Bank Of Zambia

# Bank of Zambia Monetary Policy Statement

July - December 2005

Bank of Zambia

## MISSION STATEMENT

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

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This Monetary Policy Statement is made pursuant to Part II, Section 9 of the Bank of Zambia Act No. 43 of 1996

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## Executive Summary

During the first half of 2005, monetary policy was focused on achieving an annual overall inflation rate of 15.9%, which was consistent with the attainment of 15.0% at end-2005. Accordingly, annual non-food and food inflation rates of 17.2% and 14.7% were to be achieved during the period under review. Consistent with these projections, reserve money and broad money were programmed to grow by 0.6% and 4.5% during this period, respectively. The Bank of Zambia used Government securities and Term deposits in open market operations in managing reserve money and broad money.

An assessment of monetary policy performance during the first half of 2005 shows favourable developments in reserve money and broad money growth while the performance of annual overall inflation was unfavourable. Reserve money grew by negative 5.3% compared with the target of 0.6%, largely due to the liquidity withdrawing actions undertaken by the Bank of Zambia. Similarly, broad money growth at 1.3% was well within the projection of 4.5% under the economic reform programme. However, despite this favourable development in reserve money and broad money, the annual overall inflation outturn at 19.2% was above the projection of 15.9% for the first half of 2005. The unfavourable overall inflation outcome was on account of the higher than expected outturn in both non-food and food inflation.

Annual non-food inflation at end-June 2005 was 19.2% and was above the projected rate of 17.2%. The unfavourable outturn in non-food inflation was largely attributed to the increase in prices of petroleum products due to rising crude oil prices on the world market and the 11% upward adjustment in electricity tariffs. However, the increase in non-food inflation was moderated by the appreciation in the exchange rate of the Kwacha against major international currencies largely due to favourable external sector performance and the effective implementation of the economic reform programme, which enabled the country to reach the enhanced HIPC Initiative completion point and obtain Paris Club debt relief. The narrowing of the trade deficit by 52.8% to minus US $115.3 million during the first half of 2005 following a higher decline in merchandise imports relative to the decline in export earnings contributed to the appreciation in exchange rate.

Annual food inflation rate was 19.3% at end-June 2005 and was 4.6 percentage points above the projection of 14.7%. The outcome in food inflation was largely explained by the increase in maize prices following low supply on the market. In addition, the higher cost of production and transportation arising from the pass-through effects of increases in prices of petroleum products contributed to the higher than projected performance in food inflation.

After trending upwards during the second half of 2004, yield rates on Government securities followed a declining trend during the first half of 2005. In contrast, commercial banks' interest rates marginally declined although they remained high.

In the second half of 2005, bringing inflation down to projected levels will be the main focus of the Bank of Zambia, especially considering that the inflation outturn in the first half of the year was above target. In this regard, the Bank of Zambia will implement appropriately tight monetary policy using open market operations and other instruments of monetary policy. This is expected to lead to a slower growth of reserve money and broad money than was originally programmed at the beginning of 2005.

The conduct of monetary policy by the Bank of Zambia in the next two years ending in June 2007 will be guided by market-based principles.

## 1.0 Introduction

This monetary policy statement reviews the conduct and performance of monetary policy during the first half of 2005. It also highlights the challenges that are likely to be faced in the conduct of monetary policy in the second half of 2005 and the measures that the Bank of Zambia is likely to take. The Statement ends with an outline of the principles the Bank of Zambia will follow to guide monetary policy formulation and implementation over the next two years.

In the first half of 2005, monetary policy was conducted with a view to bringing under control the higher than programmed growth in both reserve money and broad money observed towards the end of the second half of 2004. In this regard, monetary growth was programmed to decelerate in order to contribute to the attainment of the annual inflation objective of 15.9% at end - June 2005 (see Table 1 and Appendix II Table 6). Notwithstanding the need to contain money supply growth, net private sector credit was set to expand by 11.1%. To compliment monetary policy, fiscal policy was programmed to limit net domestic financing of the Government to 0.7% of GDP.

**TABLE 1: SELECTED MONETARY INDICATORS (% CHANGE)**

| | 2003 | 2004 | Jul-Dec 2004 | | Jan-June 2005 | |
|---|---|---|---|---|---|---|
| | Actual | Actual | Programmed | Actual | Programmed | Actual |
| Overall Inflation* | 17.2 | 17.5 | 20.0 | 17.5 | 15.9 | 19.2 |
| *Non-food Inflation* | *21.7* | *18.9* | *22.9* | *18.9* | *17.2* | *19.2* |
| *Food Inflation* | *13.5* | *16.3* | *17.4* | *16.3* | *14.7* | *19.3* |
| Reserve Money** | 26.5 | 21.6 | 8.1 | 17.4 | 0.6 | -5.3 |
| Broad Money | 23.4 | 30.3 | 8.1 | 10.6 | 4.5 | 1.3 |
| Domestic Credit | 38.4 | 20.5 | (9.2) | 1.4 | 9.2 | 16.8 |
| Government | 40.4 | 2.6 | 2.5 | (9.7) | 4.5 | 4.2 |
| Public Enterprises | 24.1 | 72.4 | 2.8 | 18.4 | 53.8 | 24.0 |
| Private Sector Credit | 36.4 | 47.2 | 14.8 | 17.5 | 11.1 | 32.3 |
| Domestic Financing (% of GDP) | 5.1 | 1.9 | 1.5 | 0.8 | 0.7 | 0.7 |

**Source:** Central Statistical Office and Bank of Zambia

**Notes:** *Inflation is measured on an annual basis.

**The changes in monetary aggregates (i.e. reserve money, broad money and domestic credit) and domestic financing show performance over six months for the periods July to December 2004 and January to June 2005.

Despite having maintained a tight monetary policy stance over the first half of 2005, the inflation outturn was higher than projected. The rapid expansion of broad money and reserve money during the second half of 2004 was reigned in during the first half of 2005, with growth rates brought well within the economic reform programme projections. Preliminary data indicate that broad money grew by 1.3% in the first half of 2005, but was 3.2 percentage points lower than the projection of 4.5%. Similarly, reserve money growth at negative 5.3% was below the projection of 0.6%.

In terms of interest rates, the Government securities market was characterised by declining yield rates during the first half of 2005. However, commercial banks' interest rates remained high although they marginally declined (see Appendix III).

## 2.0 Assessment of Monetary Policy Outcome

During the first half of 2005, monetary policy was aimed at achieving the end-June 2005 annual overall inflation of 15.9%, with food inflation and non-food inflation projected at 14.7% and 17.2%, respectively. To realise the inflation objective:

- Reserve money was projected to grow by 0.6% over the first half of 2005 in line with targeted 10.5% for the year;
- Broad money growth was to be limited to 4.5%, consistent with the projected annual growth of 14.8%;
- Private sector credit was to expand by 11.1%, supportive of the economic growth objective and consistent with fiscal policy; and
- International reserves were to increase to an equivalent of 1.1 months cover of merchandise imports and non-factor services.

Accordingly, the Bank of Zambia relied on indirect instruments of monetary policy to meet the set targets. In order for monetary policy to be effective, it was expected that:

- Government fiscal operations would remain as programmed in the 2005 budget;
- The exchange rate would remain relatively stable on account of continued good performance of the external sector and improved balance of payments support; and
- Food supply would be adequate due to anticipated favourable weather conditions in the 2004/2005 agricultural season and continued Government support to small-scale farmers.

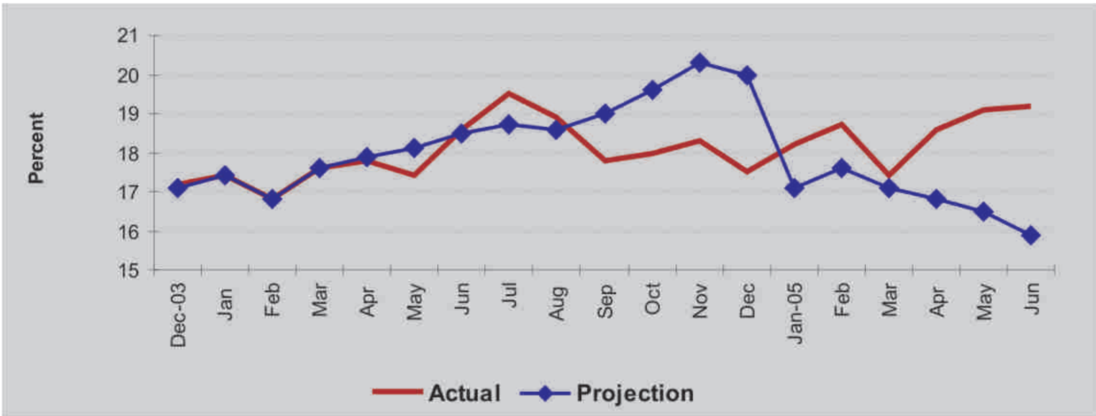
On the downside, inflationary pressures were expected to arise from anticipated increases in world oil prices as a result of high demand in China and higher consumption in the Northern Hemisphere during the winter period.

The continued upward pressure on world oil prices thus remained a major challenge to achieving the end-year inflation objective. In addition, lower than expected agricultural performance due to unfavourable weather conditions during the 2004/2005 agricultural season posed a threat to the achievement of the inflation target. Further, the effect of the ban on livestock movements in some major production areas of the country and the upward adjustment in electricity charges contributed to inflationary pressures during the review period.

