MONETARY POLICY COMMITTEE STATEMENT FOR THE THIRD QUARTER OF 2025

GOVERNOR’S PRESENTATION TO THE MEDIA

NOVEMBER 12, 2025

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
9. Foreign Direct Investment and Remittance Flows

DECISION OF THE MONETARY POLICY COMMITTEE

At its November 10-11, 2025, meeting, the Monetary Policy Committee (MPC) decided to reduce the Monetary Policy Rate by 25 basis points to 14.25 percent.

- **Inflation declined further in the third quarter and projections indicate a faster deceleration towards the lower bound of the 6-8 percent target band over the forecast horizon.**

- **Notwithstanding the deceleration in inflation, the Committee was mindful that inflation still remains above the target band and market expectations of inflation, although lower, remain elevated.**

INFLATION OUTTURN

- The downward trajectory in inflation accelerated in the third quarter, with inflation declining to 12.3 percent in September from 14.1 percent in June (Table 1; Charts 1 and 2).

- In October, it fell further to 11.9 percent.

- Key drivers were:

  a) continued appreciation of the Kwacha against major currencies; and

  b) impact of the recent bumper maize harvest, which has contributed to lower prices of maize grain and maize meal.

INFLATION OUTTURN

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

	2024Q3	2024Q1	2025Q1	2025Q2	2025Q3
Average					
Overall Inflation	15.5	16.3	16.7	15.3	12.6
Food Inflation	17.6	18.3	19.6	17.7	14.9
Non-Food Inflation	12.5	13.5	12.7	11.8	9.3
End Period					
Overall Inflation	15.6	16.7	16.5	14.1	12.3
Food Inflation	17.9	18.6	18.9	16.7	14.6
Non-Food Inflation	12.4	14.2	13.2	10.3	9.0

INFLATION OUTTURN

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

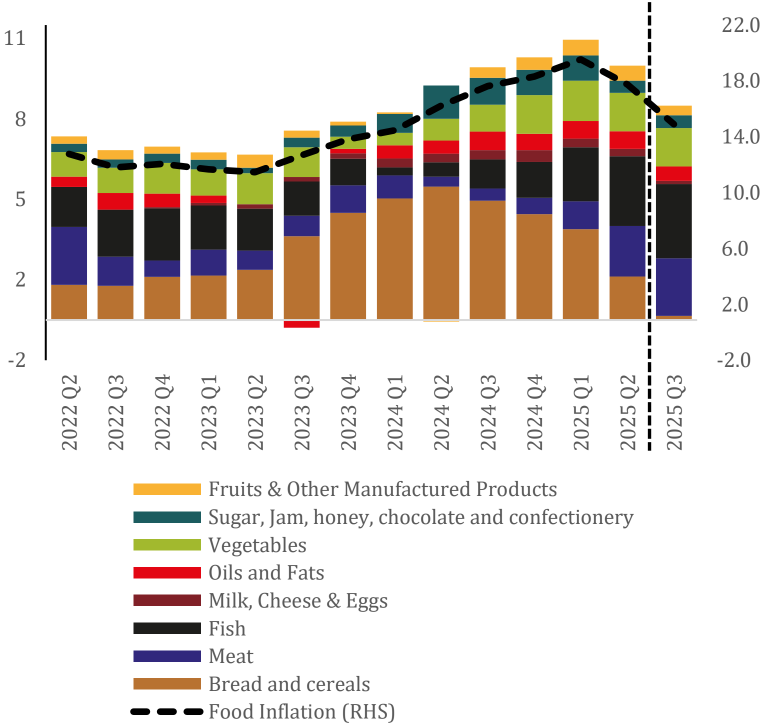
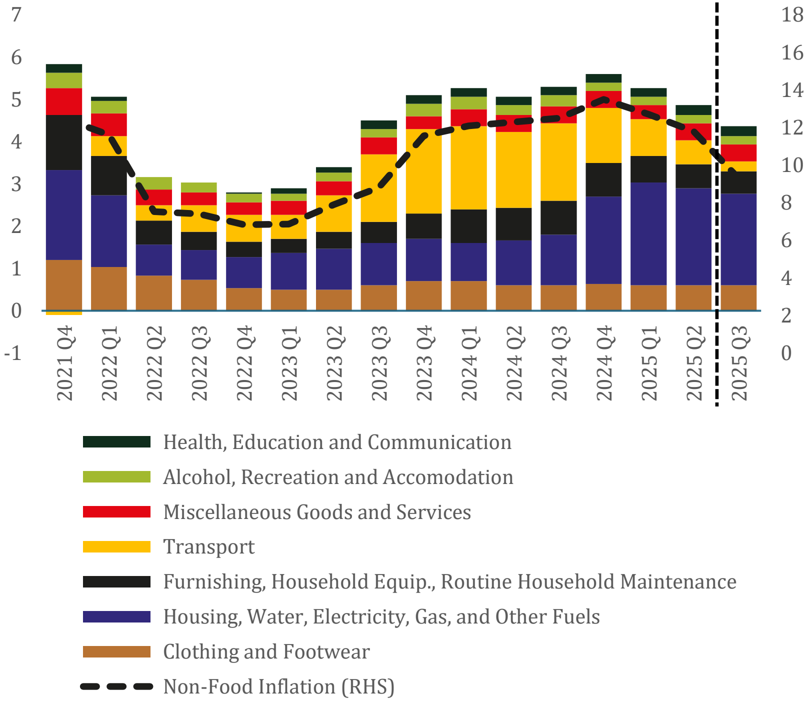


