



NATIONAL SYMPOSIUM ON THE 2025 BUDGET

KEY MONETARY POLICY HIGHLIGHTS

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Bank of Zambia

Macroeconomic Objectives set out in the 2024 and 2025 Budget Speech for the Bank of Zambia



- **Reduce inflation to the 6-8 percent medium-term target band;**
- **Maintain international reserves above 3 months of import cover; and**
- **Maintain a flexible exchange rate regime;**

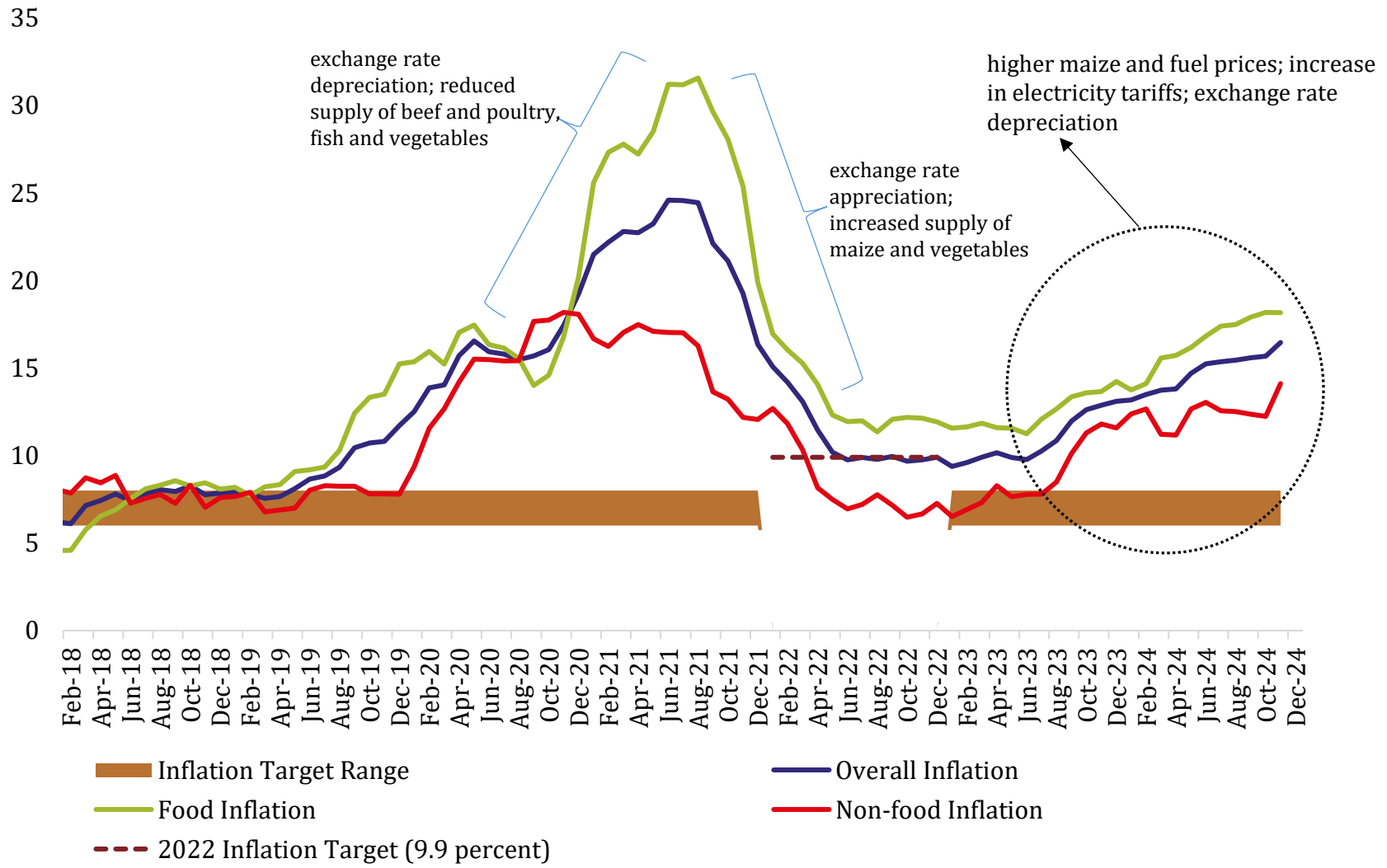
Other Tasks Set out in the 2025 Budget

- Introduce a Bank of Zambia Facility to mitigate impact of the drought on agriculture and energy sectors;
- Issue currency regulations to reinforce the role of the Kwacha as legal tender in domestic transactions in line with the provisions of the Bank of Zambia Act, 2022;
- Enhance the Export Proceeds Tracking Framework by including services and imports; and
- Pilot of extension of operating hours of the RTGS for 6 months, beginning October 2024. This is aimed at supporting a 24-hour economy.

