

Quarterly Survey of Business Opinion and Expectations



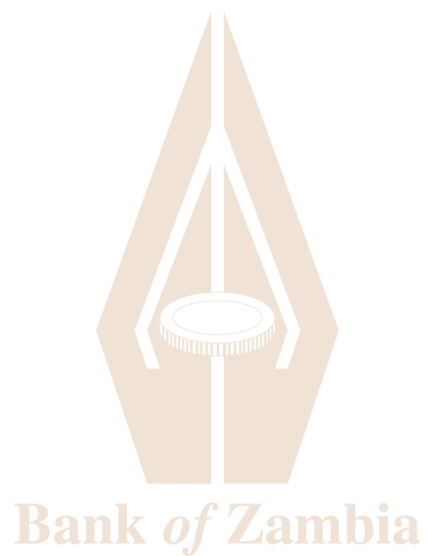
February 2026

Disclaimer:

The opinions and expectations presented herein are of the respondents and not the Bank of Zambia



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Summary

The *February 2026 Survey of Business Opinion and Expectations* indicate improved business conditions, supported by stronger consumer demand, stable Kwacha and more electricity availability towards the end of the quarter. This translated into lower inflationary pressures and stronger growth. Looking ahead, respondents are optimistic about the growth outlook, with the mining and agriculture sectors remaining key drivers, while inflation is projected to continue easing but remain above target. Continued exchange rate appreciation, improved credit availability, stable electricity supply, and supportive macroeconomic policies will also boost economic activity. However, growth may be moderated by the rainy season which is likely to impede tourist activity and construction.

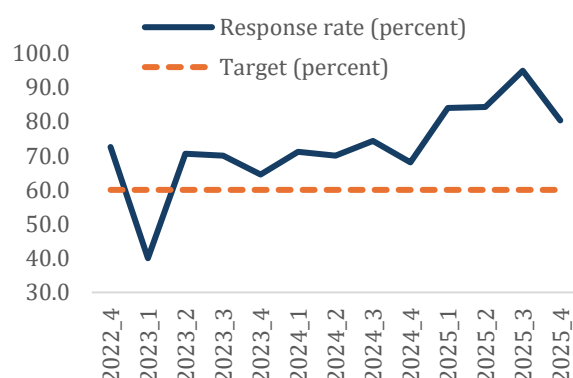
1.0 Introduction

The Bank of Zambia's Quarterly Survey of Business Opinion and Expectations (QSBOE) captures the assessment of prevailing macroeconomic conditions by the business community and their outlook for the period ahead. It serves as an important input into the Bank's monetary policy formulation by providing timely insights into firms' perceptions, operating conditions, and expectations.

This report summarises firms' views on macroeconomic developments during the fourth quarter of 2025 as well as their expectations for the first quarter of 2026 and 12 months ahead.

The survey targeted 350 companies out of which 281 participated, yielding a response rate of 80.3 percent (Chart 1 and Table 1). This is lower than the 94.9 percent response rate recorded in the third quarter of 2025 but above the 60 percent required threshold.

Chart 1: Response Rate



Source: Bank of Zambia

Table 1: Distribution of Responses by Province

| Province | Responses | Percent |
|--------------|-----------|---------|
| Central | 44 | 16 |
| Lusaka | 41 | 14 |
| Copperbelt | 36 | 13 |
| Southern | 33 | 12 |
| Eastern | 28 | 10 |
| Muchinga | 25 | 9 |
| Northern | 20 | 7 |
| Northwestern | 19 | 7 |
| Luapula | 19 | 6 |
| Western | 16 | 6 |
| Total | 281 | 100 |

Source: Bank of Zambia

The tourism sector recorded the largest share of responses (31 percent) followed by the wholesale and retail sector (22 percent) and the services sector (18 percent) as shown in Table 2. The construction sector continued to register the lowest proportion of responses (2 percent).

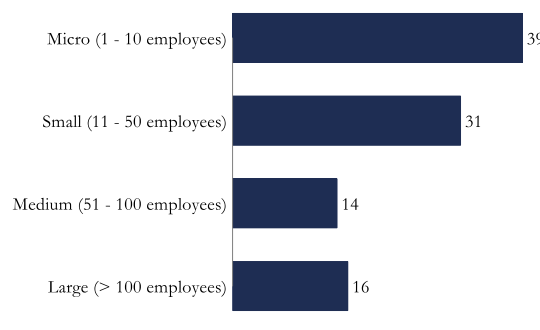
Table 2: Distribution of Responses by Sector

| | Frequency | Percent |
|----------------------|-----------|---------|
| Tourism | 86 | 31 |
| Wholesale and Retail | 62 | 22 |
| Service | 51 | 18 |
| Manufacturing | 42 | 15 |
| Agriculture | 33 | 12 |
| Construction | 7 | 2 |
| Total | 281 | 100 |

Source: Bank of Zambia

In terms of employment size, most of the respondent firms were micro-sized, representing 39 percent of the sample. Small firms accounted for 31 percent while medium and large firms comprised 14 percent and 16 percent, respectively (Chart 2).

Chart 2: Distribution of Responses by Firm Size (percent)



Source: Bank of Zambia

The remainder of the report is structured as follows. Section 2 presents firms' assessments of economic performance in the fourth quarter of 2025 and their expectations for the first quarter of 2026. Section 3 examines views on firm financing, credit conditions, and lending rates. Section 4 outlines macroeconomic prospects over a one-year horizon, and Section 5 concludes the report. The appendix provides a description of the survey methodology and a summary of indicator movements.

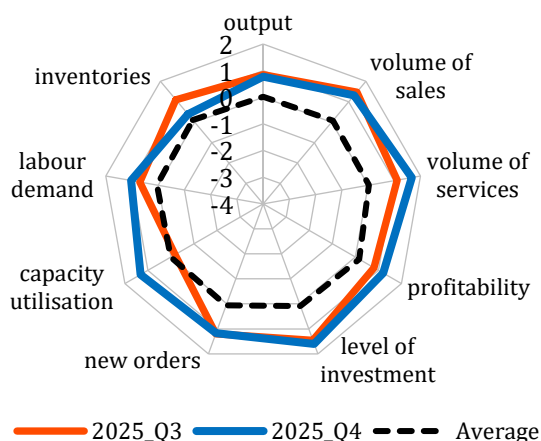
2.0 Current Economic Performance and Expectations

... exchange rate appreciation and improved electricity supply boost economic activity

The business environment strengthened further in the fourth quarter of 2025, supported by a favourable exchange rate and improvements in electricity supply. These developments helped ease key operational constraints faced by firms, contributing to greater stability in production planning and cost management across sectors. This provided a more conducive environment for business activity during the quarter.

