



MONETARY POLICY COMMITTEE STATEMENT

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

At its May 21-22, 2025 Meeting, the Monetary Policy Committee decided to maintain the Monetary Policy Rate at 14.5 percent. Maintaining the current stance of monetary policy is deemed appropriate considering the recent decline in inflation to 16.5 percent in April from 16.8 percent in February, the balance of risks that are still tilted to the downside, and the stability of the financial system.

Inflation slowed down to 16.5 percent in March 2025 from 16.7 percent in December 2024, having peaked at 16.8 percent in February. The increase in food inflation by 0.3 percentage points to 18.9 percent was offset by the reduction in non-food inflation of 1.0 percentage point to 13.2 percent. The moderation in air fares as well as prices of motor vehicles and detergents were the main factors contributing to the decrease in non-food inflation.

The forecast over the next eight quarters¹ shows that inflation will decline faster towards the 6-8 percent target band than projected in February. Inflation is now anticipated to average 13.8 percent in 2025 compared to 14.6 percent. In 2026, it is projected to decline to 8.8 percent and fall further to 7.5 percent in the first quarter of 2027, which is within the target band. Data from Bank of Zambia surveys on inflation expectations in the first quarter of 2025 also point to a moderation in inflationary pressures.

The projection is based on the expected decline in market prices of maize grain and crude oil. The bumper maize harvest forecast of 3.6 million metric tonnes for the 2024/25 farming season compared to the drought-induced production of 1.5 million metric tonnes in the 2023/24 farming season, is expected to drive prices of maize grain and its products lower. The anticipated increase in the supply of crude oil and weak overall global demand² also point to a reduction in prices. Moreover, these factors constitute downside risks and could drive inflation even lower than currently projected. Despite this positive outlook, the Committee was mindful of the evolving global economic landscape and the extreme uncertainty it has created on global 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 *May 2025 Monetary Policy Report* will be published on the Bank of Zambia website (www.boz.zm) by the end of the month. The *Report* contains detailed information on recent macroeconomic developments and the inflation outlook over the forecast horizon.

¹ Forecast horizon from the second quarter of 2025 to the first quarter of 2027.

² IMF, World Economic Outlook April (2025)

May 23, 2025



Bank of Zambia

The next MPC Meeting will take place on August 11 and 12, 2025.

Issued by,

Dr. Denny H. Kalyalya
GOVERNOR

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