Chart 2: Contribution to Non-Food Inflation by Sub-Group (percentage points)



INFLATION OUTLOOK

- **The inflation outlook for 2025 has been revised upward to an average of 13.8 percent from 13.3 percent projected in August. This is on account of the slower-than- anticipated decline in food prices (Table 2 and Chart 3).**

- **However, from the second half of 2026 to the end of the forecast horizon, inflation is forecast to decelerate faster than earlier projected in August. It is forecast to average 7.6 percent in 2026 compared to 7.7 percent projected in August. In 2027, inflation is projected to move closer to the lower bound of the 6-8 percent target band, averaging 6.6 percent over the first three quarters of the year.**

- **The main factors are lagged effects of the appreciation of the Kwacha against the US dollar, lower fuel prices, and downward adjustment in electricity tariffs for residential customers.**

- **The risks to the inflation outlook are still assessed to be supportive of lower inflation. These include the favourable weather forecast for the current farming season; improved external sector conditions, reflected in higher copper export earnings and subdued crude oil prices; and the observed easing of geopolitical tensions.**

INFLATION OUTLOOK

Bank of Zambia

Chart 3: Inflation Projection (percent)

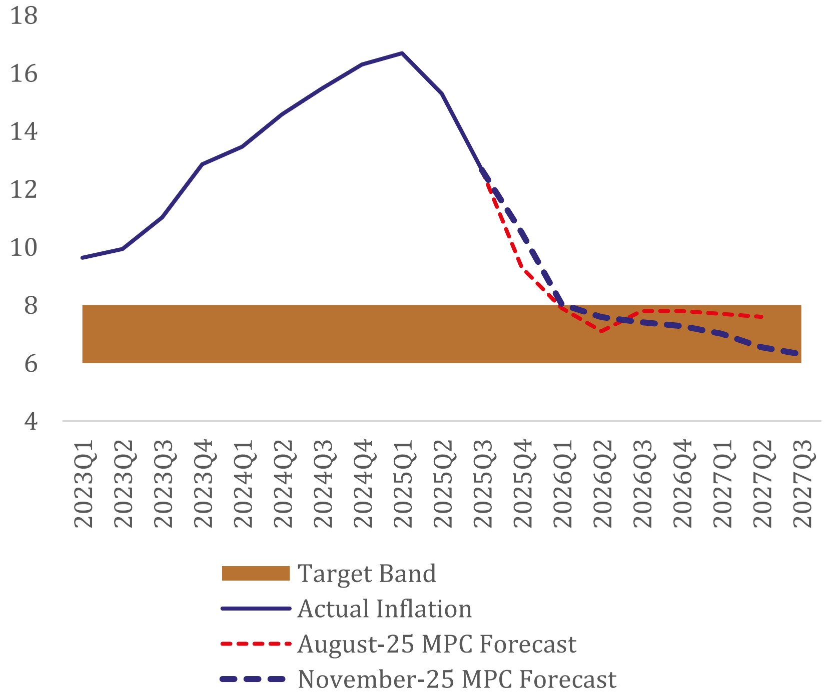


Table 2: Inflation Projection (average percent)

	2025	2026	2027Q1-Q3
November-25 Projection	13.8	7.6	6.6
August-25 Projection	13.3	7.7	7.7

Source: Bank of Zambia and Zambia Statistics Agency

FOREIGN EXCHANGE MARKET

- The exchange rate continued to appreciate in 2025Q3, although at a reduced rate.

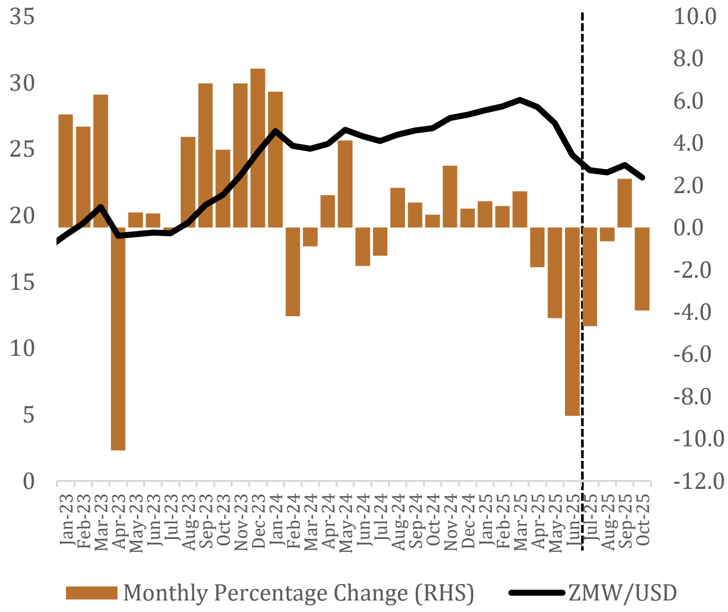
- The Kwacha gained by 3.1 percent against the US dollar compared to 14.4 percent in 2025Q2 (Chart 4).

- Elevated demand by the energy sector and the conversion of maturing Government securities, including coupon payments, by non-resident investors, accounted for the slowdown in the rate of appreciation.