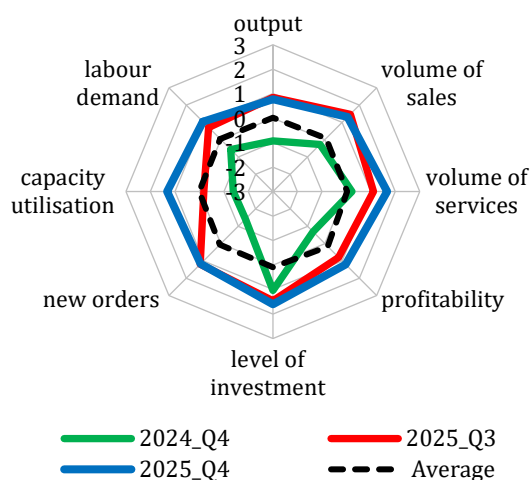
Reflecting this, firms reported increased investment activity alongside stronger profitability (Charts 3A and 3B). Demand conditions also improved evidenced by the rise in new orders while capacity utilisation rose. In addition, volume of service and demand for labour increased, indicating a positive response by firms to improved operating conditions.

Chart 3A: Business Opinion Response Patterns (q/q)



Source: Bank of Zambia

Chart 3B: Business Opinion Response Patterns (y/y)



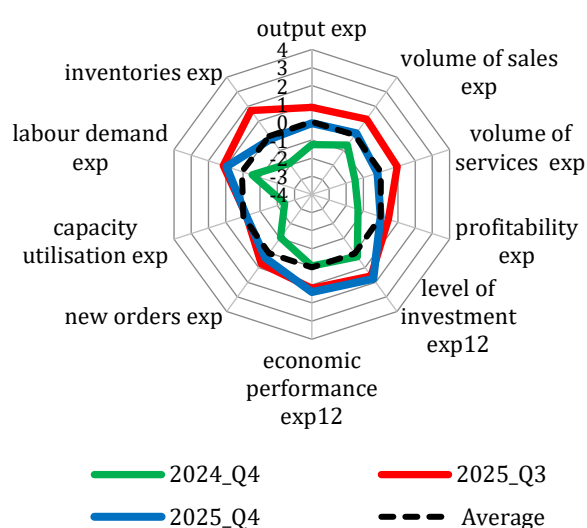
Source: Bank of Zambia

Economic performance is expected to improve in the first quarter of 2026 as inflationary pressures ease and macroeconomic stability fortifies (Chart 4). A stronger exchange rate, supported by increased foreign exchange inflows, is expected to lower import costs for fuel, electricity, and other dollar-denominated inputs, thereby stabilizing prices and increasing consumer purchasing power. Further, improved and stable electricity supply is expected to positively weigh on production. Ongoing Government-led capital projects and improved policy implementation are expected to enhance efficiency and improve productive capacity while the recently issued [Currency Directives](#) by the Bank of Zambia will further support confidence in the Kwacha and better monetary policy.

The mining and agriculture sectors are expected to remain the dominant drivers of economic growth. Rising copper prices, new mine operations, and increased output will strengthen export earnings and foreign exchange inflows. At the same time, improved performance in the agriculture sector, supported by favourable rainfall and good harvest, will enhance food security, exports, and activity in related sectors. Increased activity ahead of General Elections in August complement positive economic momentum and overall growth.

However, on a quarter-on-quarter basis, growth expectations are lower, largely moderated by seasonal factors, particularly a slowdown in tourism activity during the rainy season, which typically results in reduced tourist numbers and the temporary closure of some tourism facilities. Reduced activities in the construction sector and the agriculture sector in the post-planting period is also expected to exert downward pressure on economic activity.

Chart 4: Business Expectations Response Patterns



Source: Bank of Zambia

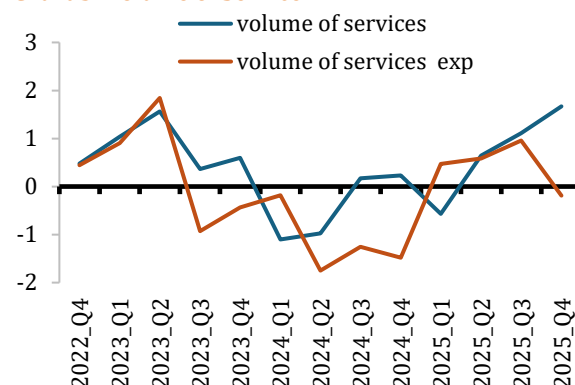
Over the next 12 months, economic performance is expected to improve on the back of sustained low inflation, a stronger Kwacha, and rising consumer confidence. Increased copper output and prices as well as improved performance in the agriculture sector will boost foreign exchange inflows and support the Kwacha. Government-led structural reforms and supportive export-oriented policies, as well as Bank of Zambia regulatory measures are expected to enhance stability and strengthen economic performance.

2.1 What has been your firm's experience with respect to the volume of service?

(Net balance, 0.25; Q3 2025, 0.13)

The volume of services increased in the fourth quarter of 2025, driven by broad-based sectoral demand (Chart 5). Increased business activity, together with digitisation, innovation and marketing amid high levels of competition, supported more efficient and expanded service delivery. Targeted promotions by tourist operators helped attract more customers, reinforcing growth in the volume of services.

Chart 5: Volume of Service



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

The volume of services is expected to continue increasing in the first quarter of 2026, supported by elevated demand, ongoing marketing initiatives, improved overall business activity, and efforts in digitization and innovation. However, growth may be moderated by the seasonal slowdown in tourism activity during the rainy season.

