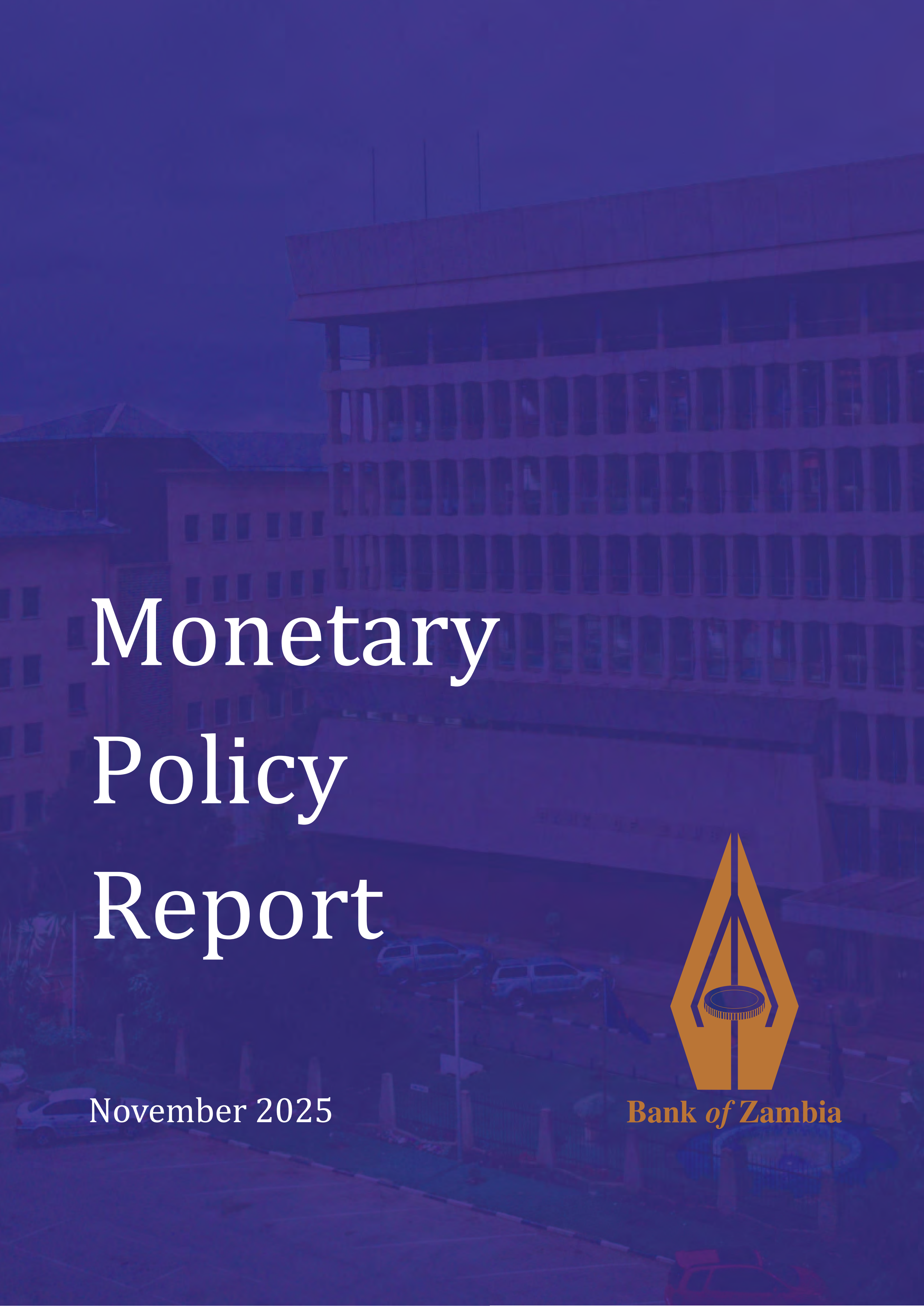

Monetary Policy Report

November 2025

Bank *of* Zambia

Bank of Zambia

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Bank *of* Zambia

This *Monetary Policy Report* (MPR) is made pursuant to Section 29(2) of the Bank of Zambia Act, 2022.

The MPR was approved by the Monetary Policy Committee (MPC) on November 11, 2025 and contains information available as of November 5, 2025.

Composition of the Monetary Policy Committee constituted pursuant to Section 28(1) of the Bank of Zambia Act, 2022:

1. Governor – Chairperson (Dr Denny H. Kalyalya)
2. Deputy Governor responsible for operations – Vice Chairperson (Dr Francis Chipimo)
3. Deputy Governor responsible for administration (Mrs Rekha C. Mhango)
4. Bank of Zambia senior management staff responsible for research (Dr Jonathan M. Chipili)
5. Bank of Zambia senior management staff responsible for monetary policy operations (Dr Emmanuel M. Pamu)
6. Bank of Zambia senior management staff responsible for financial stability (Mr Goodson Kataya)
7. External Member appointed by the Bank of Zambia Board (Professor Munacinga C. Simatele)
8. External Member appointed by the Bank of Zambia Board (Mr Alex Chakufyali)

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Preface

In line with Article 213(2) (b) of the Constitution of Zambia (Amendment) Act, 2016, the Bank of Zambia determines monetary policy. The nine-member Monetary Policy Committee (MPC) formulates monetary policy to achieve and maintain price stability in line with section 27(2) of the Bank of Zambia Act, 2022. The Committee meets every second month of the quarter in February, May, August and November to decide on the monetary policy stance. In doing so, the Committee reviews macroeconomic developments in the previous quarter and prospects for inflation over the forecast horizon currently eight quarters ahead. This information is published in the Monetary Policy Report (MPR) to strengthen transparency and accountability of the MPC.

The stance of monetary policy is reflected in changes to the Policy Rate introduced in April 2012. This is guided by inflation outcomes, forecasts from inflation models and identified risks, including those associated with growth and financial stability. The MPC relies on a forward-looking monetary policy framework anchored on the Policy Rate as a key signal for the policy stance. The Policy Rate aims to provide a credible and stable anchor to financial market participants in setting their own interest rates as well as guides the Bank in its implementation of monetary policy. The Bank may use non-price (quantitative) monetary policy instruments, such as, the statutory reserve ratio in its conduct of monetary policy.

The Bank influences the overnight interbank rate (operating target) which in turn impacts on inflation through changes in market interest rates transmitted via the expectations, exchange rate and/or credit channels. To effectively manage the overnight interbank rate, the Bank conducts open market operations to either supply or withdraw liquidity from the banking system to keep the overnight interbank rate within the corridor of +/- 1 percentage points around the Policy Rate. There are, however, exceptional circumstances where the interbank rate may be allowed to drift outside the Policy Rate Corridor.

The monetary policy decision is publicly announced in the Monetary Policy Committee Statement issued via a press release a day after each quarterly MPC meeting. The MPR is published soon after the MPC Meeting. This is intended to provide detailed information used by the MPC in arriving at a Policy Rate decision.

Executive Summary

The downward trend in inflation accelerated in the third quarter with inflation declining to 12.3 percent in September from 14.1 percent in June. In October, it fell further to 11.9 percent. Key drivers were the continued appreciation of the Kwacha against the US dollar and the impact of the recent bumper maize harvest, which has contributed to lower prices of maize grain and maize meal.

The inflation outlook for 2025 has been revised upward to an average of 13.8 percent from 13.3 percent projected in August. This is on account of the slower than anticipated decline in food prices. However, from the second half of 2026 to the end of the forecast horizon, inflation is forecast to decelerate faster than earlier projected in August. It is forecast to average 7.6 percent in 2026 compared to 7.7 percent projected in August. In 2027, inflation is projected to move closer to the lower bound of the 6-8 percent target band, averaging 6.6 percent over the first three quarters of the year. The main factors underpinning this projection are lagged effects of the appreciation of the Kwacha against the US dollar, lower fuel prices, and the downward adjustment in electricity tariffs for residential customers.

Preliminary estimates point to a further expansion in real GDP growth in the third quarter, albeit at a slower pace. The moderation was due to reduced growth in cement and copper production, as well as lower diesel consumption. Private sector business conditions continued to improve as new orders and output increased following the appreciation of the exchange rate. Labour market conditions are reported to have improved with increased hires across the sectors due to steady demand and the growth in new orders. Growth prospects over the 2025-27 period remain positive, with real GDP rate of over 5.0 percent per annum. This is despite a downward revision to the forecast mainly occasioned by constrained hydropower generation and intermittent power outages.

Domestic financial conditions remained relatively tight in the third quarter as the exchange rate appreciated further and the policy rate, interbank rate as well as the lending rates remained positive.

Preliminary data indicates that the *current account* balance turned positive in the third quarter on account of stronger growth in exports than imports and the reduction in reinvested earnings. However, the *current account* deficit is projected to widen in 2025 but reverse in 2026 as copper export earnings strengthen.

According to preliminary data, a lower fiscal deficit was recorded in the third quarter mainly on account of the partial execution of the liability management operation to clear fuel arrears denominated in foreign currency and broadly expenditure management.

Taking all the above factors into account, the Monetary Policy Committee adopted a cautious approach and reduced the Policy Rate by 25 basis points to 14.25 percent.


BANK OF

1. Macroeconomic Outlook

- *Global growth improving after a milder-than-expected impact of tariffs.*
- *Current account prospects better on elevated copper prices and expanding production.*
- *Domestic real GDP growth prospects remain positive despite a slight downward revision.*
- *Cash fiscal deficit to continue trending downward on strong expenditure rationalisation and continued domestic revenue mobilisation.*
- *Inflation outlook more optimistic with disinflation momentum expected to strengthen mostly on the back of lagged effect of exchange rate appreciation, lower fuel prices, and reduced electricity tariffs for residential customers.*

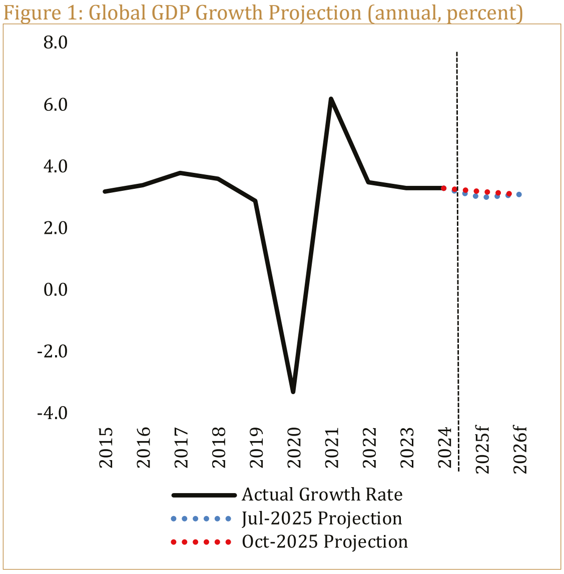
1.1 External Sector Outlook

... brightening global growth prospects

The global growth projection for 2025 has been raised for the second time this year. Real GDP growth is expected to expand by 3.2 percent relative to the 3.0 percent reported in August[1] (Figure 1). The 3.1 percent projection for 2026 is maintained.

The upward revision has been necessitated by the reassessment of the impact of tariffs, which has turned out to be less severe than initially anticipated[2]. It also reflects the effects of the weakening US dollar, enhanced fiscal support in Europe and China, and robust investment in artificial intelligence.

Figure 1: Global GDP Growth Projection (annual, percent)



Source: IMF WEO, October 2025; Bank of Zambia Compilations

However, the risks to the growth outlook remain skewed to the downside as highlighted in the *August 2025 Monetary Policy Report.* These include prolonged trade policy uncertainty and commodity price spikes.

... growth in major trading partner countries improving

A further improvement in economic activity in Zambia's major trading partner countries is projected in 2025 and 2026 (Table 1 and Figure 2). This is based on the recent upward revision to growth projections by the IMF for the DRC[3], United Kingdom and South Africa (Table 2).

Table 1: Changes in GDP-9 Index and Country Contribution, 2023 – 2026[4]

	Weight	2023	2024p	2025f	2026f
GDP-9 Index (percent change) – Aug 2025		2.14	1.67	4.19	3.92
GDP-9 Index (percent change) – Nov 2025		2.15	1.67	4.25	4.10
Country Contributions to the Change in GDP-9 Index					
China	0.49	1.11	0.60	1.89	1.82
DRC	0.30	0.69	0.27	1.06	1.02
South Africa	0.12	0.25	0.30	0.61	0.59
Singapore	0.00	-0.06	0.26	0.23	0.23
UK	0.07	0.16	0.02	0.20	0.19
UAE	0.00	-0.02	0.09	0.08	0.08
Tanzania	0.00	0.04	0.02	0.07	0.07
Malawi	0.02	-0.02	0.07	0.07	0.07
Hong Kong	0.00	0.00	0.04	0.04	0.04

Source: Bank of Zambia Staff Calculations

DRC = Democratic Republic of the Congo, UK = United Kingdom, UAE = United Arab Emirates , p = preliminary, f = forecast

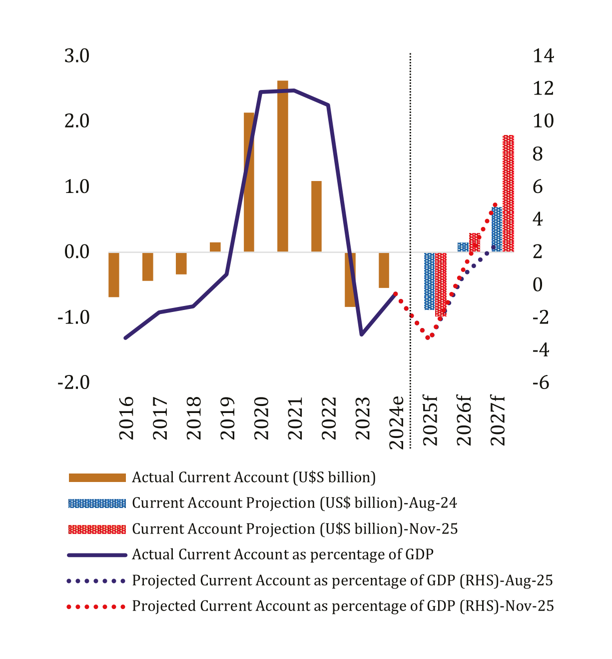
[1]IMF World Economic Outlook (WEO) October 2025.

[2]The average effective US tariff rate has declined to around 17.5 percent from 23.0 percent estimated in April following trade agreements with the European Union, Japan and other major partners. The avoidance of retaliation by some countries and decision by the US administration to scale back or delay some of the tariffs has also helped bolster global economic growth, reinforcing its resilience to external shocks (IMF World Economic Outlook, October 2025).

[3]The IMF revised upward the 2025 and 2026 growth forecast for the DRC to 5.3 each from 4.7 percent and 5.2 percent assumed in the April WEO.

[4]The GDP figures in the August 2025 Monetary Policy Report have been revised using the October 2025 WEO data.

Figure 2: Changes in GDP-9 Index



Source: Bank of Zambia

Table 2: Trading Partner Countries' Growth Rates (percent), 2023-2026

	Weight	2023	2024	2025	2026
China	0.5	5.4	5.0	4.8	4.2
DRC	0.3	8.5	6.5	5.3	5.3
South Africa	0.1	0.8	0.5	1.1	1.2
Singapore	0.0	1.8	4.4	2.2	1.8
UK	0.1	0.4	1.1	1.3	1.3
UAE	0.0	4.3	4.0	4.8	5.0
Tanzania	0.0	5.2	5.5	6.0	6.3
Malawi	0.0	1.9	1.8	2.4	2.7
Hong Kong	0.0	3.2	2.5	2.4	2.1

Source: IMF WEO, October 2025 and Bank of Zambia Compilations.

The optimistic growth outlook for the DRC is based on higher mining production as copper prices continue to rise and investments[5] increase alongside easing inflationary pressures[6]. In the case of the UK, the growth forecast to 1.3 percent in both years was influenced by strong economic expansion posted in the first half of this year, particularly in the services sector[7].

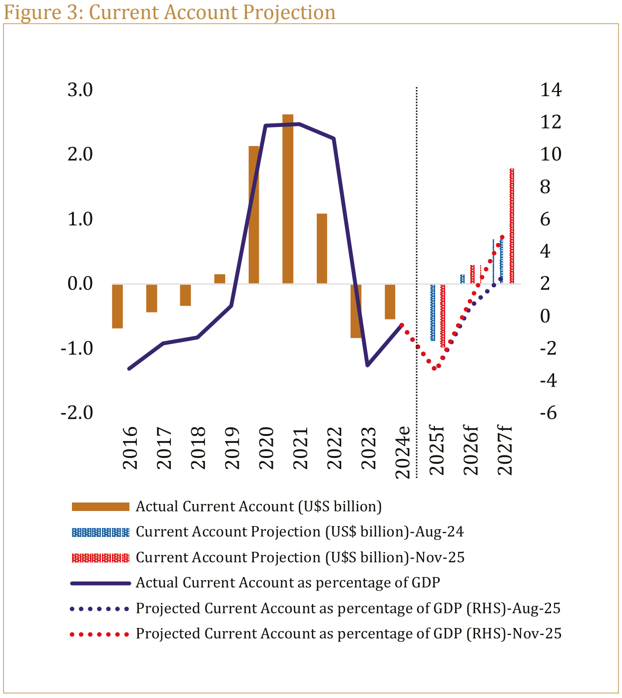
Stable electricity supply and a more accommodative monetary policy, reflected in lower interest rates and subdued inflation, prompted a 0.1 percentage point increase in the growth projection to 1.1 percent for South Africa. Improvements in logistics[8] and the implementation of structural reforms further underpin the growth upgrade.

The risks to the growth outlook remain skewed to the downside as reported in August and include weaker-than-expected growth in China, elevated policy uncertainty, and climate change.

... current account prospects better

In 2025, a slight widening of the *current account* deficit to USD1.0 billion (3.4 percent of GDP) from USD0.9 billion (3.4 percent of GDP) in August is projected (Figure 3). This has been necessitated by the anticipated faster growth in imports than exports and higher reinvested earnings by foreign-owned companies stemming from better performance linked to generally favourable economic conditions. The bulk of imports are intermediate goods—electrical energy, crude soybean oil, urea, ammonium nitrate and machinery.

Figure 3: Current Account Projection



Source: Bank of Zambia

However, the current account deficit is expected to reverse to a surplus of USD0.3 billion in 2026 and expand to USD1.8 billion in 2027. This is premised on anticipated higher copper export earnings as prices remain elevated and production expands further (refer to sections 1.2 and 1.4 for more details).

[5]https://africa.businessinsider.com/local/markets/china-boosts-critical-mineral-dominance-with-dollar108bn-copper-mine-investment-in/6zpzv54
[6]The Banque Centrale du Congo has maintained a restrictive monetary policy stance, which has helped to rein in inflationary pressures and stabilised the Congolese franc. Year-on-year inflation declined to 8.5 percent at end-June 2025 from 11.7 percent at end-2024.
[7]https://hansard.parliament.uk/Lords/2025-09-16/debates/E0FC5C04-C157-40CF-8A27-3820945C8813/EconomicGrowth
[8]https://africa.businessinsider.com/local/markets/south-africas-transnet-to-invest-dollar7-billion-in-rail-and-port-upgrades/mclv7ms

1.2 Prospects for Domestic Economic Growth

… remain bright

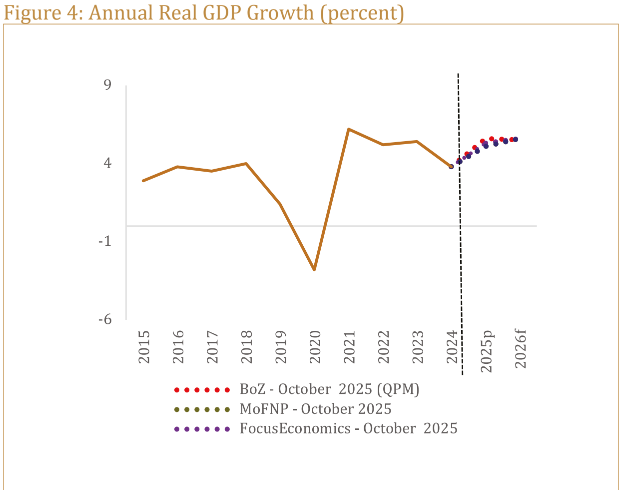
The Bank has made a marginal downgrade of the real GDP growth projection for 2025 to reflect the lower-than-anticipated outturn in the second quarter[9] (Table 3 and Figure 4). However, the growth forecast for 2026 is unchanged.

Table 3: Annual Real GDP Growth Projections (percent)

	2023	2024p	2025f	2026f
Bank of Zambia QPM				
BoZ October 2025	5.4	3.8	5.6	5.5
BoZ July 2025	5.4	3.8	5.7	5.5
Ministry of Finance and National Planning				
MoFNP October 2025	5.4	3.8	5.2	5.8
MoFNP July 2025	5.4	3.8	5.8	6.4
International Monetary Fund				
IMF Sixth Review	5.4	3.8	5.2	5.8
IMF WEO October 2025	5.4	3.8	5.8	6.4
IMF Mission 2025	5.4	3.8	5.8	6.4
Focus Economics				
FocusEconomics October 2025	5.4	3.8	5.3	5.6
FocusEconomics August 2025	5.4	3.8	5.0	5.0

Source: Bank of Zambia, Ministry of Finance and National Planning, IMF WEO, Focus Economics.
Note: p=preliminary estimate, f=forecast.

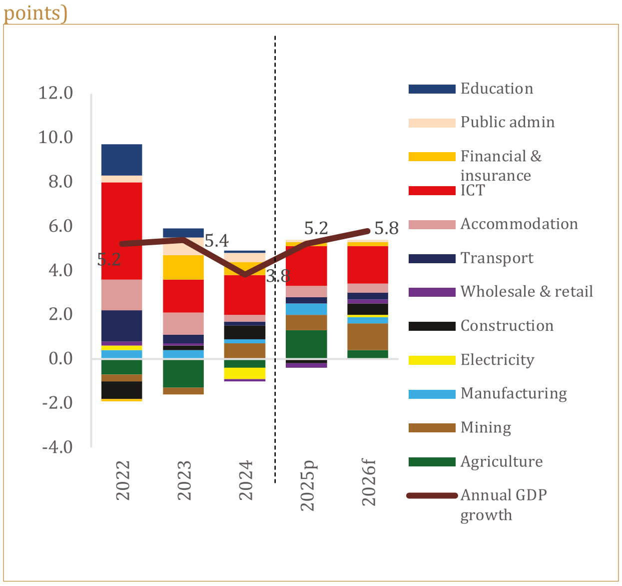
Figure 4: Annual Real GDP Growth (percent)



Source: Zambia Statistics Agency, Bank of Zambia (BoZ), Ministry of Finance and National Planning (MoFNP), IMF, Focus Economics.
Note: p=preliminary, f=forecast.

The Ministry of Finance and National Planning (MoFNP) and International Monetary Fund (IMF) have also downgraded real GDP growth but for both years (Table 3, Figure 4 and Figure 5).

