

Credit Conditions Survey



August 2025

Disclaimer:

The opinions and expectations presented herein are for the respondents and not of the Bank of Zambia



Bank of Zambia



Bank of Zambia

REGISTERED OFFICES

Head Office

Bank of Zambia, Bank Square, Cairo Road P. O. Box
30080, Lusaka, 10101, Zambia Tel: (+260) 211 399300

E-mail: info@boz.zm

Website: www.boz.zm

Credit Conditions Survey

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Summary

Notwithstanding high borrowing costs, demand for credit by households, small and medium enterprises (SMEs) as well as large corporations increased in the second quarter of 2025. This was mainly to cushion the high cost of living, meet post-harvest costs as well as higher production and operational costs occasioned by persistent electricity load management. However, commercial banks restricted loan supply due to relatively tight liquidity towards the end of the quarter coupled with high default rates by SMEs. This trend is expected to continue in the third quarter despite willingness by households, SMEs and large corporations to borrow more.

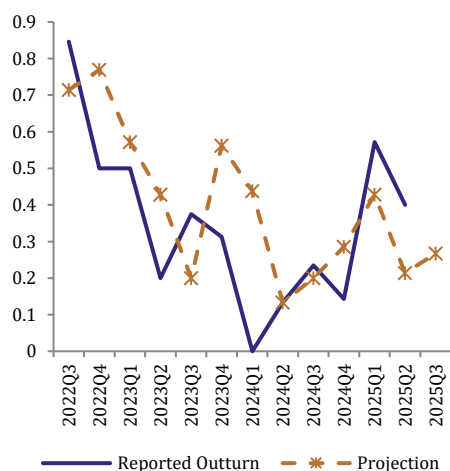
Credit Conditions for Households

Households continued to demand more credit in the second quarter to cushion the high cost of living despite elevated lending rates (Figure 1, Figure 2 and Figure 3). Their demand for car loans rebounded, after seven consecutive quarters of subdued interest, following the appreciation of the exchange rate and reduction applicable interest rates (Figure 4, Figure 5 and Figure 6). Despite picking up, their demand for mortgage remained subdued due to high borrowing costs associated with the high monetary policy rate (Figure 7, Figure 8 and Figure 9).

On the other hand, commercial banks reported limited supply of loans to households due to relatively tight liquidity conditions at the end of the quarter (Figure 10 and Figure 11).

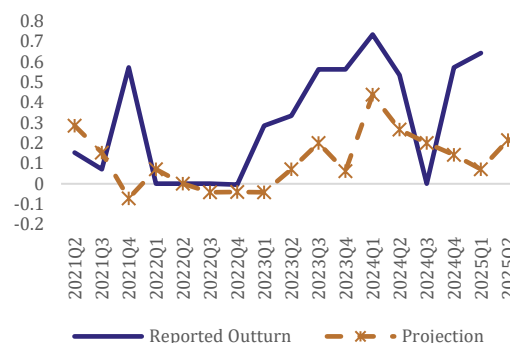
Commercial banks expect supply conditions to remain tight in the third quarter despite willingness by households to borrow more.