2.2 How was your firm's level of investment?

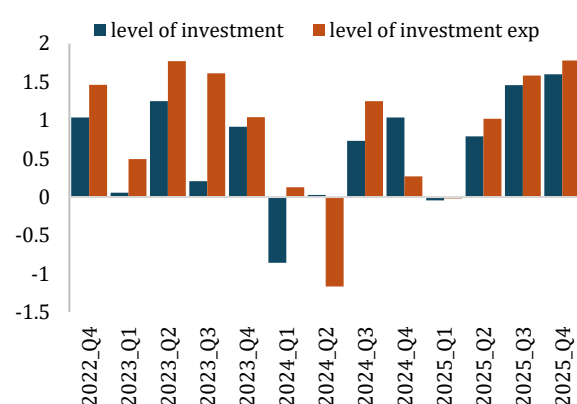
(Net balance, 0.23; Q3 2025, 0.21)

The level of investment rose during the fourth quarter, largely on account of increased capital expenditure across firms (Chart 6). Key factors included expansion works, renovations to improve operational capacity, and purchase of equipment such as computers and motor vehicles. Firms also invested in

security installations and acquired land to support current operations and future growth plans.

Additional investments were directed toward processing facilities for value addition, introduction of new products, and the purchase of solar equipment to mitigate power supply challenges. One firm indicated increased investment in power generation and ethanol plants, reflecting a strategic focus on energy sustainability, production efficiency, and long-term business resilience.

Chart 6: Level of Investment



Note: The line at zero (0.0) represents the long-term average

Source: Bank of Zambia

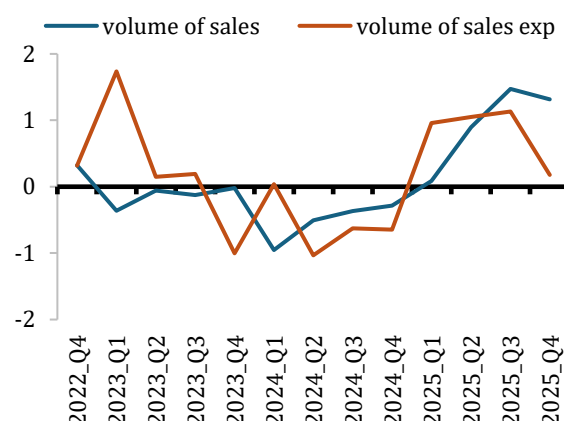
Looking ahead to the first quarter of 2026, investment activity is expected to remain elevated as firms continue to expand and modernize operations. Planned expenditures will focus on further equipment purchase, completion of ongoing construction and renovation projects, expansion of value addition processes, and continued investment in renewable energy solutions, including solar and in-house power generation. Firms are also expected to advance product development initiatives and recapitalisation efforts, supporting operational resilience, productivity gains, and sustained business growth.

2.3 What has been your firm's experience with respect to the volume of sales?

(Net balance, 0.08; Q3 2025, 0.12)

The volume of sales increased further in the fourth quarter, reflecting strong performance across multiple sectors (Chart 7). Robust festive season demand as households increased spending on goods and services in preparation for holiday celebrations supported the volume of sales. In the agriculture sector, heightened demand for farming inputs (seed, fertilizers, and equipment) boosted sales volumes, reflecting the sector's sustained good outturn following the recent good farming season. In addition, back-to-school purchases, including uniforms, stationery, and other essentials, provided a further uplift to overall sales during the quarter.

Chart 7: Volume of Sales



Note: The line at zero (0.0) represents the long-term average

Source: Bank of Zambia

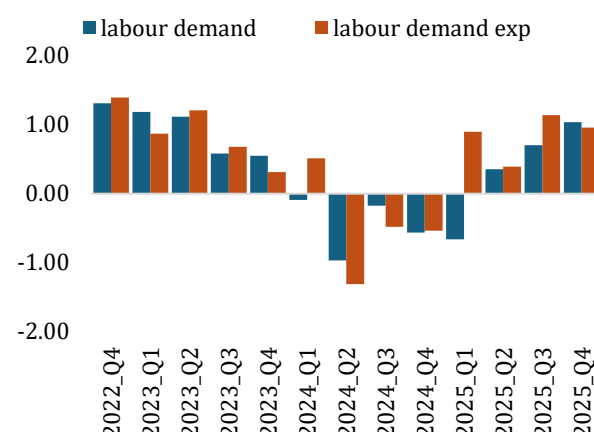
In the first quarter of 2026, sales are expected to continue rising as consumer demand remains strong and strong mining activities are sustained. However, growth is expected to be moderated by lower levels of activity in the agriculture sector during the pre-harvest period.

2.4 How do you rate your firm's labour demand?

(Net balance, 0.07; Q3 2025, 0.02)

Labour demand increased in the fourth quarter as firms in various sectors hired additional workers to scale up production and service delivery in response to heightened festive season demand (Chart 8). Businesses expanded their workforce to meet increased consumer activity, particularly in the retail, tourism, and related sectors. In addition, rising mining activities contributed to higher labour demand. These developments collectively supported a notable increase in employment during the quarter.

Chart 8: Labour Demand



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

In the next quarter, labour demand is expected to remain firm, mainly on continued increase in mining activities and ongoing firm expansion. Firms undertaking expansion of operations and capacity are expected to hire more workers to support increased output and service delivery.

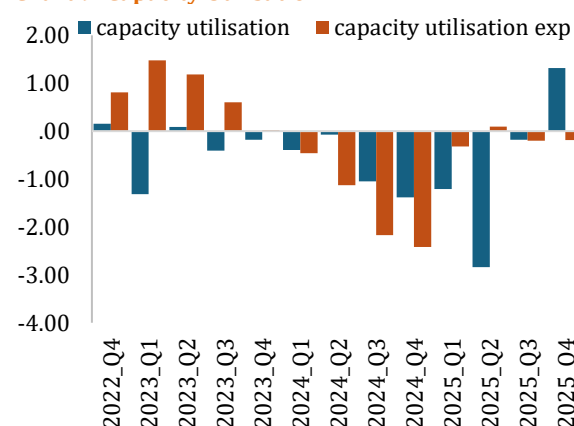
2.5 What has been your firm's experience with respect to capacity utilisation?

(Net balance, 0.05; Q3 2025, -0.27)

There was a recovery in capacity utilisation in the fourth quarter with firms on average reporting an increase for the first time since the third quarter of 2022 (Chart 9). The improvement was mainly driven by the

increase in consumer demand and new contracts, which boosted production across key sectors. In addition, survey respondents also cited improved electricity supply towards the end of the quarter as one of the significant factors leading to improved increased capacity utilisation. In addition, some firms reported hiring more skilled labour and the associated efficiency benefits as enabling them to operate at higher capacity levels.