... inflation has risen significantly above the 6-8 percent target band



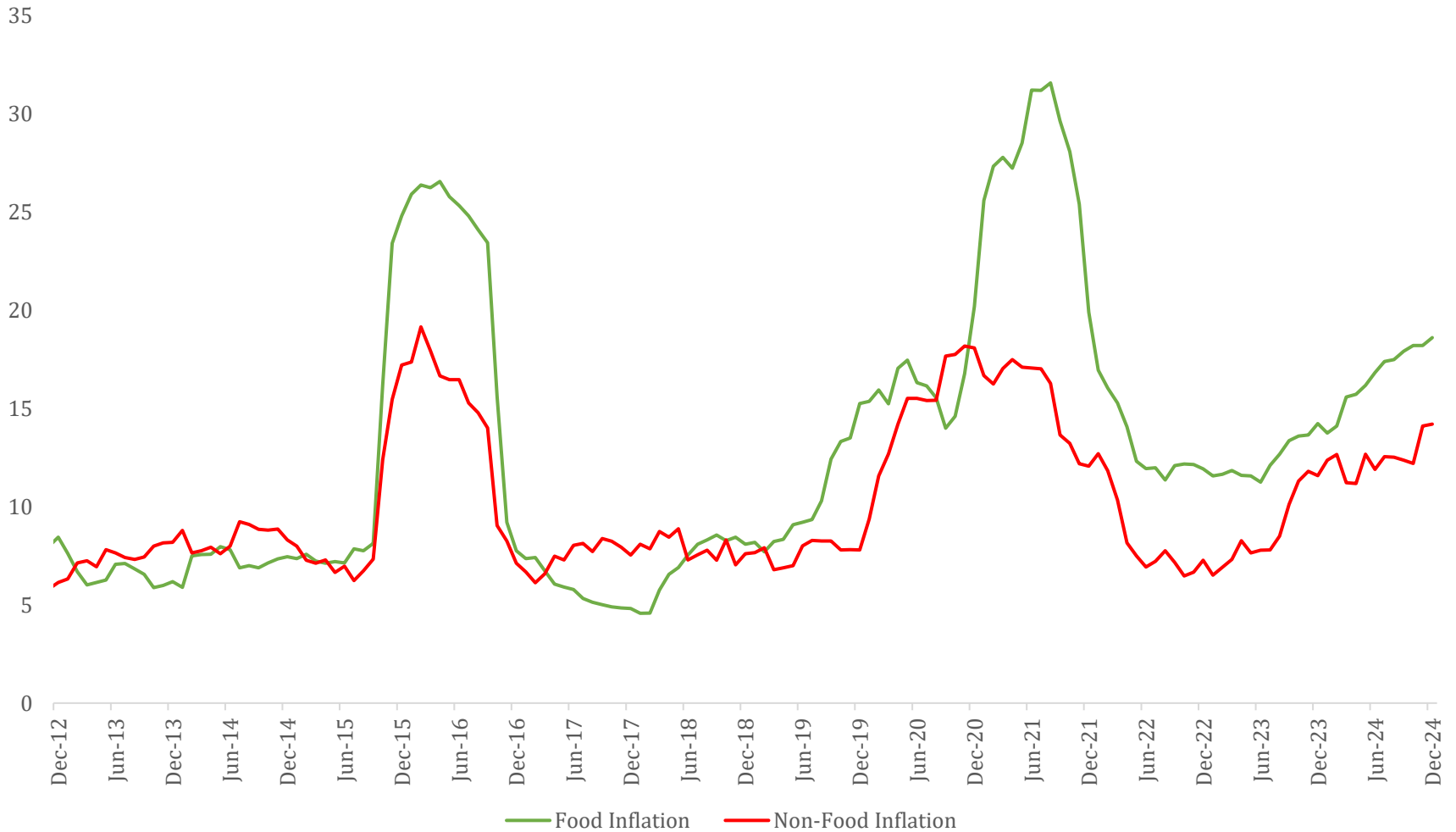
Chart 1: Actual Annual Inflation Rate (percent)