### 2.1 Overall Inflation

Notwithstanding the appropriate monetary and fiscal policies pursued during the period under review, the inflation outturn was unfavourable. The annual overall inflation outcome of 19.2% at the end of the first half was above the projection of 15.9% under the economic reform programme (see Chart 1 and Appendix II, Table 1). This outturn was due to unfavourable developments in prices of both non-food and food items. Food inflation increased by 3.0 percentage points to 19.3% at end-June 2005 from 16.3% at end-December 2004, and was 4.6 percentage points above the projection. Similarly, non-food inflation increased by 0.3 percentage points to 19.2%, and was 2.0 percentage points higher than the projection of 17.2%.

**CHART 1: ANNUAL OVERALL INFLATION, DEC 2003 - JUN 2005**



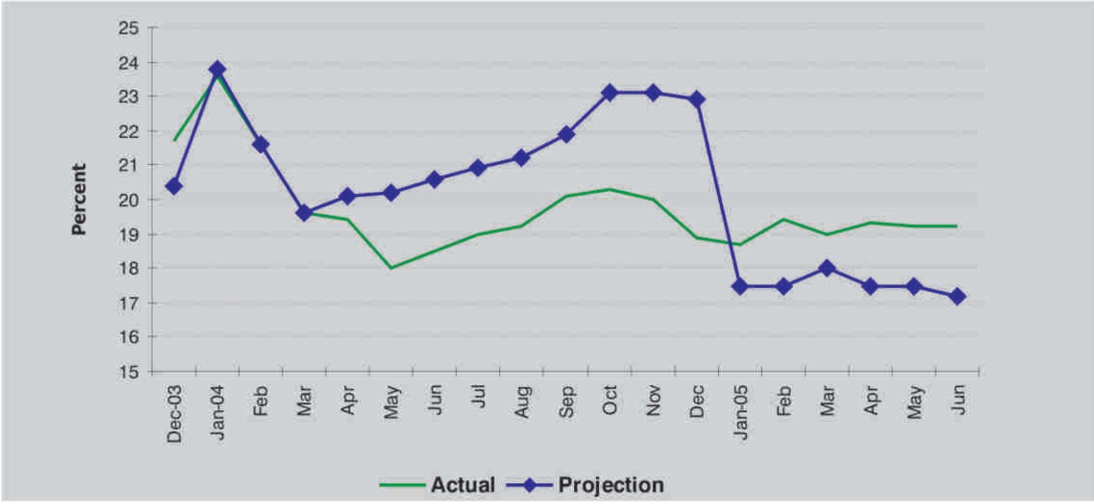

**Source:** Central Statistical Office and Bank of Zambia

#### 2.1.1 Non-food Inflation

The annual non-food inflation rate at 19.2% was above the June 2005 projection of 17.2% (see Chart 2). The unfavourable outturn in non-food inflation was largely attributed to continued increase in prices of petroleum products domestically due to rising crude oil prices on the world market and the 11% upward adjustment in electricity tariffs in April 2005. Prices of petrol and diesel increased by 4.7% and 16.8% to K5,714.0 and K5,069.0 in June 2005 from K5,458.0 and K4,340.0 per litre in December 2004, respectively. In addition, increases were recorded on airfares, two-star hotel accommodation rates and house rent.

However, the increase in non-food inflation was off-set by the appreciation in the exchange rate of the Kwacha against major international currencies. Furthermore, lower than programmed growth in reserve money and broad money, generally stable commercial banks' lending rates as well as Government's limiting of financing of the budget within the programmed levels over the period mitigated non-food inflationary pressures.

**CHART 2: ANNUAL NON-FOOD INFLATION, DEC 2003 - JUN 2005**



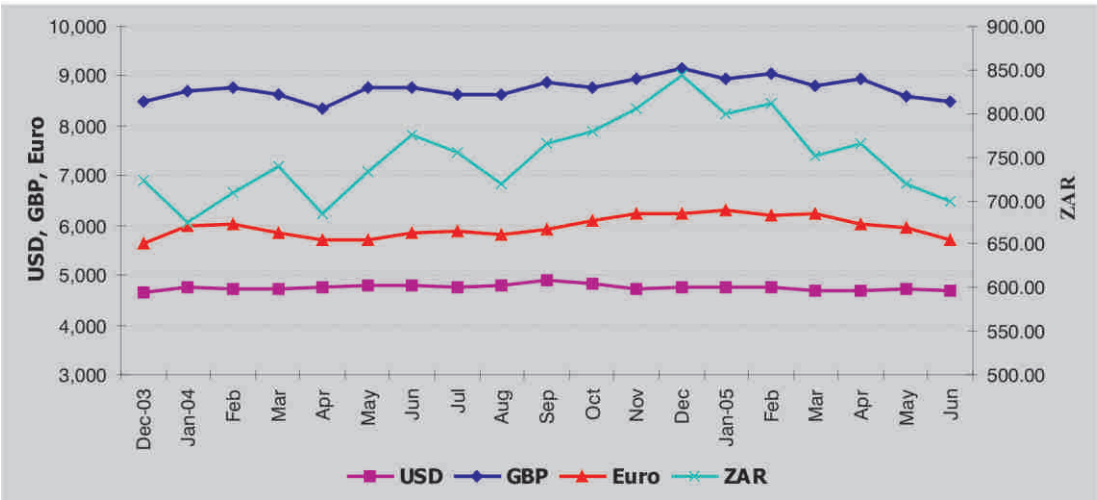

**Source:** Central Statistical Office and Bank of Zambia

### 2.1.1.1 Exchange Rate Developments

The exchange rate of the Kwacha against major international currencies appreciated during the first half of 2005 (see Chart 3). The Kwacha appreciated by 2.0% against the US dollar to K4,676.15 at end-June 2005 while it posted a 7.5% appreciation against the British pound to K8,472.40. Similarly, appreciation was registered against the euro and the South African rand by 8.2% and 17.2% to K5,720.34 and K698.32, respectively.

The appreciation was explained by improved performance of the external sector reflected in increased copper export earnings due to favourable prices, and tight monetary policy during the period under review. In addition, the effective implementation of the economic reform programme, which enabled the country to reach the enhanced HIPC Initiative completion point and obtain debt relief, contributed to the appreciation. The stronger appreciation against the South African currency reflected spill-over effects arising from the weakening of the rand against the US dollar.

**CHART 3: EXCHANGE RATES:**
**KWACHA AGAINST MAJOR CURRENCIES, DEC 2003 - JUN 2005**




**Source:** Bank of Zambia

### 2.1.1.2 International Trade Developments

The improvement in the performance of the external sector during the review period moderated inflationary pressures through the strengthening of the exchange rate of the Kwacha against major international currencies. Preliminary data indicate that the trade deficit narrowed to US $115.3 million during the first half of 2005 from US $244.1 million during the second half of

2004. This followed a decline in merchandise imports by 12.9% to US $991.7 million relative to a decline in export earnings by 5.0% to US $876.4 million.

The fall in imports was largely attributed to a decline in imports of plastic and rubber products, iron and steel and products thereof, industrial appliances and equipment, and electrical machinery and equipment, largely attributed to a decline in imports by the mining sector owing to the completion of major construction works at Kansanshi Mines. In addition, imports of food items and fertiliser fell on account of seasonal factors. Other declines were recorded in imports of petroleum products, paper and paper products, and vehicles (see Appendix II, Table 3).

Export earnings declined due to the fall in both traditional (metal) and non-traditional (non-metal) export earnings. Traditional export earnings declined to US $597.0 million during the first half of 2005 from US $607.6 million in the second half of 2004. Similarly, non-traditional export earnings declined to US $279.4 million from US $287.4 million over the same period (see Appendix II, Table 2).

Although there was a decline in the volume of copper exports to 179,378 metric tons in the first half of 2005 from 198,690 metric tons in the last six months of 2004, copper export earnings increased to US $562.7 million in the review period from US $550.1 million in the second half of 2004. The increase in copper export earnings was due to the rise in the average realised copper prices to 143.0 US cents per pound in the first six months of 2005 from 126.0 US cents per pound in the last six months of 2004.

However, cobalt earnings declined to US $34.2 million over the review period from US $57.5 million over the second half of 2004. This was explained by the decline in both export volumes and realised prices. Export volumes declined to 1,032 metric tons in the review period from 1,322 metric tons in the second half of 2004. Similarly, realised cobalt prices fell to US $15.05 per pound from US $19.71 per pound.

The decline in non-traditional export earnings during the period under review was mainly on account of the decline in export earnings from tobacco (from US $30.9 million to US $20.6 million), cotton lint (from US $37.3 million to US $13.8 million), cement (from US $3.6 million to US $2.4 million), and gemstones (from US $10.3 million to US $7.6 million). This was despite increases in export earnings from sugar, copper wire and fresh flowers. The decline in the stocks of tobacco and cotton, increased local demand for cement from the mines, coupled with the decline in production of gemstones in major mining areas, accounted for this outturn. However, it is important to note that the seasonality of most NTE's explains this outturn and does not necessarily imply poor performance of the NTE's sub-sector.

With regard to tourism services, the country's four international airports[1] recorded an increase in international arrivals[2] to 122,777 passengers during the first half of 2005 from 117,481 passengers during the same half of 2004, representing a 4.5% increase. Nevertheless, the recorded international arrivals were lower than the 128,987 passengers recorded during the second half of 2004.