- The Kwacha appreciated further by 3.9 percent in October, mainly supported by increased supply of foreign exchange by the mining sector.

- A weaker US dollar also contributed to the strengthening of the Kwacha (Charts 5 and 6).

Chart 4: Nominal K/US Dollar Exchange Rate



FOREIGN EXCHANGE MARKET

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

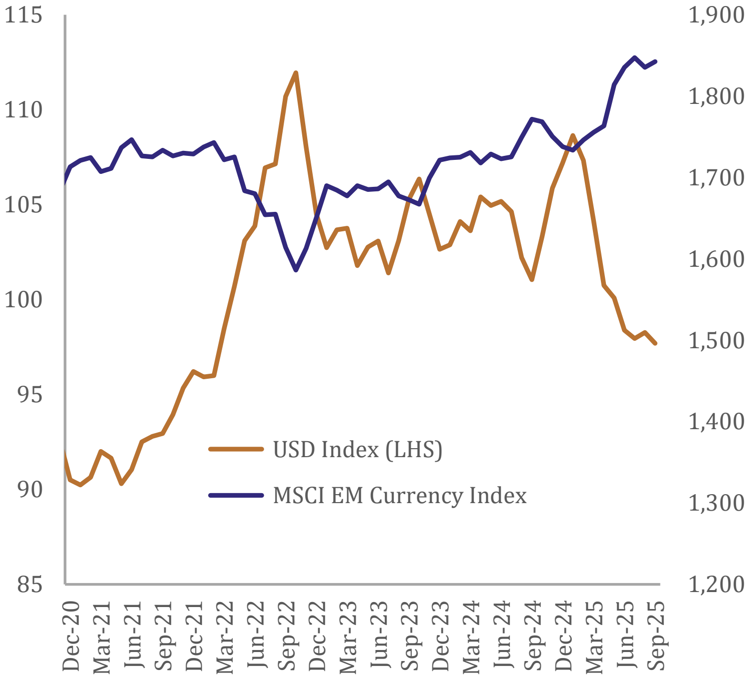
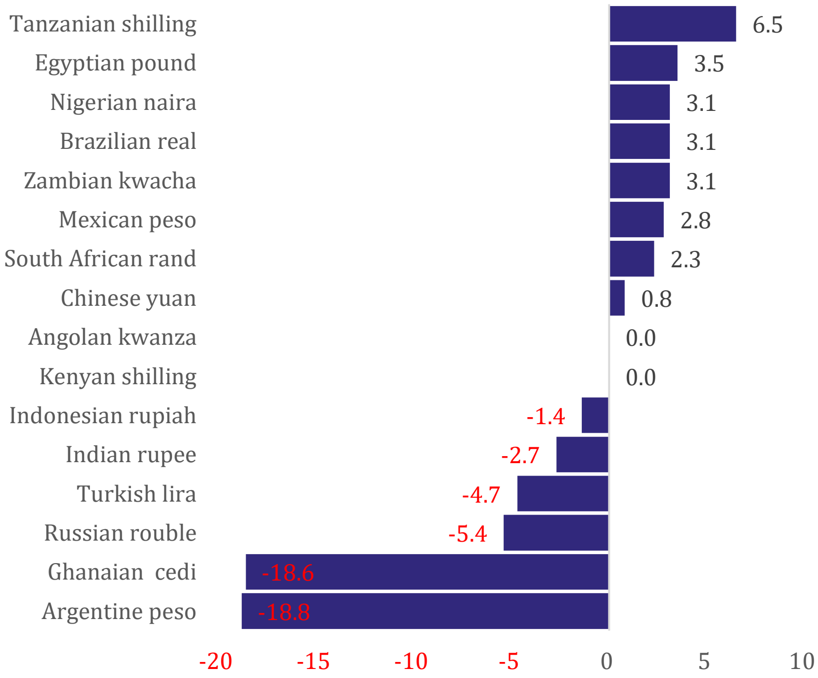


Chart 6: Performance of Selected Emerging Market and Developing Economies Currencies versus the US dollar



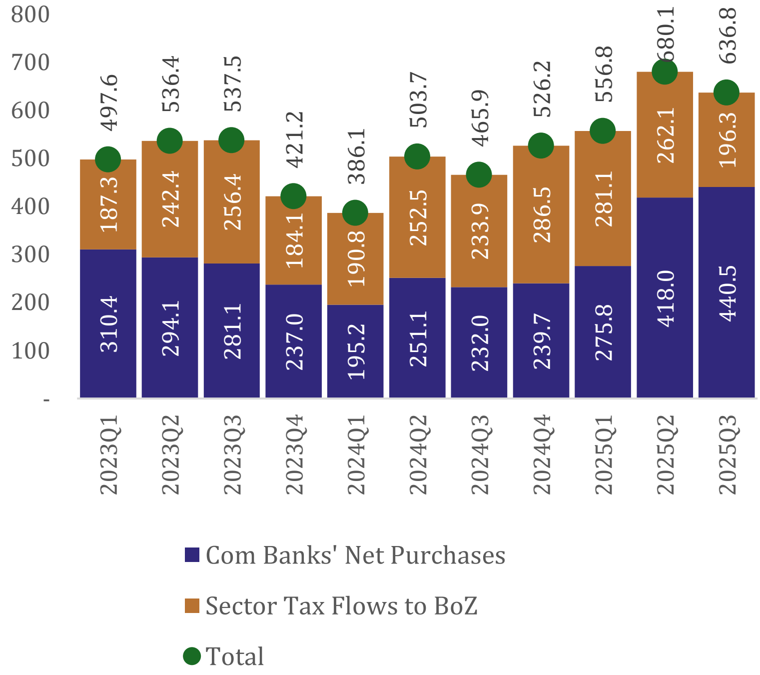
FOREIGN EXCHANGE MARKET

- **The mining sector continued to be the largest source of foreign exchange supply in the market.**

