

MONETARY POLICY COMMITTEE STATEMENT FOR THE FOURTH QUARTER OF 2025

GOVERNOR'S PRESENTATION TO THE MEDIA

February 11, 2026



Bank of Zambia

OUTLINE OF PRESENTATION



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

DECISION OF THE MONETARY POLICY COMMITTEE



*At its February 9-10, 2026 Meeting, the Monetary Policy Committee decided to **reduce the Monetary Policy Rate by 75 basis points to 13.5 percent.***

- In arriving at this decision, the Committee took into account the following:
 - a. Further decline in inflation in the fourth quarter of 2025;
 - b. The projected faster fall of inflation into the 6-8 percent target band than was forecast in November 2025; and
 - c. The need to maintain an appropriate monetary policy stance.

INFLATION OUTTURN

- **Inflation continued to decelerate in the fourth quarter of 2025.**
- **Overall inflation declined to 11.2 percent in December 2025 from 12.3 percent in September 2025 (Table 1; Charts 1 and 2).**
- **In January 2026, inflation fell sharply to 9.4 percent.**
- **Key drivers were continued impact of the maize bumper harvest from the 2024/25 farming season and the appreciation of the Kwacha against major currencies.**

INFLATION OUTTURN

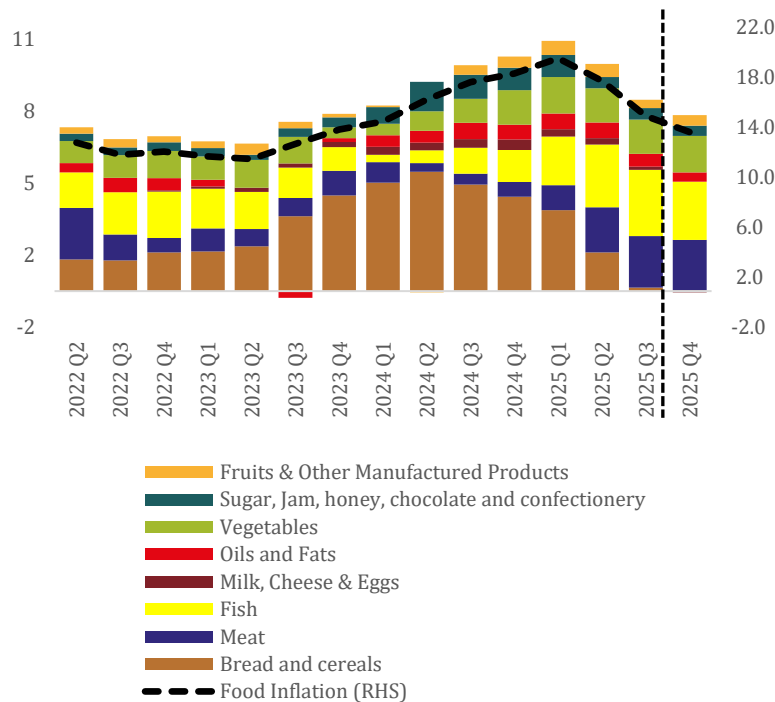
Table 1: Quarterly Average and end-Period Inflation Rate (percent)

	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4
Average					
Overall Inflation	16.3	16.7	15.3	12.6	11.3
Food Inflation	18.3	19.6	17.7	14.9	13.6
Non-Food Inflation	13.5	12.7	11.8	9.3	8.0
End Period					
Overall Inflation	16.7	16.5	14.1	12.3	11.2
Food Inflation	18.6	18.9	16.7	14.6	12.9
Non-Food Inflation	14.2	13.2	10.3	9.0	8.7

Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

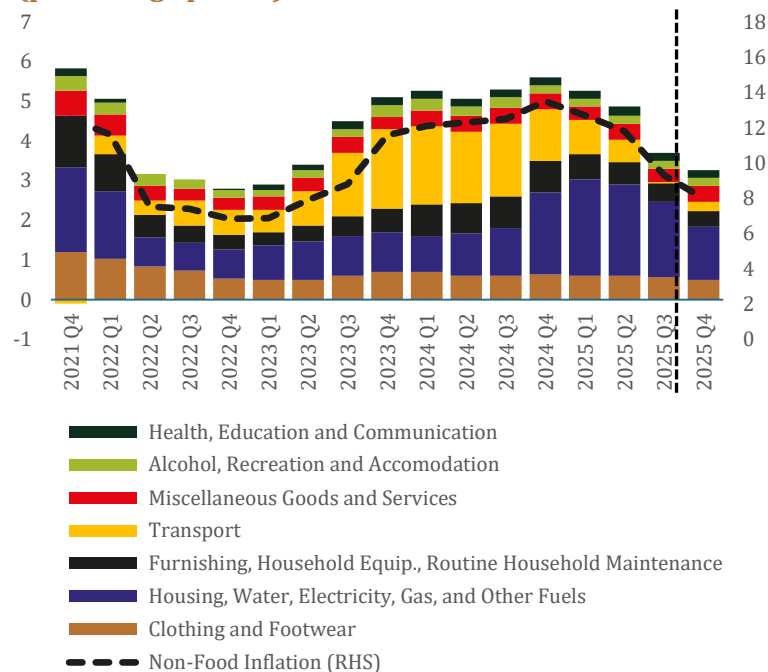
INFLATION OUTTURN

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



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

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



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

- Inflation is projected to fall into the 6-8 percent target band at a faster pace than was forecast in November 2025.
- It is expected to be within the band by the second quarter of 2026 and move to the lower bound by the second quarter of 2027.
- Annual averages: 6.9 percent in 2026 and 6.3 percent in 2027.
- The more positive outlook largely reflects the impact of the lagged effects of the recent appreciation of the exchange rate and expected favourable agricultural output.
- Over the forecast horizon (2026Q1-2027Q4), the risks to inflation are assessed to remain tilted to the downside. These include:
 - a) Favourable weather conditions;
 - b) Supportive external sector conditions reflected in higher copper prices; and
 - c) Continued macroeconomic stability.

INFLATION OUTLOOK

Chart 3: Inflation Projection (percent)

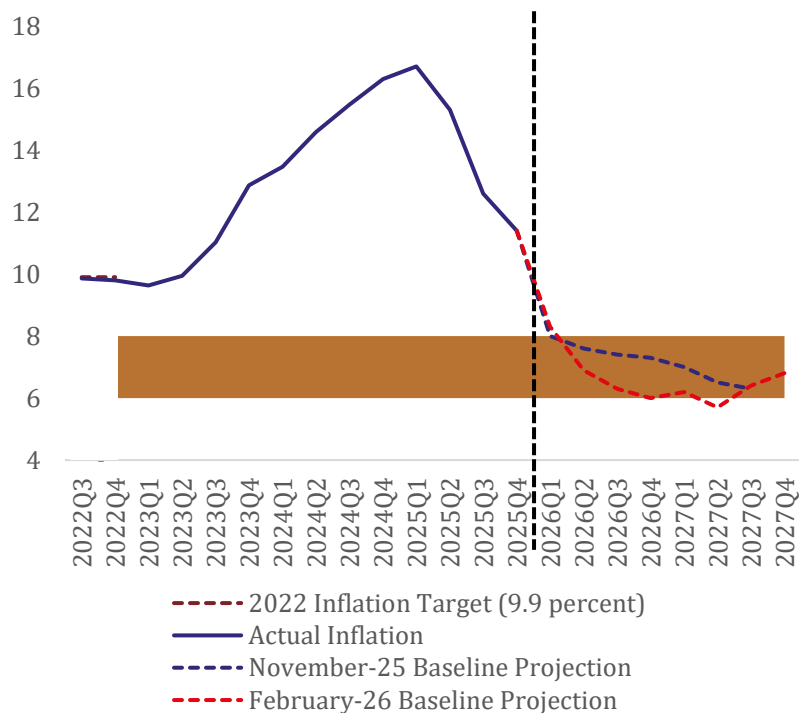


Table 2: Inflation Projection (average percent)

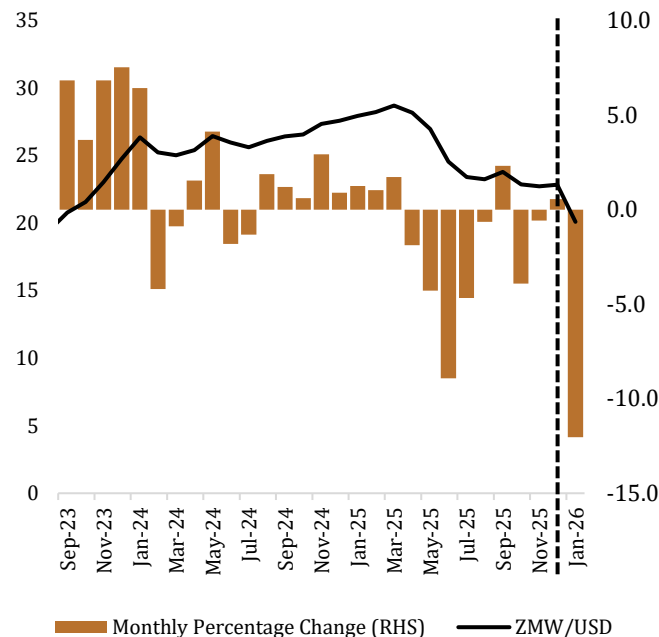
	2026	2027
February-26 Projection	6.9	6.3
Novovember-25	7.6	6.6
Projection	(Three Quarters)	