Chart 9: Capacity Utilisation



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

In the first quarter of 2026, capacity utilisation is expected to remain strong premised on further reduction in the cost of production on account of a stable exchange rate and sustained easing of inflationary pressures. Continued stable supply of electricity is also expected to boost capacity utilisation in the next quarter.

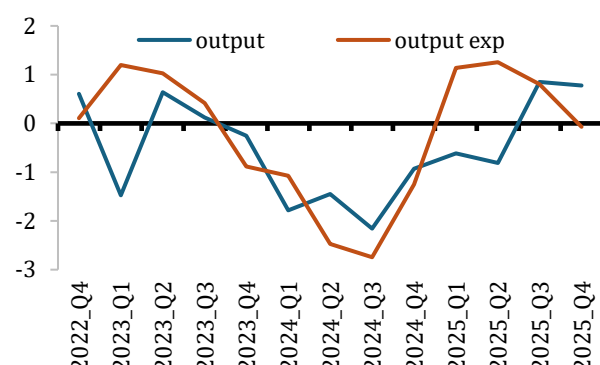
2.6 What has been your firm's experience with respect to output?

(Net balance, 0.04; Q3 2025, 0.06)

Output increased in the fourth quarter (Chart 10). This was due to the increase in firm production in response to higher demand for their final products. Some firms reported opening of additional outlets that expanded production capacity and resulted in the increase in firm output in the quarter (Chart 9). Firms also cited reduced hours of electricity load management, lower costs of imported inputs following the appreciation of the kwacha and easing inflation as key factors

driving higher output. Growth in output was, however, moderated by firms on industrial breaks.

Chart 10: Output



Note: The line at zero (0.0) represents the long-term average

Source: Bank of Zambia

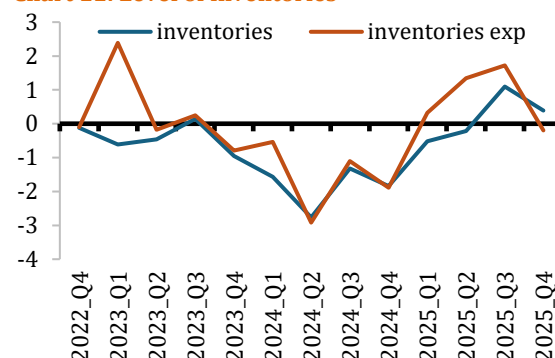
Looking ahead to the next quarter, output is expected to remain positive, supported by continued expansion by some firms and ongoing activities in the mining sector that will support demand.

2.7 What has been your firm's experience with respect to inventories of finished products?

(Net balance, -0.03; Q3 2025, 0.07)

Inventories of final goods reduced in the fourth quarter (Chart 11) as firms drew down stocks to meet strong festive season demand. In addition, the high demand for farming inputs led suppliers to release existing inventories in preparation for the planting season. On the other hand, for some firms, reduced inventories were due to constrained production resulting from electricity shortages in the early period of the quarter. Some milling companies had difficulties sourcing the key input, maize grain, while others pointed to low working capital and fuel shortages as constraining production capacity. Collectively, these factors contributed to the observed reduction in inventory levels during the quarter.

Chart 11: Level of inventories



Note: The line at zero (0.0) represents the long-term average

Source: Bank of Zambia

Inventories in the first quarter of 2026 are expected to increase slightly, reflecting a moderation in overall demand and a slowdown in farming activities post the planting season. Inventories will also be boosted by stable electricity supply as well as a stronger Kwacha for firms reliant on imported finished products.

2.8 What has been your firm's experience with respect to inventories of inputs?

(Net balance, 0.00; Q3 2025, -0.01)

Although input inventories recorded a marginal improvement in the fourth quarter relative to the third quarter, respondents' assessments remained broadly balanced between those reporting adequate stock levels and those indicating constrained input availability.

For firms whose stock of inputs increased, this reflected a strategic shift toward strengthening production readiness for high festive season demand. As demand continued to improve, businesses across multiple sectors proactively stockpiled raw materials to avoid disruption to production and ensure timely fulfilment of orders. The improvement was further supported by increased capacity utilisation as firms benefited from more stable electricity supply towards the end of the quarter, allowing for more predictable production schedules. Those who reported a reduction in the stock of inputs attributed this to the scarcity of raw materials, such as, maize grain and wood. Highly competitive

pressures, electricity supply disruptions in the early part of the quarter, and subdued demand conditions also contributed to some firms adjusting and closely managing their inventory levels.

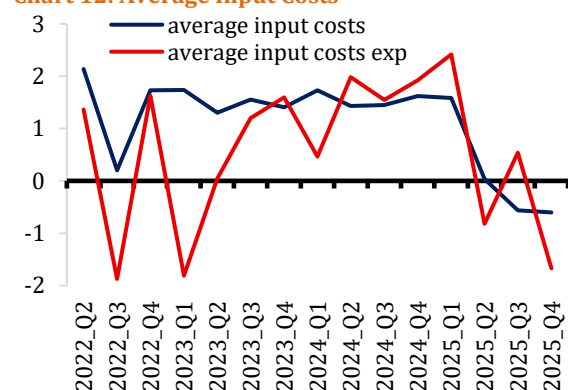
In the first quarter of 2026, inventories of inputs are expected to decline slightly as firms ease back on procurement following the heavy stockpiling undertaken in the previous quarter. With festive season production complete and demand normalising, many firms will shift focus toward utilising existing inventories rather than accumulating additional inputs. The expected slowdown in farming and related commercial activities during the off season will also reduce firms' need for raw materials.

2.9 What has been your firm's experience with respect to average input costs?

(Net balance, 0.29; Q3 2025, 0.30)

Average input costs continued to rise in the fourth quarter, albeit at a slower pace, largely driven by increased demand for key production inputs during the period (Chart 12). Firms reported that heightened activity ahead of the festive season exerted upward pressure on the prices of raw materials, contributing to the overall increase in input costs. Continued use of alternative sources of energy also exerted upward pressure on input costs.

Chart 12: Average Input Costs



Note: The line at zero (0.0) represents the long-term average.
Source: Bank of Zambia

In the first quarter of 2026, average input costs are expected to remain elevated despite

moderating inflation, reflecting underlying price stickiness.

