.3	13.4	13.6	13.9	n/a	n/a	14.9	15.5	16.4	17.2	18.2	19.2	4.8	2.6	6.6	18.6	11.1
	September	14.5	40.5	n/a	12.5	13.5	13.8	14.4	n/a	n/a	14.9	15.6	16.5	17.3	18.4	19.3	4.8	2.6	6.6	19.6	11.7
	October	15.3	42.9	n/a	13.3	14.7	15.0	16.8	n/a	n/a	15.8	15.9	16.5	17.3	18.4	19.3	4.8	2.6	6.6	20.6	14.2
	November	12.0	43.4	n/a	13.9	15.9	16.4	18.0	n/a	n/a	16.6	16.2	17.9	17.3	18.4	19.3	4.8	2.6	6.6	20.6	16.0
	December	15.9	37.3	n/a	13.9	15.8	16.1	18.4	n/a	n/a	16.6	16.2	18.2	17.3	18.4	19.3	4.8	2.6	6.6	20.8	12.8

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	Weighted interbank rate	Savings rates: less than K100,000	Savings rates: 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	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
2008	January	18.4	10.4	3.5	4.8	3.1	2.8	3.5	4.8	6.3	6.3	6.0
	February	18.3	10.6	3.5	4.8	2.9	2.8	3.5	4.9	6.4	6.4	6.1
	March	18.2	11.0	3.5	4.8	2.6	2.8	3.5	5.0	6.5	6.6	6.4
	April	18.2	10.6	3.5	4.8	2.6	2.8	3.5	5.0	6.5	6.6	6.4
	May	18.2	10.7	3.5	4.8	2.6	2.8	3.5	5.0	6.5	6.6	6.4
	June	18.5	11.0	3.5	4.8	2.6	2.8	3.5	5.0	6.5	6.6	6.4
	July	18.6	11.9	3.5	4.8	2.6	2.8	3.5	5.0	6.5	6.6	6.4
	August	18.6	11.1	3.5	4.8	2.6	2.8	3.5	5.0	6.5	6.6	6.4
	September	19.6	11.7	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	October	20.6	14.2	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	November	20.6	16.0	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6
	December	20.8	12.8	3.5	4.8	2.6	2.8	3.5	5.1	6.5	6.6	6.6

Source: Bank of Zambia

KWACHA/US DOLLAR EXCHANGE RATES

TABLE 13

Period Monthly		Bank of Zambia			Bureau Rates		
Average		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	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
2008	January	3,782.78	3,802.77	3,792.78	3,827.45	3,899.61	3,863.53
	February	3,743.59	3,763.59	3,753.59	3,779.37	3,848.70	3,814.04
	March	3,658.93	3,678.90	3,668.91	3,707.63	3,797.10	3,752.36
	April	3,507.24	3,527.24	3,517.24	3,558.59	3,634.10	3,596.34
	May	3,389.20	3,409.20	3,397.73	3,380.16	3,450.84	3,415.50
	June	3,239.71	3,259.70	3,249.70	3,286.19	3,360.71	3,325.49
	July	3,383.37	3,403.37	3,393.37	3,397.92	3,472.84	3,435.38
	August	3,437.79	3,452.29	3,452.79	3,471.28	3,556.37	3,513.83
	September	3,528.43	3,545.57	3,539.85	3,540.94	3,623.13	3,582.04
	October	4,034.33	4,054.33	4,044.33	3,927.09	4,028.39	3,977.74
	November	4,246.98	4,266.99	4,256.98	4,211.06	4,333.22	4,272.14
	December	4,872.97	4,892.97	4,882.97	4,718.77	4,837.05	4,777.91

Source: Bank of Zambia

Note: From July 2003, the Bank of Zambia established a broad-based foreign exchange trading system as the new mechanism for determining the exchange rate in Zambia. This implied that Bank of Zambia 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 BANKS FOREIGN EXCHANGE RATES