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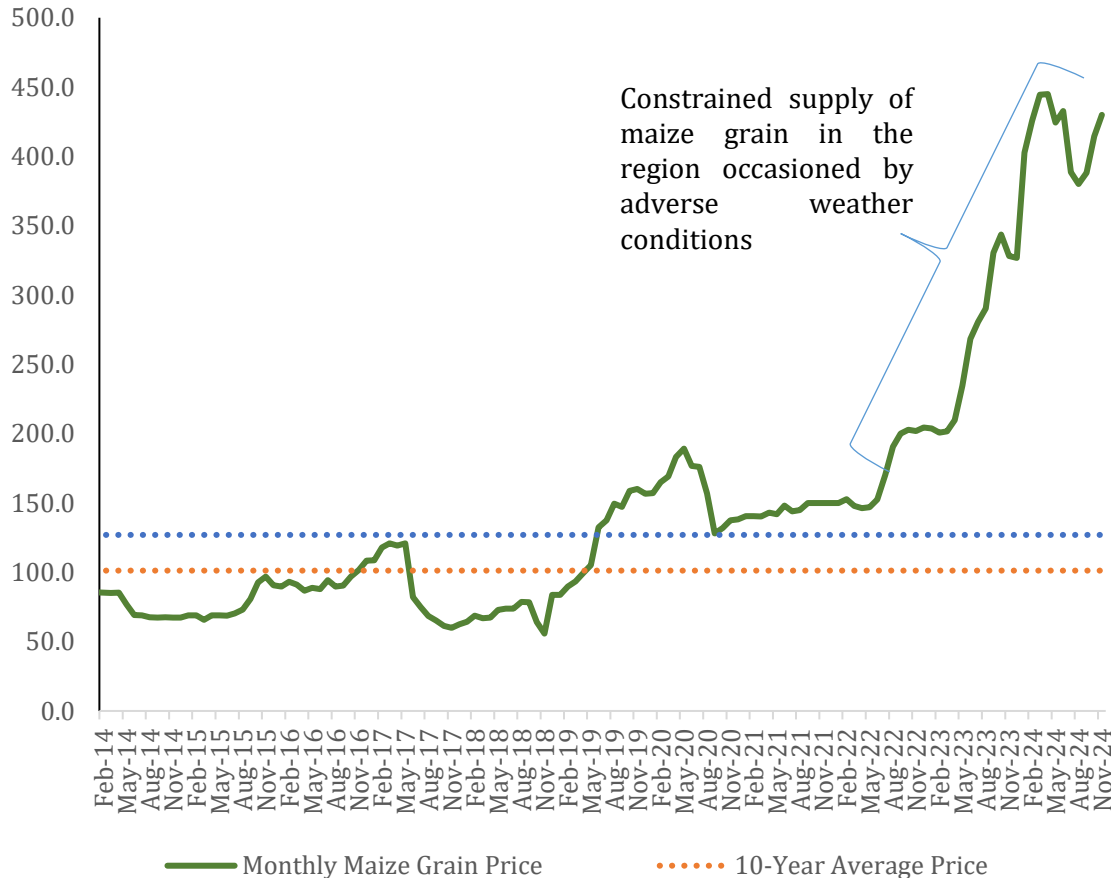
Chart 2: Food and Non-Food Inflation Rate (percent)



... drought impact on the agriculture sector reflected in lower maize output and higher prices



Chart 3: Maize Grain Price (K/50kg)



- Due to the drought experienced during the 2023/24 farming season, Zambia recorded a reduction in output across all crops relative to previous years with the net maize deficit estimated at 1.3 million metric tonnes.
- Area planted in 2024: 2,209,160 Ha (1,896,482 Ha in 2023) of which 684,402 Ha (1,418,369 Ha in 2023) was expected to be harvested.
- Estimated production of 1.5 million metric tonnes in 2024 compared to 3.3 million metric tonnes in 2023.
- Maize prices have risen above the 5- and 10-year averages.
- As at end-December 2024, maize prices rose by an average of 45.7 percent, year-on-year, to K475.00 per 50Kg.

INFLATION OUTLOOK

Chart 3a : Inflation – Outcome and Projection (percent)