Source: Bank of Zambia

FOREIGN EXCHANGE MARKET

- The Kwacha appreciated further by 4.1 percent (3.1 percent) against the US dollar to K22.80 in the last quarter of 2025.
- This was supported by the pick-up in foreign exchange supply and improved market sentiments.
- The sovereign credit rating upgrade, surge in copper prices, and the Staff-Level Agreement reached with the IMF supported market sentiments.
- The year-to-date rate of appreciation of the Kwacha against the US dollar is 14.2 percent. The key drivers are continued strong supply of foreign exchange by the mining sector and foreign financial institutions, including the impact of recent policy reforms, such as, the issuance of Currency Directives on December 26, 2025.

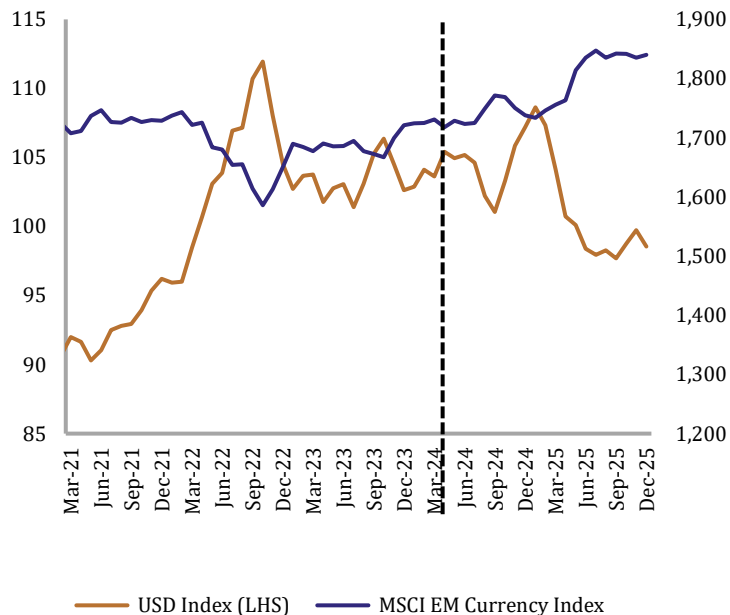
Chart 4: Nominal K/US Dollar Exchange Rate



Source: Bank of Zambia

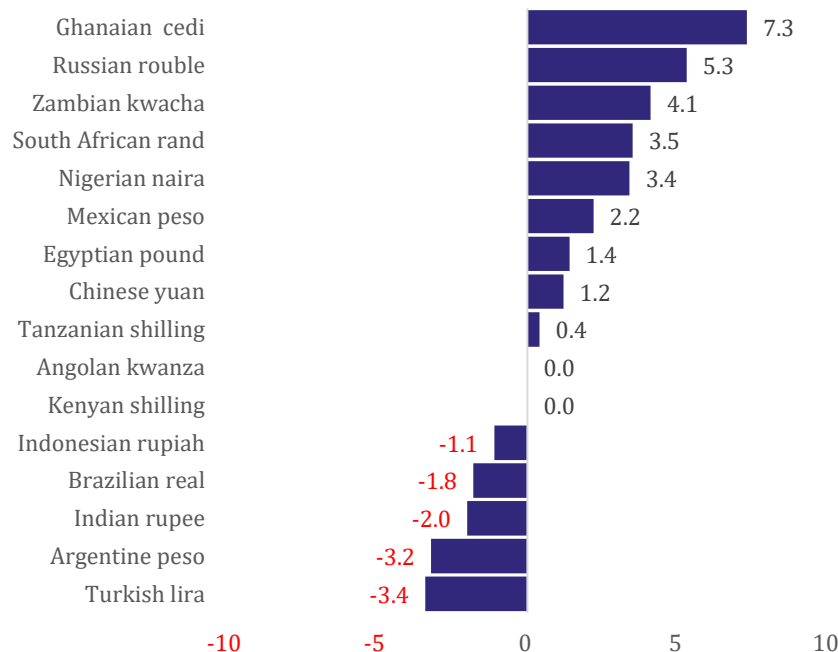
FOREIGN EXCHANGE MARKET

Chart 5: US Dollar and MSCI Emerging Market Currency Indices (monthly average)