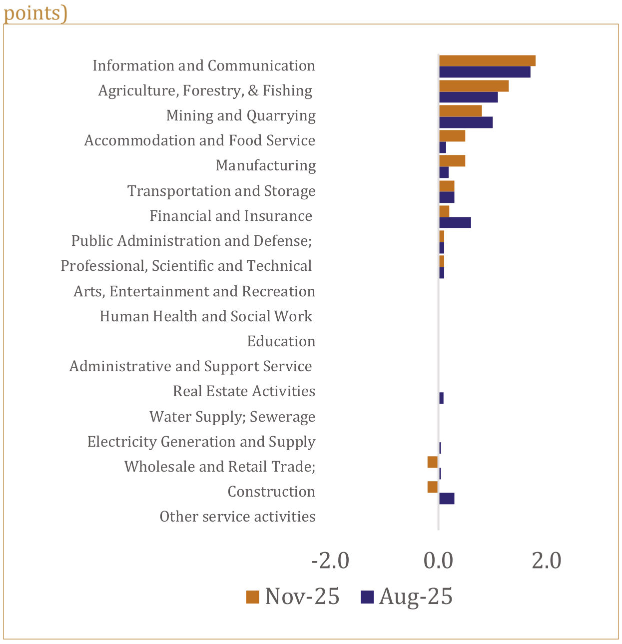
Figure 5: Sectoral Contribution to Real GDP Growth (percentage points)



Source: Ministry of Finance and National Planning, Zambia Statistics Agency
Note: p=preliminary, f=forecast.

As depicted in figures 6 and 7, the MoFNP revision largely reflects downward adjustments to mining, electricity generation, wholesale and retail, financial and insurance, and construction in 2025. Revisions to mining, as well as wholesale and retail trade extend into 2026 alongside agriculture, transport as well as professional, scientific, and technical services.

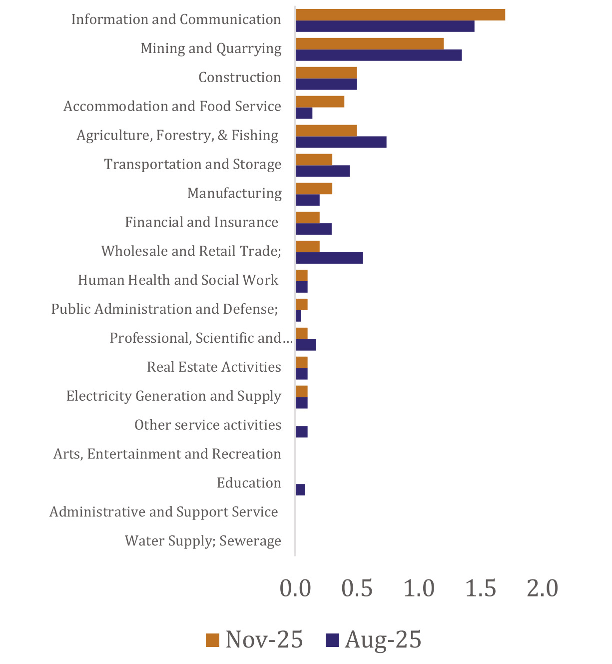
Figure 6: Sectoral Contribution to GDP Growth 2025 (percentage points)



Source: Ministry of Finance and National Planning, Bank of Zambia Staff Computations

[9] Real GDP grew by 5.2 percent compared to the Bank's projection of 6.7 percent in August.

Figure 7: Sectoral Contribution to GDP Growth 2026 (percentage points)



Source: Ministry of Finance and National Planning, Bank of Zambia Staff Computations

The downward revision to sectoral contributions is mainly on account of constrained hydropower generation and intermittent power outages.

The risks to the growth outlook remain skewed to the downside and are predominantly external as reported in August. These include trade protectionism and ongoing geopolitical tensions which could exert downward pressure on growth. However, recent progress in trade negotiations and new agreements could help mitigate the impact. For instance, the signing of major trade deals—upgraded China–ASEAN Free Trade Agreement, the India–UK Free Trade Agreement, and the easing of US import tariffs on Chinese goods—signals renewed momentum toward market integration and diversification of trade partners. These developments may support export performance and investment flows in the medium-term.

1.3 Fiscal Outlook

... optimistic

The cash fiscal deficit is still projected to trend downward over the medium-term on account of sustained expenditure rationalisation and enhanced revenue mobilisation.

The 2026 Fiscal Risk Statement provides detailed analyses of the fiscal risks that are relevant to the current outlook. The key risks relate to climate change, commodity price shocks, contingent liabilities, and state-owned enterprises.

1.4 Inflation Outlook: Third Quarter 2025 – Second Quarter 2027

... brighter

The disinflation process has gained traction since the August 2025 MPC Meeting, largely underpinned by the continued appreciation of the Kwacha against the US dollar and the impact of the recent bumper maize harvest, which has contributed to lower prices of maize grain and maize meal.

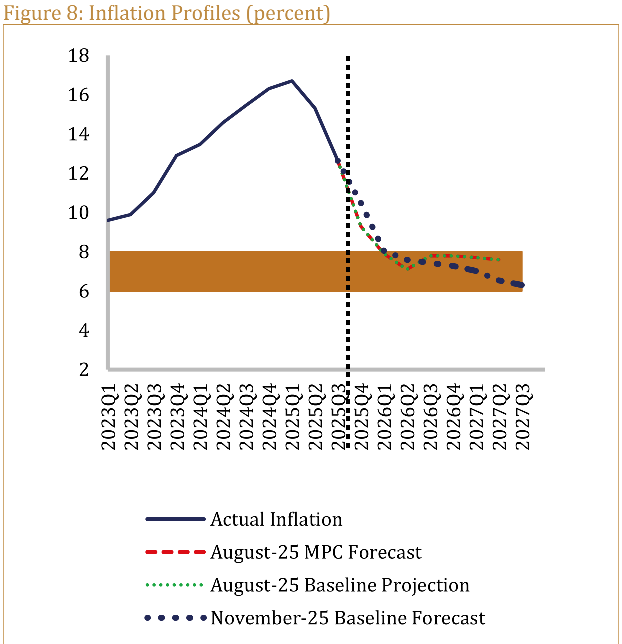
The inflation outlook for 2025 is slightly raised to an average of 13.8 percent from 13.3 percent projected in August on account of slower than anticipated decline in food prices (Table 4). However, from the second half of 2026 to the end of the forecast horizon (2025Q4-2027Q3), inflation is expected to decelerate faster than projected in August. It is forecast to average 7.6 percent in 2026 (7.7 percent in August) and move closer to the lower bound of the 6-8 percent target band, averaging 6.6 percent over the first three quarters of 2027 (Table 4 and Figure 8). This is under the passive or no-policy change assumption.

Table 4: Baseline Inflation Projection, Annual Average (percent)

	2025	2026	2027Q1-Q3
Nov-25 Baseline	13.8	7.6	6.6
Aug-25 Baseline	13.3	7.7	n/a
Aug-25 MPC Forecast	13.3	7.7	n/a

Source: Bank of Zambia Staff Forecasts

Figure 8: Inflation Profiles (percent)



Source: Bank of Zambia Staff Forecasts and Zambia Statistics Agency

The shift in the outlook is mostly underpinned by the lagged impact of the recent appreciation of the exchange rate and improved terms of trade reflected in higher copper prices amid declining crude oil prices. Relative to the August forecast, copper prices are projected to increase and move closer to the long-term trend (Table 5 and Figure 9).

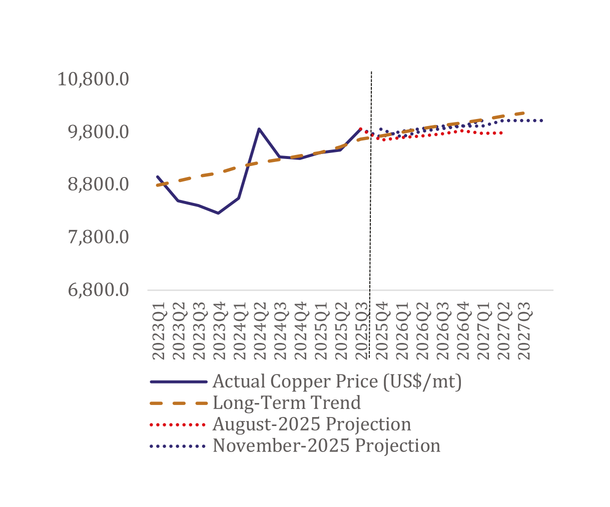
Table 5: Key Assumptions Underlying Baseline Inflation Projection (Mostly Exogenous)

External Sector Assumptions			
Variable	2025f	2026f	2027f
Average inflation-US (percent)	3.0 (3.0)	3.0 (2.4)	2.2 (2.1)
Federal funds rate (percent)	3.6 (3.9)	3.4 (3.6)	3.1 (3.4)
Average inflation - South Africa (percent)	3.4 (3.2)	3.6 (4.2)	3.1 (4.4)
Producer price index-South Africa	174.07 (175.03)	180.33 (182.51)	185.87 (188.65)
Average copper price/ton (USD)	9,614.81 (9,553.50)	9,879.72 (9,762.00)	10,020.93 (9,811.88)
Average crude oil price/ barrel (USD)	68.68 (68.62)	64.34 (66.03)	65.94 (67.10)
World food price index	108.8 (107.7)	108.5 (106.8)	109.3 (106.8)
Domestic Sector Assumptions			
Monetary Policy Rate (percent)-Zambia	14.5 (14.5)	14.5 (14.5)	14.5 (14.5)
Treasury bill rate - Zambia (percent)	11.50 (11.50)	11.50 (11.50)	11.50 (11.50)
Reserve money growth (percent)*	17.14 (11.61)	0.57 (-1.41)	-3.58 (-3.83)
Fiscal deficit**	1.20 (1.20)	0.82 (1.05)	1.03 (1.03)
Maize grain price-Zambia (K/50Kg)	250.00 (240.00)	250.00 (240.00)	250.00 (240.00)
Diesel price-Zambia (K/litre)	26.47 (25.64)	26.47 (25.64)	26.47 (25.64)

Source: IMF, World Bank, Bloomberg, FocusEconomics Consensus, Reuters, Congressional Budget Office, US Federal Reserve, South African Reserve Bank, Bank of Zambia

Note: the numbers in parenthesis ( ) represent projections in the previous forecasting period.*Refer to reserve money computation in Table 5.**Computed as a ratio of expenditure (excluding amortisation) over revenue. A value in excess of 1 implies a deficit. f = forecast

Figure 9: Copper Prices (USD/metric tonne)

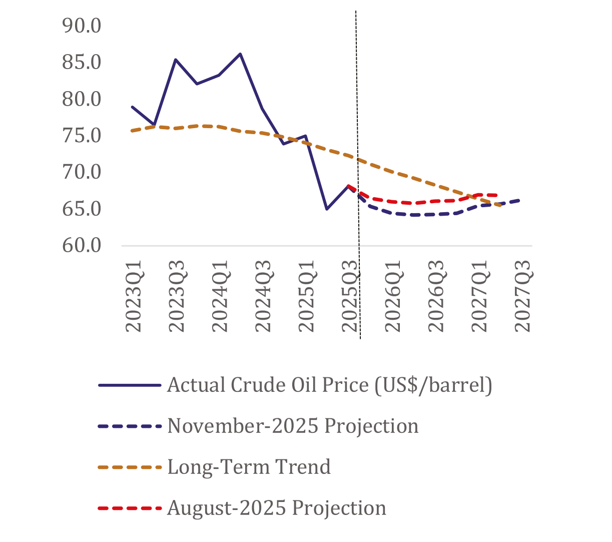


Source: Bank of Zambia Staff Computations

The optimistic outlook for copper prices is influenced by the weakening US dollar and improving global growth prospects, which have renewed expectations of general improved demand for commodities. In addition, increased demand amid large-scale grid investment, accelerated electrification, and a rapid expansion into renewables, electric vehicles, artificial intelligence and data centres[10] is expected to drive prices further up.

At the same time, crude oil prices are assumed to be lower than the August forecast mainly due to expectations of increased supply by both OPEC+ and non-OPEC+ members (Table 5 and Figure 10). The lower path for crude oil prices is favourable to domestic inflation via reduced cost of fuel imports.

Figure 10: Crude Oil Prices (USD/barrel)

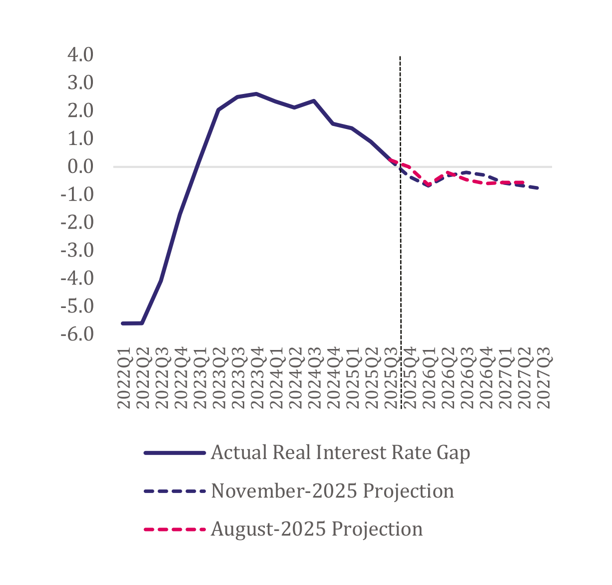


Source: Bank of Zambia Staff Computations

Another factor contributing to the favourable inflation path is the accommodative US monetary policy stance. Unlike in August when prospects for interest rate cuts by the Federal Reserve was uncertain, the current outlook points to further easing of monetary policy in 2025 and over the medium-term (Table 5 and Figure 11). This includes the 25-basis point cut in the federal funds rate on October 30 with indications of further easing by the end of year as the assessment of risks to employment outweigh the recent observed increase in inflation. Thus, the interest rate differential and risk premium is favourable to the current inflation projection.

[10]FocusEconomics

Figure 11: Real Foreign Interest Rate Gap[11]

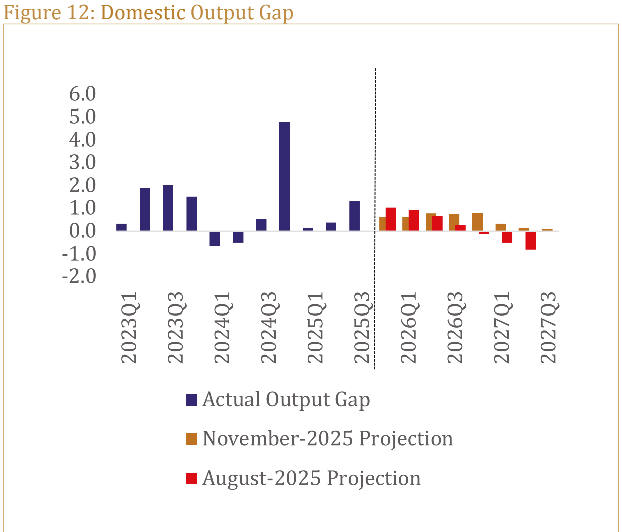


Source: Bank of Zambia Staff Computations

Additional influences include lower imported inflation from South Africa, subdued domestic demand, lower fiscal spending, and downward adjustment in electricity tariffs for residential customers.

While a modest positive output gap is projected over the forecast horizon, the expansion is not expected to generate inflationary pressures. This is reinforced by tight monetary conditions[12]. Underlying the positive output gap is improved terms of trade and the lagged effects of positive growth (Figure 12).

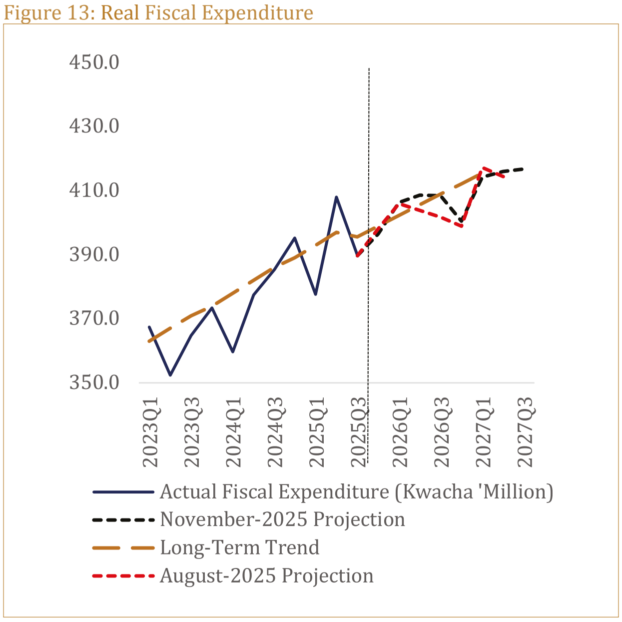
Figure 12: Domestic Output Gap



Source: Bank of Zambia Staff Computations

Based on the 2026 National Budget Speech and the 2026-2028 MTBP, real fiscal expenditures are projected to be below the long-term trend, particularly in 2026 and 2027 (Figure 13). This is expected to moderate inflationary pressures.

Figure 13: Real Fiscal Expenditure



Source: Bank of Zambia Staff Computations

The projected deceleration in inflation is also supported by constrained growth in reserve money. Although projected reserve money growth for 2025 is higher than the August forecast, it is expected to significantly moderate in 2026 and contract in 2027 (Table 5).

The reduction in some tiers of residential electricity tariffs[13] implemented on November 1 following the discontinuation of emergency electricity tariffs implemented last year is also contributing to the current lower inflation profile. On average, the tariffs have reduced by 30.5 percent with the highest reduction being 46 percent.

Assessment of Risks to the Inflation Outlook

Since the August 2025 MPC Meeting, most risks to the inflation outlook have persisted while a few new dimensions have emerged.

a) More sluggish global growth amid fluid trade and policy uncertainty. Although the US and China have reached a trade agreement[14], global economic conditions remain highly uncertain as major economies continue to adjust trade measures, immigration policies, and fiscal responses in ways that could reshape global supply and demand conditions.

[11]This is the difference between the prevailing foreign interest rate and long-run equilibrium real interest rate. In the QPM, foreign real interest rates are important for determining the risk premium. A rising foreign real interest rate gap signifies increases in the risk premium, which implies a depreciation in the nominal exchange rate. Like the foreign output gap, the foreign real interest rate gap is also exogenously determined and taken as given in the model.

[12]Real monetary conditions are measured by the Monetary Conditions Index, computed as a weighted average of real interest rate and real exchange rate gaps based on the calibration of the QPM. Positive values imply tight monetary conditions—constrain aggregate demand—while negative values imply loose monetary conditions—boosts aggregate demand.

[13]https://www.erb.org.zm/wp-content/uploads/PressStatements/Press-Statement_ZESCO_2025-10-31.pdf

[14]The US reached a trade agreement with China on October 30 following a bilateral summit between Presidents Donald Trump and Xi Jinping in Busan, South Korea. The accord provides for a 1-year suspension of China's rare earth export controls and a 10 percent reduction in US tariffs on Chinese goods alongside commitments on agricultural imports and technology-related trade cooperation.

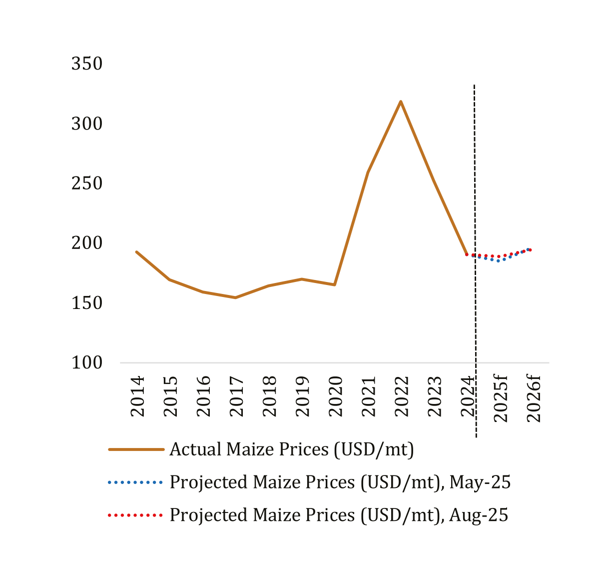
Specifically, the US has maintained a high effective tariff rate while several additional tariffs on industrial goods and metals are still being finalised, negotiated or reviewed through legal channels. The policy uncertainty is expected to weigh on investments, trade, and overall global demand. Lower-than-anticipated external demand could exert downward pressure on demand for commodities, including copper, leading to a decline in prices than assumed in the baseline. This could delay the convergence of inflation to the 6-8 percent target band.

In addition, lingering uncertainty surrounding global trade relations may keep prices of key inputs (fertilisers, fuel, and machinery) elevated, which could add to domestic production costs. Further, if inflation in advanced economies remains persistently above targets, central banks could defer monetary policy easing. This could result in external borrowing costs rising further and heighten exchange rate volatility in developing and frontier economies.

b) Easing geopolitical tensions and dissipation of crude oil market risks. Relative to the August MPC Meeting, the risk profile concerning geopolitical tensions has moderated. The ceasefire agreement between Israel and Hamas has eased immediate concerns over renewed conflict in the Middle East. If the truce holds, it could result in greater regional stability, particularly along key maritime routes, such as the Strait of Hormuz, through which a substantial share of global crude oil shipments pass. This would help anchor oil market expectations, maintain supply stability, and place downward pressure on international oil prices over the medium-term. Consequently, domestic cost-push inflationary pressures could be dampened through lower energy import costs. While the conflict between Russia and Ukraine remains active, diplomatic engagements have intensified. Both governments have expressed greater willingness to explore a negotiated settlement. These developments raise the probability of progress toward a ceasefire in the medium-term. Should such efforts yield the desired results, the increase in grain exports through the Black Sea Corridor could improve global food supply conditions and ease international prices of cereals and edible oils. A more stable global food market would help reduce imported price pressures and moderate domestic food inflation over the forecast horizon; and

c) Lower-than-assumed maize prices due to favourable weather pattern. Despite the recent rise in maize grain prices (Figure 77 in section 2.6), indications are that prices are expected to remain broadly subdued in the international market over the forecast horizon owing to improved yields, favourable weather conditions, and expanded acreage (Figure 14).

Figure 14: Maize and Wheat Prices (annual average, USD/mt)

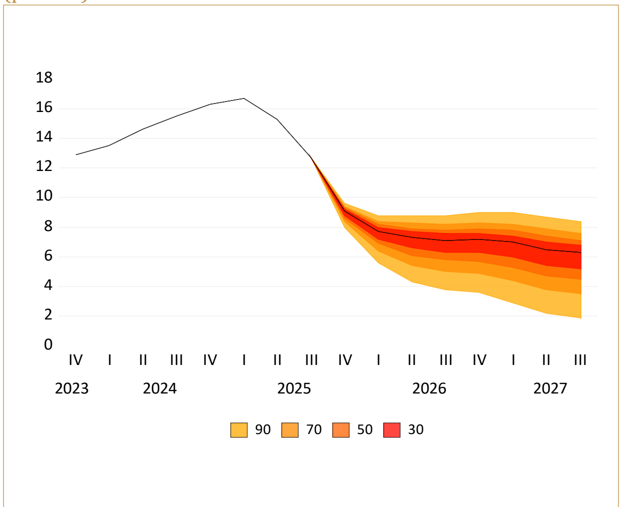


Source: World Bank Pink Sheet Bank of Zambia Compilation

Further, the Southern African Regional Climate Outlook Forum (SARCOF-31) forecasts normal to above-normal rainfall for the 2025/26 agricultural season for most of the region, including Zambia. This is likely to result in improved food production, particularly maize grain, within the region leading to lower maize grain prices.

Broadly, the risks to the current outlook remain tilted to the downside. This suggests a better chance of inflation outcome falling below the baseline (Figure 15).