Similarly, international arrivals at Livingstone and Mfuwe airports, the key tourist destinations, increased to 27,949 passengers during the first half of 2005 from 13,566 passengers during the same period in 2004. International arrivals were also higher than 16,015 passengers recorded in the last half of 2004. Improved tourist arrivals contributed to the enhancement of foreign exchange supply on the market.

#### 2.1.1.3 Fiscal Developments

Preliminary data indicate that the domestic budget recorded a deficit of K201.9 billion, on a cash basis, during the review period compared with the projected deficit of K170.1 billion. This outturn was explained by developments in both expenditure and revenue.

Total domestic expenditure at K2,881.5 billion was 0.4% above the target of K2,869.4 billion for the review period. The higher than projected expenditure outturn was largely driven by overruns on transfers and pensions, and other current expenditures, which were above their targets by 116.0% and 86.3%, respectively. Expenditure on transfers and pensions was K379.9 billion compared with the projection of K175.9 billion while other current expenditures were K302.1 billion against the target of K162.2 billion. Similarly, domestic capital expenditure was K198.5 billion, and was 14.9% above the projected level of K172.7 billion.

[1]International airports are Lusaka, Ndola, Livingstone and Mfuwe

[2]International arrivals are used as a proxy for tourism.

On the other hand, total domestic revenue at K2,680.6 billion was 0.7% below the programmed domestic revenue of K2,699.4 billion due to less than projected non-tax revenue. Non-tax revenue at K37.6 billion was 40.9% below the projected level of K63.6 billion. However, tax revenue at K2,607.0 billion was 0.2% above the projected level of K2,602.2 billion.

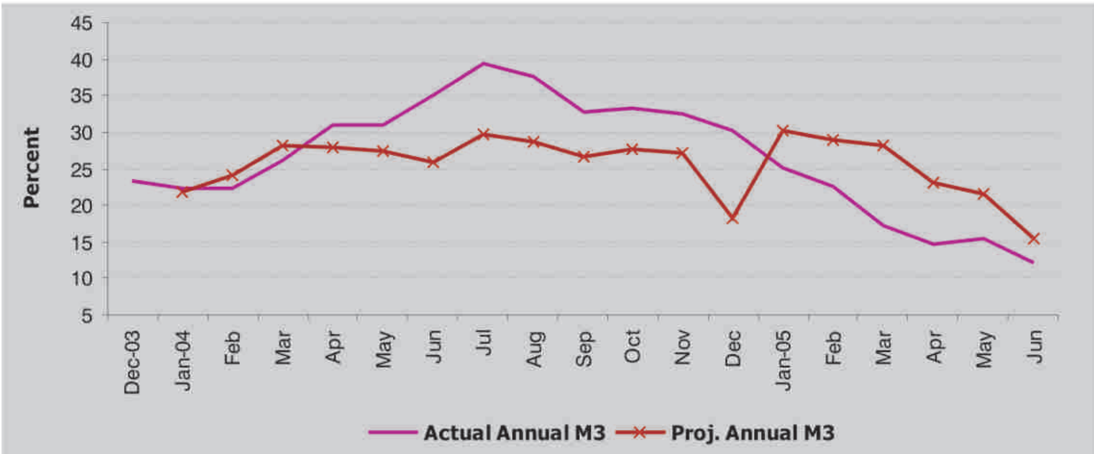
In terms of financing, the Government borrowed K207.0 billion domestically, which was 4.6% below the projected domestic budget financing of K217.0 billion. Of this financing, a sum of K152.0 billion was through a drawing-down of the Treasury bills sterilisation account while K55.0 billion was through a Kwacha bridging loan from the Bank of Zambia.

### 2.1.1.4 Monetary and Credit Developments[3]

Relative to the economic reform programme, monetary policy during the first half of 2005 remained tight, as both reserve money and broad money were below target. Preliminary data show that broad money ($M_3$) growth decelerated to 1.3% in the first half of 2005 from 10.6% recorded during the second half of 2004. The slow down in broad money growth reflected contractionary monetary policy actions that the Bank of Zambia undertook during the review period. In absolute terms, broad money rose to K5,898.0 billion in June 2005 from K5,819.9 billion in December 2004.

The slow down in broad money growth was explained by the 56.6% decline in net foreign assets, which contributed negative 19.1 percentage points to the growth. However, net domestic assets increased by 15.3% and contributed 20.5 percentage points to the growth in broad money. The development in net domestic assets was attributed to the expansion in domestic credit and other items net. The broad money growth outturn for the first half of 2005 at 1.3% was favourable compared to the projection of 4.5%. On an annual basis, broad money growth slowed down to 12.1% at end-June 2005 from 30.3% in December 2004 (see Chart 4).

**CHART 4: ANNUAL GROWTH IN BROAD MONEY (%)**




**Source:** Bank of Zambia

In the first half of 2005, domestic credit grew by 16.8% compared to 1.4% growth in the second half of 2004, following increased banking sector lending to the private sector, public enterprises and Government. Private sector and public enterprises borrowing rose by 32.3% (projection: 11.1%) and 17.5% (projection: 53.8%), respectively. In addition, the banking system lending to Government which increased by 4.2% was below the projection of 4.5% under the economic reform programme. The expansion in domestic credit was above the projected increase of 9.2% for the first half of 2005. This was explained by the higher than projected expansion in lending to the private sector.

A review by sector shows an increase in lending to agriculture, mining and quarrying, energy and water, wholesale and retail trade, restaurants and hotels, financial services, real estate, and personal loan sectors during the first half of 2005 compared with the second half of 2004 (see Appendix II, Chart 1). In contrast, lending to manufacturing, transport, and community services sectors declined during the period under review.

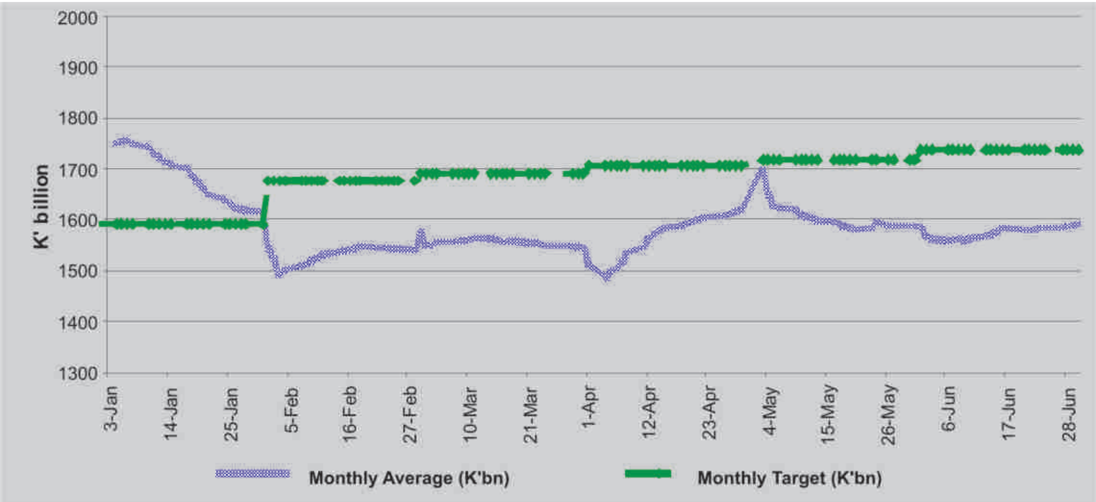
[3]Broad Money ($M_3$) is equal to $M_2$ + Foreign Currency Deposits, where $M_2$ is equal to $M_1$ (i.e. the sum of currency outside banks, demand deposits at BoZ and demand deposits at banks) + local currency savings and time deposits.

The agricultural sector continued to receive the largest share of loans and advance with 27.0% of total loans and advances, followed by wholesale and retail trade (13.0%) and manufacturing sector (12.0%). Other significant shares of loans and advances went to personal loans (16.0%), as well as the transport and communications sector (7.0%). Further, advances and loans were extended to, among others, the energy sector (6.0%), mining and quarrying sector (4.0%), restaurants and hotels sector (3.0%). The share of loans and advances to other sectors category increased during the period January to June 2005 to 3.0% from 2.0% in the second half of 2004 (see Appendix II, Table 5 and Charts 2 and 3).

With regard to reserve money, a decline of 4.9% to K1,635.2 billion was recorded in the six months to June 2005 compared with an increase of 17.4% during the previous review period (see Chart 5). This outturn reflected withdrawing effects arising from lower than programmed government domestic financing and increased sales of government securities than injections arising from BoZ foreign exchange purchases. Net fiscal revenues resulted in a net withdrawal of K60.4 billion while net sales of government securities withdrew K370.7 billion. These effects offset an injection of K437.1 billion arising from BoZ net foreign exchange purchases. Open market operations were utilised to smoothen intermittent liquidity demand within the banking system.

Consequently, reserve money was within the first half of 2005 target. Against the monthly-average target of K1,780.6 billion for end-June 2005, the average reserve money stock was K145.4 billion below the target.

