Bank *of* Zambia

MONETARY POLICY STATEMENT

JANUARY - JUNE 2022

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This Monetary Policy Statement is made pursuant to Part II, Section 9 of the Bank of Zambia Act Chapter 360 of the Laws of Zambia

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Executive Summary

Although inflation is projected to continue trending downwards in the first half of 2022 and is forecast to decline to 12.3 percent in June 2022, monetary policy will continue to focus on containing inflationary pressures and steering inflation to the 6-8 percent target range in order to meet the end-2022 single digit inflation target. The dissipation of food shocks experienced between the third quarter of 2020 and the second quarter of 2021 and the lagged pass-through from the appreciation of the Kwacha in December 2021 are expected to drive inflation down. There are, however, imminent risks that could lead to the inflation outcome substantially exceeding the forecast. Commodity prices have increased substantially after Russia invaded Ukraine on February 24. For instance, crude oil, copper, wheat, and maize prices have respectively increased by 37.0 percent, 9.0 percent, 37.0 percent, and 20.0 percent. This has the potential to push domestic prices higher. The other risks include the initial effects of the transition to cost reflective electricity tariffs, lingering supply chain disruptions induced by the COVID-19 pandemic and tightening of monetary policies in major economies in response to rising inflation.

In February, the Monetary Policy Rate was maintained at 9.0 percent in view of the sharp deceleration in inflation, particularly in the last quarter of 2021, and its projected downward trend towards the 6-8 percent target range in 2022 and 2023. The catalytic benefits of securing an IMF programme, such as, access to budget support, reduction of the external debt burden through restructuring, and unlocking investments, as well as the positive impact of higher copper prices, mainly through the exchange rate, are expected to drive inflation down towards the target in 2022 and 2023. The successful implementation of the Government's Medium-Term Budget Plan is expected to support the restoration of macroeconomic stability and contribute to the stability of the financial system.

Decisions on the Policy Rate will continue to be guided by inflation forecasts, outcomes, and identified risks, including those associated with financial stability and the COVID-19 pandemic. This is based on the forward-looking monetary policy framework anchored on the Policy Rate as a key signal for the monetary policy stance. The Bank will utilise open market operations in the implementation of monetary policy in order to maintain the interbank rate within the corridor of +/- 1 percentage point around the set Policy Rate.

During the second half of 2021, monetary policy continued to focus on containing escalating inflationary pressures and anchoring inflation expectations. Thus, the Policy Rate was increased by 50 basis points to 9.0 percent in November in order to steer inflation towards single digits by the end of 2022 and back to the 6-8 percent target range by mid-2023. This was in line with the Government targets announced in the 2022 National Budget Speech. The Monetary Policy Rate was held at 8.5 percent in August to allow for the earlier adjustment to take full effect on the economy. This decision also considered existing vulnerabilities in the financial sector and fragile growth. During this period, inflation fell sharply but still remained in double digits, interest rates generally declined, demand for Government securities remained strong as liquidity conditions improved, capital market performance was enhanced, the exchange rate appreciated, the fiscal deficit narrowed, and economic activity exhibited signs of recovery. However, domestic credit and money supply contracted and the current account surplus narrowed.

1.0 Introduction

This Statement outlines monetary policy objectives of the Bank of Zambia (BoZ) for the first half of 2022. It also contains inflation projections, prospects for global and domestic economic growth and a review of macroeconomic developments during the second half of 2021.

2.0 Monetary Policy Objectives and Instruments for the First Half of 2022

During the first half of 2022, monetary policy will focus on containing inflationary pressures and steering inflation to the 6-8 percent target range in order to meet the end-2022 single digit inflation target. In this regard, decisions on the Policy Rate in managing inflation will continue to be guided by inflation forecasts, outcomes, and identified risks, including those associated with financial stability and the COVID-19 pandemic. This is based on the forward-looking monetary policy framework anchored on the Policy Rate as a key signal for the monetary policy stance. The Bank will utilise open market operations in implementing monetary policy to maintain the interbank rate within the corridor of +/- 1 percentage point around the set Policy Rate consistent with the inflation forecast and target.