Figure 1: Demand for Personal Loans



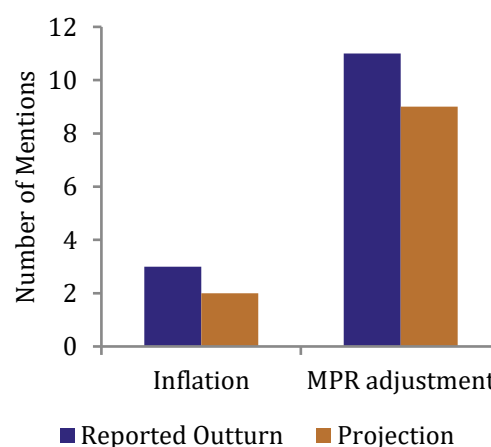
Source: Bank of Zambia

Figure 2: Interest rate on Personal Loans for Households



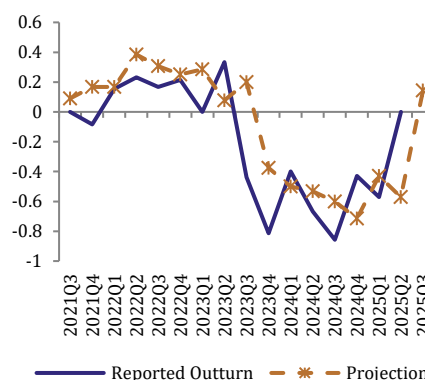
Source: Bank of Zambia

Figure 3: Reasons for Interest Rate Change



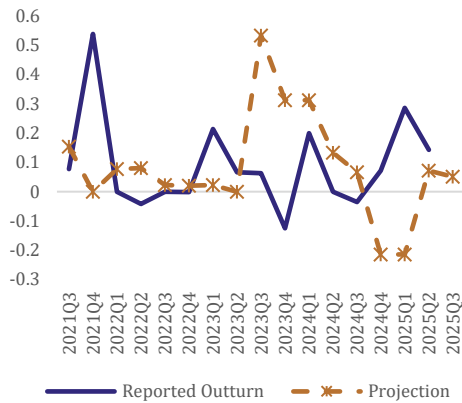
Source: Bank of Zambia

Figure 4: Demand for Car Loans



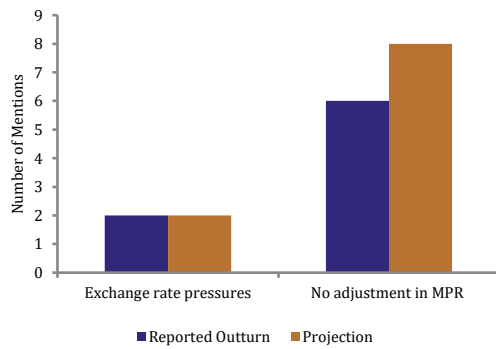
Source: Bank of Zambia

Figure 5: Interest Rates on Car Loans for Households



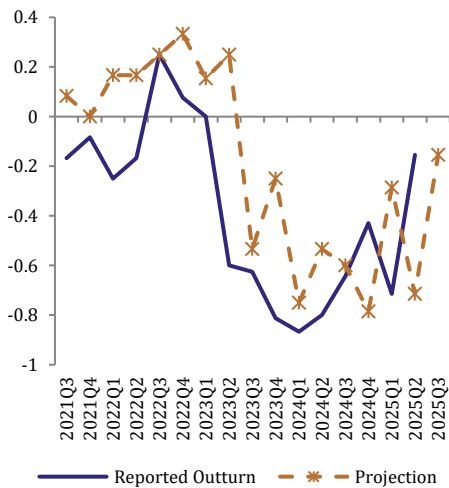
Source: Bank of Zambia

Figure 6: Reasons for Car Loan Interest Rate Change



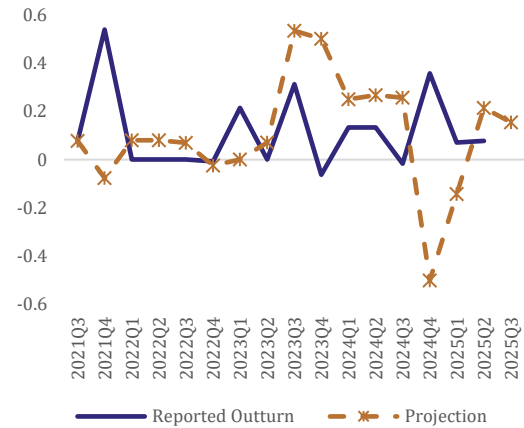
Source: Bank of Zambia

Figure 7: Demand for Mortgage



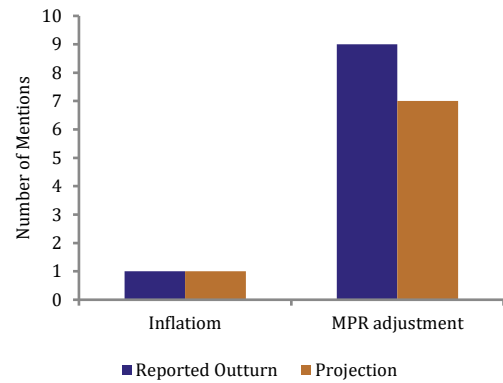
Source: Bank of Zambia

Figure 8: Mortgage rates for Households



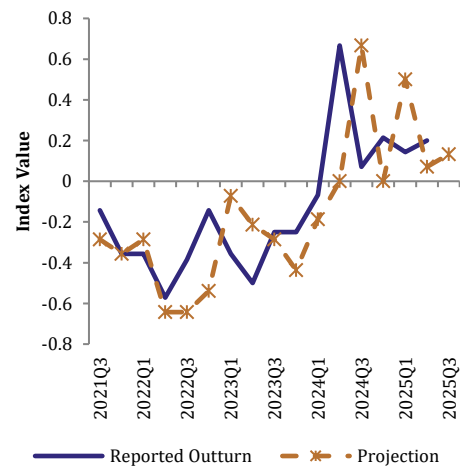
Source: Bank of Zambia

Figure 9: Reasons for Mortgage Rate Change



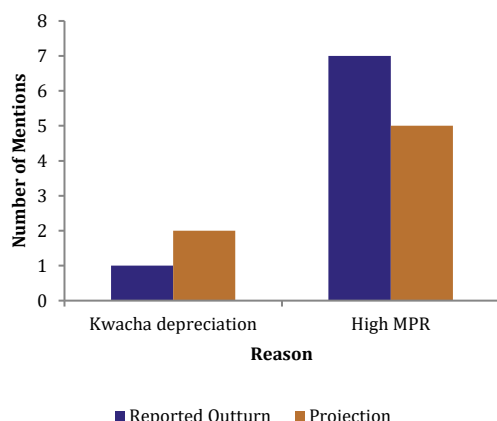
Source: Bank of Zambia

Figure 10: Credit availability for Households



