



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 September 28-29, 2026, the Monetary Policy Committee (MPC) decided to reduce the Monetary Policy Rate by 250 basis points to 10.75 percent. In arriving at this decision, the Committee took into account the inflation outcome and current inflation projection that are lower than previously indicated, as well as the identified upside risks to the latter. The decision also reflects the need to align the monetary policy stance with the improved inflation outlook and is supportive of the national growth agenda.

Inflation has continued to decline, falling to 6.5 percent in June from 7.1 percent in March. It fell further to 6.1 percent in September, well within the 6-8 percent target band. On a quarterly basis, inflation averaged 6.6 percent and 6.3 percent in the second and third quarters, respectively, down from 8.0 percent in the first quarter. This was driven, mainly, by lower maize grain prices and the continued appreciation of the Kwacha against major currencies, supported by the sustained tight monetary policy stance and fiscal consolidation. Lower maize prices have benefitted from a record maize harvest of 4.9 million metric tonnes during the 2025/26 farming season. The appreciation of the Kwacha was, largely, driven by higher export earnings, mainly from the mining sector, reinforced by improved foreign exchange liquidity arising from the Currency Directives issued in December 2025.

The current projection indicates that inflation will remain close to the lower bound of the 6-8 percent target band over the forecast horizon¹. In 2026, inflation is projected to average 6.7 percent, lower than the 6.8 percent projected in May. In 2027, inflation is forecast to moderate to 6.0 percent compared to 6.7 percent projected previously, before edging up to 6.3 percent in the first half of 2028. This favourable outlook largely reflects anticipated stable maize grain prices and the lagged impact of the exchange rate appreciation.

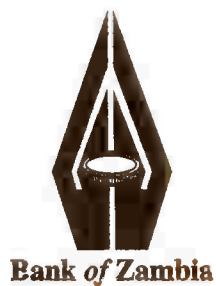
While the inflation outlook is favourable, upside risks remain. The expected super El Niño conditions going forward threaten agricultural production and electricity generation and could push both food and energy prices up. In addition, the protracted conflict in the Middle East and geopolitical tensions generally could drive global crude oil prices higher, potentially increasing domestic petroleum pump prices. Further, the tightening of global financial conditions, on account of rising inflation, could reduce capital flows and exert pressure on the exchange rate in emerging and developing economies.

Taking into account the lower inflation outcome, the projection that inflation will remain within the target band over the forecast horizon, and the identified upside risks to the inflation outlook, **the Committee decided to reduce the Policy Rate by 250 basis points to 10.75 percent.** The decision also reflects the need to align the monetary policy stance with the improved inflation outlook and is supportive of the lower cost of finance for the broader economy, and ultimately economic growth.

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. 2026Q3 to 2028Q2.

September 30, 2026



The *August 2026 Monetary Policy Report* will be published on the Bank of Zambia website (www.boz.zm) by October 14, 2026. It contains detailed information on recent macroeconomic developments and the inflation outlook over the forecast horizon underpinning the MPC decision.

The next MPC Meeting will take place on November 25 - 26, 2026.

Issued by,

Dr. Denny H. Kalyalya
GOVERNOR

September 30, 2026