- **A net of USD440.5 million was sold directly to the market in the third quarter, up from USD418.0 million in the preceding quarter (Chart 7).**

- **USD196.3 million was remitted directly to the Bank of Zambia for tax obligations compared to USD262.1 million in Q2 2025.**

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



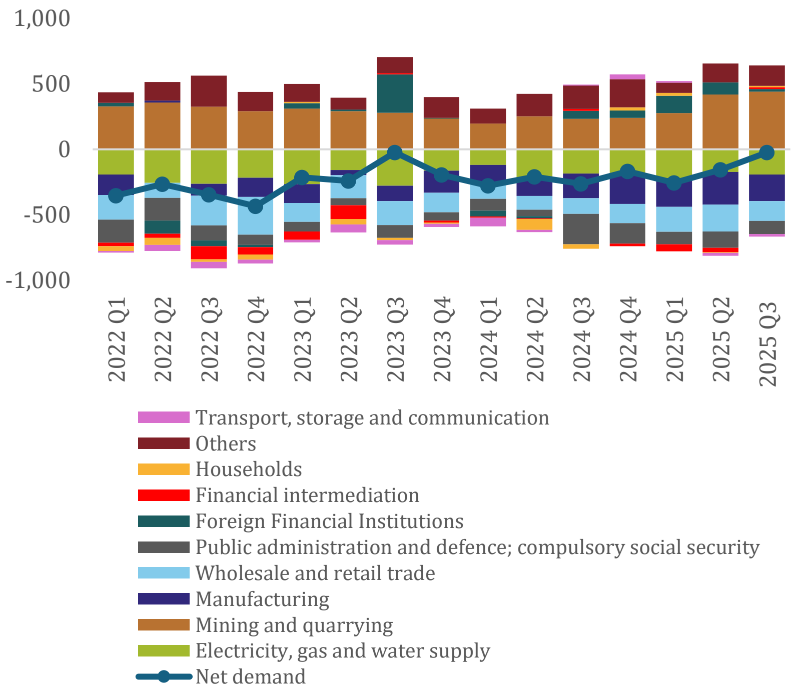
FOREIGN EXCHANGE MARKET

- **While supply of foreign exchange by the mining companies improved further, the significant drop in net inflows from non-resident investors led to a decline in overall supply (Chart 8).**

- **To moderate volatility in the exchange rate and support importation of critical commodities, the Bank of Zambia provided USD120.0 million to the market.**

- **As a result, excess demand reduced substantially to USD24 million from USD156 million in the 2025Q2.**

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



GROSS INTERNATIONAL RESERVES

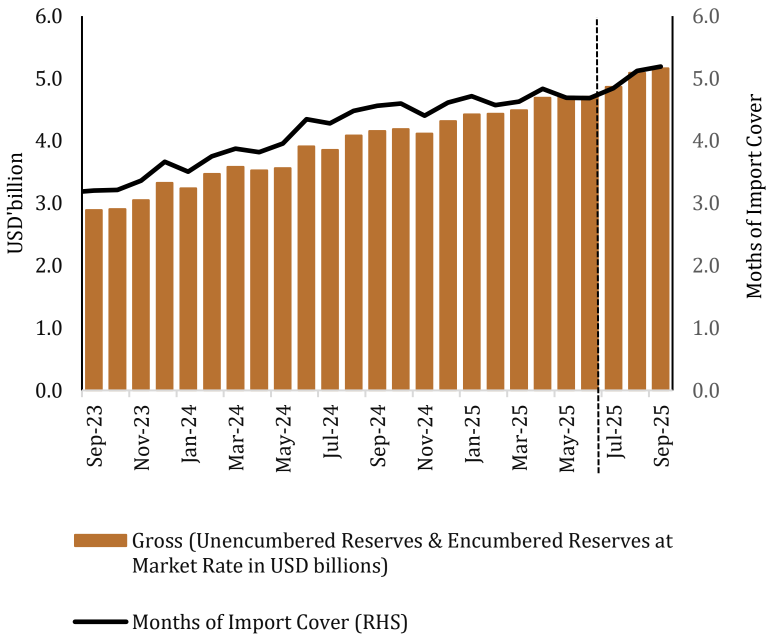
- **Gross international reserves rose to USD5.2 billion at end-September (equivalent to 5.2 months of import cover) from USD4.7 billion (4.7 months of import cover) at end-June (Chart 9).**

- **The build-up in reserves was mainly due to the disbursement of USD191.1 million under the IMF ECF arrangement, project receipts, net statutory reserve deposits, Bank of Zambia purchases, and interest earnings on reserves.**

- **During 2025Q3, 186.62kg of gold, with a purchase value of USD21.5 million, was bought. This brings the total holdings to 3,051.3kg with market value of USD396.3 million since the Bank embarked on purchasing locally produced gold in December 2020.**