Source: Bank of Zambia

Figure 11: Key Reasons for Change in Household Credit Conditions



Source: Bank of Zambia

Credit Conditions for Small and Medium Enterprises

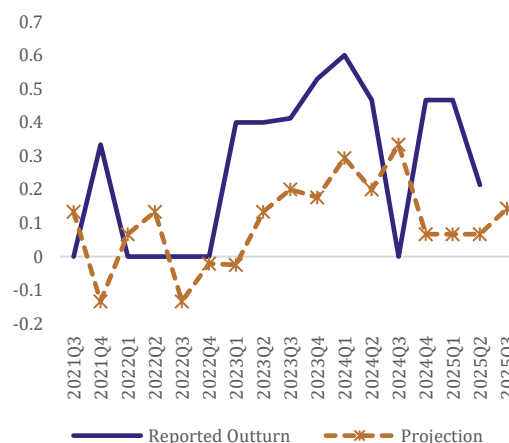
Notwithstanding high borrowing costs (Figure 12, Figure 13, Figure 14 and Figure 15), recourse to bank credit by small and medium enterprises (SMEs) for working capital was sustained in the second quarter (Figure 16). Their demand for long-term financing also recovered (Figure 17).

SMEs sought short-term credit to meet post-harvest costs and higher production and operational costs occasioned by persistent electricity load management. Long-term credit was mostly for continued investment in alternative sources of energy to mitigate increased operational disruptions from additional load management.

However, commercial banks are reported to have restricted loan supply to SMEs due to high default rates and relatively tight liquidity towards the end of the end of the quarter (Figure 18 and Figure 19).