Figure 15: Inflation – Actual and Projected: 2023 Q4 – 2027 Q3 (percent)



Source: Bank of Zambia and Zambia Statistics Age

Table 6: Range of Possible Inflation Outcomes and Associated Probabilities

Range of Possible Inflation Outcomes (percent)	Probability (percent)
5.2 – 9.2	30
4.5 – 9.3	50
3.5 – 9.4	70
1.9 – 9.6	90

Source: Bank of Zambia

1.5 MPC Decision

At its November 10-11, 2025 Meeting, the Monetary Policy Committee (MPC) reduced the Monetary Policy Rate by 25 basis points to 14.25 percent. In arriving at this decision, the MPC noted that the downward trajectory in inflation accelerated in the third quarter, with inflation declining to 12.3 percent in September from 14.1 percent in June. In October, it fell further to 11.9 percent. Key drivers were the continued appreciation of the Kwacha against the US dollar and the impact of the recent bumper maize harvest, which has contributed to lower prices of maize grain and maize meal.

Despite a slight upward revision of the inflation outlook for 2025, due to the stickiness in food prices, inflation was projected to decelerate faster from the second half of 2026 to the end of the forecast horizon than earlier projected in August. It was forecast to average 7.6 percent in 2026 compared to 7.7 percent projected in August. In 2027, inflation was projected to move closer to the lower bound of the 6-8 percent target band, averaging 6.6 percent over the first three quarters of the year. The main factors were lagged effects of the appreciation of the Kwacha against the US dollar, lower fuel prices, and the downward adjustment in electricity tariffs for residential customers.

Further, the MPC observed that the risks to the inflation outlook were assessed to be supportive of lower inflation. These included the favourable weather forecast for the current farming season, improved external sector conditions, reflected in higher copper export earnings and subdued crude oil prices, and the observed easing of geopolitical tensions.

Notwithstanding the deceleration in inflation, the Committee was mindful that inflation remained above the target band and market expectations of inflation, although lower, remained elevated.

Taking all the above factors into account, the Committee adopted a cautious approach and decided to reduce the Policy Rate by 25 basis points to 14.25 percent.

2. Current Economic Developments

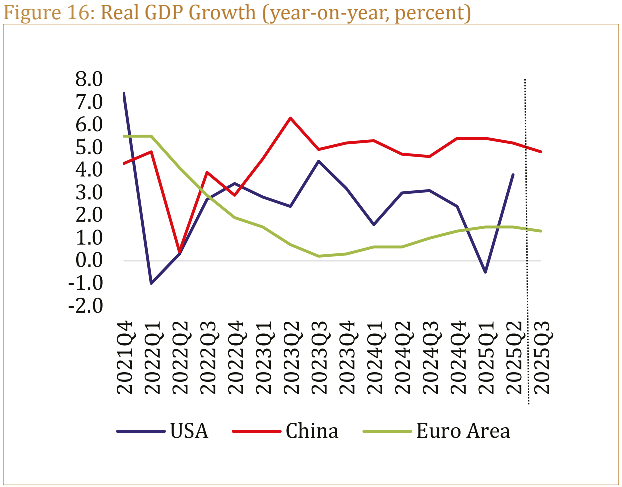
- *Growth eases in China and euro area.*
- *Current account turns positive on stronger export growth than imports and reduction in reinvested earnings.*
- *Global financial conditions ease further as the Federal Reserve resumes monetary policy easing.*
- *Domestic financial conditions remain relatively tight as the exchange rate appreciates further, real policy rate, interbank rate and lending rates remain positive.*
- *Weaker growth in cement and copper production as well as reduction in diesel consumption point to a slowdown in real GDP growth.*
- *Budget fiscal deficit lower-than-planned due to financing shortfalls.*
- *Further decline in inflation still benefits from recent stronger maize harvest and appreciation of the exchange rate.*

2.1 External Sector

... real GDP growth slows down in China and euro area

Real GDP growth eased in China and the euro area in the third quarter (Figure 16). Data for the US is yet to be released[15].

Figure 16: Real GDP Growth (year-on-year, percent)



Source: Federal Reserve Bank of St. Louis, National Bureau of Statistics & Eurostat, and Bank of Zambia Staff Compilations

In China, real GDP growth slowed to 4.8 percent from 5.2 percent in the second quarter, marking the weakest expansion in the year. Accounting for this was largely persistent weakness in the property sector, deepening deflationary pressures, and ongoing trade tensions with the US that weighed on exports. Subdued domestic demand, stemming from weak business and household confidence, further compounded the decline.

For the euro area, GDP expanded by 1.3 percent, easing from 1.5 percent in the previous quarter. This was mainly attributed to stagnation in Germany and Italy due to sustained weakness in manufacturing in part on the back of a stronger euro and lower exports because of US trade tariffs and policy uncertainty.

... economic activity in key trading partner countries slows down

Economic activity in major trading partner countries of Zambia moderated in the third quarter. This is reflected in a lower year-on-year GDP-9 Index growth rate of 2.17 percent than the 3.63 percent observed in the second quarter (Table 7 and Figure 17).

Table 7: Preliminary year-on-year Changes in GDP-9 Index and Country Contributions, 2024 Q3-2025 Q3[16]

	Weight	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3
GDP-9 Index (percent change)		3.97	4.18	2.57	3.63	2.17
Contribution to the GDP-9 Index Change						
China	0.5	1.76	1.85	1.14	1.60	0.97
DRC	0.3	0.98	1.03	0.64	0.89	0.54
South Africa	0.1	0.57	0.60	0.37	0.53	0.31
UK	0.1	0.18	0.19	0.12	0.16	0.10
Singapore	0.0	0.23	0.24	0.15	0.22	0.12
UAE	0.0	0.08	0.08	0.05	0.07	0.04
Tanzania	0.0	0.06	0.07	0.04	0.06	0.04
Malawi	0.0	0.07	0.07	0.04	0.06	0.03
Hong Kong	0.0	0.04	0.04	0.03	0.04	0.02

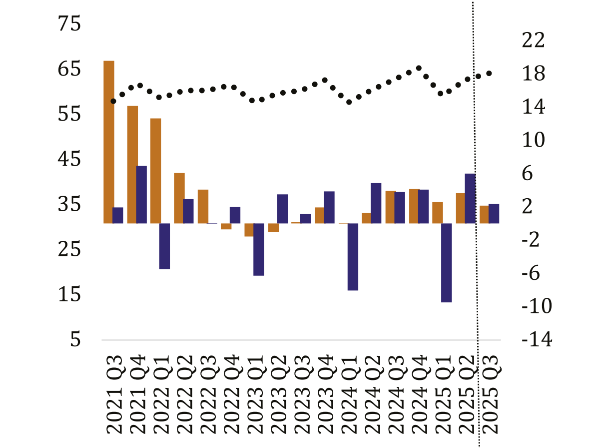
Source: Bank of Zambia Staff Calculations

DRC=The Democratic Republic of the Congo, UK=United Kingdom, UAE=United Arab Emirates

[15]The US has delayed the release of GDP data due to the ongoing government shutdown: https://www.foxbusiness.com/economy/government-shutdown-blocks-key-gdp-data-release-what-do-feds-models-say-about-economic-growth

[16]The data reported in the August 2025 Monetary Policy Report have been revised to reflect recently released GDP numbers and growth rates released by the IMF in the October WEO.

Figure 17: GDP-9 Index



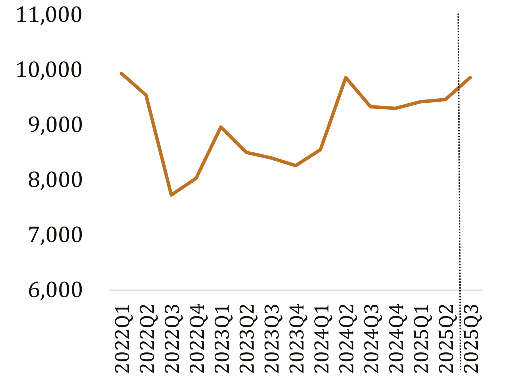
Source: Bank of Zambia Compilation

The slowdown was largely due to lower growth mostly in China, DRC, South Africa and the UK (Table 7). In South Africa, growth slackened owing to weaker activity in the manufacturing sector, as well as reduced exports[17] and investment spending due to higher US tariffs resulting in more job losses. Reduced mining production[18] mostly weighed on growth in the DRC. Underlying the slowdown in economic activity in the UK was mainly persistent weakness in the manufacturing sector due to higher US tariffs coupled with elevated inflation that dampened consumer spending and business confidence.

... copper and crude oil prices rise

A weaker US dollar and supply disruptions contributed to the rise in both copper and crude oil prices[19]. Copper prices moved up to USD10,268.50 per metric tonnes at end-September from USD9,869.00 per metric tonnes at end-June. On average, prices increased by 4.2 percent in the third quarter (Figure 18).

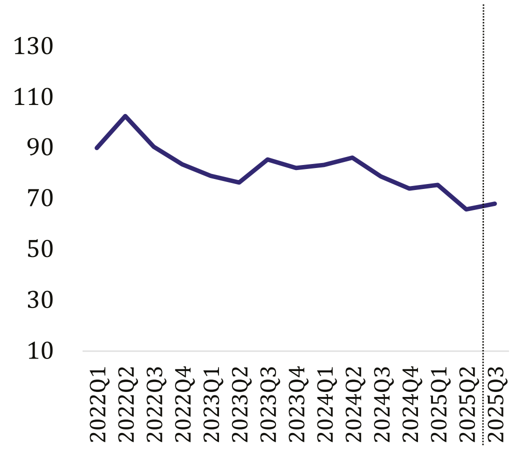
Figure 18: Average Copper Price (USD/mt)



Source: World Bank Pink Sheet and Bank of Zambia Staff Compilations

Low inventories in LME registered warehouses[20], strong demand for green energy transition, power grid investments, electric vehicle production, and the construction of data centres to support the AI boom[21] also contributed to higher copper prices. Crude oil prices increased by 3.5 percent to an average of USD68.14 per barrel compared to a steep decline in the second quarter (Figure 19).

Figure 19: Average Crude Oil Price (USD/barrel)



Source: World Bank Pink Sheet and Bank of Zambia Staff Compilations

Additional support for crude oil prices arose from strong summer demand for gasoline and jet fuel in the US and Europe[22] due to higher cooling needs and increased travel activity. Strategic stockpiling demand of discounted Russian and Iranian crude oil by China effectively absorbed excess global supply, partially offsetting the impact of increased production by both OPEC+ and non-OPEC producers[23], and pushed up oil prices.

[17] The US imposed a tariff rate of 30 percent on South African exports.
[18] https://www.metal.com/en/newscontent/103380798
[19] Copper price: https://oilprice.com/Energy/Energy-General/Copper-Markets-in-Crisis-After-a-Year-of-Disruptions.html; Crude oil price: https://oilprice.com/Energy/Energy-General/Zelenskyy-Ukrainian-Attacks-Cut-Russian-Gasoline-Supply-by-20.html

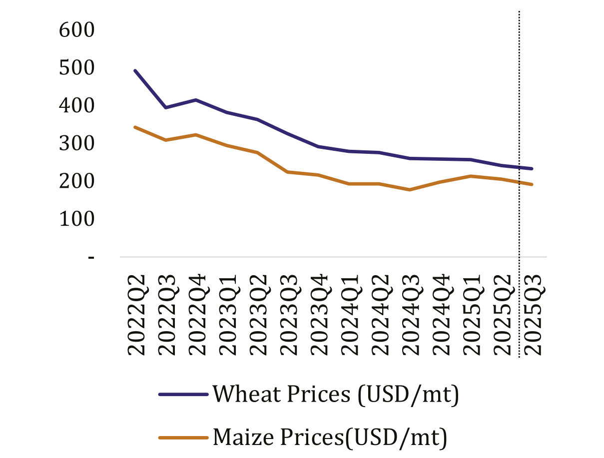
[20] https://economictimes.indiatimes.com/markets/commodities/copper-hits-11000-a-ton-as-investors-bet-on-shortages/article-show/124422901cms?from=mdr

[21] https://www.mining.com/video/ai-boom-pushes-copper-toward-a-supply-crunch-bnef-warns/
[22] https://www.iea.org/reports/oil-market-report-august-2025
[23] https://oilprice.com/Energy/Crude-Oil/Analysts-Say-Chinas-Stockbuilding-OPEC-Stability-Providing-Market-Floor.html

... maize and wheat prices fall further

Maize and wheat prices continued to decline in the third quarter, falling by 6.5 percent and 3.7 percent to USD191.62 per metric tonne and USD233.29 per metric tonne, respectively (Figure 20).

Figure 20: Average Maize and Wheat Prices (USD/mt)



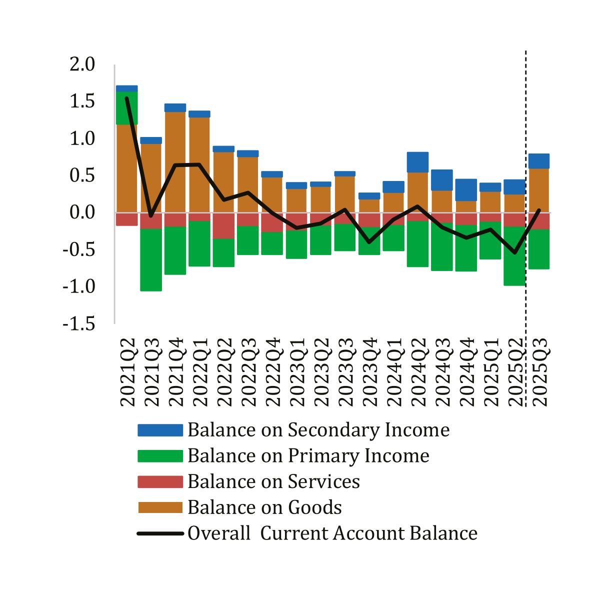
Source: World Bank Pink Sheet Data and Bank of Zambia Staff Compilations

The persistent decline in the two commodity prices largely reflects expectations of strong harvests and intense export competition among major producing countries, particularly the US[24]. In addition, the push for grain self-sufficiency by China[25], coupled with the ongoing global trade tensions between the US and China, continued to weigh on market sentiments and demand. This created uncertainty and exerted downward pressure on grain prices[26].

... current account turns positive

The turnaround in the *current account* balance to a surplus of USD0.03 billion (0.4 percent of GDP) in the third quarter from a deficit of USD0.5 billion (7.8 percent of GDP) in the second quarter was due to the stronger growth in exports than imports and reduction in reinvested earnings (Figure 21).

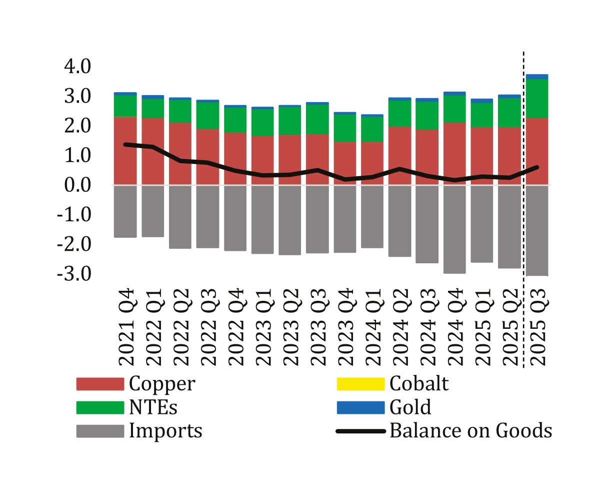
Figure 21: Preliminary Current Account (USD billion)



Source: Bank of Zambia

As depicted in figure 22, exports grew by 22.1 percent to USD3.7 billion on account of higher earnings from copper and non-traditional exports (NTEs)[27]. Notable NTEs were maize, burley tobacco, electrical cables, cement and lime, as well as gemstones.

Figure 22: Composition of Trade Balance (USD billion)



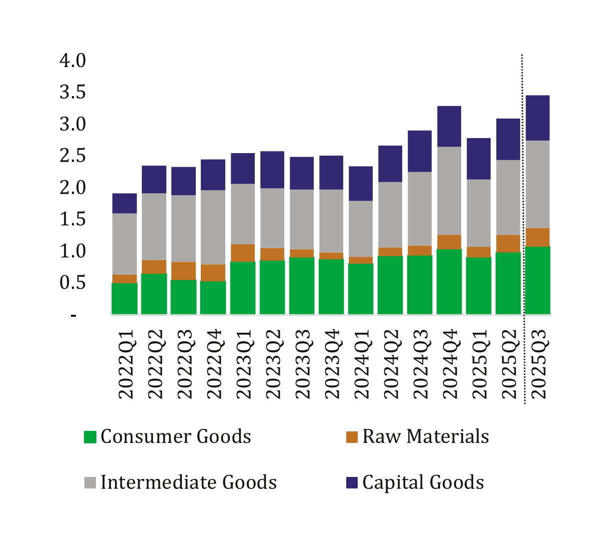
Source: Bank of Zambia

Imports increased by 11.8 percent to USD3.1 billion (Figure 23). This was supported by sustained demand for intermediate and capital goods, particularly industrial boilers and equipment, electrical machinery, motor vehicles, chemicals, and petroleum products, in part due to the appreciation of the exchange rate.

[24]https://www.bnnbloomberg.ca/investing/commodities/2025/09/12/usda-projects-record-us-corn-crop-biggest-harvested-acres-since-1933/
[25]https://millermagazine.com/blog/china-launches-2024-2035-plan-to-boost-food-security-and-grain-industry-6015
[26]https://www.world-grain.com/articles/21302-report-china-halts-us-corn-soybean-orders

[27]Copper export earnings grew by 14.9 percent to USD2.3 billion due to higher volumes and realised prices. The average realised copper price increased to USD10,085.50 per metric tonne from USD9,681.60 per metric tonne while export volumes rose to 208,618.2 metric tonnes from 203,977.8 metric tonnes in the second quarter. NTEs rose by 35.1 percent to USD1.3 billion on the back of a strong recovery in production and export of most agricultural-based products following favourable weather conditions during the 2024/25 farming season.

Figure 23: Composition of Imports (USD billion)



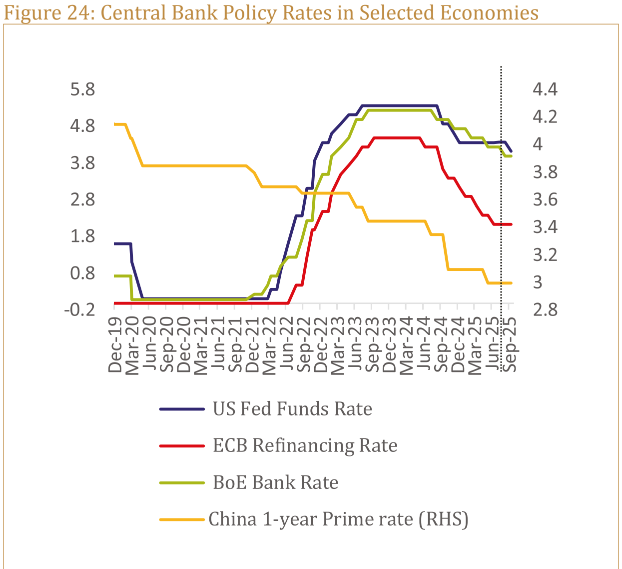
Source: Bank of Zambia

2.2 Global Financial Conditions

... ease further

Global financial conditions are judged to have eased further in the third quarter. This followed the resumption of monetary policy easing by the Federal Reserve in September[28] with a 25-basis point cut in the federal funds rate to a range of 4.0 – 4.25 percent (Figure 24). The Bank of England also cut the policy rate in July by a further 25 basis points to 4.0 percent[29]. However, the European Central Bank and the People's Bank of China kept interest rates at 2.15 percent and 3.0 percent, respectively.

Figure 24: Central Bank Policy Rates in Selected Economies

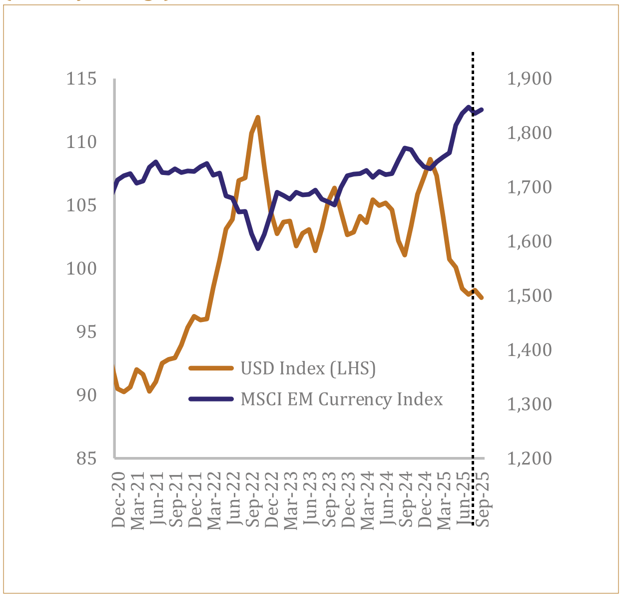


Source: Reuters and Bank of Zambia Compilations

The policy shift by the Federal Reserve had a bearing on the performance of the US dollar, movement in US Treasury yield rates and subsequent spreads over sub-Saharan Eurobonds, as well as returns in the equity markets.

The US dollar weakened further. This was reflected in the marginal decline in the US Dollar Index by 0.7 percent (Figure 25). The sustained depreciation of the US dollar led to notable appreciation of currencies in some emerging markets, which strengthened the MSCI Emerging Market Currency Index by 0.4 percent (Figure 25).

Figure 25: US Dollar and MSCI Emerging Market Currency Indices (monthly average)



Source: Reuters and Bank of Zambia Compilations

The Tanzanian shilling[30], Egyptian pound[31], Nigerian naira[32] and Brazilian real experienced notable appreciations while the Argentine peso[33] and Ghanaian cedi[34] depreciated significantly (Figure 26).

[28]The Federal Reserve paused monetary policy easing in December 2024 amid tariff concerns (discussion of US tariffs provided here). While the Federal Reserve acknowledged the pick-up in inflation, it was judged that the risks to employment rose amid "elevated uncertainty to the economic outlook". The policy shift by the Federal Reserve was partially prompted by easing trade tensions following renewed agreements with major trading partners.

[29]The Bank judged the increase in inflation to 3.8 percent in August from 3.6 percent as temporary. Expected weak growth and higher unemployment were anticipated to result in less inflationary pressures.

[30]The appreciation of the shilling was also supported by the increase in exports. This was in addition to the impact of the regulations introduced by the Bank of Tanzania in March banning the use of foreign currency in domestic transactions.

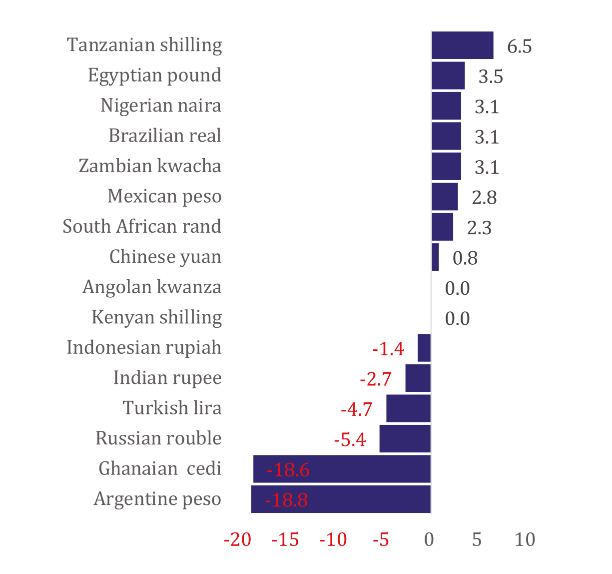
[31]The pound also benefited from the increase in portfolio capital flows resulting in increased supply of foreign currency.