In February, the Monetary Policy Rate was maintained at 9.0 percent in view of the sharp deceleration in inflation, particularly in the last quarter of 2021, and its projected continued downward trend towards the 6-8 percent target range in 2022 and 2023. Underlying this projection are the catalytic benefits of securing an IMF programme, such as, access to budget support, reduction of the external debt burden through restructuring, and unlocking investments, as well as the positive impact of higher copper prices, mainly through the exchange rate. The successful implementation of the Government's Medium-Term Budget Plan is expected to help restore macroeconomic stability and contribute to the stability of the financial system.

3.0 Inflation Projection for the First Half of 2022

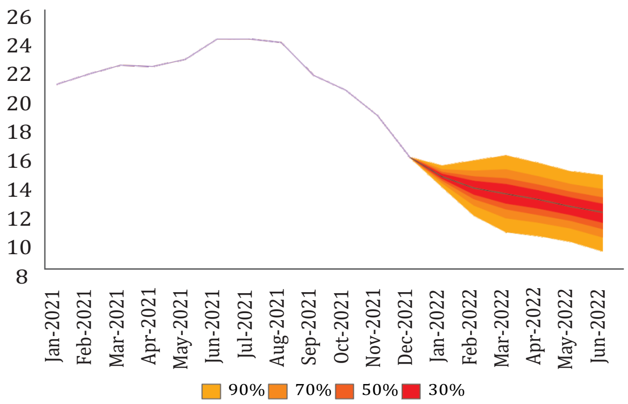
Inflation is projected to continue trending downwards and average 13.5 percent in the first half of 2022. In June 2022, inflation is expected to decline to 12.3 percent from 16.4 percent in December 2021 (Chart 1 and Table 1 – Appendix).

The dissipation of food shocks experienced between the third quarter of 2020 and the second quarter of 2021[1] and the lagged pass-through from the appreciation of the Kwacha in December 2021 are expected to drive inflation down during this period.

There are, however, imminent risks that could lead to the inflation outcome substantially exceeding the forecast. Commodity prices have increased substantially after Russia invaded Ukraine on February 24. For instance, crude oil, copper, wheat, and maize prices have respectively increased by 37.0 percent, 9.0 percent, 37.0 percent, and 20.0 percent. This has the potential to push domestic prices higher. The other risks include the initial effects of the transition to cost reflective electricity tariffs, lingering supply chain disruptions induced by the COVID-19 pandemic, and tightening of monetary policies in major economies in response to rising inflation.

The possible inflation outcomes during the first half of 2022 are expected to range from 11.9 percent to 15.3 percent with a 30 percent probability; 11.5 percent to 15.4 percent with a 50 percent probability; 10.9 percent to 15.6 percent with a 70 percent probability; and 9.9 percent to 16.6 percent with a 90 percent probability (Chart 1).

Chart 1: Actual and Projected Inflation (Percent): January 2021 - June 2022



Source: Zambia Statistics Agency and Bank of Zambia Forecasts

4.0 Domestic Economic Outlook for 2022-2023

Real GDP is projected to grow moderately over the 2022-24 period. In 2022, the economy is projected to expand by 3.5 percent and further by 3.6 percent in 2023 from

[1] Rising cost of imported intermediate goods, such as, soy cake and medicines used in the production of meat and poultry products, as well as constrained supply due to the outbreak of foot and mouth disease in some parts of Southern Province led to a substantial rise in prices of meat products. In addition, COVID-19 supply-chain related bottlenecks in the importation of parent stock for broiler chickens reduced supply of day-old chicks and contributed to the rise in prices of poultry products.

the preliminary outturn of 3.3 percent in 2021 (Table 2 – Appendix).

A strong performance in the financial and insurance, information and communication (ICT), wholesale and retail trade, as well as education sectors are expected to underpin growth in 2022.

The financial and insurance sector is expected to benefit from increased economic activity, which will lead to higher profitability and premiums in the banking and insurance sub-sectors, respectively. Growth in the ICT sector is expected to leverage continued investment in the construction of towers and increased use of virtual services during the COVID-19 pandemic. The anticipated improvement in the domestic macroeconomic environment and the recovery in major trading partner economies is expected to support growth in the wholesale and retail trade sector. The education sector is expected to benefit from increased contact hours for learners as teaching activities increase, bolstered by the extension of free education to secondary school learners, recruitment of additional teachers, and increased investment in education infrastructure countrywide[2].

