MONETARY POLICY COMMITTEE STATEMENT FOR THE SECOND QUARTER OF 2025

GOVERNOR'S PRESENTATION TO THE MEDIA

AUGUST 13, 2025



OUTLINE OF PRESENTATION



- 1. Decision of the Monetary Policy Committee
- 2. Inflation Outturn and Outlook
- 3. Foreign Exchange Market
- 4. Gross International Reserves
- 5. Credit Developments
- 6. Economic Activity
- 7. Conclusion

DECISION OF THE MONETARY POLICY COMMITTEE



At its August 11-12, 2025 Meeting, the Monetary Policy Committee (MPC) decided to maintain the Monetary Policy Rate at 14.5 percent.

- Since the last MPC Meeting, inflation has been on a downward trend, falling to 14.1% in June and further to 13.0% in July.
- Inflation is now projected to fall within the target band from the first quarter of 2026.
- While recognising these positive developments, the Committee noted that at the current level, inflation is well above the 6-8% target band, and at the same time, uncertainties associated with global trade policies and persistent geopolitical tensions remain.
- The Committee also observed that, although market expectations of inflation have moderated, they remain high relative to the target band.
- The Committee, therefore, decided to maintain the Policy Rate at 14.5%.
- The decision will also allow for the consolidation of the gains so far made on inflation.

INFLATION OUTTURN



- Inflation declined to 14.1% in June from 16.5% in March (Table 1; Charts 1 and 2).
- In July, inflation dropped further to 13.0%.
- The key drivers for this outturn were:
 - a. improved supply of maize;
 - b. lower fuel prices; and
 - c. appreciation of the Kwacha against major currencies.

INFLATION OUTTURN



Table 1: Quarterly Average and end-Period Inflation Rate (percent)

				G ,		
	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2
Average						
Overall						
Inflation	13.5	14.6	15.5	16.3	16.7	15.3
Food						
Inflation	14.5	16.2	17.6	18.3	19.6	17.8
Non-Food						
Inflation	12.1	12.3	12.5	13.5	12.7	11.8
End Period						
Overall						
Inflation	13.7	15.2	15.6	16.7	16.5	14.1
Food						
Inflations	15.6	16.8	17.9	18.6	18.9	16.7
Non-Food						
Inflation	11.2	13.0	12.4	14.2	13.2	10.3

INFLATION OUTTURN



Chart 1: Contribution to Food Inflation by Sub-Group (percentage points)

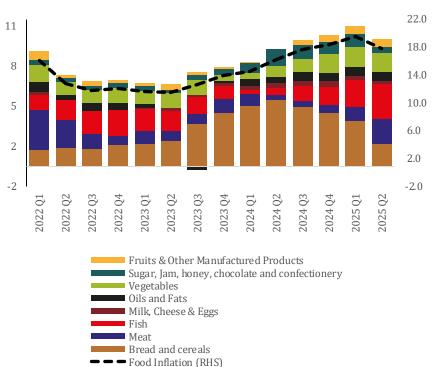
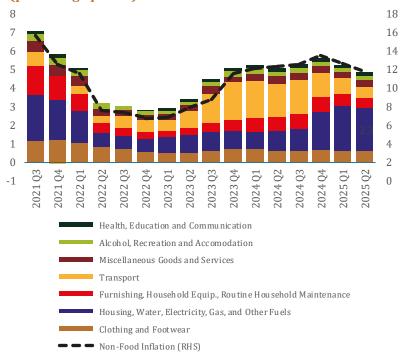


Chart 2: Contribution to Non-Food Inflation by Sub-Group (percentage points)



INFLATION OUTLOOK



- The declining trend in inflation is expected to continue over the next eight quarters (Table 2 and Chart 3). It is projected to fall into the 6-8% target band in Q1 2026, earlier than projected in May 2025.
- The updated forecast points to inflation averaging 13.3% in 2025 compared to the previous 13.8%. In 2026, inflation is expected to average 7.7% and sustained in the first half of 2027.
- The key drivers of the lower inflation forecast are lagged effects of the appreciated exchange rate as well as lower food and energy prices.
- The improved inflation outlook also reflects the impact of past monetary policy measures as well as structural and fiscal policy reforms.
- Risks to the inflation outlook remain tilted to the downside and mostly relate to the expected increased earnings from copper exports and subdued crude oil prices, working through the exchange rate and expectations channels. In addition, further progress on external debt restructuring is expected to enhance relatively stable macroeconomic conditions and strengthen the inflation outlook.