Source: Reuters and Bank of Zambia Compilations

Chart 6: Performance of Selected Emerging Market and Developing Economies Currencies versus the US Dollar in the Fourth Quarter of 2025

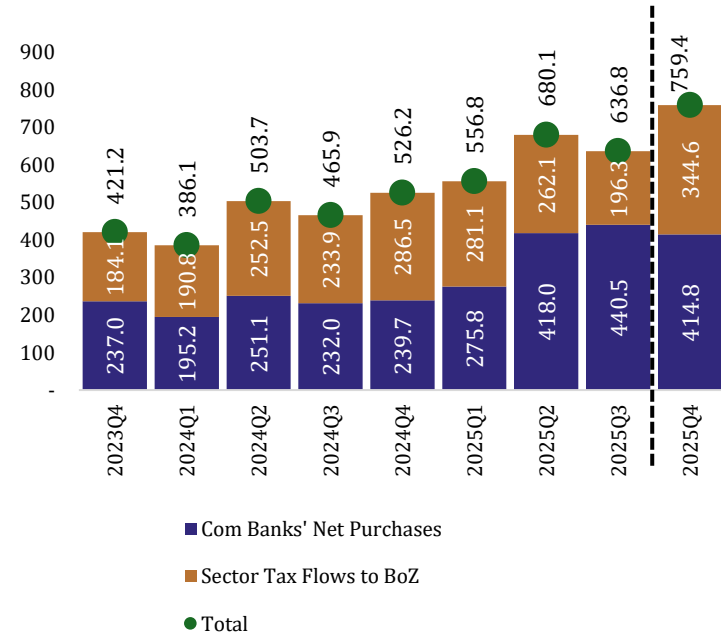


Source: Reuters and Bank of Zambia Compilations

FOREIGN EXCHANGE MARKET

- The mining sector remained the largest source of foreign exchange supply in the market.
- Despite a slight reduction, the mining sector still sold over USD400 million directly to the market (Chart 7).
- Moreover, their tax payments nearly doubled to USD344.6 million (Chart 7).
- This pushed up total foreign exchange supply by the mining sector in the fourth quarter to USD759.4 million from USD636.8 million in the third quarter.

Chart 7: Net Foreign Exchange Inflows from the Mining Sector (USD million)