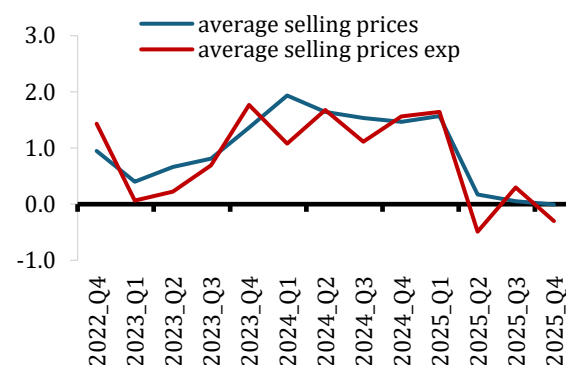
2.10 What has been your firm's experience with respect to average selling prices?

(Net balance, 0.08; Q3 2025, 0.09)

Average selling prices increased mainly on account of elevated input prices and rising demand for final goods. Higher costs of raw materials and transportation continued to push overall cost structures upward, prompting firms to adjust their selling prices to preserve margins. At the same time, strong consumer demand, particularly ahead of the festive season, enabled firms to pass on a greater share of input costs to the market. In addition, continued use of alternative energy sources contributed to the overall rise in selling prices.

In the first quarter of 2026, average selling prices are expected to continue rising as firms anticipate persistent upward pressure on production costs.

Chart 13: Evolution of Average Selling Prices



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

2.11 What has been your firm's experience with respect to the wage bill?

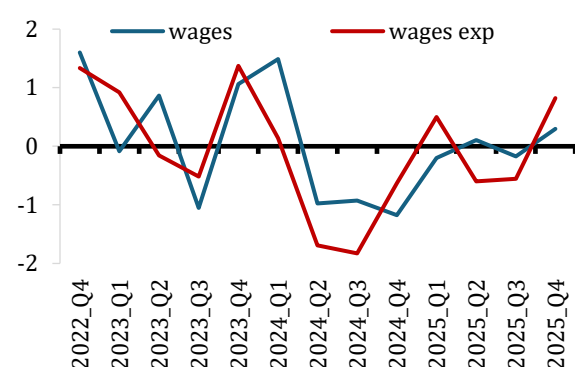
(Net balance, 0.16; Q3 2025, 0.12)

Respondents reported an increase in the wage bill during the fourth quarter, largely driven by annual salary adjustments to mitigate the rising cost of living. Some firms indicated that improved profitability enabled them to

implement wage increments. Compliance with labour laws and statutory wage requirements also contributed to higher wage outlays over the period.

Further, upward pressure on the wage bill reflected firm-level efforts to retain employees amid rising labour demand, particularly in response to increased mining activities, especially in Muchinga and Northwestern provinces, as well as initiatives to expand production to meet strong demand. Extended working hours and additional shifts to accommodate increased production amidst higher product demand also underpins the increment.

Chart 14: Evolution of Wages



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

In the next quarter, respondents expect the wage bill to continue increasing due to scheduled annual salary adjustments and the anticipated persistence of elevated mining activities. Sustained labour demand associated with ongoing production expansion is expected to support employment levels and overtime work thereby maintaining upward pressure on overall wage costs.

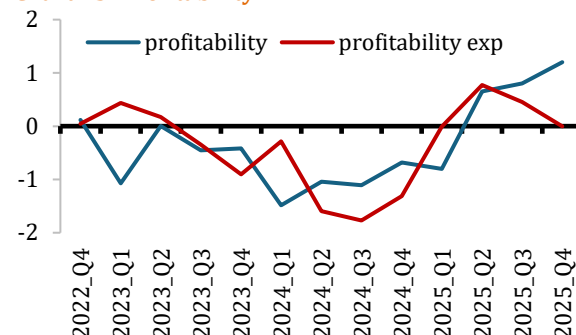
2.12 What has been your firm's experience with respect to profitability?

(Net balance, 0.03; Q3 2025, -0.06)

Profitability increased in the fourth quarter, supported by higher selling prices and robust sales volumes, largely reflecting strong festive season demand and back-to-school spending (Chart 15). The combination of improved

pricing conditions and sustained consumer demand led to higher revenues from both goods and services, enabling firms to record stronger earnings. As a result, profit margins improved during the quarter.

Chart 15: Profitability



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

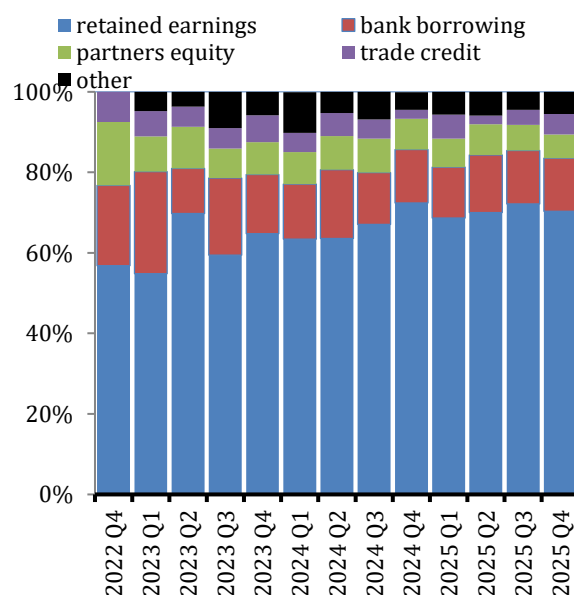
In the first quarter of 2026, profitability is expected to continue improving, underpinned by continued momentum in sales volumes and firms' ability to maintain favourable pricing. This will be complemented by moderated input cost due to exchange rate appreciation.

3.0 Sources of Financing, Credit and Lending Rates Expectations

3.1 What is your current main source of investment finance?

Retained earnings remained the primary source of investment finance (Chart 16). This was followed by bank borrowing. Partner equity and trade credits only contributed marginally. Other sources of finance ranged from non-governmental organization donations, customer deposits to pension funds.

