



Bank of Zambia

MONETARY POLICY COMMITTEE STATEMENT

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

The persistent depreciation of the Kwacha against major currencies as well as elevated food (maize and maize products) and energy (fuel) prices continued to push inflation up in the fourth quarter of 2023. Inflation rose to an average of 12.9 percent from 11.0 percent in the third quarter. Inflationary pressures continued in January, with annual inflation rising to 13.2 percent from 13.1 percent in December 2023.

At the last Monetary Policy Committee (MPC) Meeting in November, inflation was forecast to remain above the 6-8 percent target band ([November 2023 MPC Statement](#)). The current forecast, covering the first quarter of 2024 to the fourth quarter of 2025, shows that inflation is moving even further away from the target band. The increased deviation from the band is driven primarily by the persistent depreciation of the exchange rate and the effects of adverse weather conditions on food prices. The Committee noted that these factors do actually remain key upside risks to the inflation outlook. The [February 2024 Bank of Zambia Quarterly Survey of Business Opinions and Expectations](#) also indicates that businesses expect a higher level of inflation to persist over the next 12 months.

To steer inflation towards the target band and help anchor inflation expectations, the Committee **decided to raise the Monetary Policy Rate by 150 basis points to 12.5 percent**. In raising the Policy Rate, the Committee took into account the stability of the financial sector and the importance of robust growth over the medium- to long-term.

Meanwhile, the Committee is encouraged by the continued fiscal consolidation efforts, progress on external debt restructuring, and improved prospects of increased investments in key sectors of the economy, as these are critical to the attainment and maintenance of sustainable macroeconomic stability.

Decisions on the Policy Rate will continue to be guided by inflation outcomes, forecasts, and identified risks, including those associated with financial stability. The Bank stands ready to take appropriate action should inflation persist above the 6-8 percent target band.

The [February 2024 Monetary Policy Report](#) will be published on the Bank of Zambia website (www.boz.zm) before the end of February. The Report contains detailed information on recent macroeconomic developments and the inflation outlook over the forecast horizon.

The next MPC Meeting will take place on May 13 and 14, 2024.

Issued by

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GOVERNOR

February 14, 2024