



MONETARY POLICY COMMITTEE STATEMENT

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

*At its February 10-11, 2025 Meeting, the Monetary Policy Committee decided to **increase the Monetary Policy Rate by 50 basis points to 14.5 percent**. This is intended to steer inflation back to the 6-8 percent target band and help anchor inflation expectations, which are observed to have persisted.*

In the fourth quarter of 2024, average inflation rose to 16.3 percent from 15.5 percent in the third quarter. The implementation of higher emergency electricity tariffs in November 2024, triggered by the drought in the 2023/2024 rainy season, has had a substantial impact, particularly on non-food inflation, which rose to 14.1 percent from 12.2 percent in October. Furthermore, the reduced supply of vegetables and fish as well as the depreciation of the exchange rate have contributed to higher inflation.

Over the next eight quarters¹, inflation is still projected to remain outside the 6-8 percent target band. It is expected to average 14.6 percent in 2025 compared to 13.9 percent reported in the November 2024 MPC Statement. The relatively higher profile for 2025 is largely influenced by the recent increase in inflation and persistent depreciation of the exchange rate. [Survey data](#) on inflation expectations also indicate that inflation will remain elevated and well above the target band. In 2026, although inflation is projected to decline to 10.6 percent, it will still be above the target band.

Looking ahead, the balance of risks to the inflation outlook is now tilted to the downside. This suggests that inflation outcomes over the forecast horizon could be lower than is currently projected. The shift in the balance of risks is mostly influenced by the expected improvement in food supply, particularly maize grain, and electricity generation in view of the current favourable rainfall. That notwithstanding, the external environment remains a source of upside risk to inflation as the shift in global trade policies evolve and geopolitical tensions rise.

To reiterate, given that inflation remains higher than the 6-8 percent medium-term objective and that inflation expectations are elevated, **the Committee decided to raise the Policy Rate by 50 basis points to 14.5 percent**. This is expected to help anchor inflation expectations and steer inflation back to the target range.

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

¹ Forecast horizon from the first quarter of 2025 to the fourth quarter of 2026

February 12, 2025



The *February 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.

The next MPC Meeting will take place on May 19 and 20, 2025.

Issued by,


Dr. Denny H. Kalyalya
GOVERNOR

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