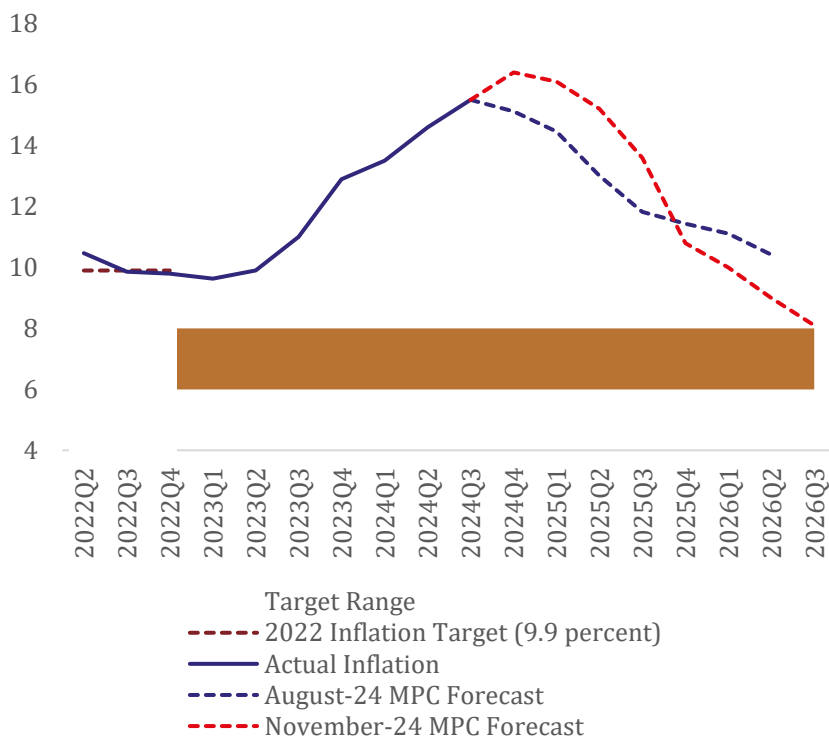


Table 2: Projected Average Inflation (percent)

	2024	2025	2026
November-2024	15.0	13.9	9.0*
Projection			
August-2024	15.3	12.7	10.8**
Projection			

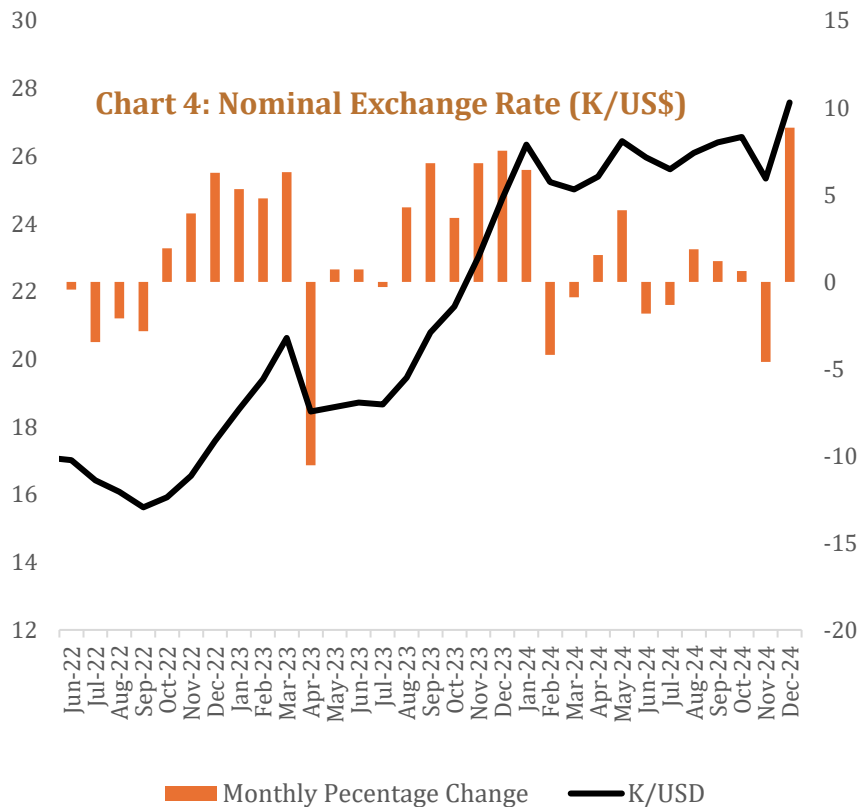
Note: *Projection for Q1 – Q3 2026.

****Projection for the first half of 2026**

Foreign Exchange Market Developments



- **Exchange rate depreciation pressures continued in 2024 at far less pace compared to 2023.** ...the Kwacha depreciated by about 7% percent to end year at K27.58 due to stronger demand relative to supply.