[32]This was due to improved market confidence mainly owing to increased reserves in view of the current account surplus and lower fiscal deficits.

[33]An opposition victory in local elections and concern about corruption weakened the peso as these events were seen to undermine fiscal reform efforts.

[34]Persistent demand for foreign exchange since June led to the steep depreciation of the Ghanaian cedi.

Figure 26: Performance of Selected Emerging Market and Developing Economies Currencies versus the US dollar*

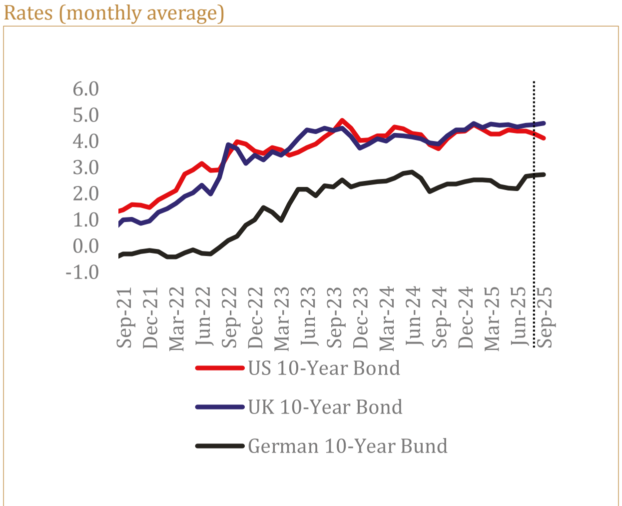


*Negative numbers indicate a depreciation while positive numbers show an appreciation against the US dollar.

Source: Reuters and Bank of Zambia Compilations

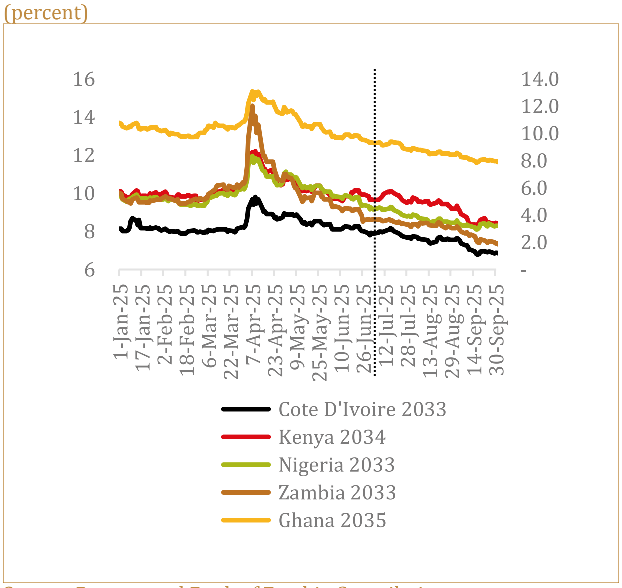
The reduction in US interest rates pushed the yield on the 10-year US Treasury lower by 27 basis points to 4.11 percent (Figure 27)[35]. This, combined with improved economic outlook in sub-Saharan Africa[36], contributed to the further decline in Eurobond yields across the region (Figure 28).

Figure 27: US, UK, and Germany 10-Year Benchmark Bond Yield Rates (monthly average)



Source: Reuters and Bank of Zambia Compilations

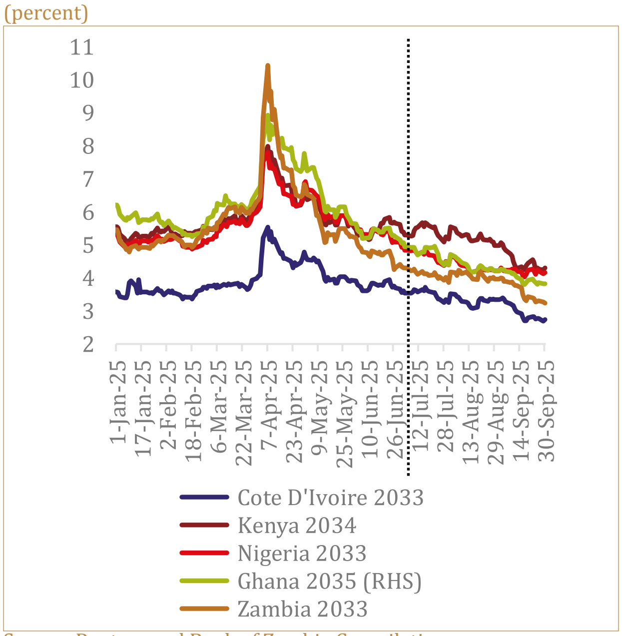
Figure 28: Yield Rates for Selected sub-Saharan Africa Eurobonds (percent)



Source: Reuters and Bank of Zambia Compilations

Yield rates for Côte d'Ivoire, Kenya and Ghana Eurobonds reduced by 105, 122, 161 basis points to 7.10 percent, 8.64 percent, and 8.13 percent, respectively (Figure 29). In addition, yield rates for Nigeria and Zambia Eurobonds declined by 139 basis points each to 8.32 percent and 7.72 percent, respectively. Subsequently, in September, spreads for Côte d'Ivoire, Kenya, Nigeria, Ghana, and Zambia Eurobonds were respectively 78, 96, 113, 135, and 202 basis points lower than in June (Figure 29).

Figure 29: Yield Spreads Over the US 10-Year Bond Yield Rate (percent)



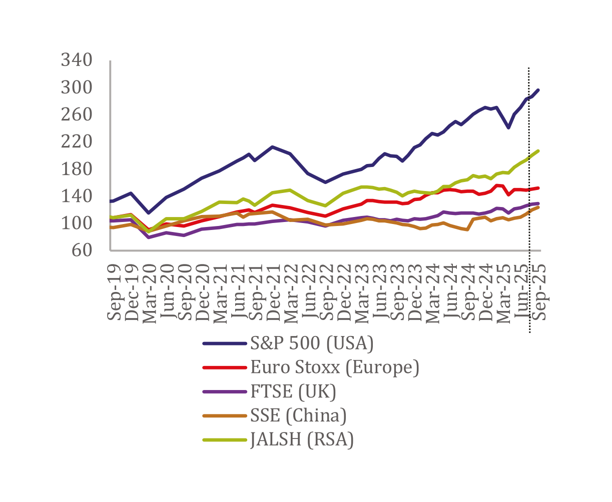
Source: Reuters and Bank of Zambia Compilations

Besides lower US interest rates, strong global equity prices were supported by robust second quarter corporate earnings, easing trade tensions, and renewed investor optimism, particularly with respect to developments in artificial intelligence. The S&P 500 Index rose by 9.6 percent, the FTSE 100 Index by 4.9 percent and the Euro Stoxx 50 Index by 1.4 percent (Figure 30).

[35] In the UK and Germany, yield rates on 10-year Government bonds rose despite less restrictive monetary policy. Expectations of increased borrowing to fund higher spending on defence and infrastructure contributed to the persistent increase in yield rates.

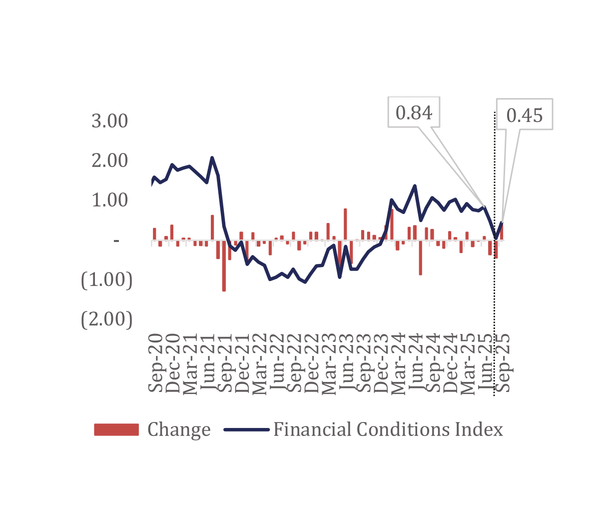
[36] The strong performance of commodity prices, lower inflation, and more stable exchange rates accounted for the improvement in economic outlook.

Figure 30: Selected Stock Market Indices



Source: Reuters and Bank of Zambia Compilations

Figure 31: Domestic Financial Conditions Index



Source: Bank of Zambia

Emerging market equities also gained. The MSCI Emerging Markets Equity Index increased by 10.1 percent. Stock markets in China and South Africa rose by 13.3 percent and 9.6 percent, respectively. In China, rising equities were also supported by high household savings and a shift away from low yielding property investments. In South Africa, higher commodity prices, better economic prospects, and lower interest rates underpinned the rally[37].

2.3 Domestic Financial Conditions

… still tight but easing

Domestic financial conditions were relatively tight in the third quarter as the exchange rate appreciated further, the policy and interbank rates remained positive on the back of declining inflation, and actual borrowing costs remained elevated. However, the robust growth in domestic credit and a notable rise in equity prices moderated the tight financial conditions observed since the first quarter of 2024 (Figures 31)[38]. Further, money supply grew at a slower pace.

exchange rate

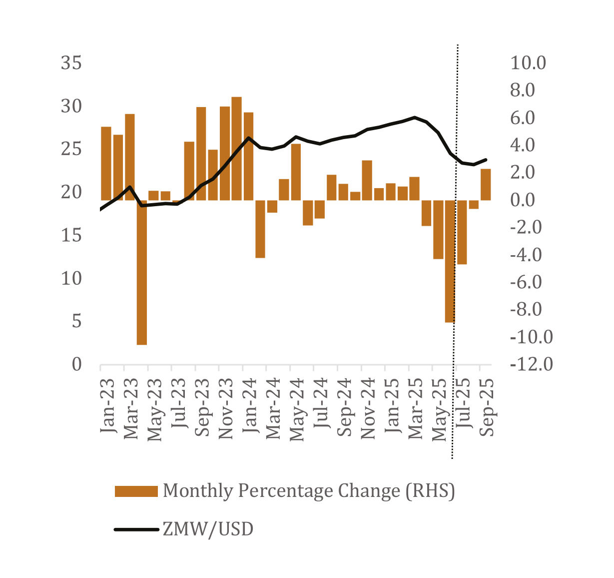
The nominal exchange rate continued to appreciate in the third quarter, although at a reduced rate. The Kwacha gained by 3.1 percent against the US dollar compared to 14.4 percent in the second quarter and ended the quarter at K23.87 per US dollar (Table 8 and Figure 32).

Table 8: Kwacha/US Dollar Exchange Rate

	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3
Average					
Level	26.40	27.58	28.70	24.55	23.78
Percent Change	1.7	4.5	4.1	-14.4	-3.1
End-Period					
Level	26.48	27.88	28.21	23.81	23.87
Percent Change	7.2	5.3	1.2	-15.6	0.3

Source: Bank of Zambia Staff Computations

Figure 32: Nominal Kwacha/US Dollar Exchange Rate

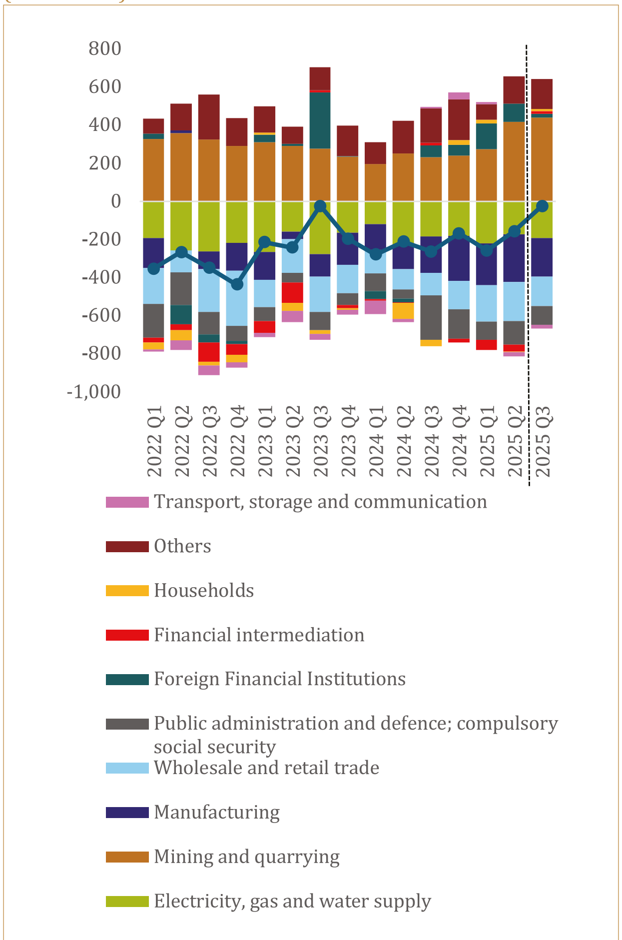


Source: Bank of Zambia

[37]The South African Reserve Bank cut the benchmark repo rate for the third time on July 31 by 25 basis points to 7.0 percent. This contributed to the fall in the commercial banks' prime lending rate to 10.5 percent from 10.75 percent.
[38]The Financial Conditions Index measures the tightness and/or looseness in domestic financial conditions. It comprises the monetary policy rate, interbank rate, commercial banks' lending and deposit rates, exchange rate, stock prices, Government securities yield rates, growth in money supply and credit to the private sector. Higher (lower) values of the Index indicate tighter (looser) financial conditions.

Elevated demand by the energy sector (electricity, gas and water supply) and the conversion of maturing Government securities, including coupon payments, by non-resident investors accounted for the slowdown in the rate of appreciation (Figure 33). Most of the demand occurred in September during which demand backlog picked up substantially (Figure 34) and contributed to the depreciation of the exchange rate. Notable demand by the energy sector was for fuel imports. In the third quarter, imports of petroleum products picked up and grew by 10.0 percent compared to a compression of 3.0 percent in the second quarter. The divestiture by non-resident investors resulted in a sharp decline in net supply of foreign exchange by foreign financial institutions (second principal source of liquidity supply) to USD15.1 million from USD94.6 million in the second quarter (Figure 33).

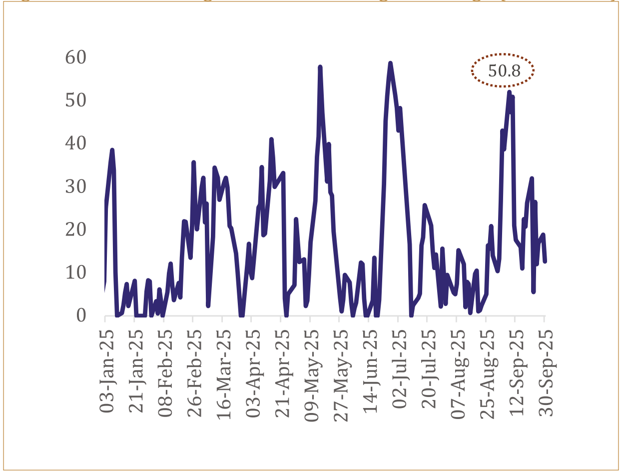
Figure 33: Sectoral Net Sales (-)/Purchases (+) of Foreign Exchange (USD million)



Source: Bank of Zambia

*Others include the sectors: bureaux; community and social service activities; construction; education; extraterritorial organizations and bodies; health and social work; hotels and restaurants; real estate; renting and business activities; and other business activities sector.

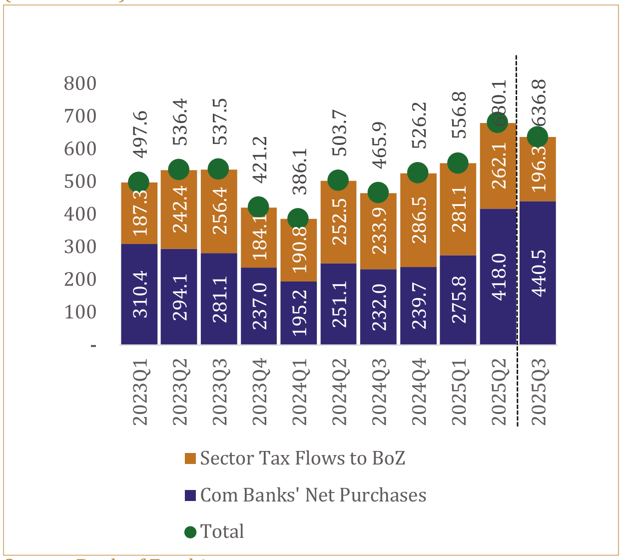
Figure 34: Outstanding Demand for Foreign Exchange (US$ million)



Source: Bank of Zambia

The mining sector continued to be the largest source of liquidity. A net of USD440.5 million was sold directly to the market in the third quarter, up from USD418.0 million in the preceding quarter, reflecting both production and price effects (Figure 35). However, the direct tax remittance by the sector to the Bank reduced to USD196.2 million from USD262.1 million. This was due to the offsetting of VAT refund arrears arrangement implemented in January 2025.

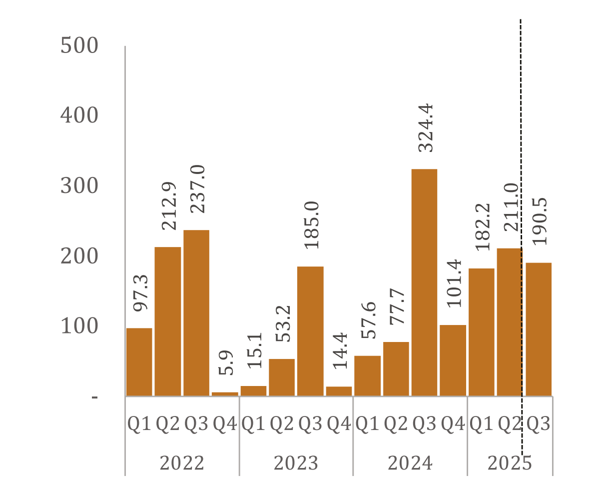
Figure 35: Net Foreign Exchange Inflows from the Mining Sector (USD million)



Source: Bank of Zambia

Although the mining sector supply rose further, the significant reduction in net sales by foreign financial institutions moderated overall supply. As a result, turnover in the interbank market declined to USD190.5 million from USD211.0 million (Figure 36).

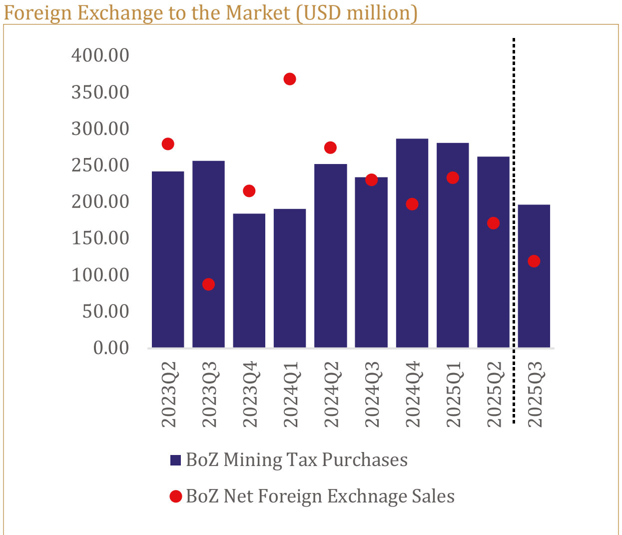
Figure 36: Turnover in Interbank Foreign Exchange Market (USD million)



Source: Bank of Zambia

To augment supply and moderate volatility in the exchange rate, the Bank provided USD60.0 million in September after staying out of the market in August. Overall, total market support for the quarter reduced further to USD120.0 million from USD171.5 million in the second quarter (Figure 37).

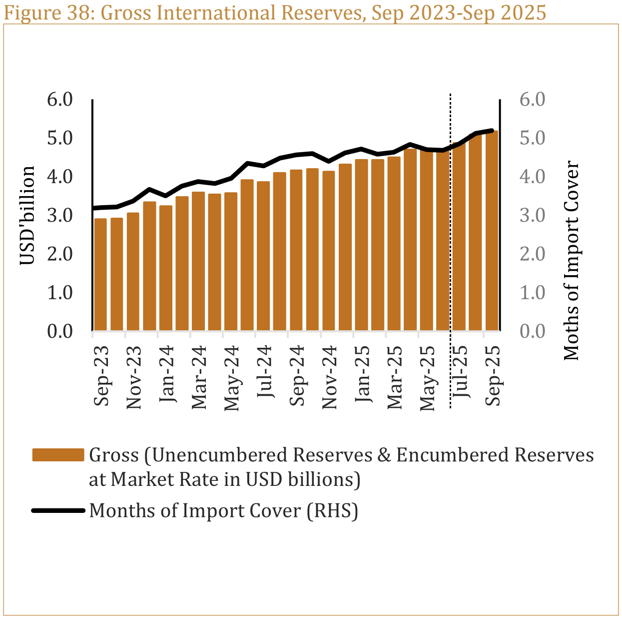
Figure 37: Bank of Zambia Mining Tax Purchases and Net Sales of Foreign Exchange to the Market (USD million)



Source: Bank of Zambia

Despite market support, gross international reserves rose further to USD5.2 billion at end-September (equivalent to 5.2 months of import cover) from USD4.7 billion (4.7 months of import cover) at end-June (Figure 38).

Figure 38: Gross International Reserves, Sep 2023-Sep 2025



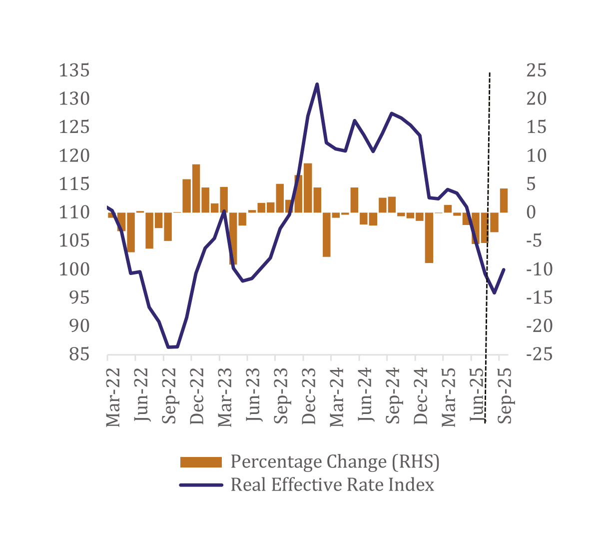
Source: Bank of Zambia

The buildup in reserves was mainly due to disbursement of USD191.1 million under the IMF ECF arrangement, World Bank project receipt of USD121.6 million, net statutory reserve deposits amounting to USD61.1 million, net Bank of Zambia purchases[39] of USD58.2 million, and interest earnings on reserves of USD24.9 million.

The real effective exchange rate (REER) strengthened further in the third quarter by 4.6 percent as a result of the nominal effective exchange rate appreciation (NEER)[40] as shown in figure 39.

[39]This is a net of the USD196.7 million taxes paid directly by mining companies to the Bank and USD138.5 million sales by the Bank to commercial banks.
[40]The Kwacha appreciated against the US dollar, Chinese yuan, South African rand, British pound, euro and Swiss franc by 6.7 percent, 5.6 percent, 5.6 percent, 4.8 percent, 2.2 percent and 1.7 percent, respectively.