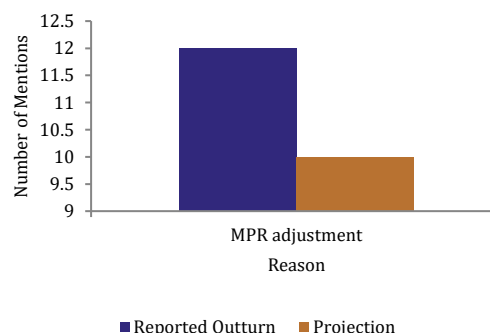
Commercial banks do not expect supply conditions to change in the third quarter despite willingness by SMEs to borrow more.

Figure 12: Interest on Working Capital for SMEs



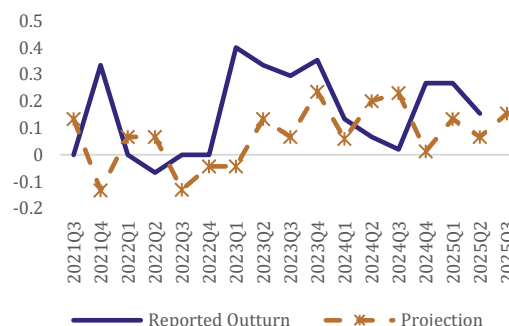
Source: Bank of Zambia

Figure 13 : Reasons for Interest Rate Change



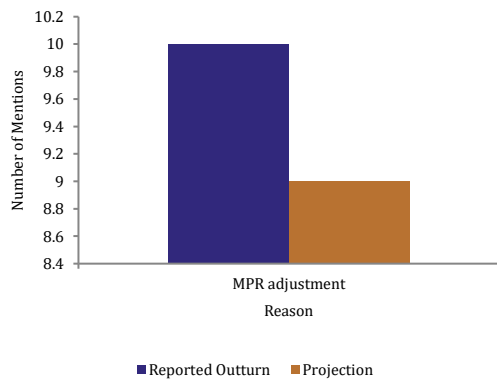
Source: Bank of Zambia

Figure 14: Interest on Long-term Financing for SMEs



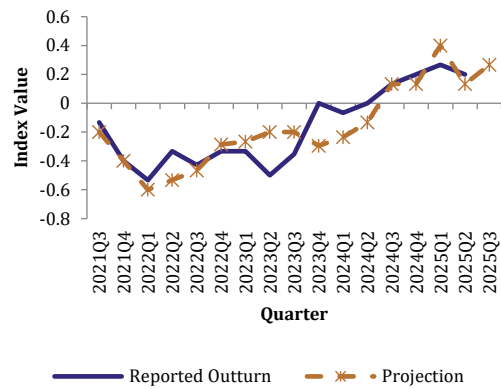
Source: Bank of Zambia

Figure 15: Reasons for Interest Rate Change



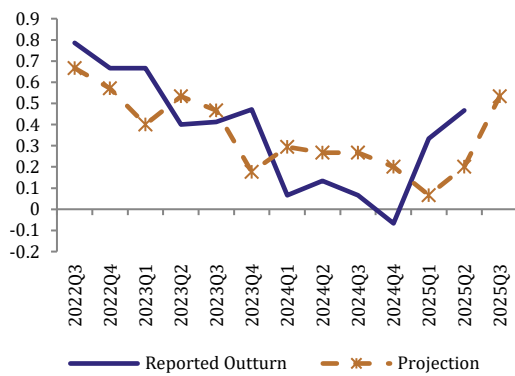
Source: Bank of Zambia

Figure 18 : Credit Availability fo SMEs



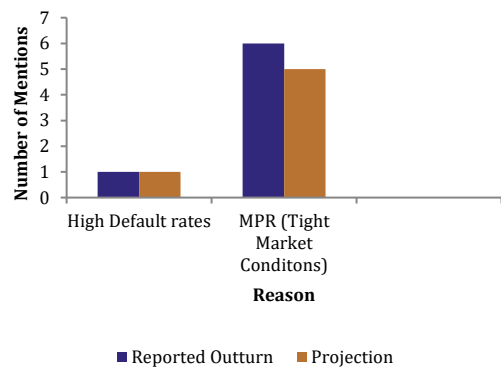
Source: Bank of Zambia

Figure 16: SME Demand for Working Capital



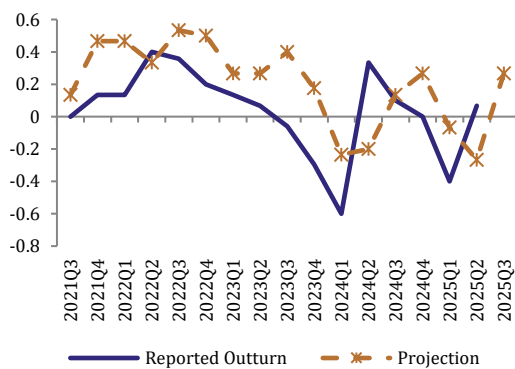
Source: Bank of Zambia

Figure 19 : Key Reasons for Change in SME Credit Conditions



Source: Bank of Zambia