Chart 16: Sources of Investment Finance



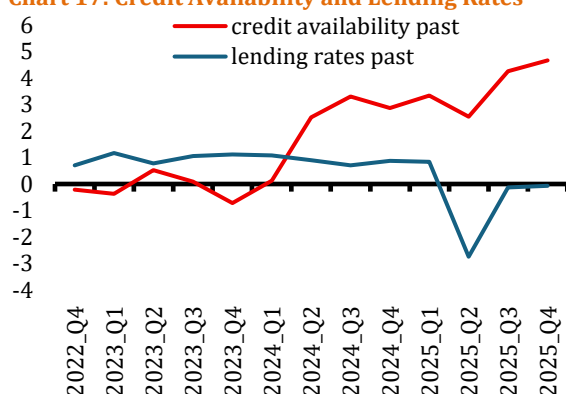
Source: Bank of Zambia

3.2 What is your perception of the current availability of credit?

(Credit Availability, 0.14; Q3 2025, 0.16)
(Lending Rates, 0.50; Q3 2025, 0.48)

Most respondents reported increased credit availability in the fourth quarter largely due to the opening of new microfinance institutions (Chart 17). However, lending rates remained high due to elevated inflation rate, though declining, and the tight monetary policy stance.

Chart 17: Credit Availability and Lending Rates



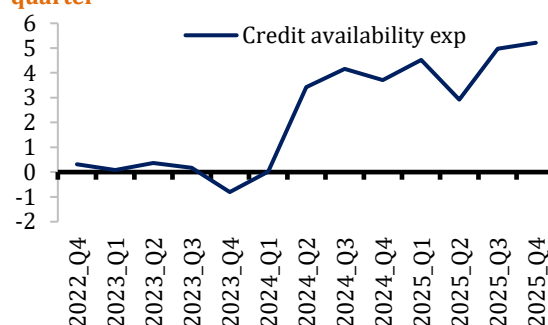
Source: Bank of Zambia

3.3 How do you expect credit availability to be over the next quarter?

(Net balance, 0.18; Q3 2025, -0.15)

Credit availability is expected to improve further in the next quarter (Chart 18). This optimism is largely based on the positive outlook of the economy and improved liquidity conditions. However, some respondents noted that elevated interest rates due to perceived high levels of lending risk, and political uncertainty ahead of the General Elections later in the year could limit credit expansion.

Chart 18: Credit availability expectations next quarter¹



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

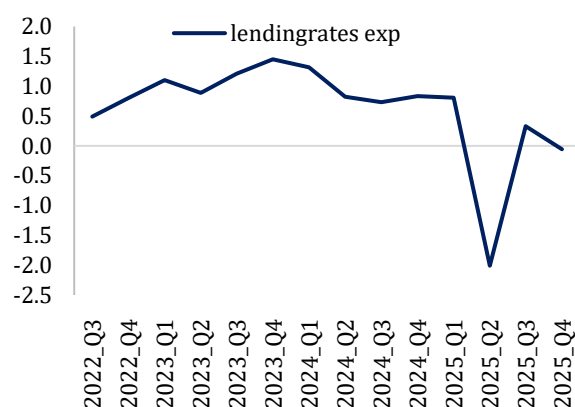
3.4 What do you expect to happen to commercial bank lending rates over the next quarter?

(Net balance, 0.33; Q3 2025, 0.47)

Respondents expect interest rates to remain elevated in the next quarter, largely reflecting the tight monetary policy stance, strong demand for credit by businesses, and continued government borrowing from the domestic market. Nonetheless, some respondents expect a moderation in interest rates on account of perceived increase in liquidity as economic activity expands (Chart 19).

¹ Credit availability = tight (-)/ loose (+)

Chart 19: Lending Rates Expectations Next Quarter



Note: The line at zero (0.0) represents the long-term average

Source: Bank of Zambia

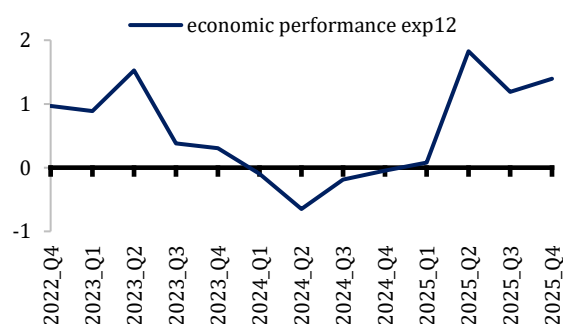
4.0 Macroeconomic Prospects

4.1 What is your expectation of the performance of the economy in the next 12 months?

(Net balance, 0.63; Q3 2025, 0.57)

Firms are still optimistic about growth prospects over the next 12 months (Chart 20). This is premised on expectations of sustained increase in agriculture sector production, higher mining production and revenues, as well as rising foreign direct investment. Improvements in electricity generation and supply will translate into lower production costs for firms, supporting higher levels of production. Emergent macroeconomic stability, specifically declining inflation and the appreciation of the Kwacha as well as the expected fiscal expansion during the 2026 General Elections is expected to stimulate aggregate demand and support growth in the next 12 months.

Chart 20: Economic Performance in the Next 12 Months



Note: The line at zero (0.0) represents the long-term average

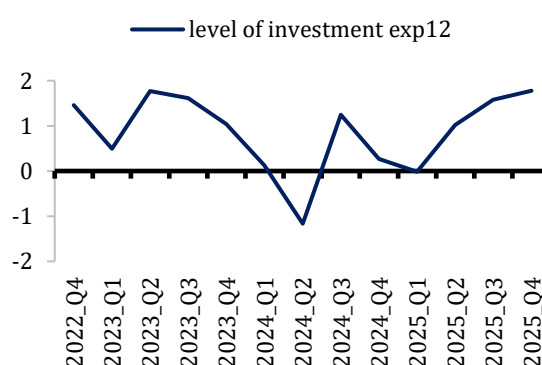
Source: Bank of Zambia

4.2 What is your expectation of the level of investment in the next 12 months?

(Net balance, 0.39; Q3 2025, 0.37)

Over the next 12 months, stability in the macroeconomic environment is expected to spur investments with firms across sectors anticipating an increase in expansion and renovation projects (Chart 21). Some respondents intend to invest in the acquisition of new equipment while those in the banking sector intend to expand asset portfolios such as loan products and investments in Government securities to spur profitability. Some respondents expect to diversify into new investments with expected additional funding from financiers. Further, some firms in the manufacturing sector expect increased investments as they invest in new product lines while some of those in the agriculture sector plan to increase hectareage of farming area.