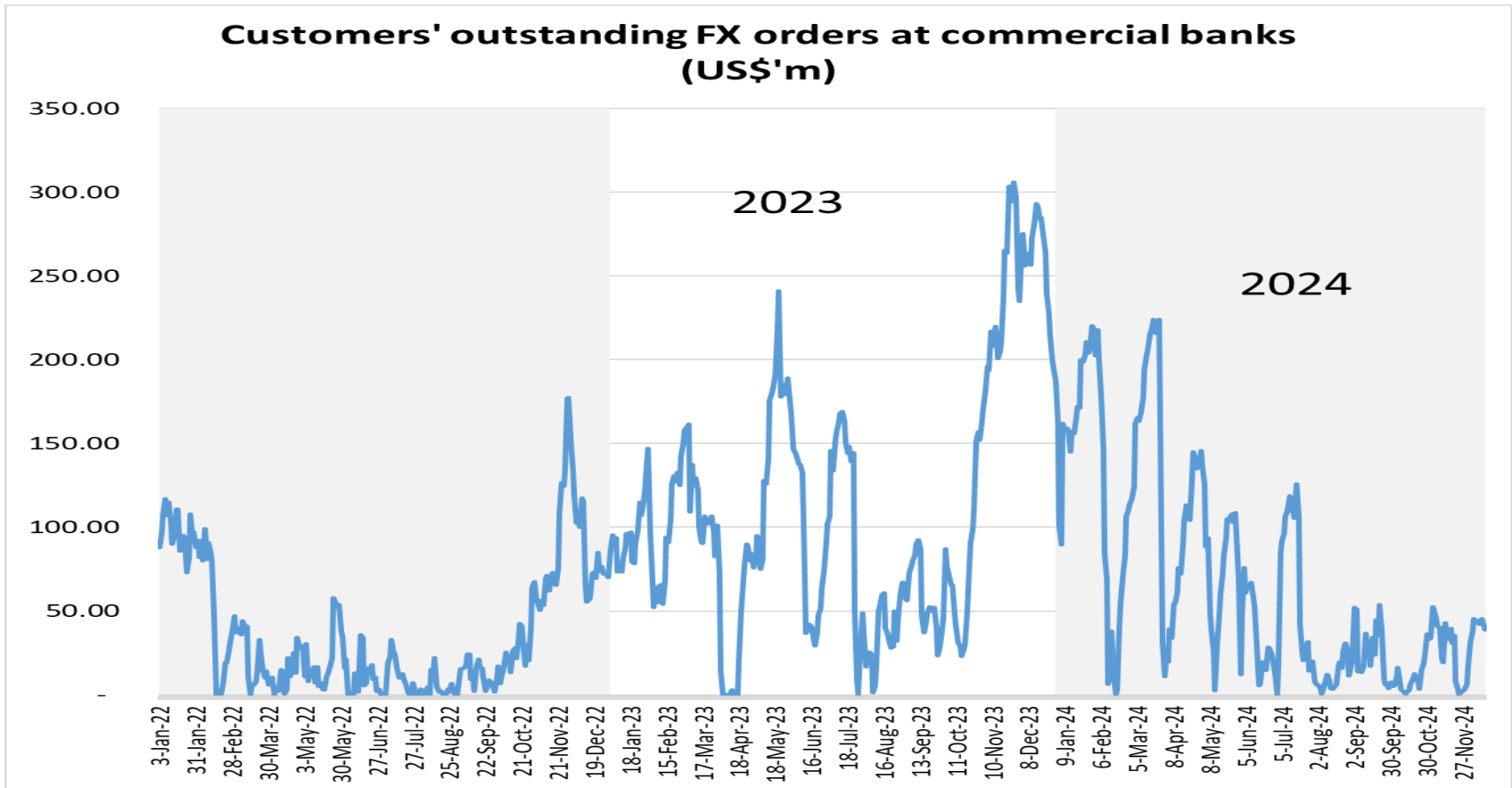


- Demand-supply imbalances were underpinned by both domestic factors, (notably drought effects fueling market expectations of heavy food and energy imports) as well as international market developments (notably the maintenance of tight monetary policy in the US and the lingering effects of geopolitical events in the oil-rich Middle-East)