Figure 39: Kwacha Real Effective Exchange Rate

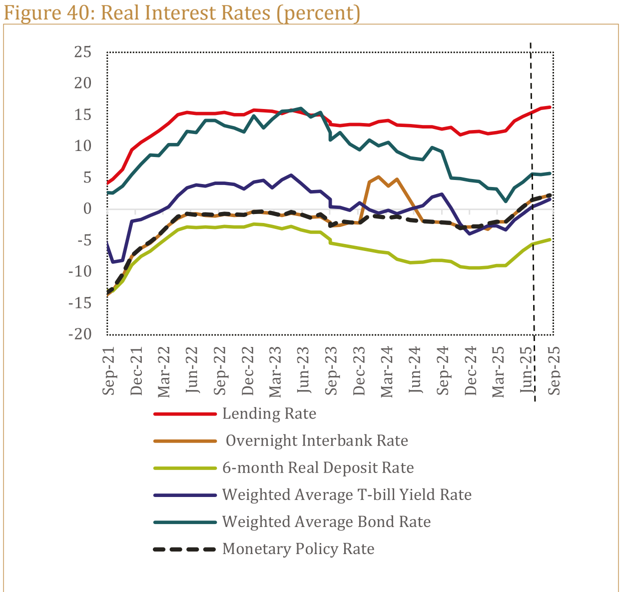


Source: Bank of Zambia

interest rates

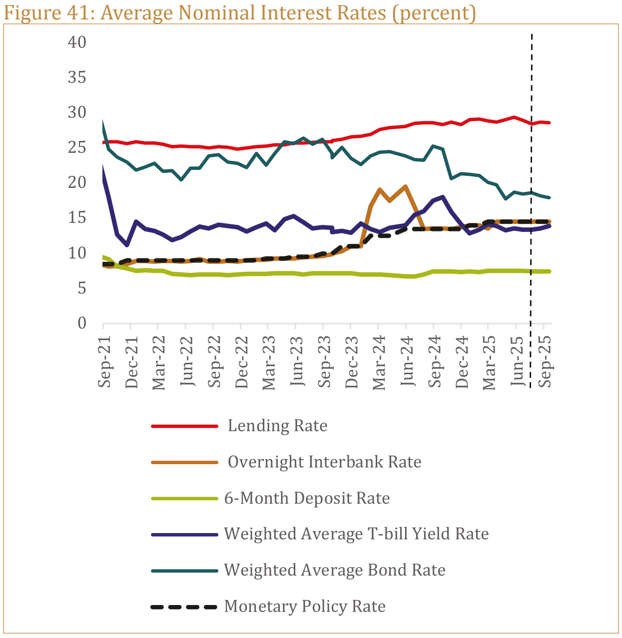
Both real policy and overnight interbank rates remained positive in the third quarter as inflation declined further while nominal rates were unchanged at 14.5 percent (Figure 40, Figure 41 and Figure 42). Positive real rates reflected tight monetary conditions[41].

Figure 40: Real Interest Rates (percent)



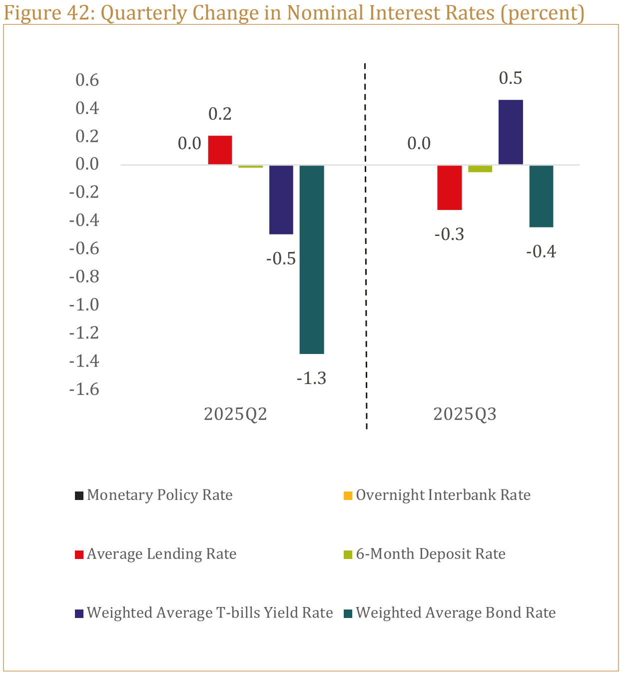
Source: Bank of Zambia

Figure 41: Average Nominal Interest Rates (percent)



Source: Bank of Zambia

Figure 42: Quarterly Change in Nominal Interest Rates (percent)



Source: Bank of Zambia

The real cost of borrowing remained high to impact aggregate demand despite a modest decline in commercial banks' nominal lending rates[42] to 28.6 percent (Figure 40, Figure 41 and Figure 42). In contrast, the real return on savings remained subdued as the 6-month nominal savings rates[43] declined

[41]Refer to subsection 1.4 for more details on the discussion of monetary conditions.

[42]Lending rates for Kwacha loans ranged from 7.5 percent to 35.0 percent while those for US dollar denominated loans were between 6.3 percent and 15.3 percent.

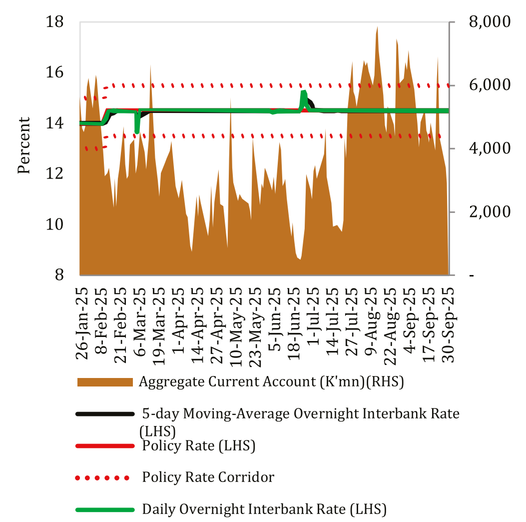
[43]The Kwacha deposit rates ranged from 1.8 percent to 19.0 percent while the

further by 0.1 percentage points to 7.4 percent (Figure 40, Figure 41 and Figure 42).

The nominal weighted average Government bond yield rate maintained a downward trend despite a reduction in the pace of decline (Figure 41 and Figure 42). It averaged 18.0 percent, influenced mostly by increased demand amid improved money market liquidity conditions. However, the real return continued to improve, supported by the fall in inflation (Figure 40). In contrast, the weighted average nominal Treasury bill yield rate rose by 0.5 percentage points to 13.9 percent (Figure 41 and Figure 42). This was primarily driven by the rise in the 182-day Treasury bill yield rate and generally increased demand for the 364-day Treasury bill, which offered a higher return than shorter tenors. Given the rise in the yield rate and the decline in inflation, the real return on the Treasury bill rate turned positive (Figure 40).

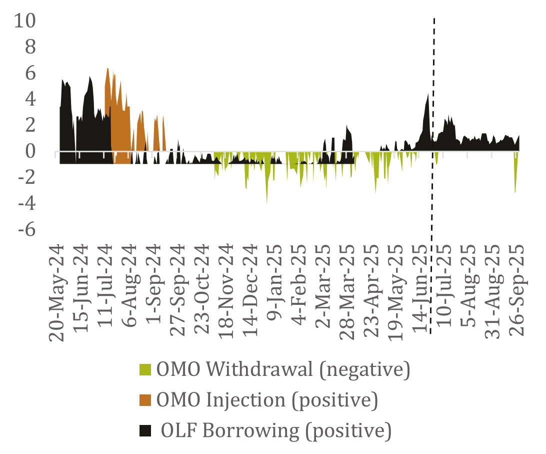
Despite the overnight interbank rate remaining anchored on the Policy Rate, at 14.5 percent throughout the quarter (Figure 43), contractionary open market operations were conducted, mostly in September, to contain money market liquidity as volatility in the exchange rate mounted (Figure 44).

Figure 43: Excess Reserves (Liquidity Levels), Policy Rate and Overnight Interbank Rate



Source: Bank of Zambia

Figure 44: Daily Average Open Market Operations and Overnight Lending Facility (K' billion)



Source: Bank of Zambia

The rise in money market liquidity was largely driven by net Government spending and maturing Government securities, including coupon payments (Table 9). Disbursements under the Stability and Resilience Facility (SRF) augmented liquidity supply by K0.6 billion.

Table 9: Liquidity Influences (K' billion)

	2025 Q2	2025 Q3
Opening Balance[44]	2.8	2.7
Net Govt Spending	4.2	4.1
Net BoZ FX Intervention	(4.6)	(3.0)
Change in Currency	(3.7)	(1.0)
Change in SR Deposits	1.0	(2.1)
OLF	1.0	(2.0)
Net Govt Securities Transactions	2.8	5.1
Open Market Operations	1.0	(0.1)
TMTRF[45]	(0.0)	0.0
SRF[46]	0.0	0.6
Miscellaneous	(1.8)	(1.4)
Closing Balance	2.7	2.9

Source: Bank of Zambia

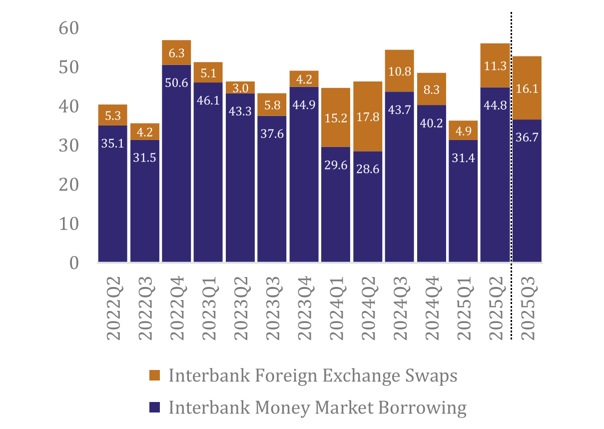
FX=foreign exchange; CIC=currency in circulation; SR=statutory reserves; OLF=Overnight Lending Facility; TMTRF= Targeted Medium-Term Refinancing Facility; SRF=Stability and Resilience Facility.

With improved liquidity, commercial banks' reliance on interbank funding reduced. This led to a marginal reduction in interbank turnover to K52.8 billion from K56.1 billion in the previous quarter (Figure 45).

US dollar deposit rates were between 0.5 percent and 6.0 percent.

[44]This refers to commercial banks' aggregate current account balance held at the Bank and taken as a measure of money market liquidity conditions.
[45]The 3–5 year K10 billion TMTRF was established in April 2020 to provide funds to eligible financial service providers to strengthen and enhance financial sector resilience as well as support economic recovery during the COVID-19 pandemic.
[46]The Facility was launched by the Bank in December 2024 to safeguard financial stability and enhance the resilience of the financial sector in the wake of the 2023/24 drought. Under this Facility, the Bank provides funds to eligible financial service providers for onward lending to viable businesses in the agriculture sector and those negatively impacted by the electricity shortages precipitated by the drought.

Figure 45: Interbank Money Market Borrowing and Foreign Exchange Swaps (K' billion)



Source: Bank of Zambia

However, the utilisation of the Overnight Lending Facility (OLF) increased, with cumulative borrowing rising to K86.7 billion from K68.8 billion.

credit

Domestic credit[47] growth accelerated to 17.4 percent in September from 12.7 percent in June (Table 10, Figure 46 and Figure 47). Adjusted for exchange rate effects, credit growth increased to 20.9 percent from 13.0 percent and the positive credit gap[48] widened further, especially in September (Table 10 and Figure 48).

Table 10: Credit Growth Rate (percent)

	Jun-25	Sep-25
Overall Credit	12.7	17.4
Overall Credit Exchange Rate Adjusted	13.0	20.9
Private Sector Credit	19.8	21.4
Private Sector Credit Exchange Rate Adjusted	20.3	26.3
Kwacha Denominated Credit	17.3	21.6
Foreign Currency Denominated Credit	26.1	33.9
Public Sector Credit (Government)	8.2	15.3

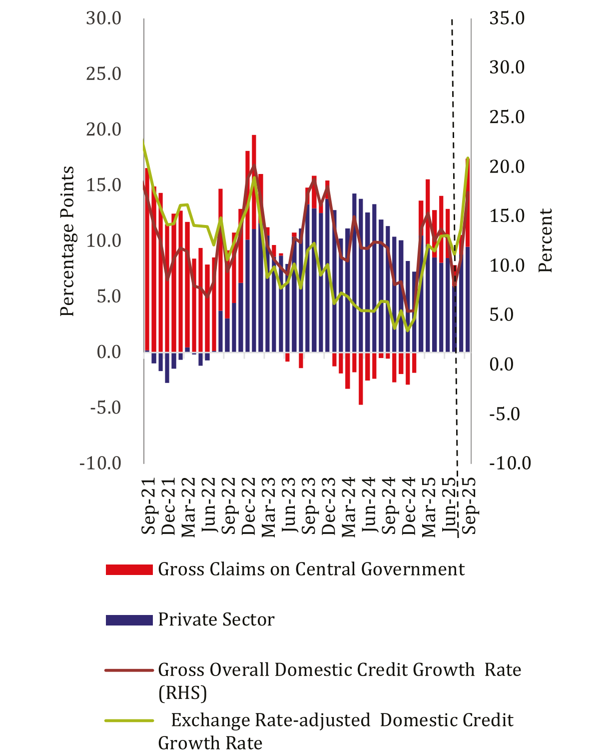
Source: Zambia Staff Computations

The liability management operation[49] (LMO) undertaken by Government to clear foreign currency denominated fuel arrears and demand for Government securities largely account for the strong expansion in credit (see section 2.5 in this chapter). Consequently, public sector credit grew by 15.3 percent compared to 8.2 percent in June (Table 10) and its contribution to overall credit growth rose substantially (Figure 46). Credit to the private sector also expanded further by 21.4 percent in September from 19.8 percent in June but remained below trend (Table 10, Figure 49 and Figure 50). Adjusted for exchange rate appreciation, the rising trend in private sector credit was sustained and the credit gap turned positive (Figure 51).

As a result of the LMO, foreign currency denominated lending grew substantially leading to a further widening of the positive credit gap (Table 10 and Figure 52). This was in addition to lending to the electricity, transport, and manufacturing sectors to mitigate the effects of sustained load management (Figure 53 and Figure 54). Kwacha denominated lending also increased, with notable growth observed in the manufacturing, transport and storage, as well as agriculture sectors (Table 10, Figure 55 and Figure 56). The rise in borrowing was largely to mitigate the effects of the ongoing load management in the manufacturing and transport and storage sectors, as well as financing activities related to the onset of the planting season in agriculture. As a result, the negative credit gap was almost offset (Figure 57).

According to the *November 2025 Credit Conditions Survey*, commercial banks expect high demand for credit to be sustained in the near-term. This is envisaged to mitigate high operating costs and procure alternative sources of energy occasioned by the persistent load management.

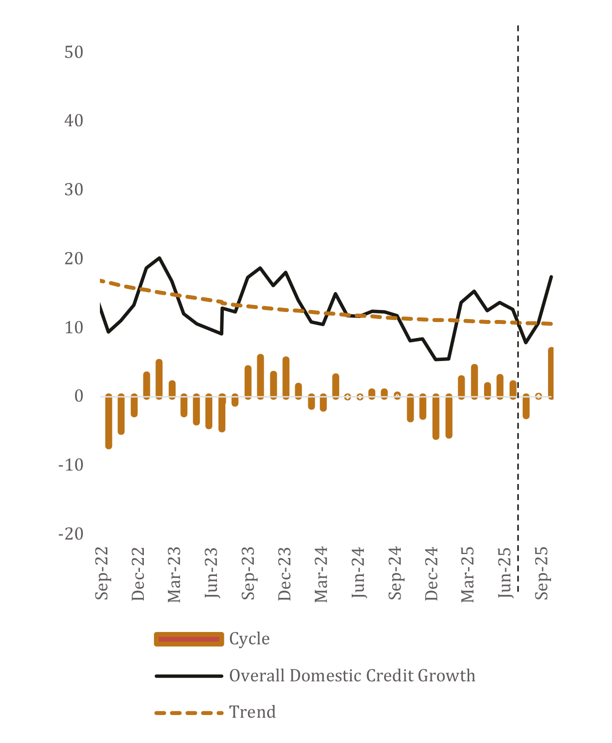
Figure 46: Contribution to Credit Growth



Source: Bank of Zambia

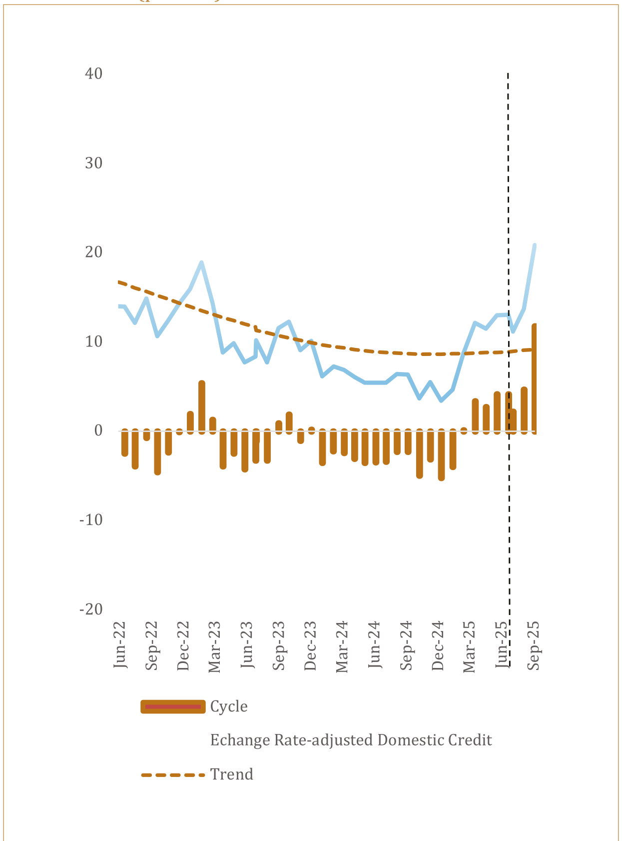
[47]Domestic credit refers to aggregate lending by the Bank of Zambia, commercial banks and other depository corporations in both Kwacha and foreign currency.
[48]Credit gap is the difference between exchange rate-adjusted domestic credit and its long-term trend.
[49]Refer to page 1 of the 2025 Annual Borrowing Plan Amendment.

Figure 47: Trend in Overall Domestic Credit Growth (percent)



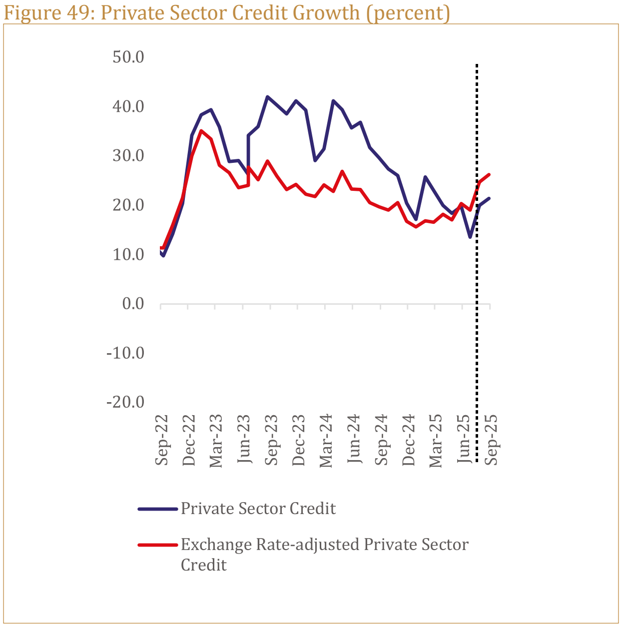
Source: Bank of Zambia

Figure 48: Trend in Exchange Rate-Adjusted Overall Domestic Credit Growth (percent)



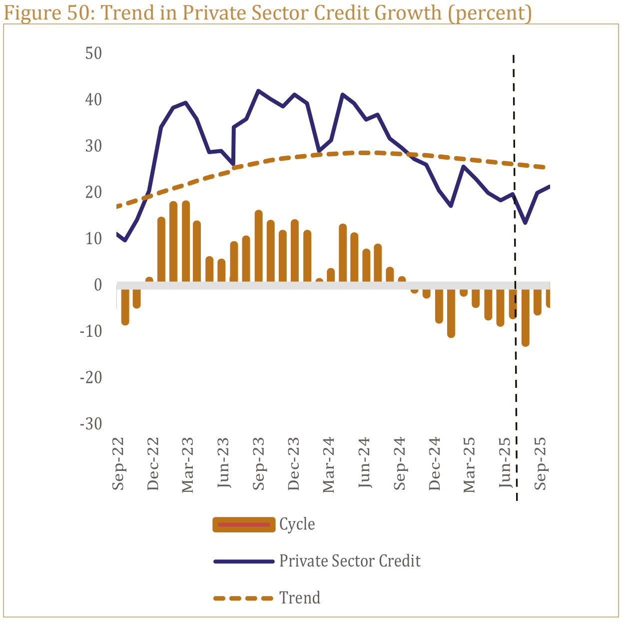
Source: Bank of Zambia

Figure 49: Private Sector Credit Growth (percent)



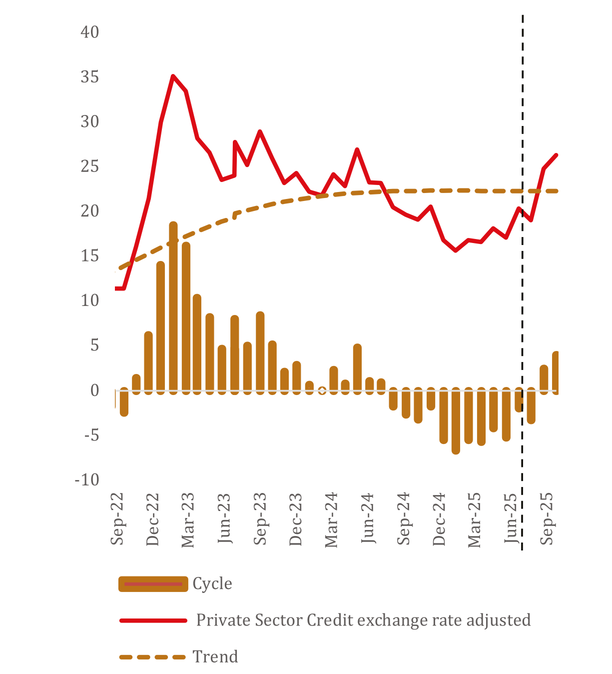
Source: Bank of Zambia

Figure 50: Trend in Private Sector Credit Growth (percent)



