



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 August 11-12, 2025 Meeting, the Monetary Policy Committee (MPC) **decided to maintain the Monetary Policy Rate at 14.5 percent**. Since the last MPC Meeting, inflation has been on a downward trend, falling to 14.1 percent in June and to 13.0 percent in July. Inflation is now projected to fall within the target band from the first quarter of 2026. While recognising these positive developments, the Committee noted that at the current level, inflation is well above the 6-8 percent target band, and at the same time, uncertainties associated with global trade policies and persistent geopolitical tensions remain. The Committee also observed that, although market expectations of inflation have moderated, they remain high relative to the target band.*

Since March 2025, inflation has been on a downward trend. It declined to 14.1 percent in June from 16.5 percent in March. In July, this trend continued, with inflation dropping to 13.0 percent. The key drivers for this outturn were improved supply of maize, lower fuel prices, and the appreciation of the Kwacha against major currencies.

The declining trend in inflation is expected to continue over the next eight quarters. It is projected to fall into the 6–8 percent target band in the first quarter of 2026, earlier than projected in [May 2025](#). The updated forecast points to inflation averaging 13.3 percent in 2025 compared to the previous 13.8 percent. In 2026, inflation is expected to average 7.7 percent and sustained in the first half of 2027. The key drivers of the lower inflation forecast are lagged effects of the appreciated exchange rate as well as lower food and energy prices. The improved inflation outlook also reflects past monetary policy measures as well as structural and fiscal policy reforms.

The Committee assessed that risks to the inflation outlook remain tilted to the downside and mostly relate to the expected increased earnings from copper exports and subdued crude oil prices, working through the exchange rate and expectations channels. In addition, further progress on external debt restructuring is expected to enhance relatively stable macroeconomic conditions and strengthen the inflation outlook.

These positive developments notwithstanding, the Committee noted that at its current level, inflation is still well above the 6-8 percent target band. In addition, while market expectations of inflation have moderated, they are still quite elevated relative to the target band. There are also lingering uncertainties associated with the evolving global trade policies and persistent geopolitical tensions. The Committee, therefore, decided to maintain the Policy Rate at 14.5 percent. The decision will also allow for the consolidation of the gains made so far on inflation.

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

The **August 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 November 10 and 11, 2025.

Issued by,

Dr. Denny H. Kalyalya
GOVERNOR

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