Foreign Exchange Market Developments: Domestic Factors

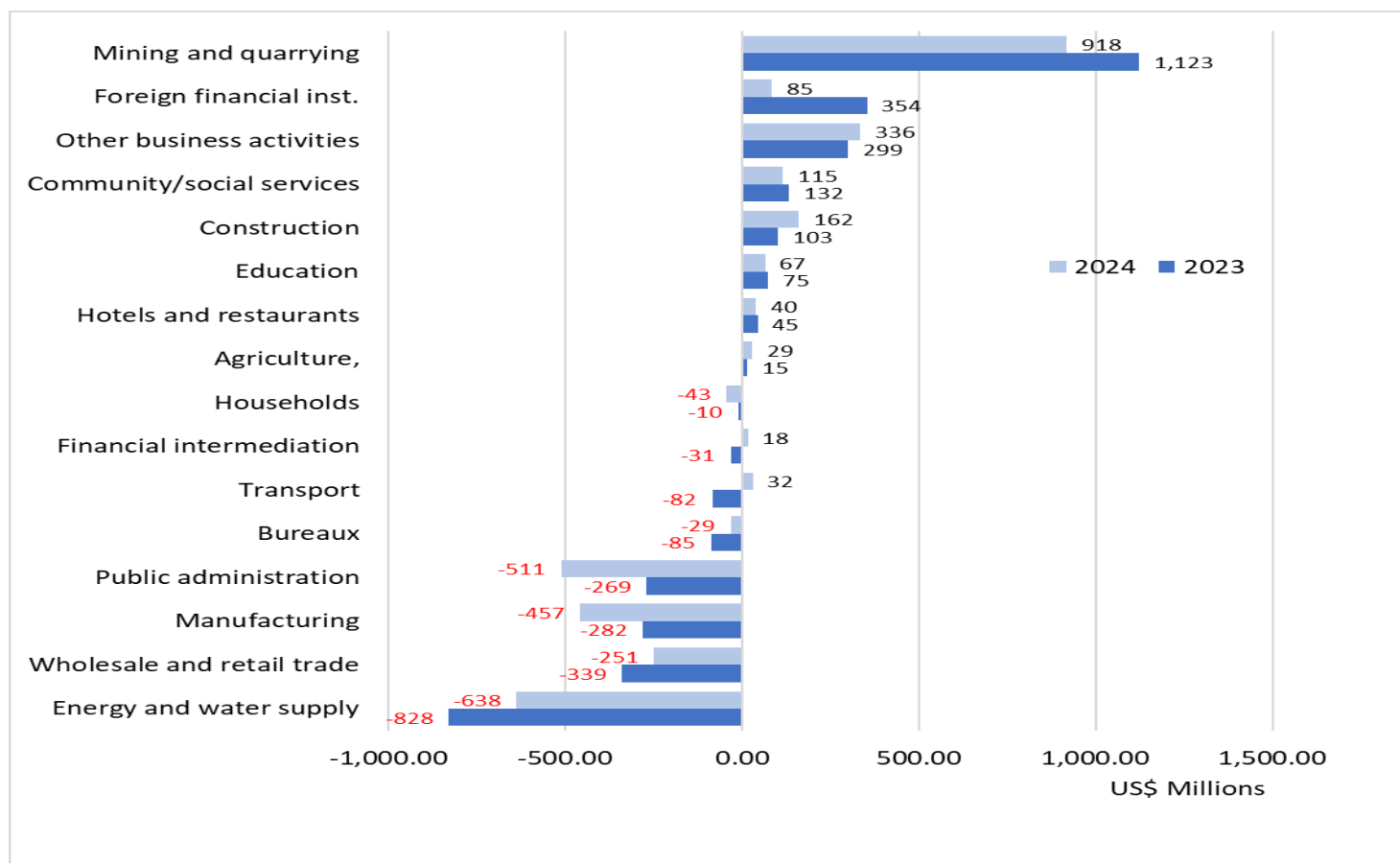


Domestically, 2024 turned out with cooling demand compared with 2023 as outstanding FX orders declined...contributing to kwacha's reduced depreciation rate