- **The current price of gold is USD4,115.68.**

Chart 9: Gross International Reserves



CURRENT ACCOUNT

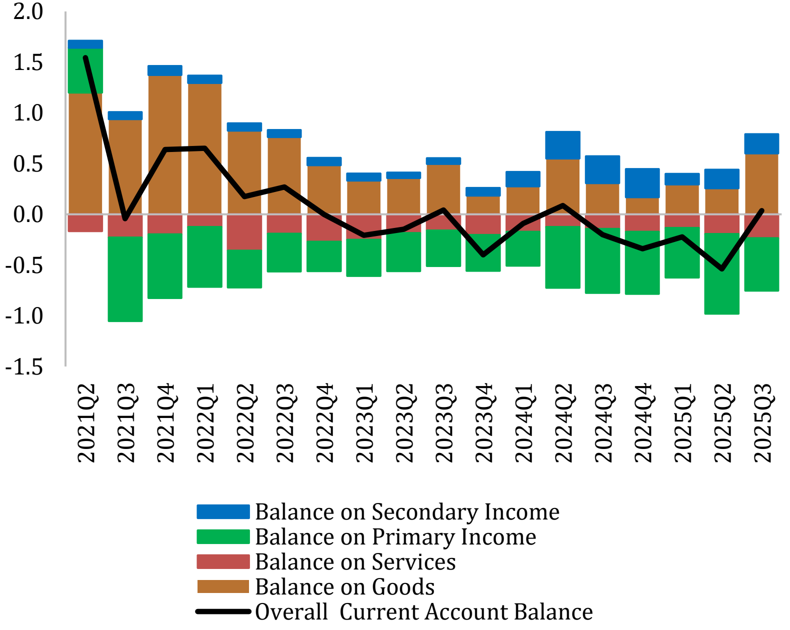
Bank of Zambia

- Preliminary data indicate that a *current account* surplus of USD0.03 billion (0.4 percent of GDP) was recorded in the third quarter compared to a deficit of USD0.5 billion (7.8 percent of GDP) in the second quarter (Chart 10)

- This was due to a stronger growth in exports than imports and reduction in reinvested earnings.

- Exports grew by 22.1 percent to USD3.7 billion on account of higher copper export earnings and non-traditional exports (maize, burley tobacco, electrical cables, cement and lime, as well as gemstones).

Chart 10: Preliminary Current Account Balance (USD billion)