**CHART 5: RESERVE MONEY AND TARGET PATH, JAN - JUN 2005**




**Source:** Bank of Zambia

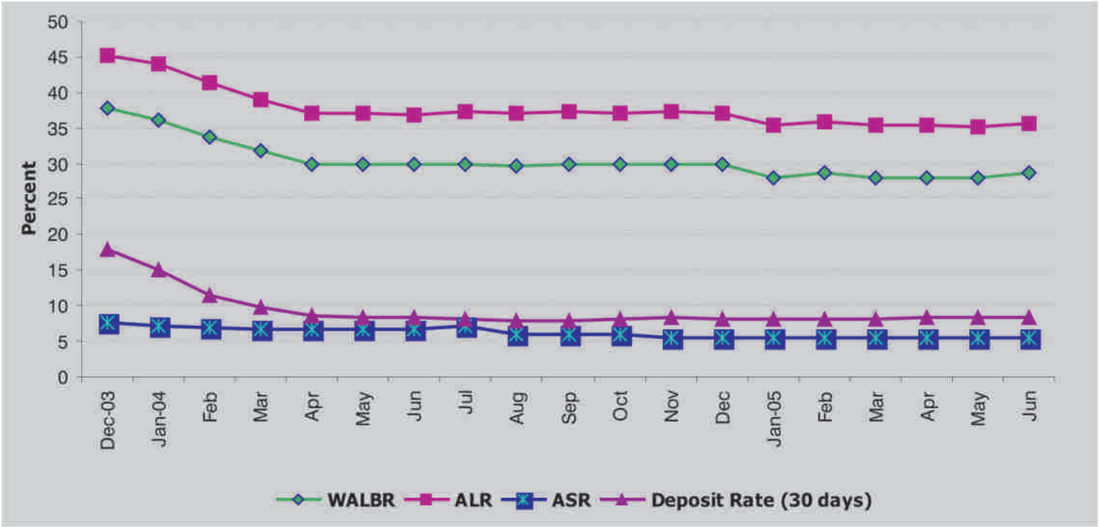
### 2.1.1.5 Interest Rates Developments

*Commercial Banks' Interest Rates*

Commercial banks' lending interest rates marginally declined during the review period. The commercial banks' weighted average lending base rate (WALBR) declined to 28.6% in June 2005 from 29.8% in December 2004 while the average lending rate (ALR) fell by 1.5 percentage points to 35.6% from 37.1%. Similarly, savings rates declined during the first half of 2005 while deposit rates increased. The average savings rate (ASR) for amounts above K100,000 declined to 5.5% from 5.6% in December 2004. The 30-day deposit rate for amounts of more than K20 million was 8.4% compared to 8.2% at end-December 2004 (see Chart 6). The trend in interest rates reflected the decline in yield rates on Government securities. However, interest rates have generally remained high largely due to inflation inertia.

Similarly, spreads remained high although they declined marginally during the period under review. The spread between lending rates and the 30-day deposit rates declined by 1.7 percentage points to 27.2% in June 2005 from 28.9% in December 2004.

**CHART 6: COMMERCIAL BANKS' INTEREST RATES, DEC 2003 - JUN 2005**



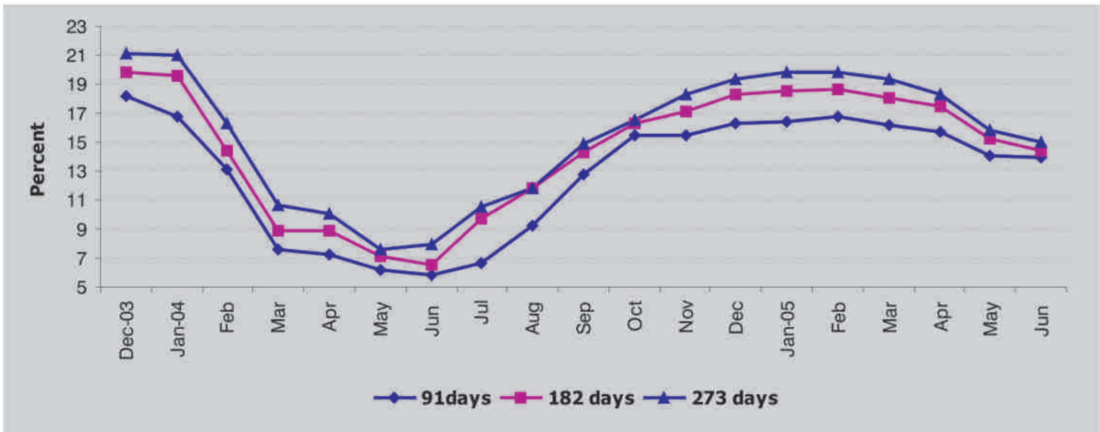

**Source:** Bank of Zambia

*Yield Rates on Government Securities*

As a result of the Government's continued adherence to the borrowing limits adopted in the economic reform programme, yield rates on Government securities trended downwards during the first half of the year. The composite weighted average yield rate on the Treasury bill portfolio declined to 14.7% at the end of June from 17.8% at the end of 2004. Similarly, the composite yield rate on the government bond portfolio fell to 17.0% from 20.5% over the same period. Consistent with the decline in yield rates, the amount of government securities outstanding increased by 3.5% to K4,625.7 billion at the end of June. However, the increase was lower than the 7.2% recorded over the July to December 2004 period. The rise in the stock was on account of an increase of 13.9% in the stock of Treasury bills to K1,611.4 billion while the stock of government bonds declined marginally by 0.3% to K3,014.3 billion.

The yield curve remained essentially positive although a narrowing in the yield rate gap between short and long-dated maturities was noticed during the period. The yield rate on the 91-day portfolio declined by 2.2 percentage points to 14.2% while yield rates on the 182- and 273-day portfolios fell by 3.9 and 4.2 percentage points to 14.5% and 15.2%, respectively (see Chart 7).

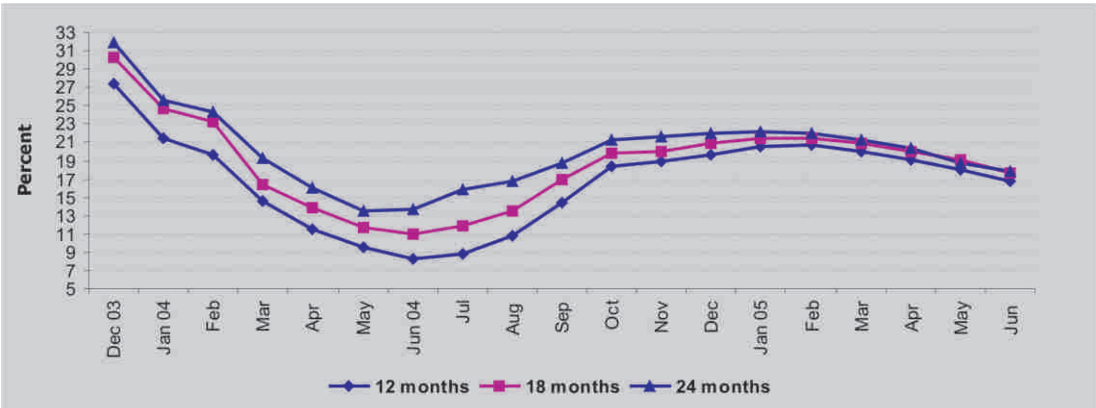
**CHART 7: YIELD RATES ON TREASURY BILLS, DEC 2003 - JUN 2005**




**Source**: Bank of Zambia

Further, the yield gap between the short-dated and long-dated Treasury bill portfolios fell to 1.0% during the review period from 3.1% during the preceding review period. With regard to bond yield rates, the 12-month yield rate fell to 16.0% from 19.4% while the 18-month yield rate declined to 17.1% from 20.5%. The yield rate on the 24-month bond declined by 4.4 percentage points to 17.6% (see Chart 8). The yield gap between the short and long-dated government bonds narrowed to 1.6% from 2.6%.

**CHART 8: YIELD RATES ON GOVERNMENT BONDS, DEC 2003 - JUN 2005**

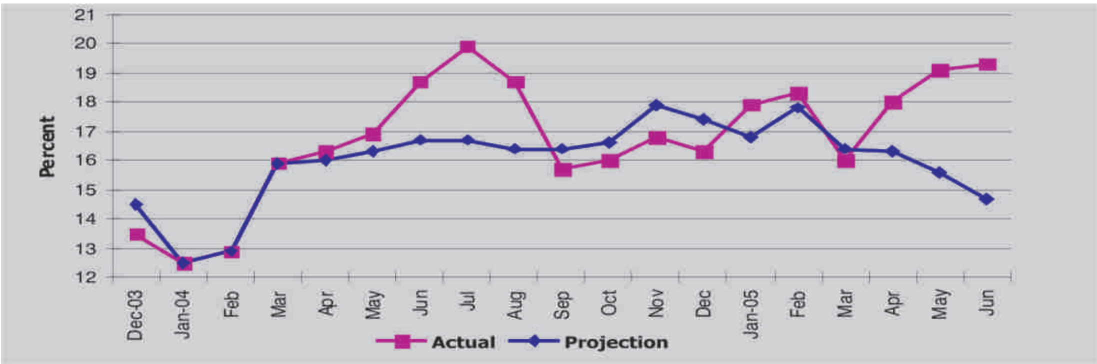



**Source:** Bank of Zambia

### 2.1.2 Food Inflation

The annual food inflation rate at 19.3% in June 2005 was 4.6 percentage points above the projection of 14.7% for end-June 2005 (see Chart 9 and Appendix II, Table 1). The outturn in food inflation was largely attributed to the increasing maize prices, which has the highest weight in the food basket, following low supply on the market arising from the 2004/ 2005 prolonged dry spells and higher cost of production and transportation due to the pass-through effects of increased fuel prices.