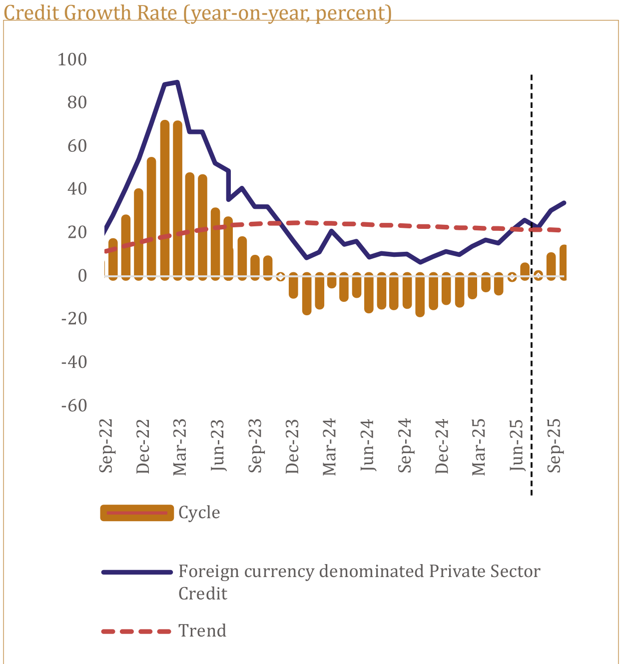
Source: Bank of Zambia

Figure 51: Trend in Exchange Rate-Adjusted Private Sector Credit Growth (percent)



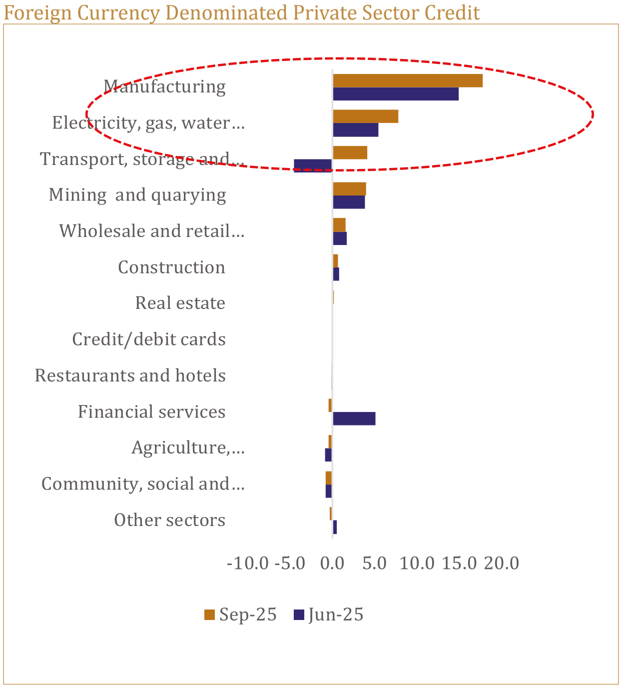
Source: Bank of Zambia

Figure 52: Trend in Foreign currency Denominated Private Sector Credit Growth Rate (year-on-year, percent)



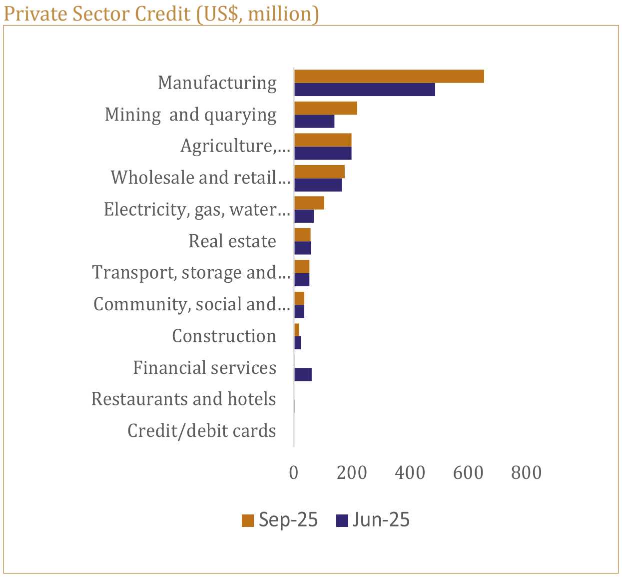
Source: Bank of Zambia

Figure 53: Sectoral Contribution to Annual Percent Change in Foreign Currency Denominated Private Sector Credit



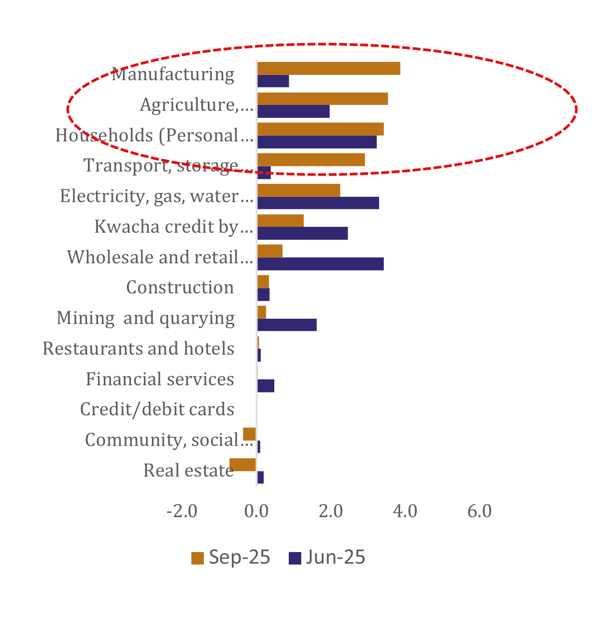
Source: Bank of Zambia

Figure 54: Stock Distribution of Foreign Currency Denominated Private Sector Credit (US$, million)



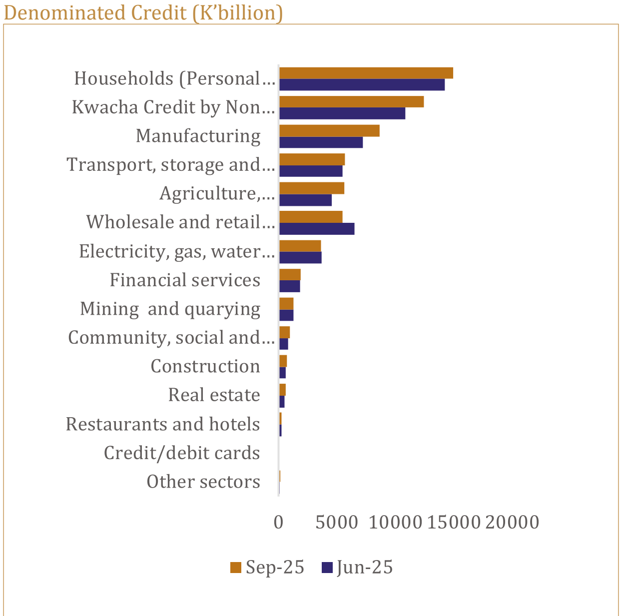
Source: Bank of Zambia

Figure 55: Sectoral Contribution to Annual Percent Change in Kwacha Denominated Private Sector Credit



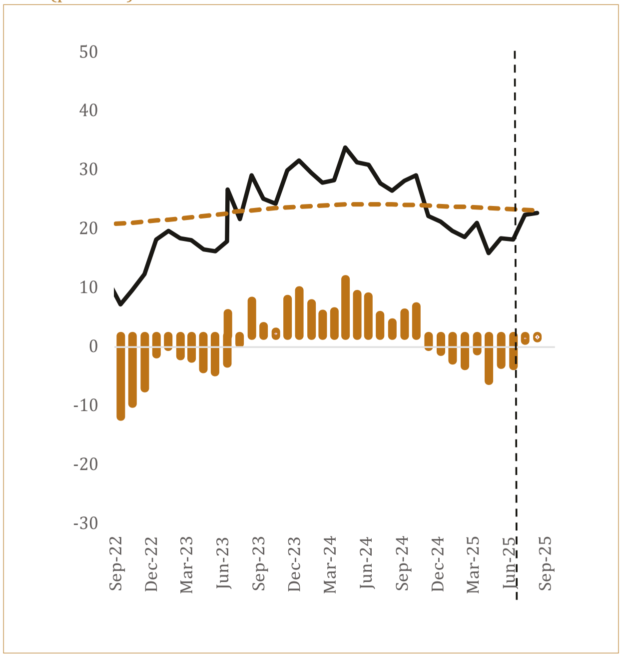
Source: Bank of Zambia

Figure 56: Stock Distribution of Private Sector Kwacha Denominated Credit (K'billion)



Source: Bank of Zambia

Figure 57: Trend in Kwacha Denominated Private Sector Growth Rate (percent)

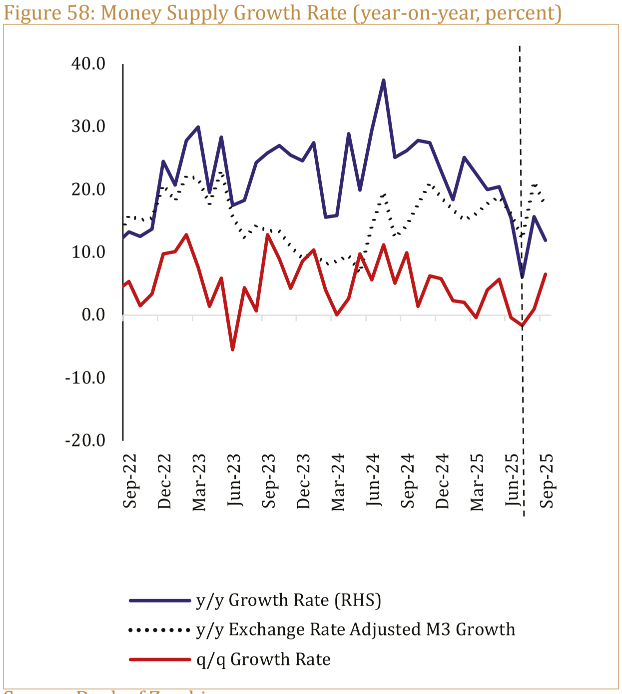


Source: Bank of Zambia

money supply

Money supply growth (M3)[50] slowed down to 11.9 percent in September from 15.5 percent in June and remained below trend (Figure 58 and Figure 59). This is partially attributed to the moderate growth in Kwacha denominated private sector credit that remained below trend. However, M3 adjusted for exchange rate appreciation rose to 17.3 percent from 16.1 percent and stayed above trend (Figure 60). This was bolstered by the growth in foreign currency denominated private sector credit.

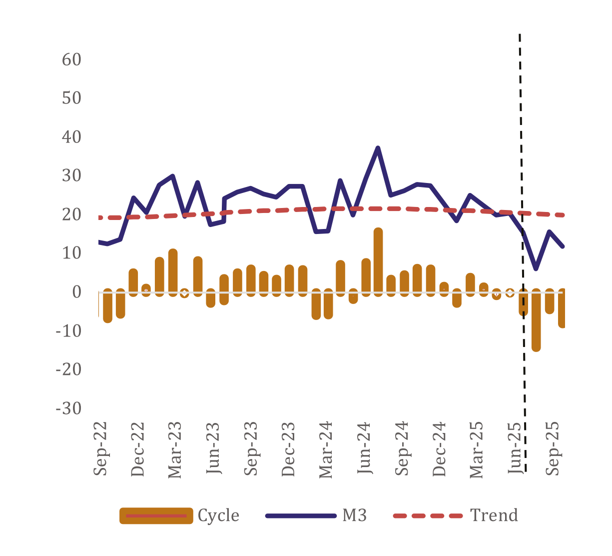
Figure 58: Money Supply Growth Rate (year-on-year, percent)



Source: Bank of Zambia

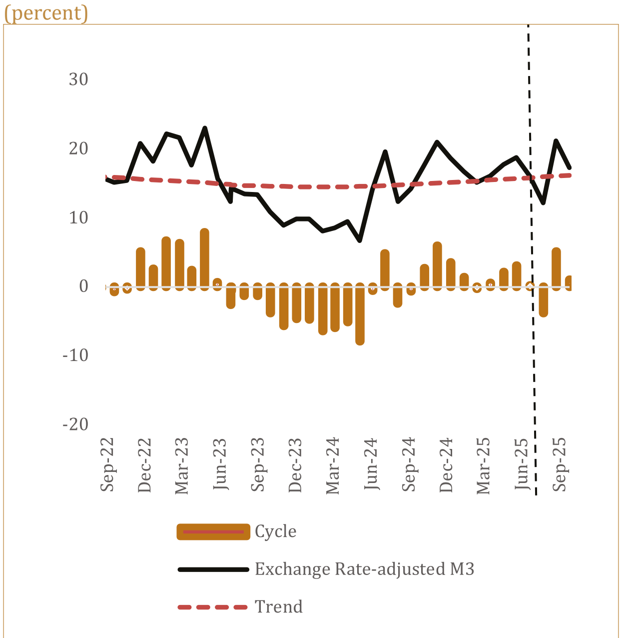
[50]M3 stock was K217.0 billion at end-September 2025.

Figure 59: Trend in M3 Growth Rate (percent)



Source: Bank of Zambia

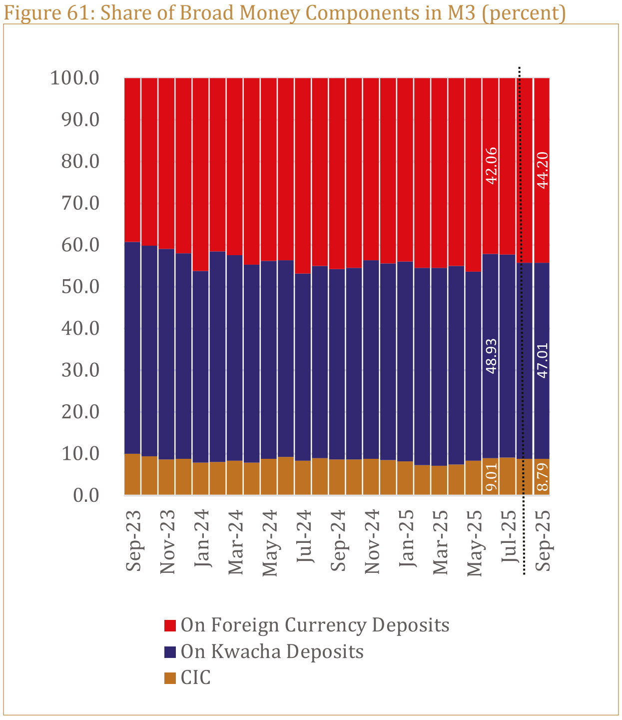
Figure 60: Trend in Exchange Rate-Adjusted M3 Growth Rate (percent)



Source: Bank of Zambia

The share of Kwacha deposits and currency held by the non-bank public in money supply fell to 47.0 percent and 8.8 percent from 48.9 percent and 9.0 percent, respectively (Figure 61). In contrast, the share of foreign currency deposits rose to 44.2 percent from 42.1 percent.

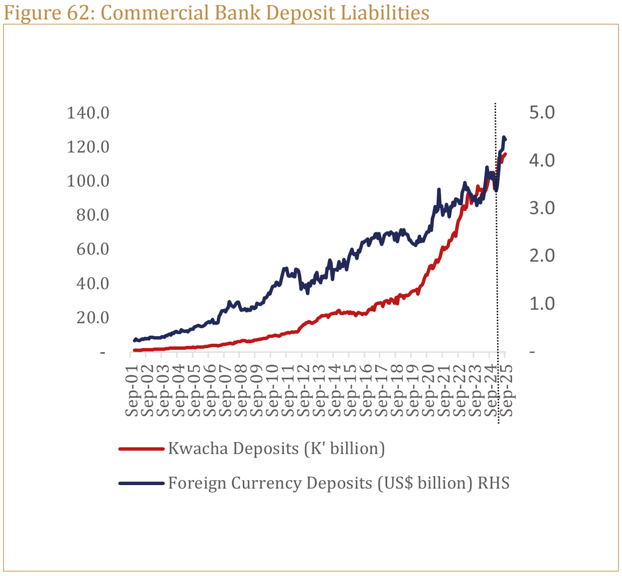
Figure 61: Share of Broad Money Components in M3 (percent)



Source: Bank of Zambia

Kwacha and foreign currency deposit liabilities increased to K116.2 billion and USD4.5 billion at end-September from K111.5 billion and USD4.2 billion at end-March, respectively (Figure 62).

Figure 62: Commercial Bank Deposit Liabilities

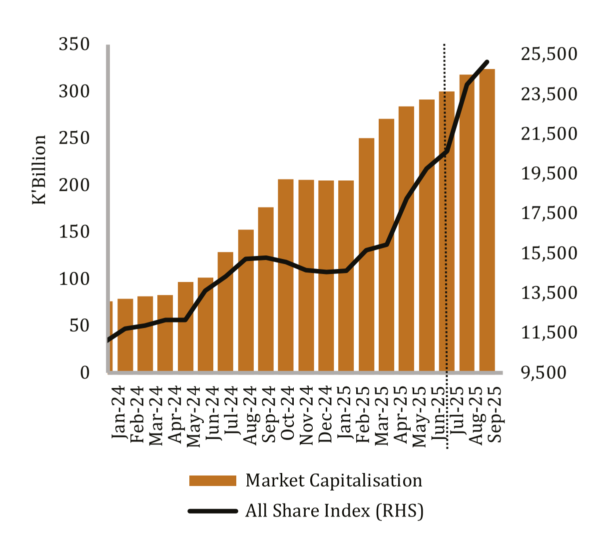


Source: Bank of Zambia

equities

In the equity market, share prices rose sharply in the third quarter leading to a 24.9 percent increase in the Lusaka All-Share Index (Figure 63). As a result, market capitalisation increased to K326.8 billion in September from K296.2 billion in June. The strong performance was underpinned by renewed investor interest owing to the positive economic outlook.

Figure 63: Lusaka All-Share Index and Market Capitalisation



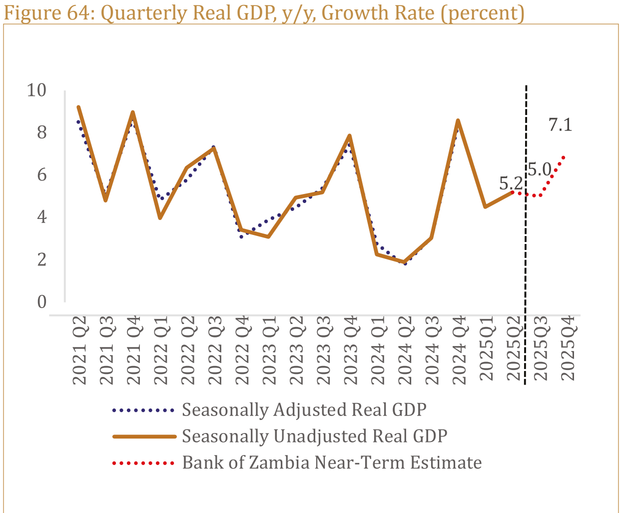
Source: Reuters and Bank of Zambia Compilations

2.4 Domestic Economic Activity

... expands further

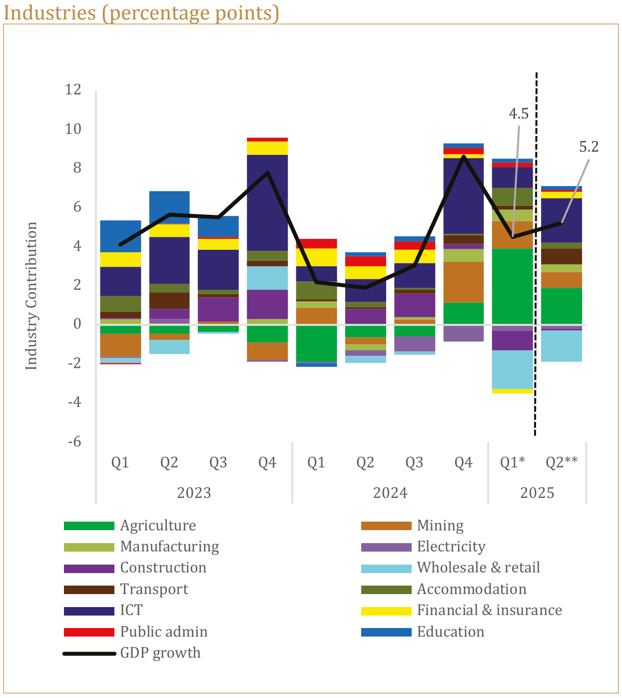
As shown in figure 64, preliminary estimates point to a further expansion in real GDP by 5.0 percent in the third quarter, albeit slightly lower than the 5.2 percent[51] outturn in the second quarter. This was largely underpinned by slower growth in cement and copper production, as well as reduced diesel consumption.

Figure 64: Quarterly Real GDP, y/y, Growth Rate (percent)



Source: Bank of Zambia

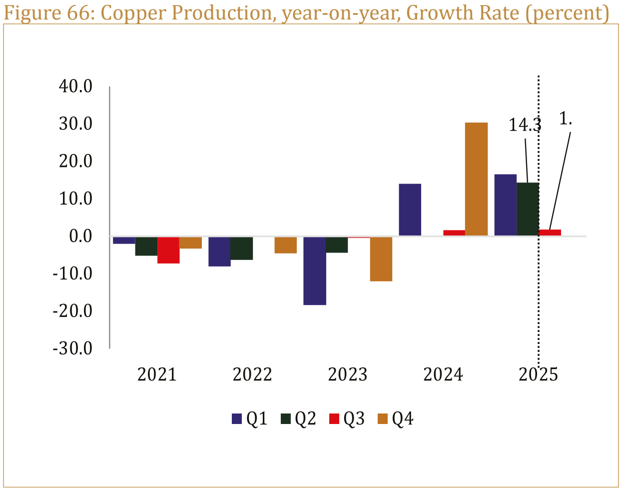
Figure 65: Quarterly Real GDP Growth and Contribution by Selected Industries (percentage points)



Source: Zambia Statistics Agency and Bank of Zambia
* = revised ** = preliminary
Note: Other includes public administration and defense, administrative and support service, transportation and storage, and education sectors.

Cement production slowed down primarily due to scheduled machinery servicing and maintenance routines. Similarly, copper production reduced owing to lower ore grade at major mines (Figure 66).

Figure 66: Copper Production, year-on-year, Growth Rate (percent)

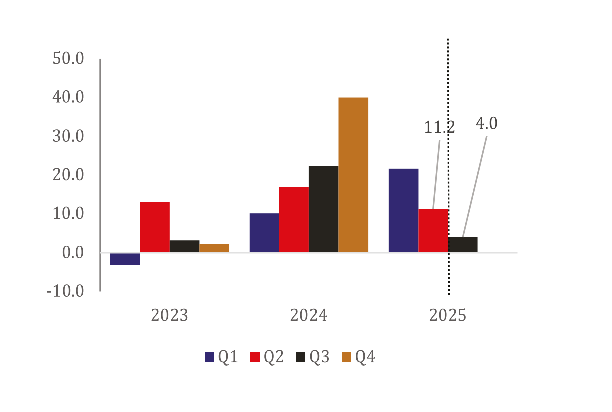


Source: Ministry of Mines and Minerals Development, Bank of Zambia Compilations

Growth in diesel consumption reduced to 4.0 percent, y/y, from 11.2 percent in the previous quarter mainly on account of slower mining activity and supply bottlenecks (Figure 67).

[51]Agriculture, ICT, mining, and transport and logistics sectors contributed to the acceleration in real GDP growth during the second quarter of 2025 (Figure 65).