... Foreign Exchange Market Developments

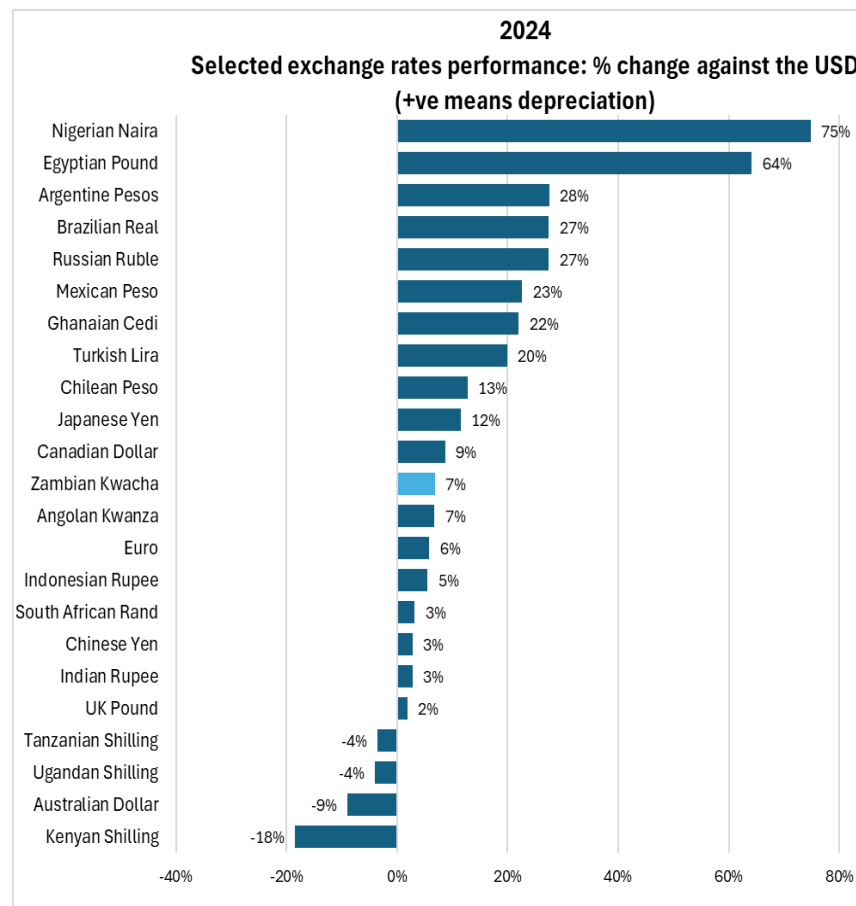
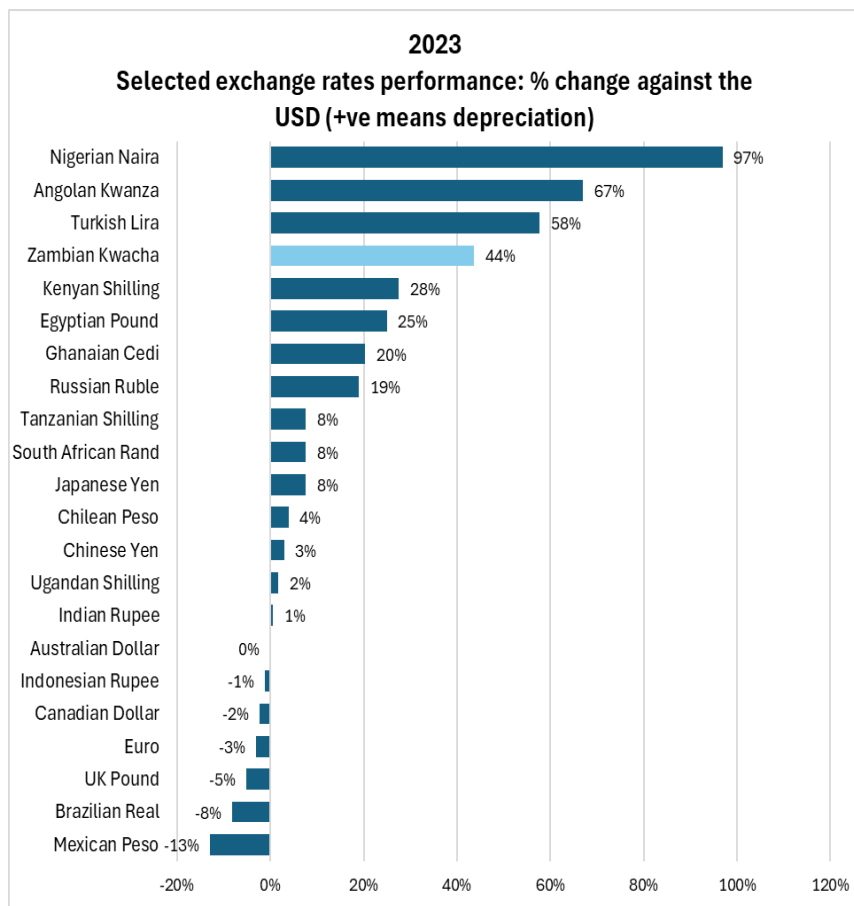
Viewed from sector perspective, strong demand continued to be recorded in the energy sector—reflecting oil marketing company imports. Noteworthy is the reduced supply from foreign financial institutions—reflecting the impact of the US monetary policy and the US dollar strength in the currency market



