Bank *of* Zambia

MONETARY POLICY COMMITTEE STATEMENT

[*This Statement is issued pursuant to Section 29(1) of the Bank of Zambia Act, 2022*]

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 target band over the forecast horizon.*[1] *This notwithstanding, the Committee was also mindful that inflation is still above the target band and market expectations of inflation remain elevated.*

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. In October, it fell further to 11.9 percent. Key drivers were the continued appreciation of the Kwacha against the US dollar and the impact of the recent bumper maize harvest, which has contributed to lower prices of maize grain and maize meal.

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. 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.

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.

Taking all the above factors into account, **the Committee adopted a cautious approach and decided to reduce the Policy Rate by 25 basis points to 14.25 percent**.

Decisions on the Policy Rate will continue to be guided by inflation outcomes, forecasts, and identified risks, including those associated with financial stability.

The ***November 2025 Monetary Policy Report*** will be published on the Bank of Zambia website (www.boz.zm) by the end of the month. It contains detailed information on recent macroeconomic developments and the inflation outlook over the forecast horizon.

The next MPC Meeting will take place on February 9 and 10, 2026.

Issued by,

Dr. Denny H. Kalyalya
GOVERNOR

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[1] The forecast horizon is from the fourth quarter of 2025 to the third quarter of 2027

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