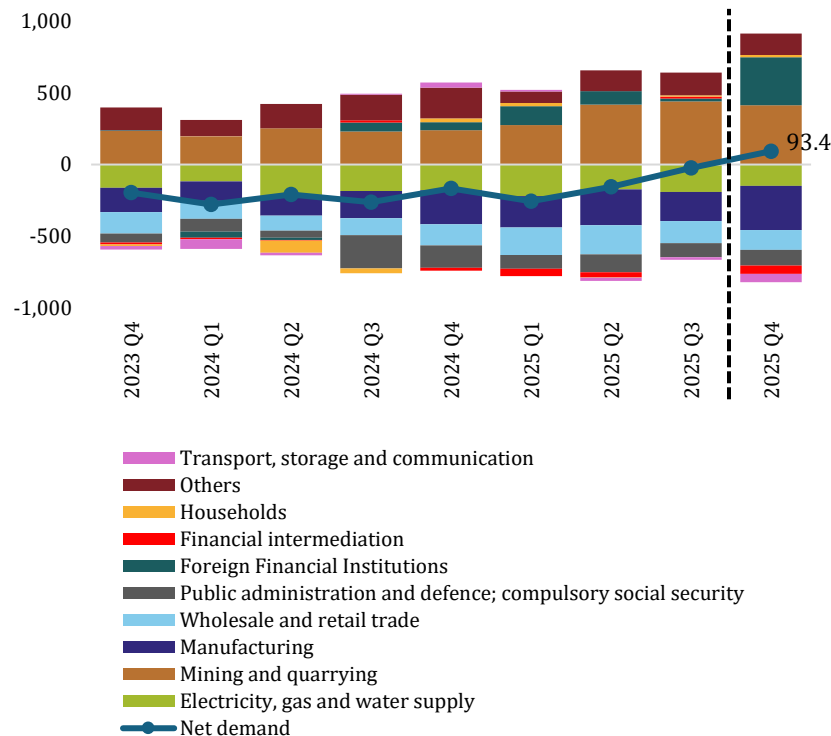
Source: Bank of Zambia

FOREIGN EXCHANGE MARKET



- Given stronger foreign exchange inflows, a net supply of USD93.4 million was recorded in the fourth quarter against net demand of USD23.6 million in the third quarter.
- Supply by foreign financial institutions increased notably to a net of USD335.6 million in the fourth quarter of 2025 from USD19.6 million in the third quarter of 2025.
- Meanwhile, the Bank was a net buyer of USD62.4 million to moderate volatility in the exchange rate and accumulate international reserves.

Chart 8: Sectoral Net Sales (+)/Purchases (-) of Foreign Exchange (USD million)

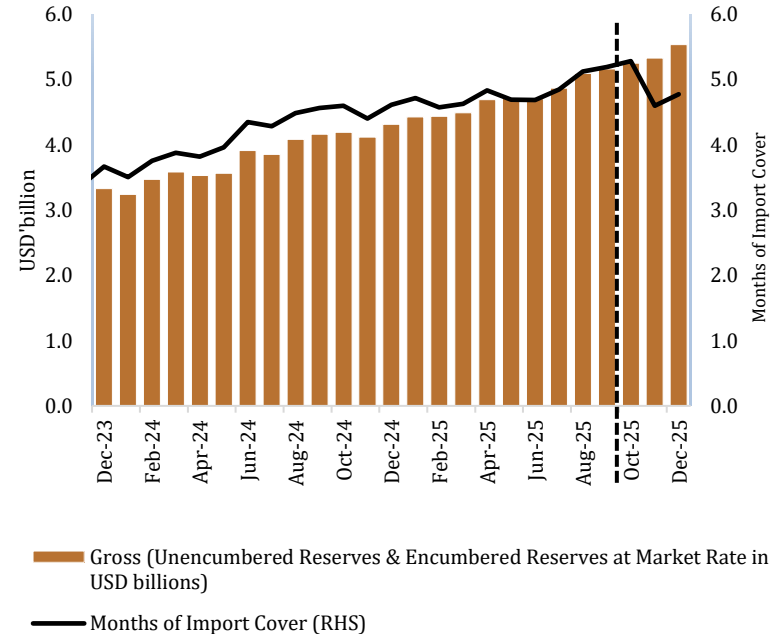


Source: Bank of Zambia

GROSS INTERNATIONAL RESERVES

- Gross international reserves increased to USD5.5 billion at end-December 2025 (equivalent to 4.8 months of import cover) from USD5.2 billion (equivalent to 5.2 months of import cover) at end-September 2025 (Chart 9).
- The import cover reduced in the fourth quarter due to the upward revision of projected imports for 2025.
- Apart from mining tax receipts and market purchases, other sources of reserve growth were project receipts, net statutory reserve deposits, interest earnings on reserves, and domestic gold purchases.
- During 2025Q4, 175.23kg of gold, with a purchase value of USD23.5 million, was bought. This brings the total holdings to 3,226.51kg with market value of USD446.9 million since the Bank embarked on purchasing locally produced gold in December 2020.
- The current price of gold is USD5,031.4 per ounce.

Chart 9: Gross International Reserves

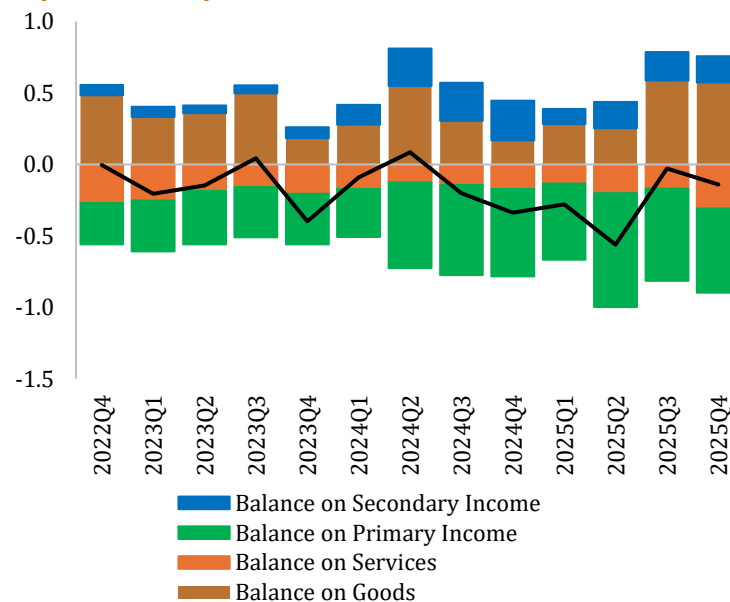


Source: Bank of Zambia

CURRENT ACCOUNT

- The current account deficit widened in the fourth quarter to USD140.0 million (2.0 percent of GDP) from USD28.5 million (0.4 percent of GDP) in the third quarter (Chart 10).
- This was underpinned by net imports and related transportation costs attributable to non-residents alongside a decline in tourism receipts.