Chart 21: Level of Investment in the Next 12 Months



Note: The line at zero (0.0) represents the long-term average

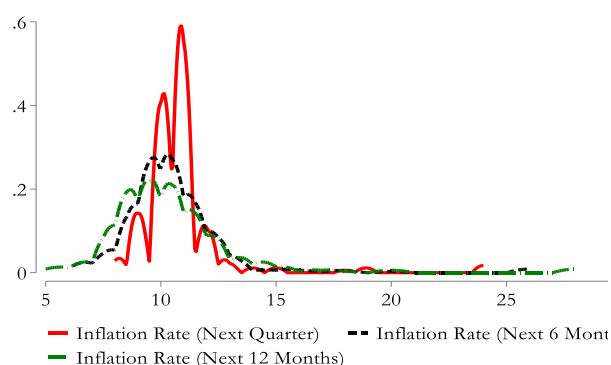
Source: Bank of Zambia

4.3 What do you expect the price level to be over the next quarter?

(Net balance, -0.13; Q3 2025, 0.27)

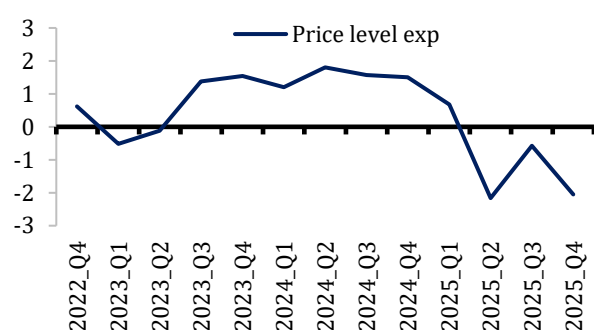
Inflationary pressures are expected to decline in the first quarter of 2026. Inflation is projected to average 10.8 percent (Charts 22, 23, and 24).

Chart 22: Kernel Density Plot - Expected Inflation Rate at the end of the Next Quarter, 6 and 12 months²



Source: Bank of Zambia

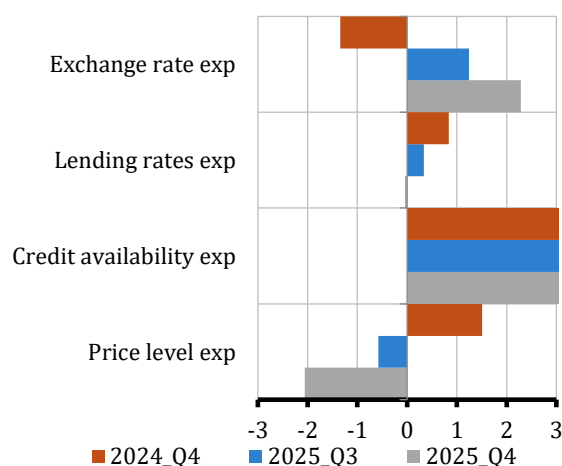
Chart 23: Inflationary Expectations Next Quarter



Note: The line at zero (0.0) represents the long-term average

Source: Bank of Zambia

Chart 24: Inflation, Exchange Rate and Lending Rate Expectations



Notes:

Exchange rate = appreciation, strong (+)/depreciate, weak (-)

Lending rates = increase, high (+)/decrease, low (-)

Credit availability = tight (-)/ loose (+)

Inflation expectations = increase, high (+)/decrease, low (-)

Note: The line at zero (0.0) represents the long-term average

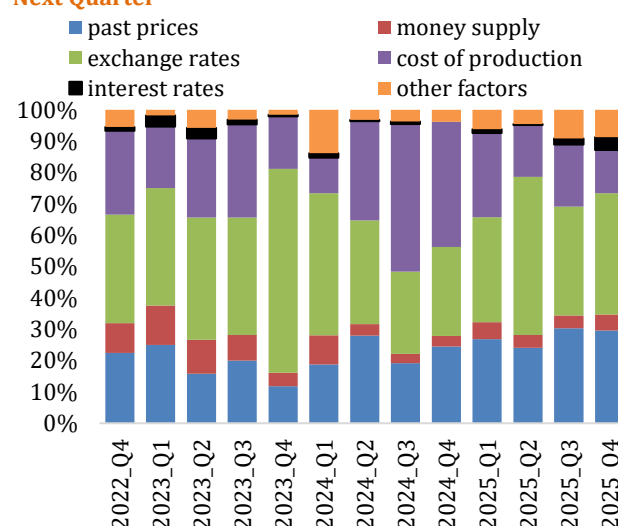
Source: Bank of Zambia

Inflation is projected to trend downwards but remain above the 6-8 percent target range. It is expected to average 10.5 percent in the next six months and 10.4 percent in the next 12 months, respectively.

4.4 What are the main factors explaining your expectations of inflation?

In the first quarter of 2026, reduced inflationary pressures will largely be on account of the appreciation of the exchange rate and reduced cost of production occasioned by improved electricity supply leading to near optimal production. Over the next six to 12 months, inflation will trend downwards as the Kwacha appreciates further due to improvements in foreign exchange supply as mining production and revenue increase. The outlook is also underpinned by improved food supply and agriculture raw materials coupled with the reduction in the cost of production as electricity supply stabilizes. Some respondents are expectant that the continued tight monetary policy stance will ensure low and stable inflation.

Chart 25: Key Drivers of Inflationary Expectations Next Quarter



Source: Bank of Zambia

² The inflation projections were winsorized at the 1st and 99th percentiles to mitigate the influence of outliers.

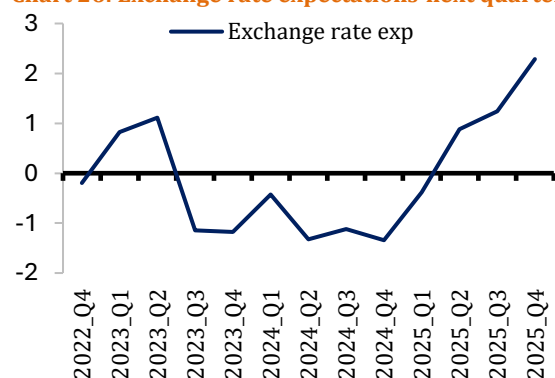
4.5 How do you expect the performance of the Kwacha against the US dollar to be at the end of the next quarter?

(Net balance, 0.56; Q3 2025, 0.20)

The exchange rate is projected to appreciate in the first quarter of 2026, averaging K20.20 per US dollar (Chart 26). The projected increase in mining revenues, recently issued Currency Directives by the Bank, and prudent macroeconomic management towards the General Elections will support the exchange rate. The recent sovereignty rating upgrade will also support a stronger Kwacha as investor sentiment improves in the near-term.