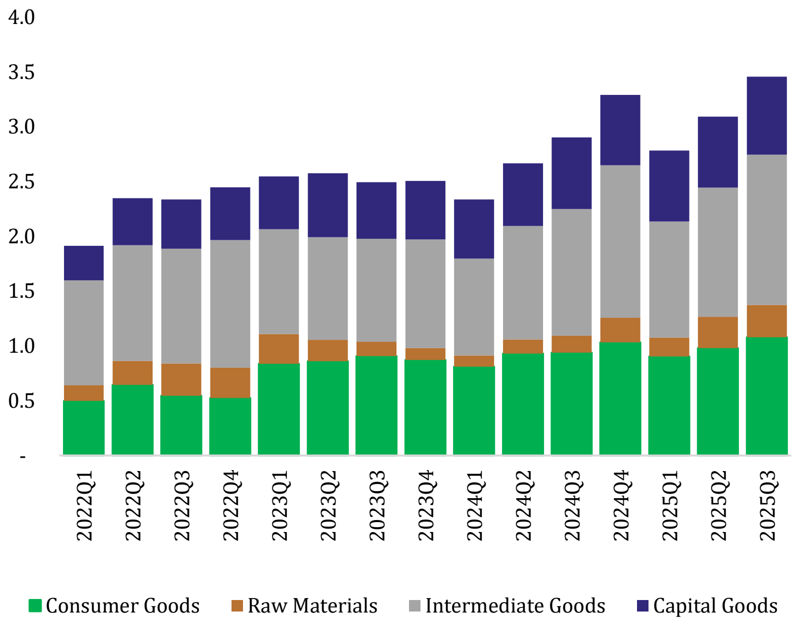


CURRENT ACCOUNT

- **Imports increased by 11.8 percent to USD3.1 billion (Chart 11).**

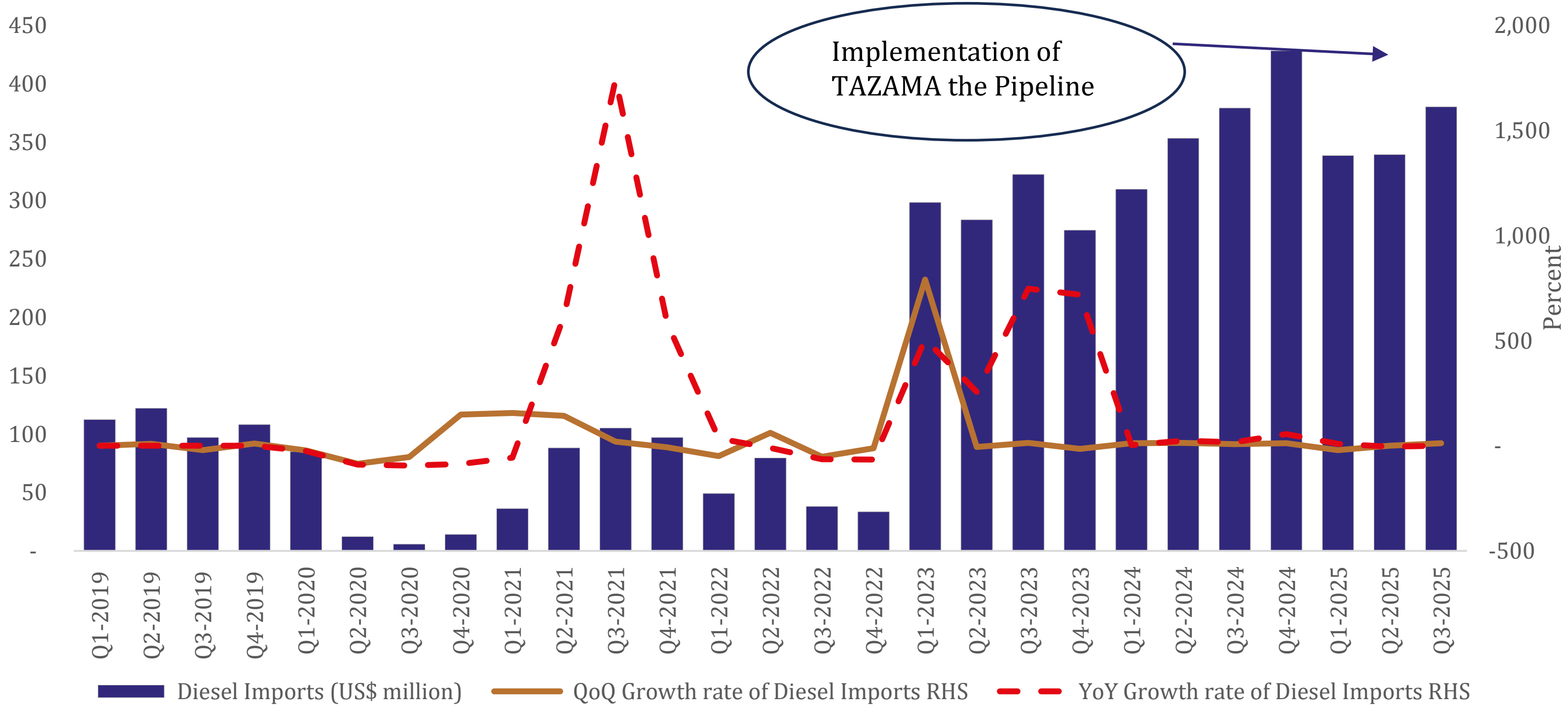
- **This was supported by sustained demand for intermediate and capital goods, particularly industrial boilers and equipment, electrical machinery, and motor vehicles, in part due to the appreciation of the exchange rate (Chart 11)**

Chart 11: Composition of Imports (USD billion)



CURRENT ACCOUNT

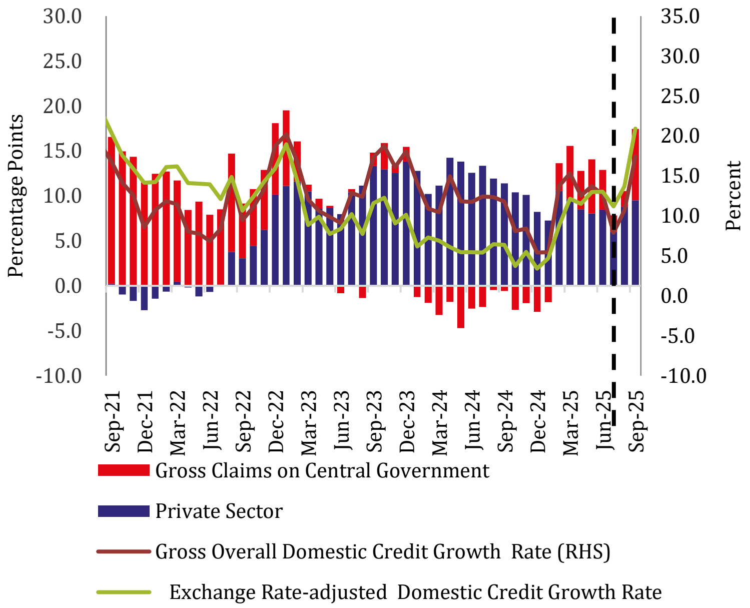
Chart 12: Diesel Imports 2019-2025, USD million



CREDIT DEVELOPMENTS

- Overall domestic credit growth rose to 17.4%, year-on-year (y/y), in September from 12.7%, y/y, in June (Chart 13).
- Credit to the private sector expanded by 21.4% in September from 19.8% in June on account of lending to the electricity, transport, agriculture and manufacturing sectors (Chart 13).
- The liability management operation undertaken by Government to clear fuel arrears and demand for Government securities accounted for the expansion in credit.
- Total outstanding Government securities stood at K242 billion at end-September. Out of this, non-resident investor holdings were K61 billion or 25.4%.