Chart 10: Current Account Balance
(USD billion)

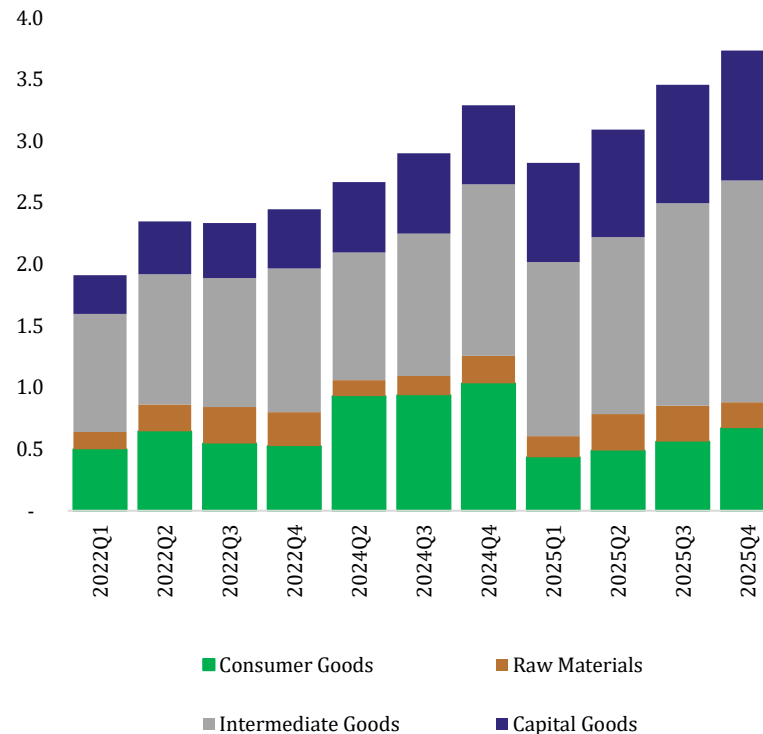


Source: Bank of Zambia

CURRENT ACCOUNT

- Imports increased by 8.0 percent to USD3.4 billion (Chart 11).
- The bulk of these imports were intermediate goods and consumer goods mostly related to industrial boilers and equipment, electrical machinery, and motor vehicles, as well as petroleum products.

Chart 11: Composition of Imports (USD billion)