INFLATION OUTLOOK



Chart 3: Inflation – Outcome and Projection (percent)

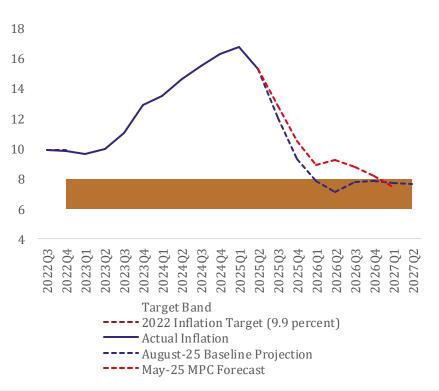


Table 2: Projected Average Inflation (percent)

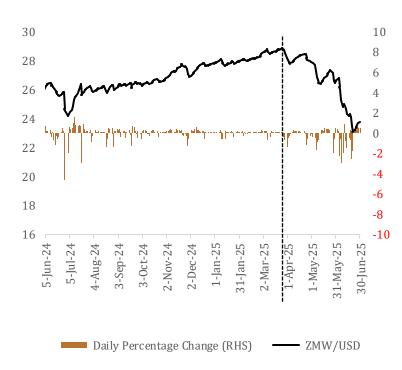
	2025	2026	2027H1
August-25 Projection	13.3	7.7	7.7
May-25 Projection	13.8	8.8	n/a

FOREIGN EXCHANGE MARKET



- In Q2 2025, the Kwacha appreciated by 14.4% against the US dollar compared to a depreciation of 4.0% in Q1 2025 (Chart 4).
- The appreciation was on account of increased foreign exchange supply, particularly from the mining sector, as well as improved investor sentiment and a weaker US dollar.
- With reduced volatility, support to the market by the Bank of Zambia moderated to USD171.5 million from USD234.0 million in the previous quarter.

Chart 4: Nominal K/US Dollar Exchange Rate

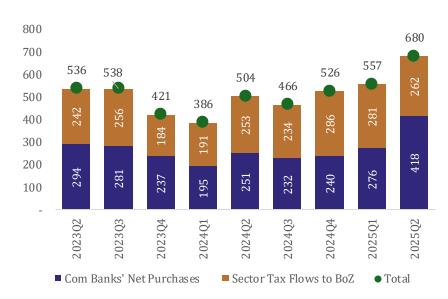


FOREIGN EXCHANGE MARKET

Bank of Zambia

- The mining sector continued to dominate the supply of foreign exchange into the market, with inflows increasing by 22.1% to USD680.1 million (Chart 5).
- Of this amount, USD262.1 million was remitted directly to the Bank of Zambia for tax obligations.

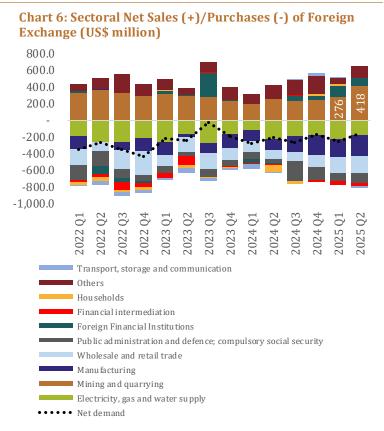
Chart 5: Foreign Exchange Supply by Mining Companies (US\$ million)



FOREIGN EXCHANGE MARKET



 As a result of improved foreign exchange supply, excess demand reduced substantially to USD156 million from USD257 million in the first quarter (Chart 6)