**CHART 9: ANNUAL FOOD INFLATION, DEC 2003 - JUNE 2005**




**Source:** Central Statistical Office and Bank of Zambia

## 3.0 Monetary Policy Objectives and Instruments for the Period July December 2005

Despite the difficulties created by higher food and fuel prices, the Bank of Zambia remains committed to achieving the end-year inflation target of 15.0% (see Appendix I, Table 1). Under the economic reform programme, it is expected that:

- Reserve money growth would be limited to 9.8%;
- Broad money growth would be limited to 9.9%; and
- Private sector credit expansion would be limited to 10.0%, which is supportive of the economic growth objective and consistent with the fiscal framework.

However, in order to meet the end-year inflation target as envisaged in the programme, given that the inflation outturn was higher than projected, inflation in the second half of the year will have to be reduced to no more than 5.8% as opposed to the projection of 8.9%. This would entail a lower growth of reserve money during the remainder of the year than was initially projected under the PRGF arrangement.

In order for monetary policy to be effective, it is expected that:

- Government fiscal operations will continue as programmed; and
- The exchange rate of the Kwacha against other currencies will be stable due to continued favourable performance of the external sector and balance of payments support following approval of the approval of the second review of the PRGF arrangement by the IMF Board of Directors, the attainment of the enhanced HIPC initiative completion point as well as additional support on debt service to be provided by the G8 countries.

However, there are factors that are likely to contribute to a pick up in inflationary pressures, such as increases in world oil prices mainly driven by demand arising from economic expansion in China and India, and the recent 11.0% increase in electricity tariffs and its secondary effects on prices of other goods and services in the economy. In addition, the shortfall in maize production following unfavourable weather conditions during the 2004/2005 agricultural season will be a source of food inflationary pressures during the second half of 2005.

## 4.0 Monetary Policy Principles for the Next Two Years

The achievement of single digit inflation has remained and continues to be a key objective of the Bank of Zambia. The Government's broad policies and objectives will continue to be guided by the PRGF arrangement (see Appendix I). The PRGF arrangement spells out the Government's broad macroeconomic policies and objectives. In this regard, over the next two years ending June 2007, key macroeconomic objectives of the Government include:

(i) Increasing real GDP growth from 5.4% in 2004 to 6.0% and higher in 2006 and beyond. Agriculture, mining, manufacturing and tourism are expected to be the main sources of growth during this period;

(ii) Reducing the rate of inflation to 10.0% by end-December 2006 and single digits thereafter. The Bank of Zambia will strive to preserve the gains made in reducing inflation and interest rates. To this end, the monetary programme will limit the growth in broad money; and

(iii) Maintaining official international reserves at a minimum of 1.5 months of import cover by 2006. The increase in international reserves is based on projected continued growth of exports and remaining on track on the economic reform programme, a reduction in external debt stock and service following the attainment of the enhanced Heavily Indebted Poor Countries (HIPC) initiative completion point during the first half of the year and receipt of additional debt relief from creditors as well as the G8 pledge to cancel 100% of the debt stock that Zambia owes to the IMF, the World Bank and the African Development Bank.

Consistent with the Government's medium term economic programme, free market principles will continue to guide the Bank of Zambia's formulation and implementation of monetary policy. Thus, the Bank of Zambia will continue to employ market-based instruments of monetary policy to achieve the inflation objective.

## APPENDIX I: ECONOMIC REFORM PROGRAMME

The IMF staff mission visited the country in the first quarter of 2005 for the second review of Zambia's performance under the economic reform programme supported by the Poverty Reduction and Growth Facility (PRGF) arrangement. Satisfactory performance under the economic programme led to the Fund's disbursement of SDR 5.5 million (equivalent to US $8.3 million) in April, which brings the total amount drawn so far under the PRGF arrangement to SDR 170.6 million (equivalent to US $256.7 million).

In April 2005, Zambia attained the enhanced Heavily Indebted Poor Countries (HIPC) initiative completion point following satisfactory performance against all the triggers for reaching the enhanced HIPC completion point, including good macroeconomic performance. This led to disbursements of SDR 117.2 million and a further SDR 9.5 million, which is equivalent to US $176.8 million, as completion point assistance by the Fund. Reaching the completion point will lead to a reduction in Zambia's external debt stock by US $3.9 billion over time up to the year 2023. Out of the US $3.9 billion, some Paris Club creditors have already committed themselves to cancelling the debt owed to them, and on a bilateral basis, to grant additional debt relief in order to restore Zambia's debt sustainability. Zambia's attainment of the completion point will reduce the external debt service payments and provide more resources for poverty reducing priorities. Further, it provides a basis for sustainable economic growth.

In addition to the attainment of the enhanced HIPC initiative completion point, the G8 countries agreed to cancel 100% of the debt owed by eighteen African countries, including Zambia, to the IMF, the World Bank and the African Development Bank. The debt relief from this agreement will provide additional developmental resources, over and above debt relief provided under the enhanced HIPC initiative and will further support the country to reach the Millennium Development Goals (MDGs) and reduce poverty.

In the year through to end-June 2005, Zambia received a total of US $41.3 million from its cooperating partners as balance of payments support. Specifically, Zambia received US $22.1 million from the European Union (EU) and US $16.9 million from the British Government under the Poverty Reduction Budgetary Support (PRBS) to finance priority poverty reduction programmes and US $2.1 million from the World Bank.

The outturn and indicative macroeconomic targets for 2005 are shown in the table below:

### MACROECONOMIC OUTTURN AND TARGETS IN 2005

| | End-June Projection | End-June Outturn (Preliminary) | End-December Target |
|---|---|---|---|
| Real GDP growth rate (%) | - | - | 5.0 |
| CPI Inflation, end period (%) | 15.9 | 19.2 | 15.0 |
| CPI Inflation, annual average (%) | 16.8 | 18.6 | 16.2 |
| Gross Official Reserves (in months of imports) | 1.1 | 1.5 | 1.3 |
| Broad Money growth (%) | 4.5 | 1.3 | 14.8 |
| Domestic budget deficit (% of GDP) | (0.5) | (0.8) | (2.4) |
| Domestic financing of the Budget (% of GDP) | 0.7 | 0.7 | 1.6 |

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

### Performance against Programme Benchmarks, end-June 2005

Preliminary information shows that the performance against both quantitative and structural benchmarks was satisfactory. Preliminary data show that all the quantitative benchmarks for end-June 2005 under the Poverty Reduction and Growth Facility were met. The benchmark on Net Domestic Assets of the Bank of Zambia (NDA) was met by K326.4 billion, the Net Domestic Financing (NDF) of Government was met by K50.3 billion and Gross International Reserves (GIR) was met by US $90.7 million. The satisfactory assessment of economic performance in the year through end-June by the IMF, in the third quarter of 2005, is expected to trigger further disbursements of balance of payments support.

During the period July December 2005, the Government shall continue implementing sound macroeconomic policies and programmes as is articulated in the Medium Term Expenditure Framework (MTEF) and the Transitional National Development Plan, in order for the country to sustain its positive economic growth, achieve the inflation objective, lower lending interest rates, maintain stable exchange rates and ultimately reduce poverty. In addition, timely implementation of the work plan for public expenditure management under the Public

Expenditure Management and Financial Accountability Reforms (PEMFAR) could lead to a scaling up of donor support for Zambia's effort to achieve the Millennium Development Goals (MDGs).

## APPENDIX II: STATISTICAL TABLES AND CHARTS

### TABLE 1: PROJECTED AN ACTUAL INFLATION, JUN 2004 - JUN 2005 (%)

| | Annual Overall | | Annual Food | | Annual Non-Food | |
|---|---|---|---|---|---|---|
| | **Actual** | **Projection** | **Actual** | **Projection** | **Actual** | **Projection** |
| Jun 04 | 18.6 | 18.5 | 18.7 | 16.7 | 18.5 | 20.6 |
| Jul | 19.5 | 18.7 | 19.9 | 16.7 | 19.0 | 20.9 |
| Aug | 18.9 | 18.6 | 18.7 | 16.4 | 19.2 | 21.2 |
| Sep | 17.8 | 19.0 | 15.7 | 16.4 | 20.1 | 21.9 |
| Oct | 18.0 | 19.6 | 16.0 | 16.6 | 20.3 | 23.1 |
| Nov | 18.3 | 20.3 | 16.8 | 17.9 | 20.0 | 23.1 |
| Dec | 17.5 | 20.0 | 16.3 | 17.4 | 18.9 | 22.9 |
| Jan 05 | 18.2 | 17.1 | 17.9 | 16.8 | 18.7 | 17.5 |
| Feb | 18.7 | 17.6 | 18.3 | 17.8 | 19.4 | 17.5 |
| Mar | 17.4 | 17.1 | 16.0 | 16.4 | 19.0 | 18.0 |
| Apr | 18.6 | 16.8 | 18.0 | 16.3 | 19.3 | 17.5 |
| May | 19.1 | 16.5 | 19.1 | 15.6 | 19.2 | 17.5 |
| Jun 05 | 19.2 | 15.9 | 19.3 | 14.7 | 19.2 | 17.2 |

