



Bank of Zambia

MONETARY POLICY COMMITTEE STATEMENT

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

At its Meeting held on May 11-12, 2026, the Monetary Policy Committee (MPC) decided to reduce the Monetary Policy Rate by 25 basis points to 13.25 percent. In arriving at this decision, the Committee took into account the expected favourable maize harvest during the current crop marketing season and the observed relative stability in the exchange rate of the Kwacha/US\$. Although these factors are strongly supportive of a lower inflation path, anchored within the 6-8 percent target band, the Committee judged that the upside risks and uncertainty associated with the Middle East conflict warranted a cautious adjustment to the Policy Rate that maintains an appropriate stance of monetary policy.

Inflation declined sharply to 7.1 percent in March 2026 from 11.2 percent in December 2025 and eased further to 6.8 percent in April, well within the 6-8 percent target band. In the first quarter of 2026, inflation averaged 8.0 percent compared to 11.3 percent in the last quarter of 2025. This marked disinflation was mainly driven by the continued base effects from maize grain and related products as well as the sharp appreciation of the Kwacha/US\$ exchange rate.

Over the forecast horizon¹, inflation is projected to remain within the target band. In 2026, it is expected to average 6.8 percent compared to 6.9 percent in the February forecast. In 2027, inflation is forecast to moderate further to 6.1 percent relative to 6.7 percent, reported previously, before it edges up to 6.6 percent in the first quarter of 2028. Key influences are the recent exchange rate appreciation and anticipated lower maize prices due to an expected favourable harvest in the current crop marketing season.

The protraction of the Middle East conflict, which has already resulted in higher global crude oil prices, and, in turn, a rise in domestic fuel pump prices, presents a significant upside risk to the inflation outlook. The fuel prices could, actually, have been higher than they currently are had it not been for the tax relief that the Government has provided, notably the suspension of excise duty and zero-rating of value added tax on petroleum products for three months. Besides the geopolitical risk, the possible El Niño event from mid-2026 poses an additional upside risk to inflation.

Although the Committee recognised that the expected favourable maize harvest in the current crop marketing season and the observed relative stability in the Kwacha/US\$ exchange rate are strongly supportive of a lower inflation path, these upside risks and the uncertainty associated with the conflict in the Middle East point to the need for a cautious adjustment to the Policy Rate that maintains an appropriate stance of monetary policy. The Committee, therefore, **decided to reduce the Policy Rate by 25 basis points to 13.25 percent.**

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

¹ The forecast horizon covers the next eight quarters i.e. 2026Q2 to 2028Q1.

May 13, 2026



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The *May 2026 Monetary Policy Report* will be published on the Bank of Zambia website (www.boz.zm) by the end of the month. It contains detailed information on recent macroeconomic developments and the inflation outlook over the forecast horizon.

The next MPC Meeting will take place on September 28 and 29, 2026.

Issued by,

A handwritten signature in black ink, appearing to read 'Denny H. Kalyalya', is positioned above the printed name.

Dr. Denny H. Kalyalya
GOVERNOR

May 13, 2026