TABLE 14

Date	Non Banks US$			Bureaux US$	INTERBANK US$			UK Pound			EURO			SAR			ZIM Dollar		
	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	4,600.96	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																			
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
2008																			
January	3,741.79	3,862.65	3,802.22	3,853.27	3,789.58	3,805.45	3,797.51	7,395.43	7,631.49	7,513.46	5,440.34	5,617.11	5,528.73	537.01	556.62	546.81	0.13	0.13	0.13
February	3,708.13	3,823.78	3,765.95	3,807.59	3,751.11	3,767.75	3,759.43	7,312.38	7,544.29	7,428.34	5,418.87	5,576.02	5,497.44	495.74	513.25	504.50	0.12	0.13	0.13
March	3,632.28	3,751.04	3,691.66	3,731.87	3,673.70	3,688.11	3,680.90	7,291.89	7,532.03	7,411.96	5,555.83	5,724.77	5,640.30	467.89	485.62	476.75	0.12	0.13	0.13
April	3,475.53	3,600.76	3,538.14	3,588.06	3,519.34	3,538.47	3,528.90	6,909.85	7,155.20	7,032.53	5,416.27	5,592.71	5,504.49	458.60	499.30	478.95	0.12	0.12	0.12
May	3,334.01	3,467.96	3,400.98	3,471.30	3,394.12	3,414.00	3,404.06	6,595.67	6,845.27	6,720.47	5,200.36	5,382.22	5,291.29	450.46	469.11	459.78	0.12	0.12	0.12
June	3,200.80	3,331.00	3,265.90	3,330.80	3,243.50	3,264.20	3,253.80	6,319.40	6,569.00	6,444.20	4,997.10	5,187.60	5,092.40	420.50	439.00	429.70	0.12	0.12	0.12
July	3,314.50	3,456.80	3,385.60	3,465.60	3,385.40	3,403.80	3,394.60	6,612.70	6,895.50	6,754.10	5,240.40	5,445.30	5,342.90	445.40	466.00	455.70	0.13	0.13	0.13
August	3,379.20	3,520.70	3,449.90	3,526.40	3,440.80	3,455.80	3,448.30	6,422.20	6,691.00	6,556.60	5,081.60	5,263.80	5,172.70	450.10	471.50	460.80	236.54	241.32	238.93
September	3,463.20	3,604.80	3,534.00	3,612.60	3,530.30	3,549.10	3,539.70	6,269.40	6,526.00	6,397.70	5,022.00	5,199.10	5,110.50	441.40	462.00	451.70	49.29	50.20	49.75
October	3,951.90	4,112.90	4,032.40	4,115.50	4,030.80	4,059.10	4,044.90	6,704.20	6,708.40	6,852.50	5,289.40	5,503.20	5,396.30	425.60	446.50	436.10	17.96	18.32	18.14
November	4,151.60	4,350.90	4,251.20	4,398.50	4,253.50	4,293.00	4,273.30	6,367.10	6,708.40	6,537.80	5,406.30	5,518.80	5,462.60	425.50	449.20	437.40	1.80	1.80	1.80
December	4,814.20	4,915.80	4,865.00	5,454.80	4,823.90	4,944.10	4,884.00	7,103.60	7,419.80	7,261.70	6,315.00	6,621.80	6,468.40	486.20	507.70	496.90	0.00	0.00	0.00

Source: Bank of Zambia

FOREIGN EXCHANGE TRANSACTIONS

TABLE 15

Period Monthly/Annual Totals		Bank of Zambia Inflows: Purchases from ZCCM (1)	Bank of Zambia Inflows: Other Non-GRZ	Bank of Zambia Inflows: Donor Inflows	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 (2)
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	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
2008	January	0.00	41.51	38.51	14.00	49.44	-0.50	21.02	1106.71
	February	0.00	33.82	17.52	0.00	24.20	8.04	3.92	1121.89
	March	0.00	41.92	100.92	-13.00	23.73	7.04	1.22	1245.73
	April	0.00	77.83	0.00	-19.50	24.27	5.42	7.30	1306.06
	May	0.00	45.48	54.73	9.50	32.71	3.02	5.25	1355.79
	June	0.00	29.99	38.16	-6.50	12.20	2.11	2.75	1413.39
	July	0.00	58.39	43.18	33.50	23.98	3.81	18.62	1435.05
	August	0.00	15.61	0.00	5.00	49.25	11.48	33.79	1351.65
	September	0.00	51.63	0.86	19.00	71.26	4.53	16.57	1292.78
	October	0.00	29.78	2.15	48.00	84.12	4.93	3.01	1184.64
	November	0.00	28.69	10.62	11.50	44.73	5.65	4.74	4620.84
	December	0.00	104.62	8.17	67.50	84.63	2.05	5.96	5692.70