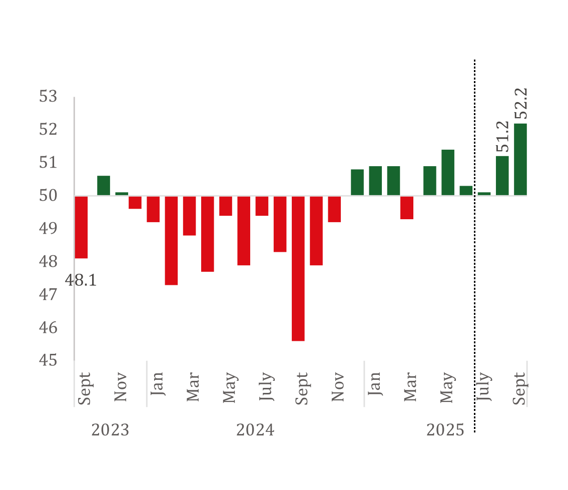
Figure 67: Diesel Consumption, year-on-year, Growth Rate (percent)



Source: Energy Regulation Board, Bank of Zambia Compilations

Private sector business conditions continued to improve in the third quarter as indicated by the *Stanbic Bank Zambia PMI™*, which remained above the 50-mark threshold (Figure 68). The reading averaged 51.2 compared to 50.9 in the second quarter.

Figure 68: Purchasing Manager's Index for Zambia



Source: Stanbic Zambia and Bank of Zambia Compilation

The improvement in business conditions was largely underpinned by the increase in new orders and output mainly on account of exchange rate appreciation.

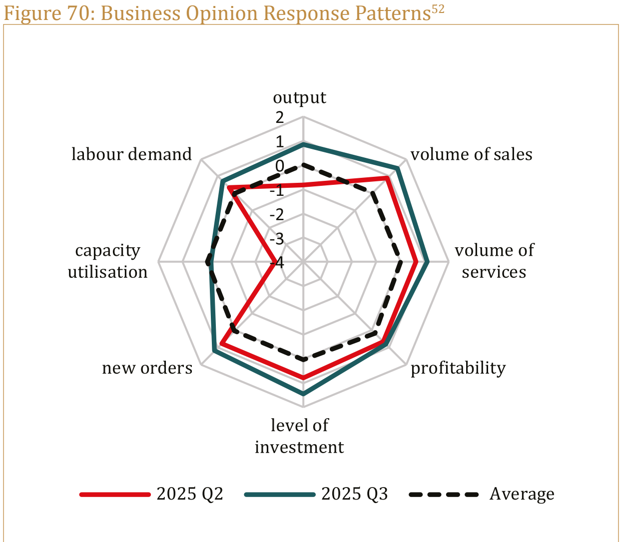
In the labour market, conditions are reported to have improved based on the rise in the Employment PMI to an average of 51.9 from 50.7 in the second quarter (Figure 69). This was influenced by increased hires across the sectors due to steady demand and the growth in new orders.

Figure 69: Employment Purchasing Managers' Index

Source: Stanbic Zambia and Bank of Zambia Compilation

Similarly, respondents to the *November 2025 Bank of Zambia Quarterly Survey of Business Opinion and Expectations* indicated further improvement in business conditions in the third quarter. This was on account of exchange rate appreciation and easing inflationary pressures. Consequently, output, new orders, labour demand, volume of sales and services, profitability, and the level of investment increased (Figure 70).

Figure 70: Business Opinion Response Patterns[52]



Source: Bank of Zambia

[52]Survey indicators are standardised net balances with mean = 0 and standard deviation = 1. A value within the black circle entails weaker economic conditions than the historical average and a value outside the black line signifies an improvement over the historical average.

2.5 Budget Performance

... affected by financing shortfalls

Preliminary data point to a lower fiscal deficit in the third quarter. This is mainly based on partial execution of the LMO and broadly expenditure management.

2.6 Domestic Prices

... decline sharply

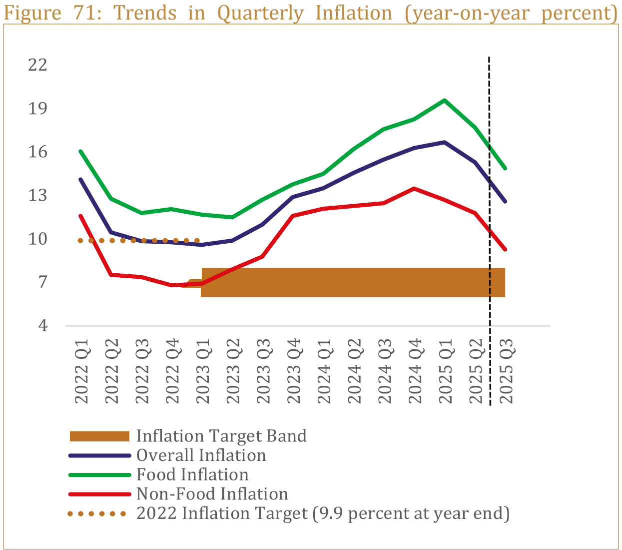
Average overall inflation declined faster in the third quarter than in the preceding quarter. It fell by 2.7 percentage points compared to 1.4 percentage points and ended the quarter at 12.3 percent (Table 11 and Figure 71).

Table 11: Inflation Rate (percent)

	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3
Average					
Overall Inflation	15.5	16.3	16.7	15.3	12.6
Food Inflation	17.6	18.3	19.6	17.7	14.9
Non-Food Inflation	12.5	13.5	12.7	11.8	9.3
End-Period					
Overall Inflation	15.6	16.7	16.5	14.1	12.3
Food Inflation	17.9	18.6	18.9	16.7	14.6
Non-Food Inflation	12.4	14.2	13.2	10.3	9.0

Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

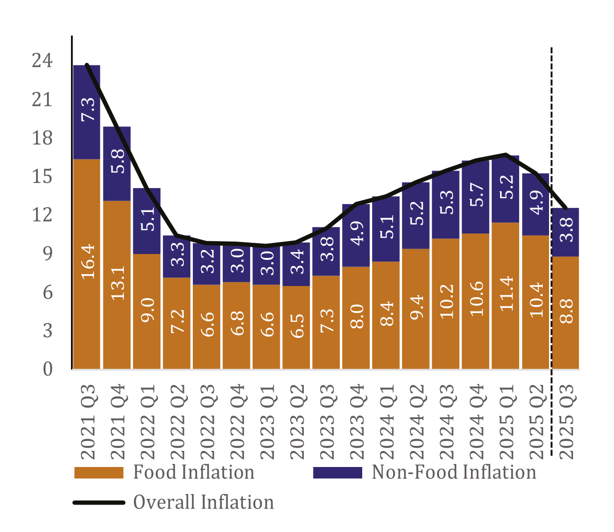
Figure 71: Trends in Quarterly Inflation (year-on-year percent)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

As shown in figure 72, food contributed the most to the decline in overall inflation. This was mainly on account of lower maize meal (breakfast and roller) prices and base effects in maize grain prices.

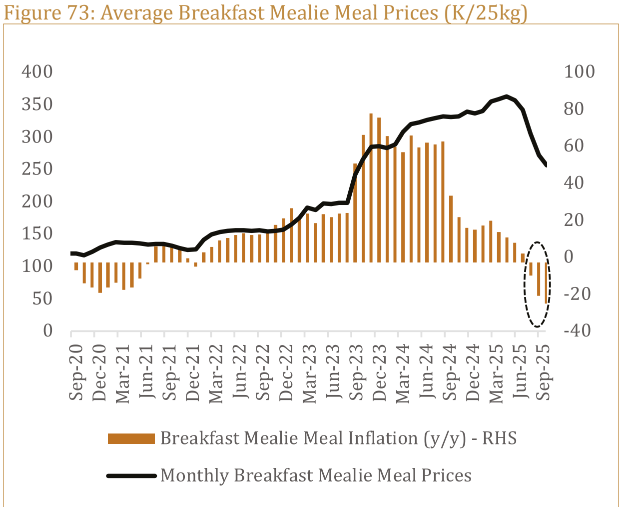
Figure 72: Contribution to Overall Inflation by Food and Non-Food Inflation (percentage points)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

Reduced demand for commercially produced maize meal by households as they bridge consumption by processing their own maize grain following a bumper harvest contributed to the decline in breakfast and roller meal prices (Figure 73 and Figure 74)[53]. This led to a substantial fall in the contribution of breakfast and roller meal to overall inflation (Figure 75) and a subsequent sharp drop in the bread and cereals sub-group in food inflation (Figure 76).

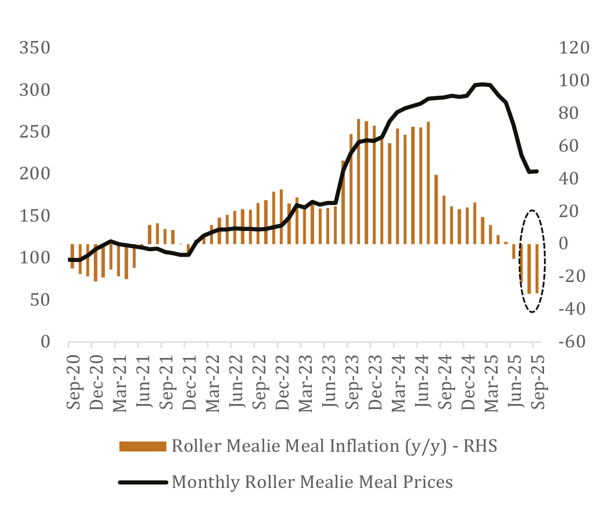
Figure 73: Average Breakfast Mealie Meal Prices (K/25kg)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

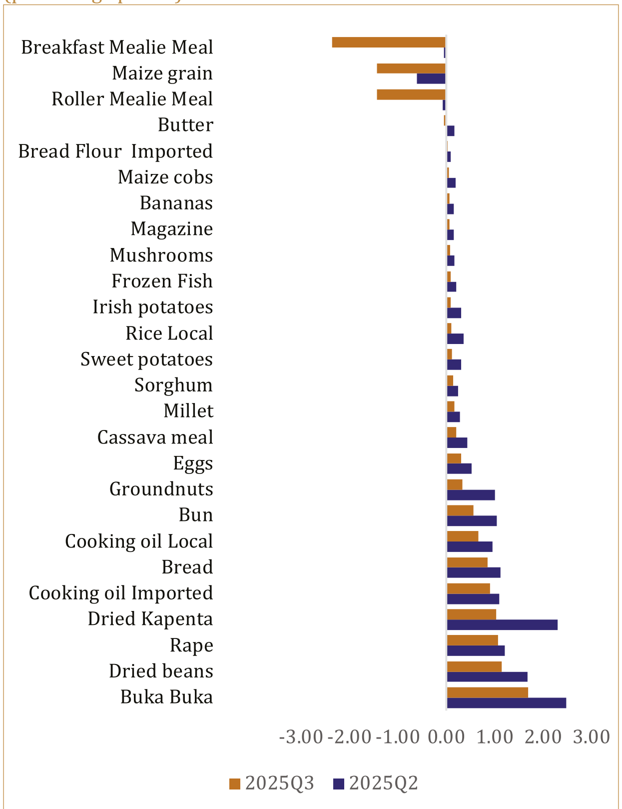
[53] November 2025 Bank of Zambia Quarterly Survey of Business Opinions and Expectations on page 5, section 2.6.

Figure 74: Average Roller Mealie Meal Prices (K/25kg)



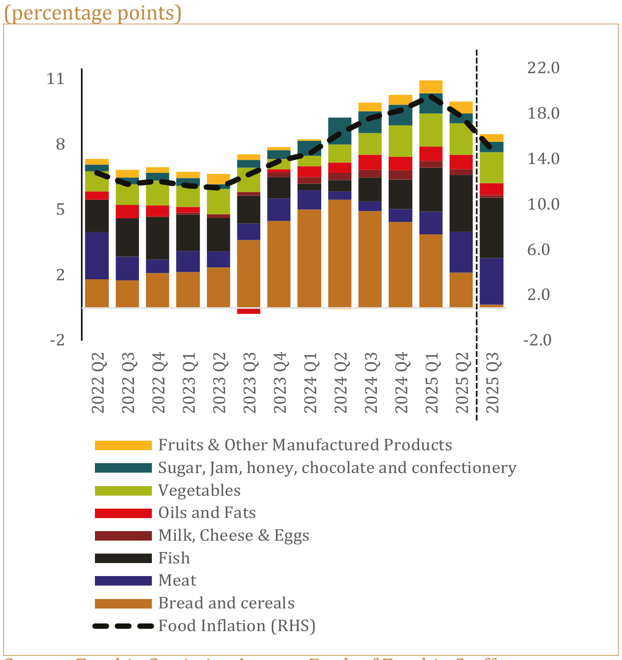
Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

Figure 75: Contribution to Food Inflation by Food Product (percentage points)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

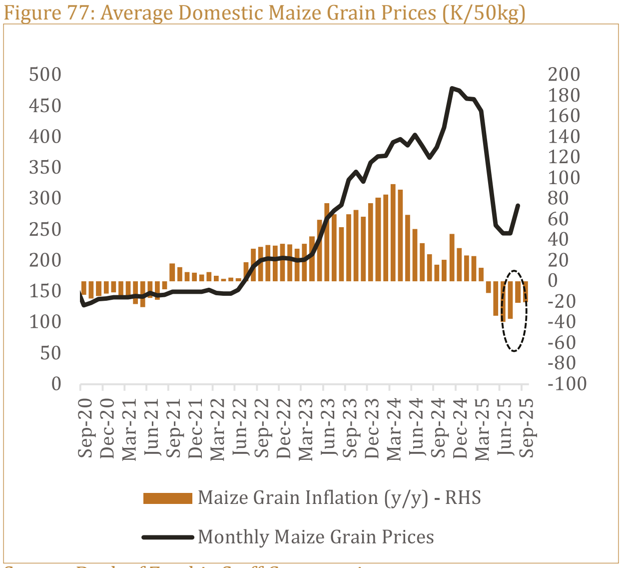
Figure 76: Contribution to Food Inflation by Sub-Group (percentage points)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

Despite maize grain prices ticking up in the third quarter (Figure 77), they were still lower than the corresponding period in 2024. Thus, the contribution of maize grain to overall inflation remained negative (Figure 75).

Figure 77: Average Domestic Maize Grain Prices (K/50kg)



Source: Bank of Zambia Staff Computations

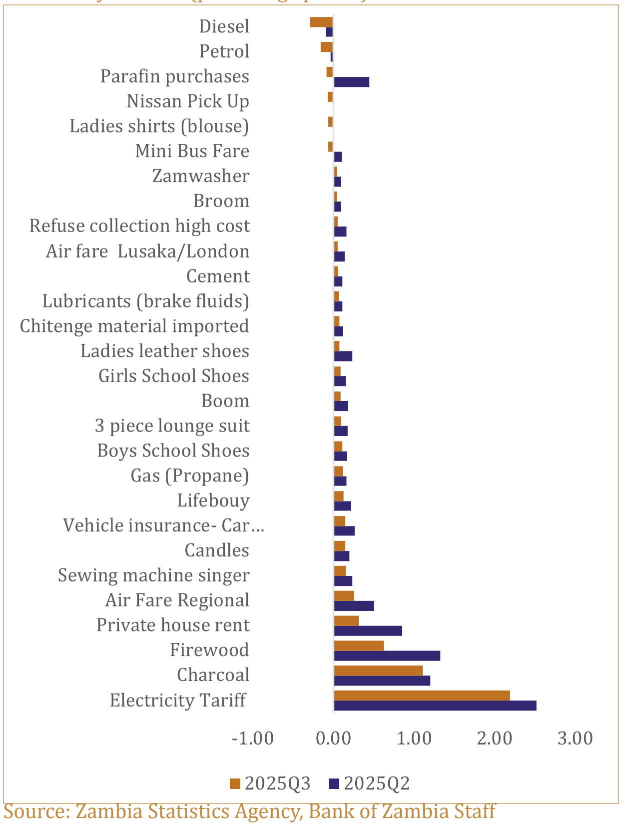
The decline in non-food inflation was largely influenced by the appreciation of the exchange rate, which contributed to lower prices of fuel[54], motor vehicles and bus fares (Figure 78). This resulted in a further reduction in the contribution of the transport sub-group to non-food inflation (Figure 79).

The appreciation of the exchange rate also impacted prices of imported ladies' garments (blouse and

[54]Between June and September, petrol, diesel and kerosene prices per litre reduced by 7.0 percent, 0.4 percent and 4.6 percent to K29.18, K25.02 and K23.64, respectively.

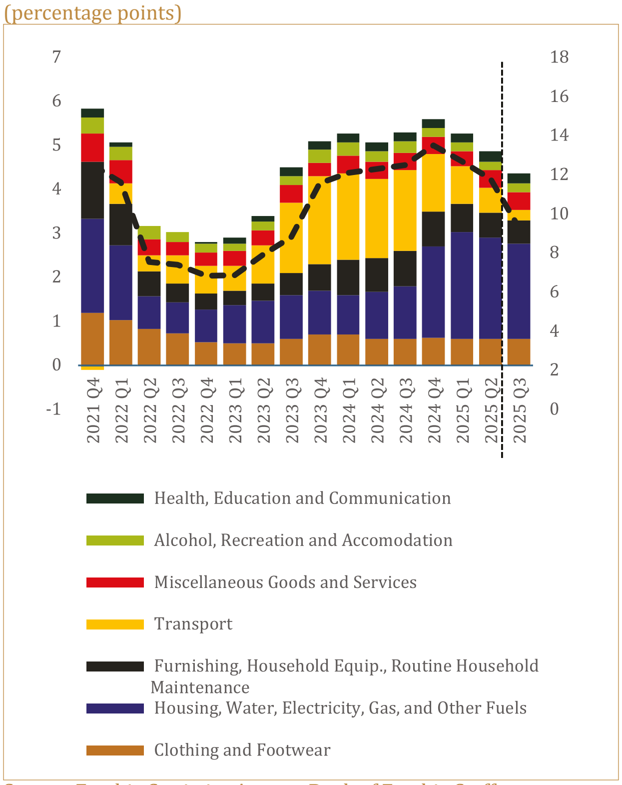
chitenge material), air fares, as well as inputs used in the production of washing soap (Zamwasher and Boom) and cement.

Figure 78: Contribution to Non-Food Inflation by Product (percentage points)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

Figure 79: Contribution to Non-Food Inflation by Sub-Group (percentage points)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

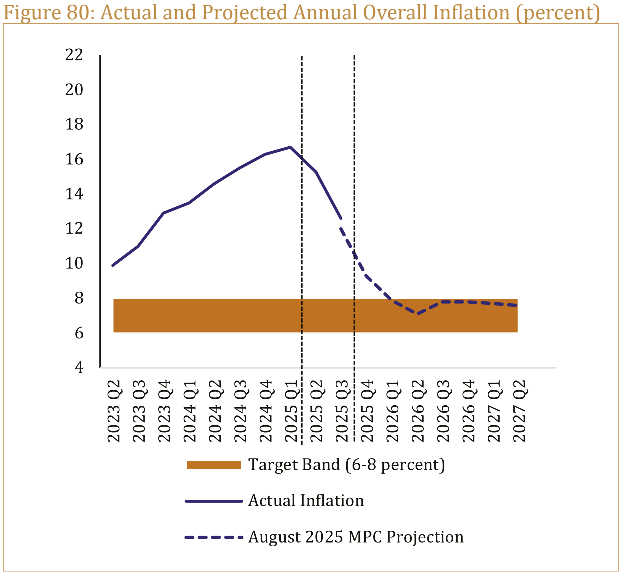
The 12.6 percent inflation outturn was broadly in line with the baseline and MPC projections (Table 12 and Figure 80).

Table 12: Assumptions underlying Inflation Projection in the Third Quarter of 2025

	Assumed Value	Actual Value
Average inflation-USA (percent)	3.4	2.9
Fed funds rate (percent)	3.9	4.2
Average inflation-South Africa (percent)	3.3	3.4
Average copper price/ton (USD)	9,676.50	9,840.72
Average crude oil price/barrel (USD)	67.67	65.83
Reserve money growth (percent)	13.38	19.70
Fiscal deficit (ratio of expenditure to revenue)	1.12	1.21
World food price index	107.7	107.3
BoZ monetary policy rate (percent)	14.5	14.5
Inflation projection		
Baseline	12.0	
MPC	12.0	
August 2025 QSBOE expectations	14.7	
SoEE	13.9	
Inflation outturn (percent)		12.6
Inflation estimate using actual values (percent)		11.2
Exchange rate outturn		23.78

Source: Bank of Zambia Compilations, Reuters, South African Reserve Bank, World Bank Pink Sheet and Survey of Professional Forecasters

Figure 80: Actual and Projected Annual Overall Inflation (percent)



Source: Bank of Zambia Staff Forecast and Zambia Statistics Agency

However, inflation was significantly below the 14.7 percent and 13.9 percent anticipated by respondents in both the *August 2025 Bank of Zambia Quarterly Survey of Business Opinions and Expectations* and the Survey of Economic Excpectations, respectively (Table 13). This is because the respondents projected a slower pace of appreciation of the exchange rate and higher food prices.

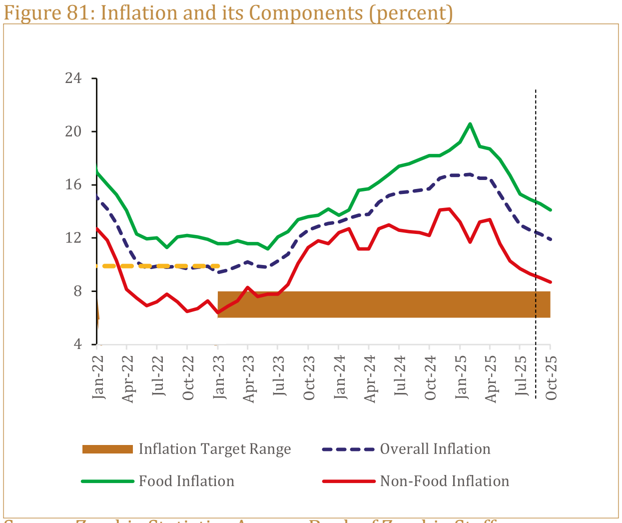
Table 13: Actual versus Inflation Projections[55]

	Actual Inflation	Baseline Projection	MPC Projection	QSBOE	SOEE	MPC Forecast Error	Baseline Forecast Error
2022 Q2	10.5	11.4	11.6			-1.1	-0.9
2022 Q3	9.9	11.8	11.6			-1.7	-1.9
2022 Q4	9.8	10.5	10.6			-0.8	-0.7
2023 Q1	9.6	9.2	9.2			0.4	0.4
2023 Q2	9.9	9.0	11.6	10.6		-1.7	0.9
2023 Q3	11.0	10.3	10.3	10.7		0.7	1.3
2023 Q4	12.9	13.1	13.1	12.4		-0.2	-0.2
2024 Q1	13.5	13.2	13.2	13.8		0.2	0.3
2024 Q2	14.6	13.8	14.7	14.9		-0.1	0.8
2024 Q3	15.5	15.5	15.8	15.5	15.7	-0.3	0.0
2024 Q4	16.3	15.9	16.4	16.5	16.2	-0.1	0.4
2025 Q1	16.7	16.7	16.5	17.3	16.3	0.2	0.0
2025 Q2	15.3	15.2	15.0	16.9	16.2	0.3	0.1
2025 Q3	12.6	12.0	12.0	14.7	13.9	-0.6	-0.6

Source: Bank of Zambia Staff Computations

Overall inflation fell further in October to 11.9 percent from 12.3 percent in September (Table 14 and Figure 81).