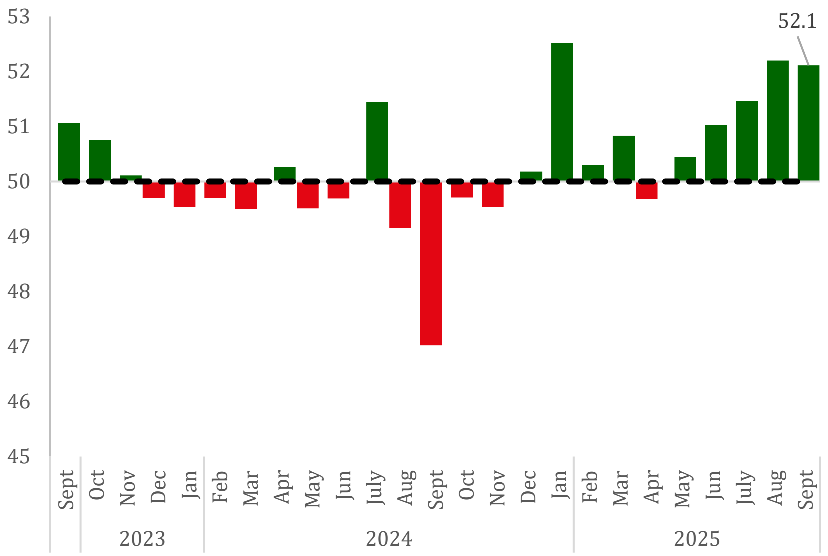
Chart 13: Contribution to y/y Domestic Credit Growth



ECONOMIC ACTIVITY

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

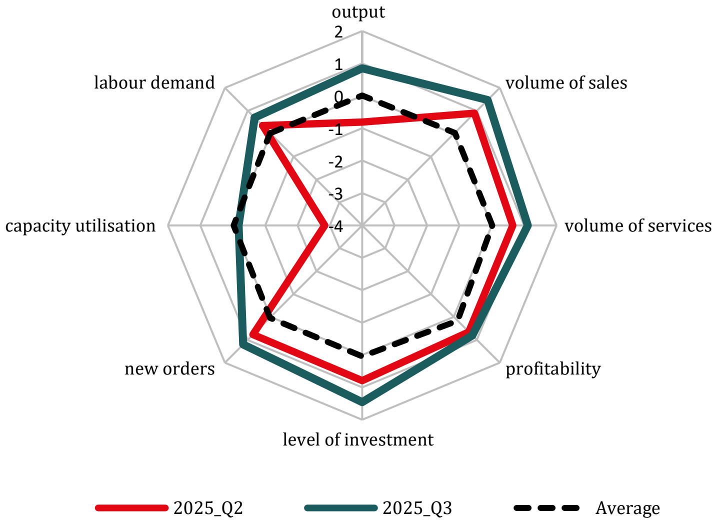
Chart 14: Purchasing Manager's Index for Zambia



ECONOMIC ACTIVITY

- The November 2025 Bank of Zambia Quarterly Survey of Business Opinions and Expectations (QSBOE) also indicated further improvement in business conditions on account of a stable exchange rate and easing inflationary pressures (Chart 15).

Chart 15: Business Opinion Response Patterns

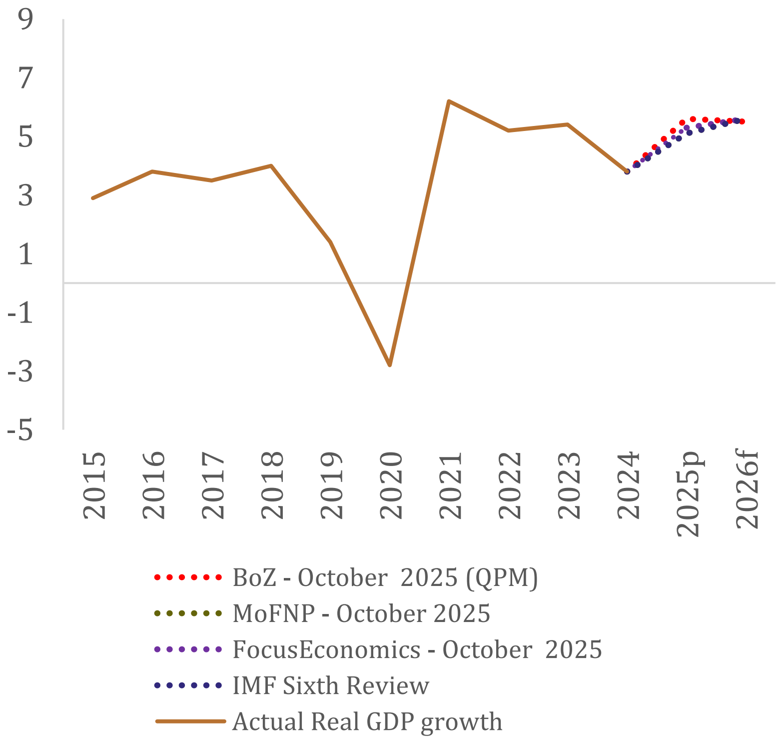


ECONOMIC ACTIVITY

- **Prospects for domestic growth over the medium-term remain bright (Chart 16).**

- **The key sectors expected to drive growth are ICT, mining, agriculture, tourism and construction.**

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



CONCLUSION

- **At its November 10-11, 2025, Meeting, the Monetary Policy Committee decided to reduce the Monetary Policy Rate by 25 basis points to14.25 percent.**

- **Inflation reduced further in the third quarter and projections indicate a faster deceleration towards the lower bound of the target band over the forecast horizon.**

