



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 May 13-14, 2024 Meeting, the Monetary Policy Committee **decided to raise the Monetary Policy Rate by 100 basis points to 13.5 percent**. Continued movement of inflation away from the target band of 6-8 percent and persistent rise in inflation expectations, if left unchecked, are poised to undermine macroeconomic stability and efforts towards robust and sustained growth. Average inflation for 2024, which was projected at 12.9 percent in February 2024 ([February 2024 Monetary Policy Report](#)), is now projected at 13.7 percent. This decision, therefore, augments earlier actions aimed at containing persistent inflationary pressures, acting mostly through the exchange rate channel, and addressing rising inflation expectations.

In the first quarter of 2024, average inflation rose to 13.5 percent from 12.9 percent in the last quarter of 2023. In April, annual inflation increased to 13.8 percent from 13.7 percent in March. The underlying factors have largely been persistent depreciation of the Kwacha against major currencies as well as rising prices of food (maize grain, maize products, and vegetables) and energy (fuel). A weaker Kwacha, rising prices of maize grain and fuel, geopolitical tensions, and prolonged tight global financial conditions remain key upside risks to the inflation outlook.

However, owing to the expected recovery in output, declining global food prices and a more favorable external sector environment, in 2025 and 2026, average inflation is projected to moderate. In 2025, inflation is now projected to average 9.8 percent from 9.9 percent, as indicated in the [February 2024 Monetary Policy Report](#), moving into the 6-8 percent target band in the last quarter. In the first quarter of 2026, inflation is projected at 7.4 percent.

The Committee noted that the current drought has led to a significant downgrade of domestic growth forecast for 2024 to 2.3 percent from the earlier projection of 4.4 percent by the Ministry of Finance and National Planning, with agriculture and energy (electricity supply) being the most adversely affected sectors. The drought has also necessitated the importation of significant amounts of the staple food (maize grain) and electricity, leading to a projected deterioration in the *current account*. Further, additional fiscal resources are required to accommodate the adverse impact of the drought, notably the threatened food security and livelihoods for a significant proportion of the population ([Statement on the Drought Response Appeal](#)). However, uncontrolled inflation and failure to address persistent inflationary pressures will undermine macroeconomic stability and all other efforts being taken to address the current economic shocks the country faces, maintaining financial stability, and creating an environment that promotes productive lines of investment.

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.

May 15, 2024



The *May 2024 Monetary Policy Report* will be published on the Bank of Zambia website (www.boz.zm) before the end of May. The *Report* contains detailed information on recent macroeconomic developments and the inflation outlook over the forecast horizon covering the second quarter of 2024 to the first quarter of 2026.

The next MPC Meeting will take place on August 12 and 13, 2024.

Issued by



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GOVERNOR

May 15, 2024