Figure 17 : Demand for Long-term Financing



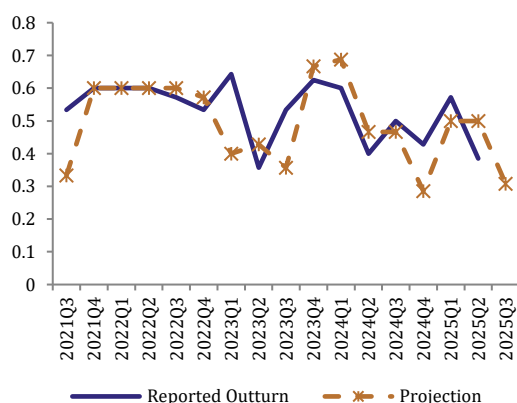
Source: Bank of Zambia

Credit Conditions for Large Corporations Sector

Despite some moderation, large corporations maintained demand for working capital and enhanced long-term financing in the second quarter as they sought additional liquidity to cover higher production costs resulting from prolonged load shedding (Figure 20 and Figure 21). In addition, a favourable exchange rate enhanced borrowing confidence to import critical inputs.

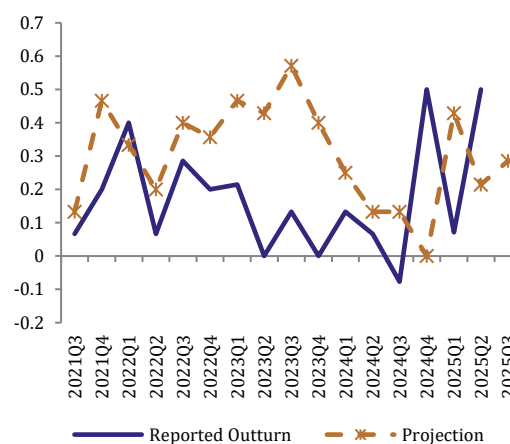
However, banks could not extend much credit due to tightened liquidity conditions (Figure 22 and Figure 23). This trend is likely to prevail in the third quarter, compounded by high lending rates due to an elevated Policy Rate (Figure 24 and Figure 25) despite indication of willingness by large firms to borrow more to leverage on a favourable exchange rate to sustain business activities.