**Source:** Central Statistical Office and Bank of Zambia

### TABLE 2: TRADE DATA (US $ MILLION)

| | 2003 | | 2004 | | 2005* |
|---|---|---|---|---|---|
| | **Jan-Jun** | **Jul-Dec** | **Jan-Jun** | **Jul-Dec** | **Jan-Jun** |
| Trade Balance | **-265.4** | **-197.4** | **-235.6** | **-244.1** | **-115.3** |
| Exports, c.i.f | **494.5** | **589.9** | **769.6** | **895.0** | **876.4** |
| Metals | **302.7** | **366.5** | **535.3** | **607.6** | **597.0** |
| Copper | 278.0 | 329.0 | 476.0 | 550.1 | 562.7 |
| Cobalt | 24.7 | 37.5 | 60.3 | 57.5 | 34.2 |
| Non Metals | **191.7** | **223.4** | **233.4** | **287.4** | **279.4** |
| EBZ export audit | 23.6 | 23.6 | 23.6 | 23.6 | 23.5 |
| Total | 168.1 | 199.8 | 209.7 | 263.8 | 255.9 |
| Burley tobacco | 9.2 | 10.1 | 12.4 | 30.9 | 20.6 |
| Cement | 2.8 | 3.9 | 3.5 | 3.6 | 2.4 |
| Cotton yarn | 11.6 | 10.6 | 12.8 | 9.2 | 13.0 |
| Cotton lint | 9.5 | 19.1 | 16.1 | 37.3 | 13.8 |
| Copper rods | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Fresh flowers | 9.0 | 14.0 | 10.8 | 10.2 | 11.2 |
| Gasoil | 7.2 | 9.4 | 15.9 | 4.9 | 6.4 |
| Gemstone | 13.2 | 10.1 | 6.0 | 10.3 | 7.6 |
| Soya beans | 0.6 | 0.3 | 0.1 | 0.3 | 0.9 |
| Spoon sugar | 19.8 | 10.8 | 20.1 | 13.7 | 35.5 |
| Electricity | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 |
| Others | 80.9 | 107.2 | 108.0 | 139.2 | 140.1 |
| Imports c.i.f./1 | **-759.9** | **-787.3** | **-1005.2** | **-1,139.1** | **-991.7** |

**Source:** Bank of Zambia

**Note:** * = Figures for June 2005 are preliminary

## TABLE 3: MAJOR IMPORT GROUPS (US $ MILLION)

| Description | 2004 Jul-Dec | 2005 Jan-Jun* | Percentage Change |
|---|---|---|---|
| Food Items | 72.0 | 70.8 | -1.7 |
| Petroleum Products | 98.3 | 19.6 | -80.1 |
| Fertilisers | 57.0 | 14.1 | -75.3 |
| Chemicals | 106.1 | 138.4 | 30.4 |
| Plastic and Rubber Products | 63.0 | 18.2 | -71.1 |
| Paper and Paper Products | 170.9 | 0.2 | -99.9 |
| Iron and Steel | 72.7 | 3.0 | -95.8 |
| Nuclear Reactors and Equipment | 180.6 | 4.4 | -97.6 |
| Electrical Machinery and Equipment | 74.5 | 1.8 | -97.6 |
| Vehicles | 92.5 | 89.1 | -3.7 |
| Other Imports | 129.0 | 632.1 | 390.0 |
| **Total Imports** | **1,116.7** | **991.7** | **-11.2** |

**Source:** Central Statistical Office and Zambia Revenue Authority

**Note:** * = Figures for June 2005 are preliminary

## TABLE 4: SOURCES OF RESERVE MONEY GROWTH

| | Jul - Dec 2004 | | Jan - Jun 2005 | |
|---|---|---|---|---|
| | Total (K'bn) | Contribution to Reserve Money Growth (%) | Total (K'bn) | Contribution to Reserve Money Growth (%) |
| **1/ Net Foreign Assets (a+b+c+d)** | **227,677** | **15.6** | **424,873** | **24.7** |
| a) Net Purchases from Govt | 0 | 0.0 | 0 | 0.0 |
| b) Net Purchases from non-Government | 198,736 | 13.6 | 437,099 | 25.4 |
| c) Bank of Zambia own use of forex | -15 | 0.0 | 0 | - |
| d) Change in stat. reserve deposits forex balances | 28,955 | 2.0 | -12,226 | -0.7 |
| **2/ Net Domestic Credit (a+b)** | **26,335** | **1.8** | **-508,851** | **-29.6** |
| a) Autonomous influences | 77,107 | 5.3 | -272,083 | -15.3 |
| Maturing Open Market Operations | -68,529 | -4.7 | 251,730 | 14.6 |
| Direct Govt Transactions | 29,380 | 2.0 | -147,214 | -8.6 |
| TBs and Bonds Transactions | 114,961 | 7.9 | -370,577 | -21.6 |
| Claims on non-banks (Net) | 1,295 | 0.1 | -6,022 | -0.4 |
| b) Discretionary influences | -50,772 | -3.5 | -236,768 | -13.8 |
| Open Market Operations | | | | |
| i. Repos entered into (+ve) | 298,500 | 20.4 | 52,000 | 3.0 |
| ii. Treasury bills outright sale (-ve) | -22,839 | -1.6 | -35,700 | -2.1 |
| iii. Term Deposits Taken (-ve) | -351,253 | -24.0 | -253,350 | -14.7 |
| Treasury bill Rediscounts | 37,867 | 2.6 | 1,188 | 0.1 |
| Other claims (Floats, Overdrafts) | -13,047 | -0.9 | -906 | -0.1 |
| **Change in Reserve Money** | **254,012** | **17.4** | **-83,978** | **-4.9** |

**Source:** Bank of Zambia

### TABLE 5: PERCENTAGE SHARE OF LOANS AND ADVANCES BY SECTOR (SIX-MONTH AVERAGE)

| | 2003 | 2004 | | 2005 |
|---|---|---|---|---|
| | Dec | Jun | Dec | Jun |
| Agriculture, forestry, fishing and hunting | 22 | 26 | 29 | 27 |
| Mining and quarrying | 4 | 5 | 4 | 4 |
| Manufacturing | 16 | 14 | 14 | 12 |
| Energy and Water | 1 | 5 | 5 | 6 |
| Construction | 2 | 2 | 2 | 2 |
| Wholesale and retail trade | 15 | 14 | 14 | 13 |
| Restaurants and hotels | 4 | 3 | 4 | 3 |
| Transport, storage and communications | 8 | 10 | 8 | 7 |
| Financial services | 2 | 2 | 1 | 1 |
| Community, social and personal services | 2 | 4 | 5 | 3 |
| Real estate | 1 | 2 | 2 | 3 |
| Personal Loans | 13 | 7 | 10 | 16 |
| Other sectors | 7 | 2 | 2 | 3 |
| **Total** | **100** | **100** | **100** | **100** |

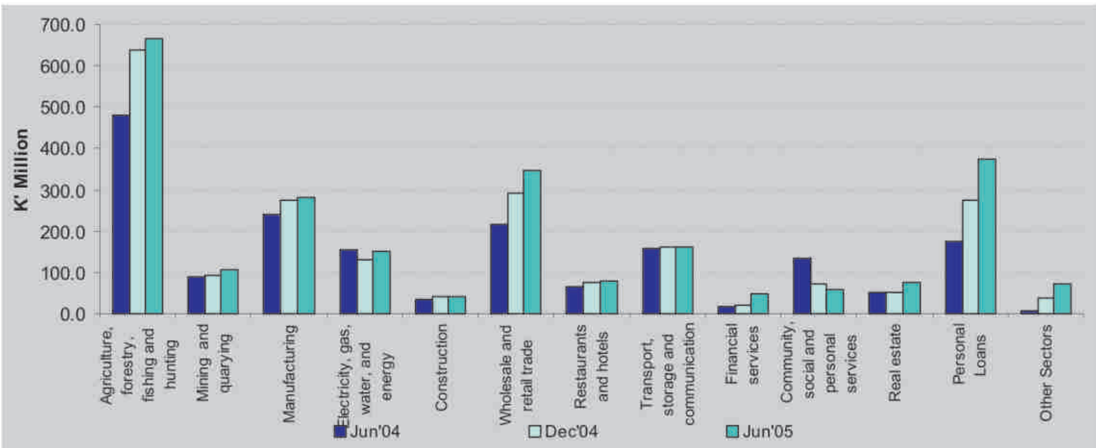
**Source:** Bank of Zambia

### TABLE 6: SELECTED MONETARY INDICATORS (% CHANGE)

| | 2003 | | 2004 | |
|---|---|---|---|---|
| | Programmed | Actual | Programmed | Actual |
| Overall Inflation | 17.1 | 17.2 | 20.0 | 17.5 |
| *Non-food Inflation* | *20.4* | *21.7* | *22.9* | *18.9* |
| *Food Inflation* | *14.5* | *13.5* | *17.4* | *16.3* |
| Reserve Money | 7.3 | 12.2 | 5.7 | 21.6 |
| Broad Money | 16.9 | 23.4 | 18.1 | 30.3 |
| Domestic Credit | 26.7 | 38.4 | 15.6 | 20.5 |
| Government | 32.3 | 40.4 | 17.5 | 2.6 |
| Public Enterprises | 0.5 | 24.1 | 27.3 | 72.4 |
| Private Sector Credit | 14.8 | 36.4 | 43.0 | 47.2 |
| Domestic Financing (% of GDP) | 2.1 | 5.1 | 2.2 | 1.9 |