- **This notwithstanding, the Committee was also mindful that inflation is still above the target band and market expectations of inflation remain elevated, hence the measured downward adjustment in the Policy Rate.**

FDI FLOWS AND INTERPRETATION

- **FDI is directional, meaning that inflows are regarded as liabilities in the balance of payments because they represent claims by foreign investors on domestic enterprises.**

- **When a foreign investor invests in Zambia, it creates a financial obligation for the Zambian enterprise, indicating that ownership belongs to the foreign investor.**

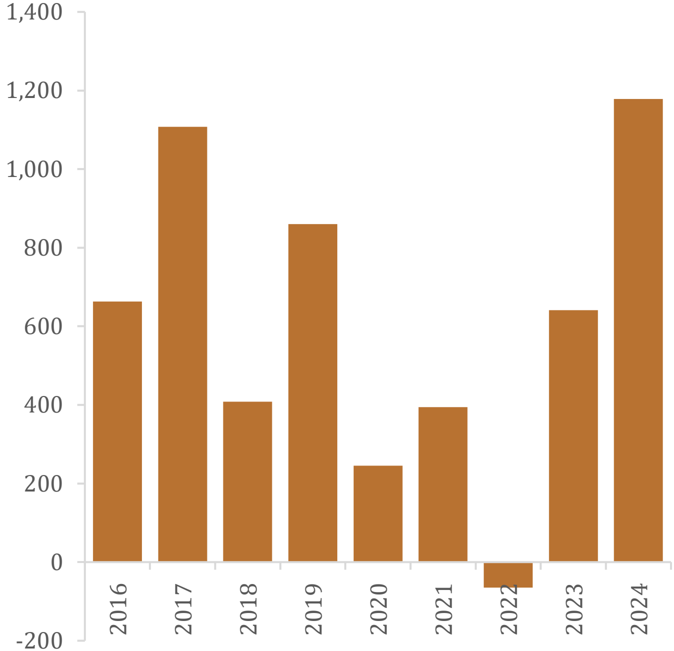
- **Inward FDI is recorded as a liability, which reflects increased foreign ownership.**

- **In contrast, outward FDI or investments made by residents in foreign entities is classified as an asset since it gives residents a claim on foreign assets.**

- **Except for 2022, FDI inflows have consistently grown steadily since 2020, from USD394.2 million in 2021 to USD641.1 million in 2023 and are estimated at USD1,178.1 million in 2024 (Chart 17).**

- **In 2022, dividend payouts led to a net outflow of USD65.1 million. Excluding this, net FDI inflows were USD831.0 million.**

Chart 17: FDI Flows, USD million



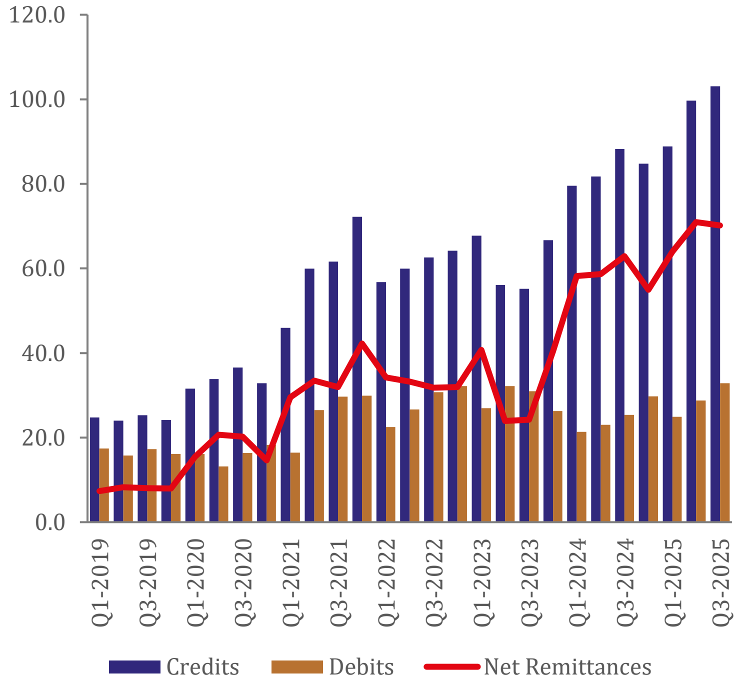
REMITTANCES

- **Remittance *credits* inflows have shown a steady increase over time.**
- **In contrast, remittance *debits* have remained relatively stable, leading to a continued rise in net remittances.**
- **The average quarterly credits remittances during 2020Q1 – 2025Q3 were USD64.8 million**
- **Over the same period, the average quarterly debits remittances were USD25.3 million (Chart 18).**

Table 3: Remittances, US$ million

	Credits	Debits	Net Remittances
Q1-2023	67.7	27.0	40.8
Q2-2023	56.1	32.2	23.9
Q3-2023	55.2	31.0	24.2
Q4-2023	66.7	26.3	40.4
Q1-2024	79.6	21.4	58.2
Q2-2024	81.7	23.1	58.7
Q3-2024	88.3	25.4	62.9
Q4-2024	84.8	29.8	55.0
Q1-2025	88.9	24.9	64.0
Q2-2025	99.7	28.7	71.0
Q3-2025	103.1	32.9	70.2

Chart 18: Remittances, USD million



THANK YOU FOR YOUR ATTENTION.

GOD BLESS…