Figure 20 : Demand for Working Capital



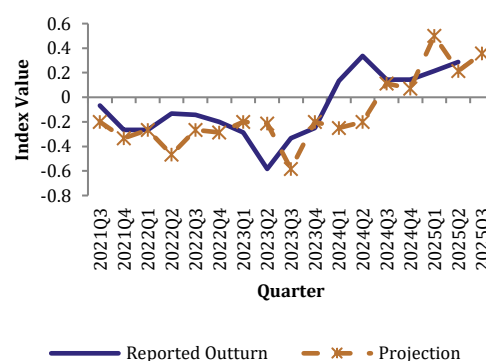
Source: Bank of Zambia

Figure 21 : Demand for Long-term Financing



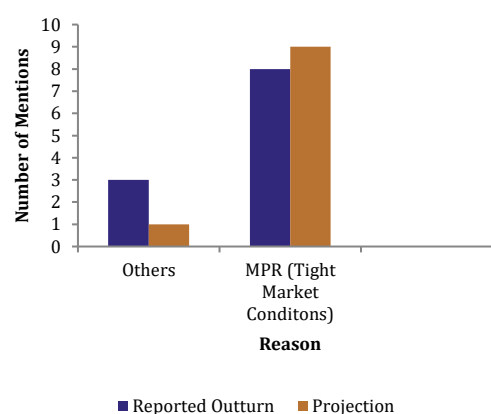
Source: Bank of Zambia

Figure 22: Availability of Credit



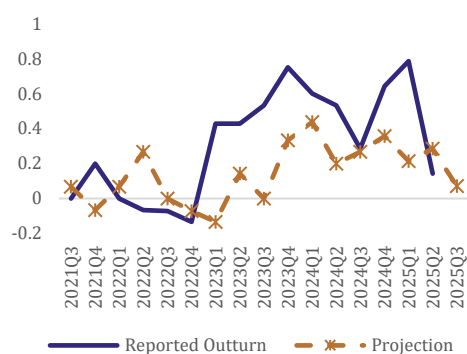
Source: Bank of Zambia

Figure 23: Key Reasons for Change in Large Corporations Credit Conditions



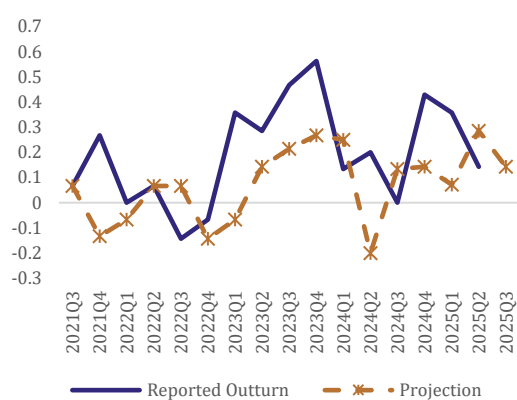
Source: Bank of Zambia

Figure 24: Interest on Working Capital



Source: Bank of Zambia

Figure 25: Interest on Long-term Financing



Source: Bank of Zambia

Tenure and Collateral Requirements

No revisions to tenure and collateral requirements were made to all financing facilities offered by banks and no changes expected in the third quarter.

Methodology

The Bank of Zambia has been conducting a quarterly credit conditions survey since 2020. The survey is conducted through an online platform, and the respondents include senior managers of the banking sector. The purpose of the survey is to obtain information from respondents on current and future trends in lending. In particular, the survey includes questions about demand for loans and changes in interest rates and terms of lending to households, small and medium enterprises large corporations, as well as questions about the factors causing these changes.

The questionnaire consists of only qualitative questions and does not require quantitative evaluation by respondents. In order to convert the information into quantitative units, the analysis of data is based on Theil's net balance statistic (N) where qualitative responses are converted into quantitative measures using the following formula:

$$N = \frac{U - D}{U + D + S - NA} * 100$$

where

U = number of respondents

indicating up, increased, tightened or positive

D = down, negative or declined

S = same

NA = not applicable

The net balance statistic has the advantage of detecting directional changes in performance or expectations of survey respondents. This method indicates the predominance of an improvement/tightening or deterioration/loosening in a variable

Based on the analysis of the survey results, a report is prepared, which is published quarterly. In addition to the final results of the survey, this report includes official statistical information on lending trends.

The expectations presented in this report reflect only the assessment of the respondents of the credit conditions survey on the future trend of lending and do not represent the expectations of the representatives of the Bank of Zambia.