**Source:** Central Statistical Office and Bank of Zambia

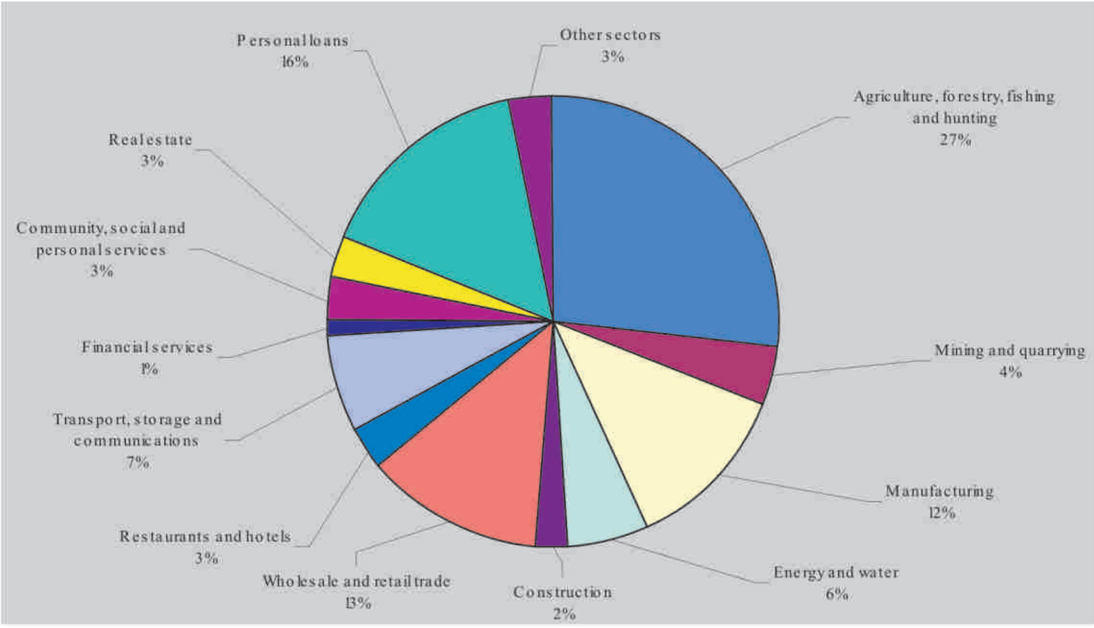
### CHART 1: COMMERCIAL BANKS LOANS AND ADVANCES BY SECTOR (JUN 2004 - JUN 2005)