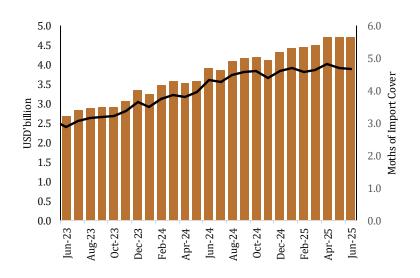


GROSS INTERNATIONAL RESERVES



- Gross international reserves increased to USD4.7 billion (equivalent to 4.6 months of import cover) at end-June from USD4.5 billion (equivalent to 4.6 months of import cover) at end-March (Chart 7).
- Project receipts, net statutory reserve deposits, and Bank of Zambia purchases were the key drivers.
- During Q2 2025, 77.76kg of gold, with a market value of USD8.2 million, was purchased. This brings the market value of the total holdings to USD315.8 million since the Bank embarked on purchasing locally produced gold in December 2020.

Chart 7: Gross International Reserves



Gross (Unencumbered Reserves & Encumbered Reserves at Market Rate in USD billions)

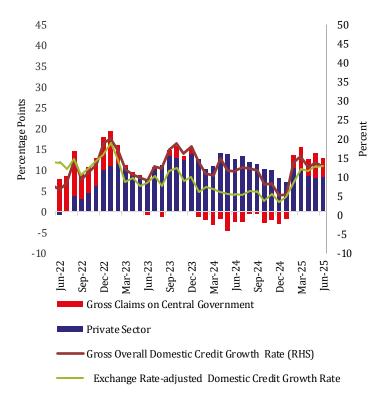
— Months of Import Cover (RHS)

CREDIT DEVELOPMENTS



- Overall domestic credit growth edged down to 12.7%, year-on-year (y/y), in June from 15.3%, y/y, in March (Chart 8).
- Private sector credit growth (in nominal terms) slowed down to 19.8% from 23.0% due to a marginal reduction in lending to the manufacturing, construction, wholesale and retail trade, and real estate sectors (Chart 8).
- Lending to Government declined on account of reduced demand for Treasury bills and Bonds, reflecting lower liquidity levels.
- Total outstanding Government securities stood at K239.57 billion at end-July. Out of this, non-resident investor holdings were K61.22 billion or 25.5%.

Chart 8: Contribution to y/y Domestic Credit Growth

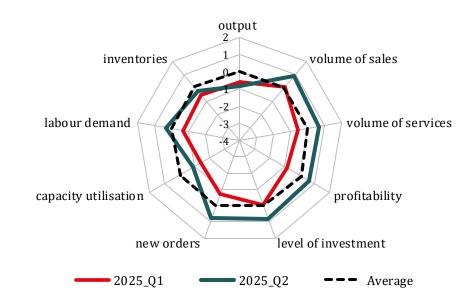


ECONOMIC ACTIVITY



- Economic activity continued to improve in the second quarter as business conditions for the private sector were assessed to be favourable as revealed by the Stanbic Bank Zambia Purchasing Managers Index (PMI).
- Similarly, the August 2025 Bank of Zambia Quarterly Survey of Business Opinions and Expectations (QSBOE) indicates a pick-up in activity, underpinned by stronger agricultural output (Chart 9).

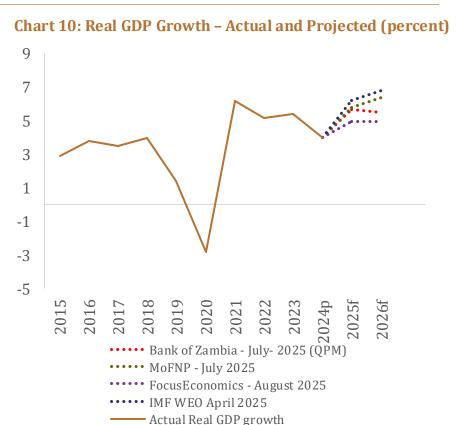
Chart 9: Business Opinion Response Patterns



ECONOMIC ACTIVITY



- Over the medium-term, prospects for domestic economic growth remain positive (Chart 10).
- Mining, agriculture, ICT as well as wholesale and retail trade sectors are expected to drive growth.



CONCLUSION



- At its August 11-12, 2025 Meeting, the Monetary Policy Committee decided to maintain the Monetary Policy Rate at 14.5 percent.
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THANK YOU FOR YOUR ATTENTION.

GOD BLESS...