Foreign Exchange Market Developments



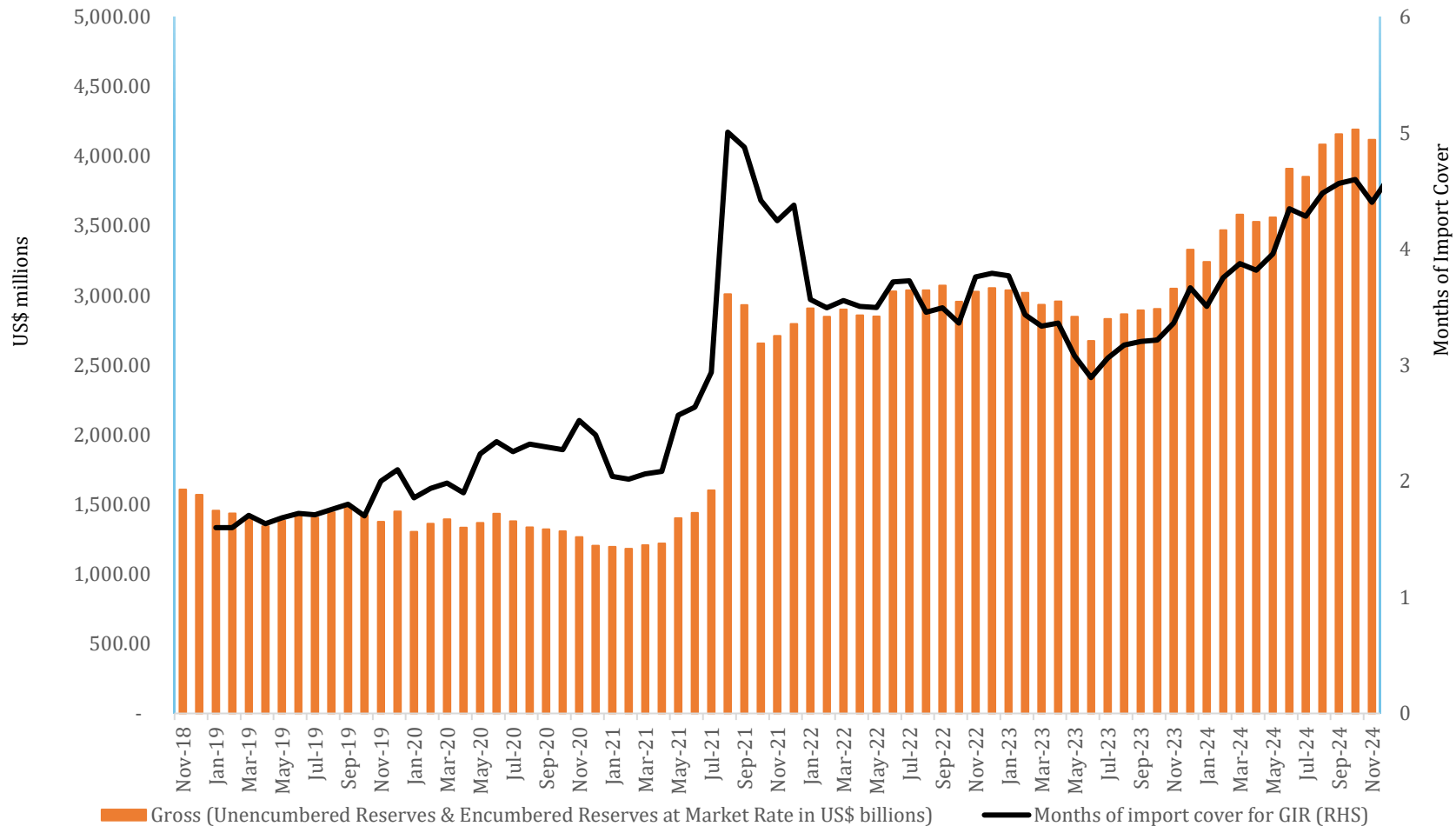
- Broad-based strength of US dollar due to the maintenance of tight monetary policy in the US coupled with pre-election threats of trade tariff imposition by Donald Trump ...fueled widespread currency weaknesses in emerging markets**



... Gross International Reserves amounted to US\$4.1 billion at end-November 2024 (4.4 months of import cover)



Chart 5: Exchange Rate (K/US\$)



Interest Rates



Chart 6 : Average Lending Rate (percent)



- Movements in lending rates have largely been in line with changes in the Monetary Policy Rate.
- Recent tight monetary policy stance to rein in inflationary pressures has contributed to the increase in lending rates.

Other Tasks set out in the 2025 Budget Speech for the Bank of Zambia



- The **Export Proceeds Tracking Framework** was launched on January 1, 2024, to improve the collection and compilation of external sector statistics. As of end-December 2024, the estimated total value of exports recorded on the e-BoP monitoring system was US\$11.2 billion, while the total export earnings processed through local commercial banks amounted to US\$7.7 billion.
- In 2025, modules for tracking of imports and services will be added. This will provide more comprehensive external sector statistics to better inform policy making.
- **Currency Directives** : To reinforce the role of the Kwacha and Ngwee as legal tender in domestic transactions in line with the provisions of the Bank of Zambia Act, 2022, the draft Currency Directives have been prepared following stakeholder consultations. It is envisaged that the directives will be issued in the first quarter of 2025.
- **Deposit Protection Fund**: The Bank is in the process of operationalising the deposit protection insurance scheme to cover deposits up to the protected amount in the event of a bank failure.
- **National Payment Systems Act, 2017**: to be repealed and replaced to align with current payment systems landscape which has undergone significant transformation.
- **Operating hours of the RTGS**: Operating hours extended on a 6-month pilot. This is aimed at supporting a 24-hour digital economy going forward.
- **Stability and Resilience Fund**: launched with a funding of K5.0 billion for a period of 12 months to safeguard financial stability and enhance resilience of the financial sector in the wake of the 2023/24 drought.

General Information



Monetary Policy Report

NOVEMBER 2024



Bank of Zambia

Financial Stability Report

October 2024



Bank of Zambia

Thank you...