**Source:** Bank of Zambia

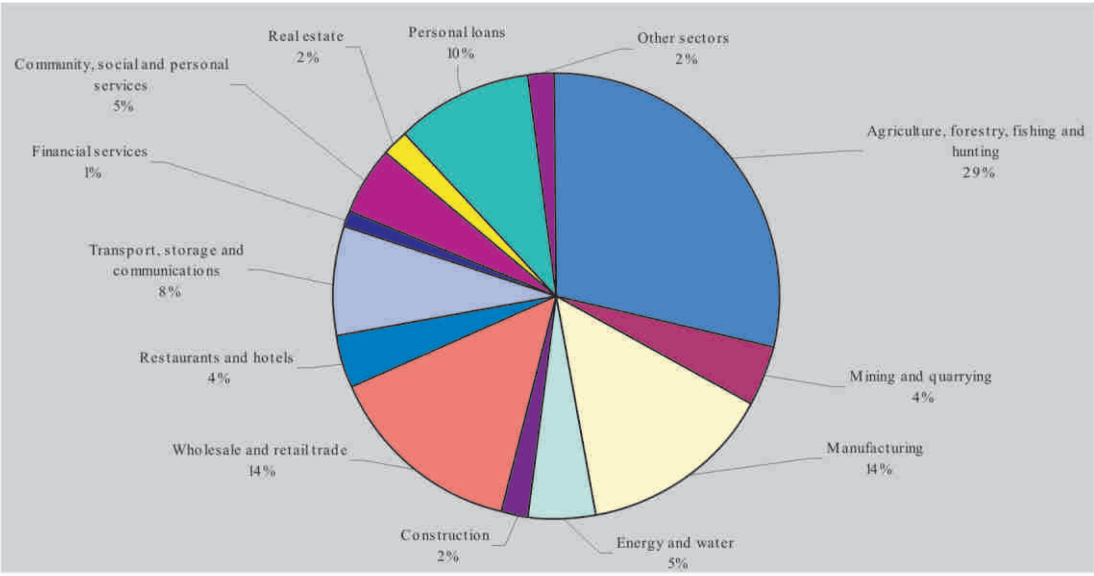
Monetary Policy Statement

**CHART 2: STRUCTURE OF LOANS AND ADVANCES (MONTHLY AVERAGE, JAN - JUN 2005)**




**Source:** Bank of Zambia

**CHART 3: STRUCTURE OF LOANS AND ADVANCES (MONTHLY AVERAGE, JUL - DEC 2004)**




**Source:** Bank of Zambia

## APPENDIX III: SELECTED MACROECONOMIC INDICATORS

| | 2003 December | 2004 Jan | Feb | 2004 Mar | Apr | May | June | Jul | Aug | Sep | Oct | Nov | Dec | 2005 Jan | Feb | Mar | Apr | May | Jun |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Monetary Aggregates (K'bn)** | | | | | | | | | | | | | | | | | | | |
| Reserve money* | 1,444.4 | 1,429.5 | 1,322.1 | 1,360.0 | 1,417.5 | 1,468.0 | 1,480.9 | 1,564.7 | 1,555.4 | 1,734.2 | 1,696.6 | 1,641.2 | 1,727.1 | 1,514.1 | 1,510.2 | 1,524.4 | 1,698.0 | 1,576.2 | 1,635.2 |
| Broad money | 4,467.9 | 4,530.7 | 4,539.4 | 4,635.6 | 4,849.1 | 4,949.4 | 5,263.6 | 5,369.8 | 5,419.7 | 5,394.3 | 5,421.5 | 5,454.9 | 5,819.9 | 5,668.1 | 5,559.9 | 5,497.0 | 5,555.9 | 5,712.1 | 5,898.0 |
| Net Claims on Government | 2,474.6 | 2,546.3 | 2,581.0 | 2,658.3 | 2,623.5 | 2,753.2 | 2,792.3 | 2,728.6 | 2,692.1 | 2,575.3 | 2,659.0 | 2,641.6 | 2,523.1 | 2,567.7 | 2,591.3 | 2,570.2 | 2,588.3 | 2,672.6 | 2,597.2 |
| **Real GDP Growth** | 5.1 | - | - | - | - | - | - | - | - | - | - | - | 5.4 | - | - | - | - | - | - |
| Nominal GDP (in K' Billion) | 20,481.0 | - | - | - | - | - | - | - | - | - | - | - | 25,915.9 | - | - | - | - | - | - |
| Nominal GDP (in US $' million)** | 4,318.0 | - | - | - | - | - | - | - | - | - | - | - | 5,430.4 | - | - | - | - | - | - |
| GDP per capita (in Kwacha) | 1,969,326.9 | - | - | - | - | - | - | - | - | - | - | - | 2,468,181.0 | - | - | - | - | - | - |
| GDP per capita (in US dollars) | 415.2 | - | - | - | - | - | - | - | - | - | - | - | 517.2 | - | - | - | - | - | - |
| Population | 10.4 | - | - | - | - | - | - | - | - | - | - | - | 10.5 | - | - | - | - | - | - |
| **Prices (%)** | | | | | | | | | | | | | | | | | | | |
| Inflation | 17.2 | 17.4 | 16.8 | 17.6 | 17.8 | 17.4 | 18.6 | 19.5 | 18.9 | 17.8 | 18.0 | 18.3 | 17.5 | 18.2 | 18.7 | 17.4 | 18.6 | 19.1 | 19.2 |
| **Nominal Interest and yield rates (aver. %)** | | | | | | | | | | | | | | | | | | | |
| Commercial banks' weighted lending base rate | 37.7 | 36.2 | 33.7 | 31.8 | 30.0 | 29.8 | 29.8 | 30.0 | 29.6 | 30.0 | 29.8 | 30.0 | 29.8 | 28.0 | 28.6 | 28.1 | 28.0 | 28.1 | 28.6 |
| Average Savings rate (>K100,000) | 7.6 | 7.2 | 7.0 | 6.8 | 6.6 | 6.6 | 6.6 | 7.2 | 6.1 | 6.1 | 5.9 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.5 | 5.5 |
| Deposit rate (30 days, over K20 million) | 17.9 | 15.1 | 11.5 | 9.9 | 8.5 | 8.3 | 8.3 | 8.1 | 8.0 | 8.0 | 8.2 | 8.3 | 8.2 | 8.2 | 8.2 | 8.2 | 8.4 | 8.4 | 8.4 |
| **Treasury bill yield rates** | | | | | | | | | | | | | | | | | | | |
| Weighted TB rate | 19.7 | 19.1 | 14.6 | 9.0 | 8.4 | 6.9 | 6.7 | 8.7 | 11.0 | 14.6 | 15.9 | 16.7 | 17.8 | 18.1 | 18.3 | 17.8 | 17.4 | 14.9 | 14.7 |
| 28-day | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 91-day | 18.2 | 16.8 | 13.1 | 7.6 | 7.3 | 6.1 | 5.8 | 6.7 | 9.2 | 12.7 | 15.5 | 15.5 | 16.3 | 16.4 | 16.8 | 16.2 | 15.8 | 14.0 | 13.9 |
| 182-day | 19.8 | 19.6 | 14.4 | 8.9 | 8.9 | 7.1 | 6.5 | 9.8 | 11.8 | 14.3 | 16.3 | 17.1 | 18.3 | 18.5 | 18.7 | 18.0 | 17.5 | 15.2 | 14.4 |
| 273-day | 21.0 | 21.0 | 16.3 | 10.6 | 10.1 | 7.6 | 7.9 | 10.5 | 11.8 | 14.9 | 16.6 | 18.3 | 19.4 | 19.8 | 19.9 | 19.4 | 18.3 | 15.8 | 15.0 |
| **Government bonds** | | | | | | | | | | | | | | | | | | | |
| 12 months | 22.0 | 21.4 | 19.6 | 14.6 | 11.5 | 9.4 | 8.2 | 8.7 | 10.8 | 14.4 | 18.3 | 19.0 | 19.6 | 20.5 | 20.6 | 20.0 | 19.1 | 17.9 | 16.7 |
| 18 months | 25.2 | 24.7 | 23.2 | 16.5 | 13.9 | 11.7 | 11.0 | 11.9 | 13.6 | 17.0 | 19.8 | 20.0 | 20.8 | 21.4 | 21.4 | 21.0 | 20.1 | 19.0 | 17.7 |
| 24 months | 26.1 | 25.6 | 24.3 | 19.3 | 16.0 | 13.6 | 13.7 | 15.9 | 16.7 | 18.7 | 21.3 | 21.7 | 22.0 | 22.2 | 22.0 | 21.2 | 20.3 | 18.7 | 17.8 |
| **Real Rates (%)** | | | | | | | | | | | | | | | | | | | |
| Commercial banks' weighted lending rate | 20.5 | 18.8 | 16.9 | 14.2 | 12.2 | 12.4 | 11.2 | 10.5 | 10.7 | 12.2 | 11.8 | 11.7 | 12.3 | 9.8 | 9.9 | 10.7 | 9.4 | 9.0 | 9.4 |
| Average savings rate | (9.6) | (10.2) | (9.8) | (10.8) | (11.2) | (10.8) | (12.0) | (12.3) | (12.8) | (11.7) | (12.1) | (12.7) | (11.9) | (12.6) | (13.1) | (11.8) | (13.0) | (13.6) | (13.7) |
| Deposit rate (30 days, over K20 million) | 0.7 | (2.3) | (5.3) | (7.7) | (9.3) | (9.1) | (10.3) | (11.4) | (10.9) | (9.8) | (9.8) | (10.0) | (9.3) | (10.0) | (10.5) | (9.2) | (10.2) | (10.7) | (10.8) |
| Treasury bill yield rates | | | | | | | | | | | | | | | | | | | |
| Weighted TB rate | 2.5 | 1.7 | (2.2) | (8.6) | (9.4) | (10.5) | (11.9) | (10.8) | (7.9) | (3.2) | (2.1) | (1.6) | 0.3 | (0.1) | (0.4) | 0.4 | (1.2) | (4.2) | (4.5) |
| 28-day | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 91-day | 1.0 | (0.6) | (3.7) | (10.0) | (10.5) | (11.3) | (12.8) | (12.8) | (9.7) | (5.1) | (2.5) | (2.8) | (1.2) | (1.8) | (1.9) | (1.2) | (2.8) | (5.1) | (5.3) |
| 182-day | 2.6 | 2.2 | (2.4) | (8.7) | (8.9) | (10.3) | (12.1) | (9.7) | (7.1) | (3.5) | (1.7) | (1.2) | 0.8 | 0.3 | - | 0.6 | (1.1) | (3.9) | (4.8) |
| 273-day | 3.8 | 3.6 | (0.5) | (7.0) | (7.7) | (9.9) | (10.7) | (9.0) | (7.1) | (2.9) | (1.4) | - | 1.9 | 1.6 | 1.2 | 2.0 | (0.3) | (3.3) | (4.2) |
| Government bonds | | | | | | | | | | | | | | | | | | | |
| 12 months | 4.8 | 4.0 | 2.8 | (3.0) | (6.3) | (8.0) | (10.4) | (10.8) | (8.1) | (3.4) | 0.3 | 0.7 | 2.1 | 2.3 | 1.9 | 2.6 | 0.5 | (1.2) | (2.5) |
| 18 months | 8.0 | 7.3 | 6.4 | (1.1) | (3.9) | (5.7) | (7.6) | (7.6) | (5.3) | (0.8) | 1.8 | 1.7 | 3.3 | 3.2 | 2.7 | 3.6 | 1.5 | (0.1) | (1.5) |
| 24 months | 8.9 | 8.2 | 7.5 | 1.7 | (1.8) | (3.8) | (4.9) | (3.6) | (2.2) | 0.9 | 3.3 | 3.4 | 4.5 | 4.0 | 3.3 | 3.8 | 1.7 | (0.4) | (1.4) |
| **Exchange rates (average K/US $)** | | | | | | | | | | | | | | | | | | | |
| Commercial banks' weighted selling rate | 4,598.4 | 4,786.0 | 4,783.6 | 4,740.2 | 4,753.7 | 4,771.8 | 4,850.4 | 4,807.3 | 4,806.8 | 4,875.9 | 4,916.7 | 4,818.8 | 4,670.9 | 4,807.0 | 4,777.6 | 4,730.6 | 4,692.1 | 4,715.3 | 4,713.3 |
| Bank of Zambia mid rate | 4,645.5 | 4,767.6 | 4,762.5 | 4,722.1 | 4,735.0 | 4,754.7 | 4,832.6 | 4,783.1 | 4,787.3 | 4,856.3 | 4,896.3 | 4,797.6 | 4,651.5 | 4,785.1 | 4,758.5 | 4,710.6 | 4,675.2 | 4,691.8 | 4,685.8 |
| **Real sector** | | | | | | | | | | | | | | | | | | | |
| Mining output (tonnes) | | | | | | | | | | | | | | | | | | | |
| Copper | 33,369.0 | 31,764.0 | 29,235.0 | 35,789.0 | 34,295.0 | 32,047.0 | 35,013.0 | 35,027.0 | 33,919.0 | 32,090.0 | 34,356.4 | 32,823.0 | 34,350.0 | 30,452.0 | 27,826.0 | 34,191.6 | 31,453.3 | 37,708.0 | 34,580.7 |
| Cobalt | 184.0 | 171.5 | 149.8 | 209.5 | 171.9 | 194.0 | 175.0 | 205.0 | 214.0 | 212.0 | 255.8 | 317.8 | 196.1 | 204.2 | 238.9 | 629.6 | 1,075.1 | 1,104.8 | 1,090.0 |
| Metal Earnings (US $mn) | | | | | | | | | | | | | | | | | | | |
| Copper | 59.0 | 63.8 | 62.9 | 87.9 | 83.5 | 96.4 | 80.8 | 83.1 | 89.4 | 89.2 | 94.7 | 88.8 | 98.8 | 91.8 | 73.1 | 101.9 | 97.3 | 114.1 | 105.7 |
| Cobalt | 7.7 | 6.4 | 9.3 | 16.4 | 8.0 | 10.8 | 8.7 | 8.8 | 10.9 | 10.8 | 10.3 | 9.2 | 7.4 | 7.3 | 7.1 | 19.6 | 36.6 | 37.0 | 36.8 |
| Total | 66.7 | 70.2 | 72.2 | 104.3 | 91.5 | 107.2 | 89.6 | 91.9 | 100.4 | 100.1 | 105.0 | 98.0 | 106.2 | 99.1 | 80.2 | 121.5 | 133.9 | 151.1 | 142.5 |
| **External sector (US $ mn)** | | | | | | | | | | | | | | | | | | | |
| Trade Balance | -10472.4 | -26.0 | -11.7 | -32.6 | -23.9 | -50.4 | -63.6 | -57.9 | -24.9 | -51.9 | -49.6 | -20.5 | -39.3 | -18.6 | -13.7 | -34.9 | -23.4 | -8.7 | -16.0 |
| Exports, c.i.f. | 1074.8 | 101.2 | 111.6 | 138.9 | 135.9 | 145.7 | 130.2 | 146.6 | 145.9 | 154.1 | 145.5 | 152.2 | 150.7 | 146.0 | 127.0 | 145.9 | 138.1 | 166.8 | 152.5 |
| Imports, c.i.f. | -11547.2 | -127.2 | -123.3 | -171.5 | -159.8 | -196.1 | -193.8 | -204.4 | -170.8 | -206.0 | -195.1 | -172.7 | -190.0 | -164.6 | 140.8 | 180.8 | 161.5 | 175.5 | 168.5 |
| Gross Official Reserves (US $'mn) | 272.2 | 244.5 | 217.8 | 225.3 | 234.6 | 248.8 | 243.2 | 253.1 | 258.1 | 281.3 | 270.9 | 262.9 | 312.2 | 308.5 | 296.3 | 311.9 | 497.3 | 491.5 | 431.2 |

**Source:** Bank of Zambia
* Reserve money is narrowly defined.
** Based on BoZ annual average mid-exchange rate
\- Not available.