Figure 81: Inflation and its Components (percent)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

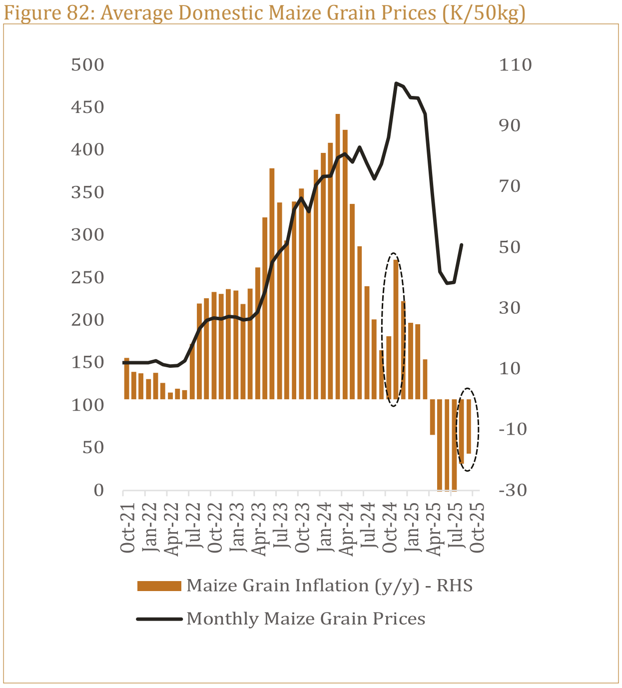
Table 14: Monthly Inflation Rate (percent)

	Jun 2025	Jul 2025	Aug 2025	Sep 2025	Oct 2025
Overall Inflation	14.1	13.0	12.6	12.3	11.9
Food Inflation	16.7	15.3	14.9	14.6	14.1
Non-Food Inflation	10.3	9.7	9.3	9.0	8.7

Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

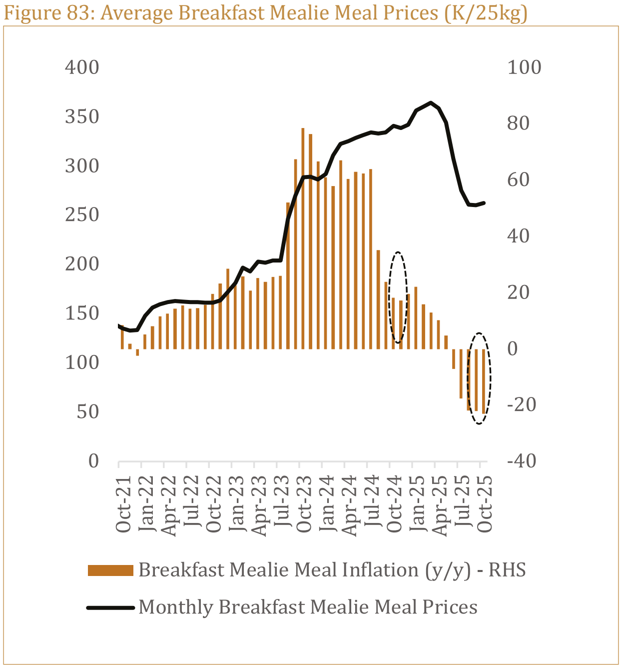
Base effects in maize grain and its products (Figure 82, Figure 83 and Figure 84) were the key drivers of lower inflation (Figure 85).

Figure 82: Average Domestic Maize Grain Prices (K/50kg)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

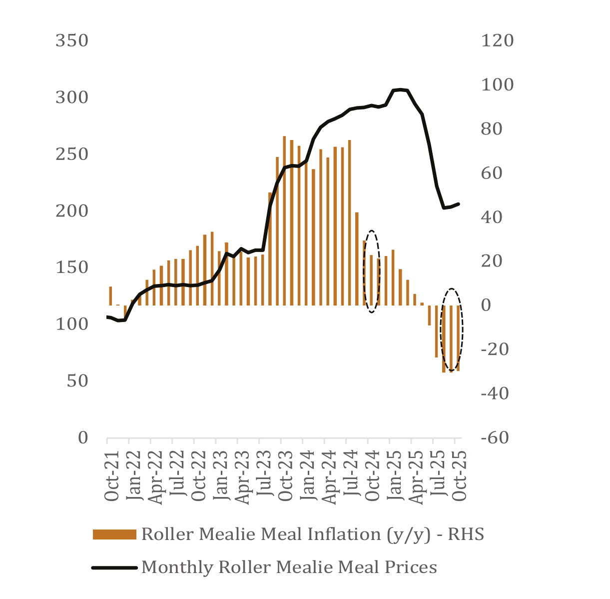
Figure 83: Average Breakfast Mealie Meal Prices (K/25kg)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

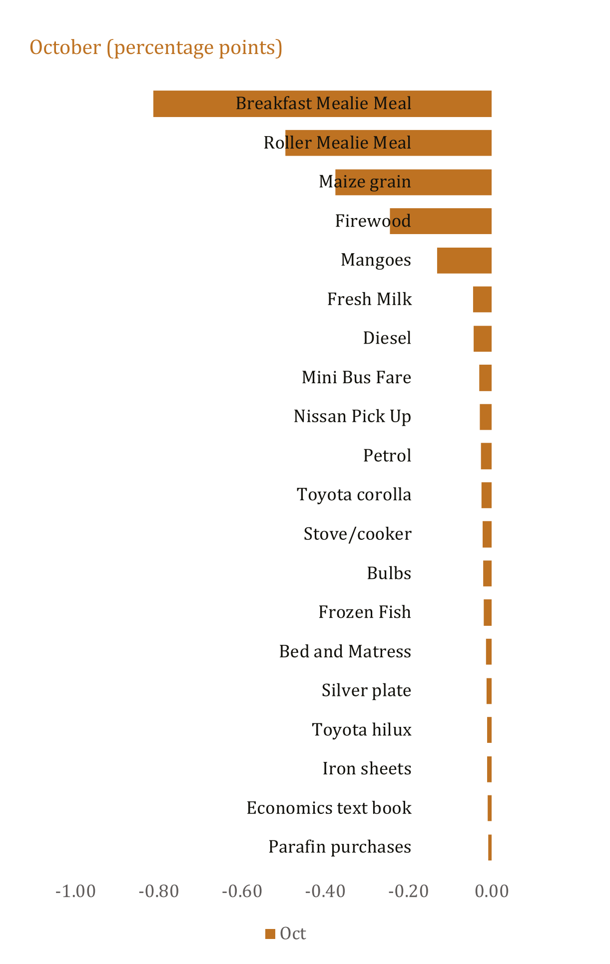
[55] Data collection for QSBOE and SoEE commenced in 2023Q2 and 2024Q3, respectively.

Figure 84: Average Roller Mealie Meal Prices (K/25kg)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

Figure 85: Contribution to Overall Inflation by Product in October (percentage points)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

Appendix

Monetary and Foreign Exchange Measures since April 2012

Measure	Date Implemented	Rationale
Policy Rate introduced and set at 9.0 percent	April 2, 2012	Mechanism for signalling monetary policy stance as transition to inflation targeting
Policy Rate raised to 9.25 percent	October 31, 2012	To contain inflationary pressures
Policy Rate raised to 9.50 percent	May 31, 2013	To contain inflationary pressures
Policy Rate raised to 9.75 percent	June 28, 2013	To contain inflationary pressures
Statutory reserve ratio raised to 14.0 percent from 8.0 percent	February 24, 2014	To address excess liquidity in the money market and its impact on inflation
Overnight Lending Facility (OLF) rate set at 600 basis points above the Policy Rate		
Access to OLF window restricted to once a week	March 19, 2014	To address excess liquidity in the money market and its impact on inflation
Marketable amount for two-way quote in the Interbank Foreign Exchange Market (IFEM) revised to US$0.5m-US$1m from US$1m		To moderate exchange rate volatility and bring orderliness in the interbank market
Interbank bid/ask spread increased to a maximum of K0.02 from K0.01	March 28, 2014	To enhance price discovery
Policy Rate raised to 10.25 percent	February 28, 2014	To contain inflationary pressures
Policy Rate raised to 12.0 percent	March 28, 2014	To contain inflationary pressures
Inclusion of Government deposits and vostro account deposits in the computation of statutory reserves		
Daily compliance on statutory reserve ratio re-introduced		
OLF rate set at 10.0 percentage points above the Policy Rate	May 30, 2014	
Policy Rate raised to 12.5 percent	November 19, 2014	To contain inflationary pressures
Once a week access to the OLF Window suspended and intraday loan to lapse into overnight loan allowed	December 10, 2014	

Measure	Date Implemented	Rationale
Statutory reserve ratio raised to 18.0 percent from 14.0 percent		
OLF rate set at 6 percentage points above the Policy Rate from 9.5 percentage points	March 20, 2015	
BoZ to discretionary trade any amount beyond marketable threshold on two-way quote		
BoZ to publish individual commercial banks' exchange rates on Reuters platform		
Commercial banks to update board exchange rates three times a day as prescribed	October 5, 2015	To improve order, stability, and transparency in the foreign exchange market
Policy Rate raised to 15.5 percent	November 3, 2015	To contain inflationary pressures
Interest rate caps removed, and consumer protection measures introduced	November 4, 2015	To allow for better functioning of the credit market
OLF rate set at 1,000 basis points above the Policy Rate	November 10, 2015	To contain inflationary pressures
Access to OLF Window restricted to once a week		
Roll-over of intra-day loan into an overnight loan discontinued	November 18, 2015	To contain inflationary pressures
Interbank bid/ask spread increased to a maximum of K0.05 from K0.02	May 19, 2016	To improve price discovery
Policy Rate reduced to 14.0 percent from 15.5 percent (first reduction since April 2012)	February 22, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 15.0 percent from 18.0 percent	February 22, 2017	Reduce the cost of funds and promote credit growth
OLF rate set at 600 basis points above the Policy Rate from 1,000 basis points previously	February 22, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 12.5 percent from 14.0 percent	May 17, 2017	Fall in inflation; support economic growth

Measure	Date Implemented	Rationale
Statutory reserve ratio reduced to 12.5 percent from 15.5 percent	May 17, 2017	Reduce the cost of funds and promote credit growth
Narrowed the Policy Rate corridor to +/- 1 percentage point from +/- 2 percentage points	May 17, 2017	To improve clarity of the policy stance and enhance effectiveness of monetary policy.
Policy Rate reduced to 11.0 percent from 12.5 percent	August 10, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 9.5 percent from 12.5 percent	August 10, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 10.25 percent from 11.0 percent	November 22, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 8.0 percent from 9.5 percent	November 22, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 9.75 percent from 10.25 percent	February 20, 2018	Fall in inflation; support economic growth, financial system stability
Statutory reserve ratio reduced to 5.0 percent from 8.0 percent	February 20, 2018	Fall in inflation and to provide a firm basis for the Policy Rate as the key signal of monetary policy
Policy Rate raised to 10.25 percent from 9.75 percent	May 22, 2019	Rise in inflationary pressures and heightened upside risks
OLF rate adjusted to 775 basis points above the Policy Rate from 600 basis points	May 22, 2019	Reduce volatility in the foreign exchange market contributing to inflationary pressures
OLF rate set at 1,650 basis points above the Policy rate from 775 basis points	November 14, 2019	Reduce volatility in the foreign exchange market contributing to inflationary pressures
Policy Rate raised to 11.5 percent from 10.25 percent	November 20, 2019	Rise in inflationary pressures and heightened upside risks
Statutory reserve ratio raised to 9.0 percent from 5.0 percent	December 23, 2019	Reduce volatility in the foreign exchange market
Policy Rate cut to 9.25 percent from 11.5 percent	May 20, 2020	To mitigate the adverse effects of COVID-19 on economic activity.
Additional standards of professional and ethical conduct for market players to enhance market discipline introduced.	May 2020	To enhance market discipline

Measure	Date Implemented	Rationale
Mining companies required to pay non-mineral royalty obligations directly in US dollars.	May 2020	To shore up international reserves.
Policy Rate cut to 8.0 percent from 9.25 percent	August 19, 2020	To safeguard the stability of the financial sector and mitigate the adverse effects of COVID-19 on economic activity.
Pricing rules governing the IFEM amended requiring Authorised Dealers to transact at prevailing market rates.	November 6, 2020	To stabilise the foreign exchange market.
Policy Rate raised to 8.5 percent from 8.0 percent	February 17, 2021	To counter inflationary pressures and anchor inflation expectations.
Policy Rate raised to 9.0 percent from 8.5 percent	November 24, 2021	To steer inflation to single digits in 2022 and within the target range by mid-2023.
Statutory reserve ratio raised to 11.5 percent from 9.0 percent	February 8, 2023	To address volatility in the foreign exchange market and safeguard stability of the foreign exchange market
Policy Rate raised to 9.25 percent from 9.0 percent	February 15, 2023	To steer inflation to within the target range by end-2023.
Policy Rate raised to 9.50 percent from 9.25 percent	May 17, 2023	To steer inflation back into the target range of 6-8 percent
Policy Rate raised to 10.0 percent from 9.50 percent	August 23, 2023	To steer inflation back into the target range of 6-8 percent
Statutory reserve ratio raised to 14.5 percent from 11.5 percent	November 13, 2023	To relieve persistent foreign exchange market pressure with a view to rein in inflation.
Statutory reserve ratio raised to 17.0 percent from 14.5 percent	November 21, 2023	Necessitated by persistent exchange rate pressures which were contributing to higher inflation.
Policy Rate raised to 11.0 percent from 10.0 percent	November 22, 2023	To steer inflation back into the target range of 6-8 percent
Statutory reserve ratio raised to 26.0 percent from 17.0 percent	February 2, 2024	Necessitated by persistently high demand pressures in the foreign exchange market contributing to higher inflation.
Policy Rate raised to 12.5 percent from 11.0 percent	February 14, 2024	To steer inflation back into the target range of 6-8 percent and help anchor inflation expectations.
Policy Rate raised to 13.5 percent from 12.5 percent	May 15, 2024	To augment earlier actions aimed at containing persistent inflationary pressures, acting mostly through the exchange channel, and addressing rising inflation expectations.

Measure	Date Implemented	Rationale
Inclusion of Government deposits and vostro account deposits in the computation of statutory reserves	May 30, 2014	
Daily compliance on statutory reserve ratio re-introduced		
OLF rate set at 10.0 percentage points above the Policy Rate		
Policy Rate raised to 12.5 percent	November 19, 2014	To contain inflationary pressures
Once a week access to the OLF Window suspended and intraday loan to lapse into overnight loan allowed	December 10, 2014	
Statutory reserve ratio raised to 18.0 percent from 14.0 percent	March 20, 2015	
OLF rate set at 6 percentage points above the Policy Rate from 9.5 percentage points		
BoZ to discretionary trade any amount beyond marketable threshold on two-way quote	October 5, 2015	To improve order, stability, and transparency in the foreign exchange market
BoZ to publish individual commercial banks' exchange rates on Reuters platform		
Commercial banks to update board exchange rates three times a day as prescribed		
Policy Rate raised to 15.5 percent	November 3, 2015	To contain inflationary pressures
Interest rate caps removed, and consumer protection measures introduced	November 4, 2015	To allow for better functioning of the credit market
OLF rate set at 1,000 basis points above the Policy Rate	November 10, 2015	To contain inflationary pressures

Measure	Date Implemented	Rationale
Bank of Zambia Foreign Exchange Market Guidelines	May 24, 2024	To enhance transparency, efficiency and effectiveness of domestic foreign exchange market in Zambia.
Government Securities as an Additional Asset Class for Minimum Reserve Requirements	June 5, 2024	To moderate the cost of intermediation and provide flexibility to reserve requirement compliance.
Amendment to the Interbank Foreign Exchange Market Rules	June 11, 2024	To improve transparency and strengthen the operations of the domestic foreign exchange market.
Policy Rate maintained at 13.5 percent	August 15, 2024	The Committee judged that the monetary policy stance was appropriate despite actual and projected inflation remaining above the 6-8 percent target band.
Policy Rate raised to 14.0 percent from 13.5 percent	November 13, 2024	To steer inflation back towards the 6-8 percent target band and anchoring inflation expectations.
Measure	Date Implemented	Rationale
Policy Rate introduced and set at 9.0 percent	April 2, 2012	Mechanism for signalling monetary policy stance as transition to inflation targeting
Policy Rate raised to 9.25 percent	October 31, 2012	To contain inflationary pressures
Policy Rate raised to 9.50 percent	May 31, 2013	To contain inflationary pressures
Policy Rate raised to 9.75 percent	June 28, 2013	To contain inflationary pressures
Statutory reserve ratio raised to 14.0 percent from 8.0 percent	February 24, 2014	To address excess liquidity in the money market and its impact on inflation
Overnight Lending Facility (OLF) rate set at 600 basis points above the Policy Rate	March 19, 2014	To address excess liquidity in the money market and its impact on inflation
Access to OLF window restricted to once a week		
Marketable amount for two-way quote in the Interbank Foreign Exchange Market (IFEM) revised to US$0.5m-US$1m from US$1m	March 28, 2014	To moderate exchange rate volatility and bring orderliness in the interbank market
Interbank bid/ask spread increased to a maximum of K0.02 from K0.01		To enhance price discovery
Policy Rate raised to 10.25 percent	February 28, 2014	To contain inflationary pressures
Policy Rate raised to 12.0 percent	March 28, 2014	To contain inflationary pressures

Measure	Date Implemented	Rationale
Access to OLF Window restricted to once a week	November 18, 2015	To contain inflationary pressures
Roll-over of intra-day loan into an overnight loan discontinued		
Interbank bid/ask spread increased to a maximum of K0.05 from K0.02	May 19, 2016	To improve price discovery
Policy Rate reduced to 14.0 percent from 15.5 percent (first reduction since April 2012)	February 22, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 15.0 percent from 18.0 percent	February 22, 2017	Reduce the cost of funds and promote credit growth
OLF rate set at 600 basis points above the Policy Rate from 1,000 basis points previously	February 22, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 12.5 percent from 14.0 percent	May 17, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 12.5 percent from 15.5 percent	May 17, 2017	Reduce the cost of funds and promote credit growth
Narrowed the Policy Rate corridor to +/- 1 percentage point from +/- 2 percentage points	May 17, 2017	To improve clarity of the policy stance and enhance effectiveness of monetary policy.
Policy Rate reduced to 11.0 percent from 12.5 percent	August 10, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 9.5 percent from 12.5 percent	August 10, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 10.25 percent from 11.0 percent	November 22, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 8.0 percent from 9.5 percent	November 22, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 9.75 percent from 10.25 percent	February 20, 2018	Fall in inflation; support economic growth, financial system stability
Statutory reserve ratio reduced to 5.0 percent from 8.0 percent	February 20, 2018	Fall in inflation and to provide a firm basis for the Policy Rate as the key signal of monetary policy
Policy Rate raised to 10.25 percent from 9.75 percent	May 22, 2019	Rise in inflationary pressures and heightened upside risks

Measure	Date Implemented	Rationale
OLF rate adjusted to 775 basis points above the Policy Rate from 600 basis points	May 22, 2019	Reduce volatility in the foreign exchange market contributing to inflationary pressures
OLF rate set at 1,650 basis points above the Policy rate from 775 basis points	November 14, 2019	Reduce volatility in the foreign exchange market contributing to inflationary pressures
Policy Rate raised to 11.5 percent from 10.25 percent	November 20, 2019	Rise in inflationary pressures and heightened upside risks
Statutory reserve ratio raised to 9.0 percent from 5.0 percent	December 23, 2019	Reduce volatility in the foreign exchange market
Policy Rate cut to 9.25 percent from 11.5 percent	May 20, 2020	To mitigate the adverse effects of COVID-19 on economic activity.
Additional standards of professional and ethical conduct for market players to enhance market discipline introduced.	May 2020	To enhance market discipline
Mining companies required to pay non-mineral royalty obligations directly in US dollars.	May 2020	To shore up international reserves.
Policy Rate cut to 8.0 percent from 9.25 percent	August 19, 2020	To safeguard the stability of the financial sector and mitigate the adverse effects of COVID-19 on economic activity.
Pricing rules governing the IFEM amended requiring Authorised Dealers to transact at prevailing market rates.	November 6, 2020	To stabilise the foreign exchange market.
Policy Rate raised to 8.5 percent from 8.0 percent	February 17, 2021	To counter inflationary pressures and anchor inflation expectations.
Policy Rate raised to 9.0 percent from 8.5 percent	November 24, 2021	To steer inflation to single digits in 2022 and within the target range by mid-2023.
Statutory reserve ratio raised to 11.5 percent from 9.0 percent	February 8, 2023	To address volatility in the foreign exchange market and safeguard stability of the foreign exchange market
Policy Rate raised to 9.25 percent from 9.0 percent	February 15, 2023	To steer inflation to within the target range by end-2023.
Policy Rate raised to 9.50 percent from 9.25 percent	May 17, 2023	To steer inflation back into the target range of 6-8 percent

Measure	Date Implemented	Rationale
Policy Rate raised to 10.0 percent from 9.50 percent	August 23, 2023	To steer inflation back into the target range of 6-8 percent
Statutory reserve ratio raised to 14.5 percent from 11.5 percent	November 13, 2023	To relieve persistent foreign exchange market pressure with a view to rein in inflation.
Statutory reserve ratio raised to 17.0 percent from 14.5 percent	November 21, 2023	Necessitated by persistent exchange rate pressures which were contributing to higher inflation.
Policy Rate raised to 11.0 percent from 10.0 percent	November 22, 2023	To steer inflation back into the target range of 6-8 percent
Statutory reserve ratio raised to 26.0 percent from 17.0 percent	February 2, 2024	Necessitated by persistently high demand pressures in the foreign exchange market contributing to higher inflation.
Policy Rate raised to 12.5 percent from 11.0 percent	February 14, 2024	To steer inflation back into the target range of 6-8 percent and help anchor inflation expectations.
Policy Rate raised to 13.5 percent from 12.5 percent	May 15, 2024	To augment earlier actions aimed at containing persistent inflationary pressures, acting mostly through the exchange rate channel and addressing rising inflation expectations.
Bank of Zambia Foreign Exchange Market Guidelines	May 24, 2024	To enhance transparency, efficiency and effectiveness of domestic foreign exchange market in Zambia.
Government Securities as an Additional Asset Class for Minimum Reserve Requirements	June 5, 2024	To moderate the cost of intermediation and provide flexibility to reserve requirement compliance.
Amendment to the Interbank Foreign Exchange Market Rules	June 11, 2024	To improve transparency and strengthen the operations of the domestic foreign exchange market.
Policy Rate maintained at 13.5 percent	August 14, 2024	The Committee judged that the monetary policy stance was appropriate despite actual and projected inflation remaining above the 6-8 percent target.
Policy Rate raised to 14.0 percent from 13.5 percent	November 13, 2024	To steer inflation back towards the 6-8 percent target band and anchoring inflation expectations.
Policy Rate raised to 14.5 percent from 14.0 percent	February 12, 2025	To steer inflation back to the 6-8 percent target band and help anchor inflation expectations.
Policy Rate maintained at 14.5 percent	May 23, 2025	Maintaining the current stance of monetary policy was deemed appropriate considering the decline in inflation to 16.5 percent in April from 16.8 percent in February; balance of risks was still tilted to the downside.
Policy Rate maintained at 14.5 percent	August 13, 2025	The decision to maintain the Policy Rate was judged appropriate as inflation was still well above the 6-8 percent target band although projected to decline and fall within the band in the first quarter of 2026. The decision would also allow for the consolidation of the gains made on inflation.

Measure	Date Implemented	Rationale
Policy Rate reduced to 14.25 percent from 14.50 percent	November 12, 2025	Inflation continued to fall and the projection indicated a faster deceleration towards the lower bound of the target band over the forecast horizon. In addition, the risks to the inflation outlook were judged to be supportive of lower inflation.