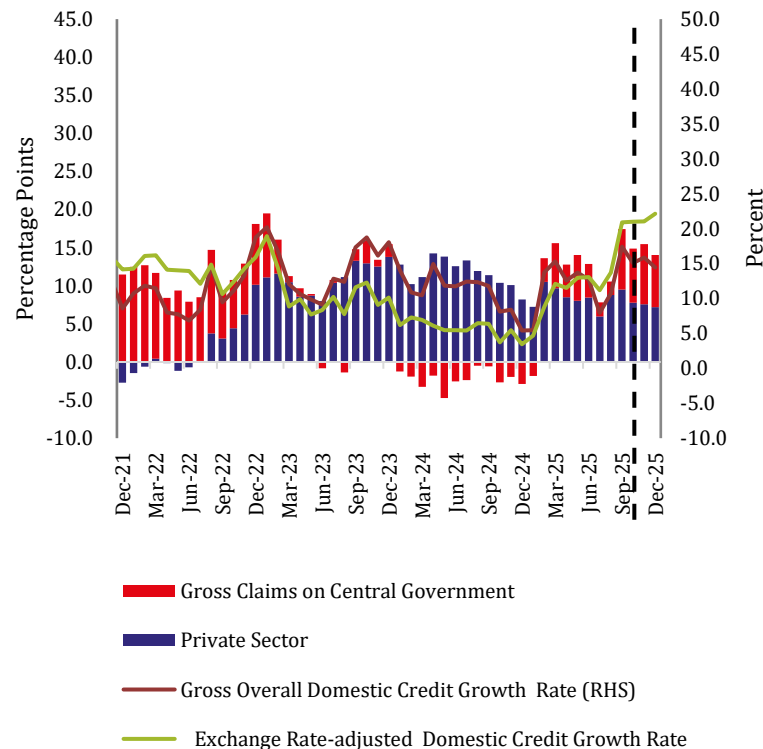


Source: Bank of Zambia

CREDIT DEVELOPMENTS

- Overall domestic credit reduced to 14.4 percent in December 2025 from 17.4 percent in September 2025.
- Over this period, credit to the private sector came down to 15.7 percent from 21.4 percent owing to loan repayments by firms in the wholesale, construction, and agriculture sectors.
- In addition, repayment of foreign currency loans under the Liability Management Operation undertaken by Government in the third quarter to clear fuel arrears contributed to this outturn.

Chart 12: Contribution to y/y Domestic Credit Growth

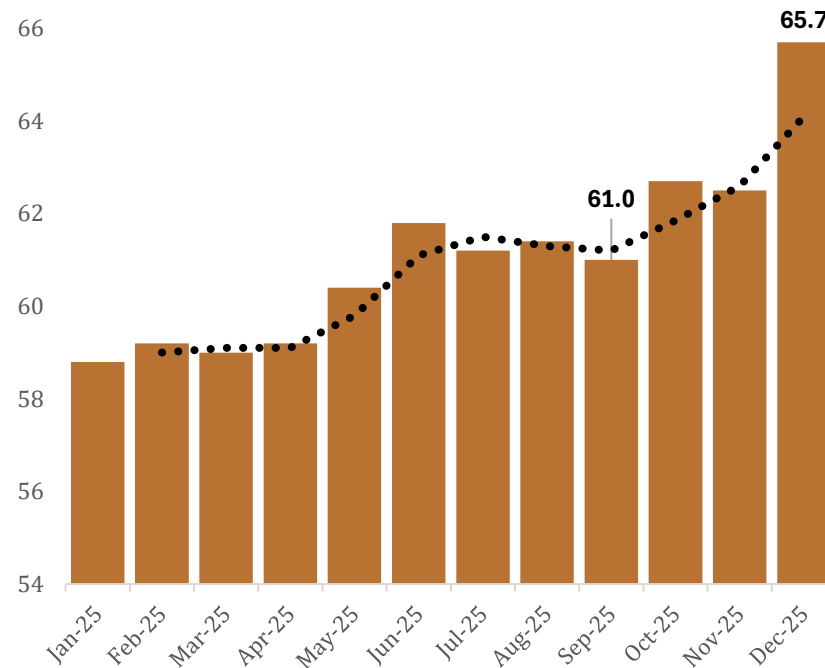


Source: Bank of Zambia

GOVERNMENT SECURITIES MARKET

- **Total outstanding Government securities stood at K253.7 billion at end-December 2025.**
- **Non-resident investors increased their holdings of Government securities by K4.2 billion to K65.7 billion or 25.9% of the total outstanding stock (Chart 13).**

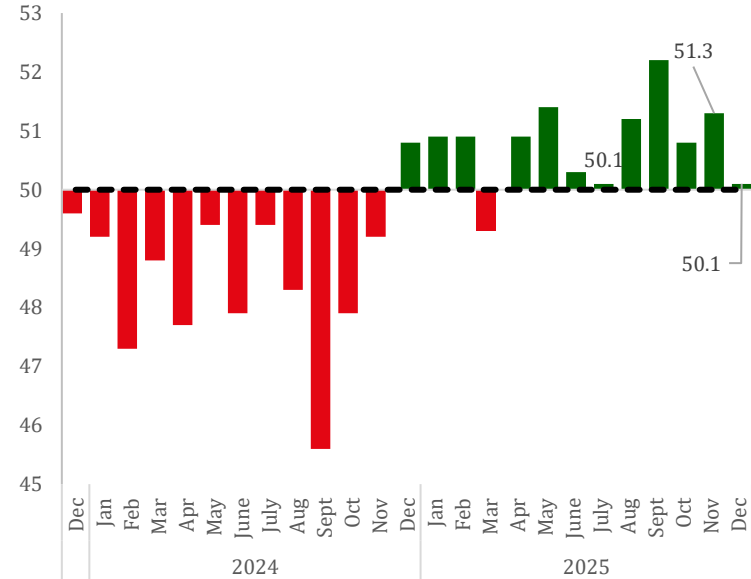
Chart 13: Non-resident investors' Government securities holdings



ECONOMIC ACTIVITY

- Economic activity improved further in the fourth quarter of 2025, with favourable business conditions for the private sector as reflected in the Stanbic Bank Zambia Purchasing Managers Index (Chart 14).