Over the next six months, the Kwacha is expected to continue appreciating against the US dollar mainly on account of continued improvement in foreign exchange supply due to the projected rise in mining export revenues. Positive sentiments and persistent effects of the Currency Directives will also strengthen the Kwacha. The exchange rate is expected to remain relatively stable by the end of the next twelve months. Respondents project the exchange rate to average K19.50 per US dollar in the next six months and K19.70 per US dollar in the next 12 months (Chart 27).

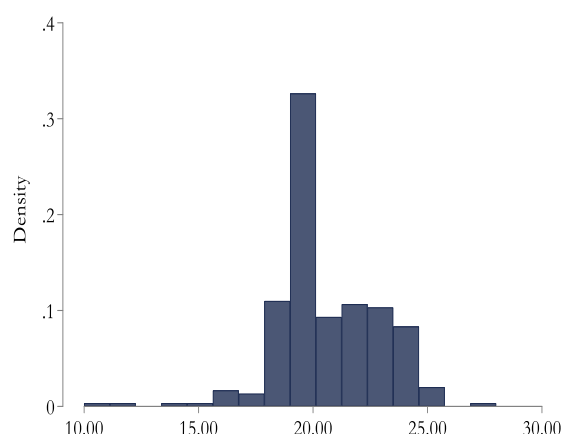
Chart 26: Exchange rate expectations next quarter



Note: The line at zero (0.0) represents the long-term average

Source: Bank of Zambia

Chart 27: Histogram - Expected Exchange Rate at the end of the Next Quarter (Q4 2025)



Source: Bank of Zambia

5.0 Conclusion

Economic activity continued to improve in the fourth quarter of 2025 marked by renewed confidence and improving macroeconomic fundamentals. Firms across sectors benefited from heightened festive season and back to school demand, improved electricity availability towards the end of the quarter, and a stable exchange rate, all of which supported production and reinforced strategic investments. In the first quarter of 2026 and over the next 12 months, respondents remain optimistic that ongoing structural reforms, easing inflationary pressures, increased mining output, favourable performance in the agriculture sector, and prudent monetary and fiscal policies will sustain economic recovery and foster stronger growth.

Appendix I –Survey Methodology

Data collection for the Quarterly Survey of Business Opinions and Expectations is done through a questionnaire designed to capture information on economic performance, sources of finance, and operational constraints for the current quarter as well as expectations for the following quarter and 12 months ahead. The questionnaire is administered to a sample of respondents in manufacturing, wholesale and retail, tourism and services, construction, and agriculture sectors selected based on their contribution to GDP.

The Survey covers the Copperbelt (Luanshya, Ndola, Kitwe and Chingola), Southern (Mazabuka, Choma, Kalomo and Livingstone), Central (Chisamba, Chibombo, Kabwe, Mumbwa and Mkushi Farming Block), Eastern (Petauke, Chipata and Mfuwe), North-Western (Kasempa, Solwezi and Zambezi), Northern (Kasama, Mbala and Mpulungu), Muchinga (Mpika, Chinsali, Isoka and Nakonde), Luapula (Samfya and Mansa), Lusaka (Lusaka, Chongwe and Kafue) and Western Provinces (Mongu, Senanga, Kaoma and Kalabo).

Data analysis is based on net balance statistic (N) methodology where qualitative responses are converted into quantitative measures as follows:

$$N = \frac{U - D}{U + D + S}$$

where U, D and S represent the number of respondents indicating up, down and same, respectively.

The net balance statistic method is widely used in the analysis of survey data and has the advantage of detecting the directional changes in performance/expectations of respondents in surveys. It indicates the predominance of either an improvement or deterioration in a variable. A positive (negative) net percentage indicates that more respondents reported/expected an increase(decrease)/ improvement (deteriorating) /tightening (loosening).

Appendix II – Summary Indicator Movements

| INDICATOR | YEAR ON YEAR | | QUARTER ON QUARTER | |
|---|--------------------|-----------|--------------------|-----------|
| | Net Balance Change | Direction | Net Balance Change | Direction |
| Firm Performance (Past Quarter) | | | | |
| Output | 0.30 | | -0.01 | |
| Investment | 0.08 | | 0.02 | |
| Capacity utilisation | 0.56 | | 0.31 | |
| Volume of service | 0.33 | | 0.13 | |
| Volume of sales | 0.47 | | -0.05 | |
| Inventories | 0.31 | | -0.10 | |
| Labour demand | 0.23 | | 0.05 | |
| Average input costs | -0.36 | | -0.01 | |
| Average selling prices | -0.28 | | -0.01 | |
| Wage bill | 0.12 | | 0.04 | |
| Profitability | 0.44 | | 0.09 | |
| Firm Performance (Next Quarter) | | | | |
| Output | 0.21 | | -0.16 | |
| Investment | 0.16 | | 0.06 | |
| Capacity utilisation | 0.38 | | 0.00 | |
| Volume of service | 0.26 | | -0.23 | |
| Volume of sales | 0.22 | | -0.26 | |
| Inventories | 0.22 | | -0.25 | |
| Labour demand | 0.18 | | -0.02 | |
| Average input costs | -0.52 | | -0.32 | |
| Average selling prices | -0.35 | | -0.11 | |
| Wage bill | 0.14 | | 0.13 | |
| Profitability | 0.30 | | -0.10 | |
| Macroeconomic expectations (Next quarter) | | | | |
| Price level | -0.97 | | -0.40 | |
| Economic performance | 0.94 | | 0.25 | |
| Lending rates | -0.33 | | -0.14 | |
| Exchange rate | 1.25 | | 0.36 | |
| Credit availability | 0.21 | | 0.03 | |
| Macroeconomic expectations (Next 6 months) | | | | |
| Price level | -0.96 | | -0.38 | |
| Economic performance | -0.36 | | -0.78 | |
| Exchange rate | 1.02 | | 0.39 | |
| Macroeconomic expectations (Next 12 months) | | | | |
| Price level | -0.74 | | -0.25 | |
| Economic performance | 0.45 | | 0.06 | |
| Exchange rate | 0.66 | | 0.12 | |
| investment | 0.18 | | 0.02 | |

Source: Bank of Zambia

LEGEND: NEGATIVE CHANGE; POSITIVE CHANGE