Source: Bank of Zambia

Note:(1) Inflows from Zambia Consolidated Copper Mines (ZCCM). ZCCM no longer exists after privatisation of the mining sector

(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	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	1.5	8.9	1.0	7.3	1.6	13.6	1.4	9.8	18.2	2.1
	February	1,430.1	2.1	10.6	2.5	11.0	2.5	17.1	2.3	12.6	31.4	2.6
	March	1,441.9	0.9	11.0	0.8	10.9	0.7	16.9	0.8	12.7	10.0	0.4
	April	1,441.0	-0.3	11.0	-0.2	10.3	0.4	16.5	-0.1	12.4	-1.2	1.1
	May	1,423.0	-0.4	10.6	-0.4	9.9	0.2	15.1	-0.2	11.8	-2.4	0.8
	June	1,441.0	0.1	10.7	-0.2	8.3	0.7	14.2	0.2	11.1	2.4	1.1
	July	1,445.8	0.3	10.7	0.5	9.2	0.2	13.5	0.3	11.2	3.7	0.0
	August	1,450.9	0.6	10.7	-0.2	9.6	0.5	11.6	0.4	10.7	4.9	1.0
	September	1,457.1	0.6	9.6	0.2	8.0	0.4	10.1	0.4	9.3	4.9	0.6
	October	1,462.0	-0.4	7.9	0.8	8.0	1.1	11.3	0.3	9.0	3.7	0.5
	November	1,481.2	1.7	8.1	1.0	7.4	1.0	10.7	1.3	8.7	16.8	1.2
	December	1,501.2	1.5	8.4	1.8	7.9	0.8	10.7	1.3	8.9	16.8	0.8
2008	January	1,527.9	1.7	8.5	1.9	8.9	1.8	10.9	1.8	9.3	23.9	1.9
	February	1,566.4	3.0	9.4	2.9	9.3	1.6	9.9	2.5	9.5	34.5	1.1
	March	1,582.7	1.2	9.7	0.8	9.3	1.0	10.2	1.0	9.8	12.7	0.8
	April	1,587.2	0.1	10.2	0.6	10.2	0.2	10.0	0.3	10.1	3.7	0.4
	May	1,594.1	0.0	10.6	0.7	11.4	0.9	10.8	0.4	10.9	4.9	0.5
	June	1,615.3	1.4	11.9	2.0	13.9	0.7	10.9	1.3	12.1	16.8	-0.1
	July	1,628.7	0.4	12.0	0.6	13.9	1.7	12.5	0.8	12.6	10.0	2.3
	August	1,643.0	0.6	12.1	1.1	15.4	1.1	13.2	0.9	13.2	11.4	0.3
	September	1,664.2	1.1	12.7	1.1	16.4	1.8	14.7	1.3	14.2	16.8	2.3
	October	1,684.1	1.3	14.6	0.4	16.0	1.7	15.4	1.2	15.2	15.4	1.5
	November	1,708.3	1.6	14.5	1.7	16.7	1.0	15.3	1.4	15.3	18.2	0.7
	December	1,749.8	2.8	16.0	3.0	18.1	1.4	16.0	2.4	16.6	32.9	1.2