Chart 14: Purchasing Manager's Index for Zambia

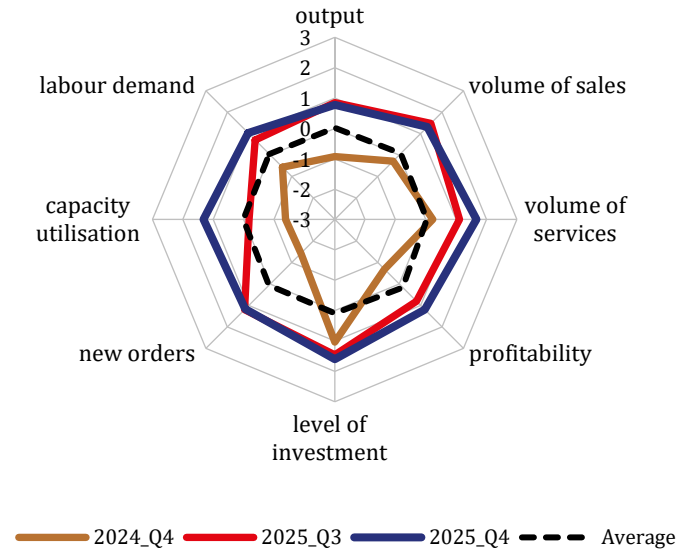


Source: Stanbic Zambia and Bank of Zambia Compilation

ECONOMIC ACTIVITY

- The February 2026 Bank of Zambia Quarterly Survey of Business Opinions and Expectations also pointed to improvement in business conditions, supported by favourable exchange rate performance and improvement in electricity supply (Chart 15).

Chart 15: Business Opinion Response Patterns

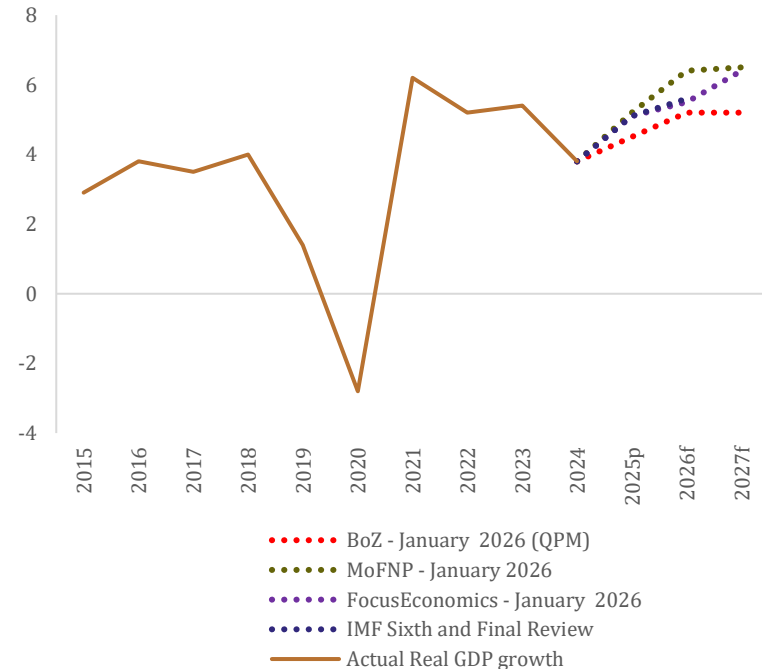


Source: Bank of Zambia

ECONOMIC ACTIVITY

- Medium-term domestic growth prospects remain favourable (Chart 16).
- Growth is projected to be supported mainly by activity in the ICT, mining, agriculture, electricity generation, tourism, and construction sectors.

Chart 16: Real GDP Growth – Actual and Projected (percent)



Source: Zambia Statistics Agency, Bank of Zambia (BoZ), Ministry of Finance and National Planning (MoFNP), IMF, Focus Economics.

CONCLUSION

- At its February 9-10, 2026 Meeting, the Monetary Policy Committee decided to **reduce the Monetary Policy Rate by 75 basis points to 13.5 percent.**
- In arriving at this decision, the Committee took into account the following:
 - a. Further decline in inflation in the fourth quarter of 2025;
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**THANK YOU FOR YOUR
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