Source: Central Statistics Office

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

TABLE 17

Period		Treasury Bills Tender Sales								Special Taps &		Total
		28 Days	91 Days	182 Days	182 Days	364 Days	Total Sales	Settlement value	Maturites	Off-Tender Sales	Re-discounts	Outstanding Bills
1995	December	947,454.8	133,789.5	32,563.5	32,563.5		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	46,956.8		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	154,802.0		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	35,075.0		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	47,970.0		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	311,120.0		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	43,250.0		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	33,035.0		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	93,875.0		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	83,360.0		220,345.0	203,454.6	241,337.0	31,000.0	4,050.0	1,438,873.0
2005	December	0.0	87,601.0	98,410.0	98,410.0	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	95,662.5	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	84,850.0	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	58,195.0	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	83,900.0	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	82,985.0	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	108,563.0	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	74,555.0	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	81,945.0	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	109,483.0	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	93,285.0	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	71,122.0	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	90,208.0	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	91,967.0	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	61,099.0	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	97,568.0	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	70,705.0	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	67,555.0	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	68,899.0	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	73,300.0	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	36,313.0	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	36,996.0	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	52,070.0	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	121,755.0	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	39,860.0	75,034.0	164,672.0	148,513.4	203,679.0	0.0	0.0	3,437,014.9
2008	January	0.0	53,114.0	56,215.0	56,215.0	138,700.0	314,873.0	283,728.2	289,204.0	0.0	0.0	3,484,330.8
	February	0.0	62,889.2	93,448.4	93,448.4	215,480.0	442,476.6	403,001.6	418,929.0	0.0	0.0	3,507,878.4
	March	0.0	20,256.0	43,915.0	43,915.0	138,700.0	268,151.0	237,309.2	165,126.0	0.0	0.0	3,610,902.5
	April	0.0	27,735.0	81,810.0	81,810.0	132,195.0	272,530.0	247,648.4	383,367.0	0.0	0.0	3,500,065.5
	May	0.0	57,638.0	63,765.0	63,765.0	178,489.0	376,477.0	337,760.6	523,553.2	0.0	0.0	3,352,989.3
	June	0.0	34,277.0	72,400.0	72,400.0	205,695.0	376,886.0	331,577.5	146,020.0	0.0	0.0	3,583,855.3
	July	0.0	18,619.0	45,434.0	45,434.0	148,710.0	273,442.0	226,980.3	314,443.0	0.0	0.0	3,542,854.3
	August	0.0	57,291.0	49,002.0	49,002.0	160,950.0	311,923.0	283,042.1	391,966.4	0.0	0.0	3,462,810.9
	September	0.0	49,184.0	36,355.0	36,355.0	55,836.0	161,897.0	145,469.8	206,252.0	0.0	0.0	3,418,455.9
	October	0.0	27,936.0	25,430.0	25,430.0	91,007.0	154,373.0	134,269.5	364,125.0	0.0	0.0	3,208,703.9
	November	0.0	54,651.0	53,938.0	53,938.0	137,566.0	283,784.0	248,769.8	281,893.0	0.0	0.0	3,210,594.9
	December	0.0	46,560.0	40,277.0	40,277.0	899,796.1	1,007,782.1	227,808.7	969,121.9	0.0	0.0	3,249,255.1

Source: Bank of Zambia

GRZ BONDS OUTSTANDING (IN MILLIONS OF KWACHA) TABLE 18

End of period		By Holder: Commercial banks	By Holder: Others(c)	Total Outstanding
1995	December	3,949.6	10,810.6	14,760.2
1996	December	17,324.2	14,371.0	31,695.2
1997	December	30,176.0	6,165.2	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	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
2008	January	1,127,534.7	1,713,370.0	2,840,904.7
	February	1,238,018.9	1,711,881.3	2,949,900.2
	March	1,207,500.1	1,810,602.5	3,018,102.6
	April	1,230,523.6	1,882,687.4	3,113,211.0
	May	1,330,602.5	1,856,145.9	3,186,748.4
	June	1,330,946.8	1,915,950.5	3,246,897.3
	July	1,179,503.7	1,907,949.6	3,087,453.4
	August	1,287,844.2	1,979,624.2	3,267,468.4
	September	1,313,387.8	2,030,697.8	3,344,085.7
	October	1,276,146.9	1,987,541.2	3,263,688.1
	November	1,385,047.2	1,854,013.3	3,239,060.6
	December	1,367,620.8	1,853,220.7	3,220,841.6

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