Uncertainty surrounding the resurgence of new and more contagious COVID-19 variants, limited vaccination rates, slow recovery in major trading partner countries, and the impact of the Russia-Ukraine conflict are the key downside risks to the growth outlook. Growth may, however, pick-up faster than expected if an IMF supported economic Programme is secured. The IMF Programme will signal a better policy environment and spur investor, donor, and market confidence leading to unlocking investments in key growth sectors.

5.0 Global Economic Outlook for 2022-2023

5.1 Economic Growth

Global economic growth is projected to weaken in 2022 after a strong rebound in 2021. Growth is expected to moderate to 4.4 percent in 2022 and further to 3.8 percent in 2023[3,4] from a resilient recovery of 5.9 percent in 2021. The slowdown is largely on account of tightening of monetary policies in major economies in response to rising inflation in their jurisdictions and lingering COVID-19 induced supply disruptions. Uneven recovery between developed and emerging markets and developing economies, reflecting disparities in vaccine access and variations in policy space, could contribute to weaker global growth.

The downside risks to the outlook include recurrent COVID-19 infections, persistent supply-chain disruptions, high debt levels, geopolitical tensions[5], adverse weather conditions, and possible net capital outflows among Emerging Markets and Developing Economies (EMDEs) in view of (expected) interest rate hikes in advanced economies.

Real GDP for the Sub-Saharan Africa region is projected to expand by 3.7 percent in 2022 and further to 4.0 percent in 2023. This is based on continued strengthening domestic demand, recovery in tourism activity as vaccination and international travel improves, and favourable commodity prices. The slowdown in China, renewed COVID-19 infections; currency depreciations; high debt levels; limited policy space; as well as social unrest largely related to rising food insecurity and armed conflicts[6] pose downside risks to the outlook.

The growth outlook in Zambia's major trading partner countries[7] is mixed. In China, growth is expected to ease substantially to 4.8 percent in 2022 before picking up to 5.2 percent in 2023 from an expansion of 8.1 percent in 2021. This reflects the downturn in the property sector and weak recovery in private consumption amid stringent COVID-19 restrictions in line with the Government's goal of zero new infections. Further, potential new COVID-19 strains, uncertain future of trade relations with the United States of America, and possible protracted financial distress in the property sector could constrain growth.

Real GDP growth for the Democratic Republic of Congo (DRC) is projected at 6.2 percent in 2022 and 5.6 percent in 2023. The positive outlook is premised on stronger mining output, largely dependent on increased production at Kamoa-Kakula Copper Mine, and relatively high copper prices. In addition, the August 2021 Special Drawing Rights allocation and the ongoing Extended Credit Facility under the International Monetary Fund could stimulate stronger growth.

[2]The Minister of Finance and National Planning announced the extension of free education in public schools upto secondary school learners, construction of additional 120 secondary schools, and the recruitment of 30,000 new teachers in the 2022 Budget Speech.

[3]IMF *World Economic Outlook* (WEO) Update, January 2022.

[4]The 2023 global growth forecast is largely dependent on the dissipation of new COVID-19 infections by end-2022 aided by wider vaccine coverage, including in most emerging market and developing economies (EMDEs).

[5]The uncertain future of the U.S-China trade relations and heightened tension following the outbreak of conflict between Russia and Ukraine could weigh on global growth.

[6]The level of violence against civilians remains a concern as the fragile and unstable security situation in the Sahel and Ethiopia's northern Tigray region continues.

[7] China, DRC, Singapore, South Africa, United Arab Emirates, United Kingdom, Hong Kong, Malawi and Tanzania are the major trading partner countries for Zambia accounting for about 87 percent of Zambia's exports excludes Switzerland, a predominantly invoicing country for copper exports.

Further, improved investment in trade with neighbouring countries is expected to boost investment[8]. However new COVID-19 infections and political instability ahead of the 2023 General Elections may weigh on growth.

In South Africa, real GDP growth is expected to moderate markedly to 1.9 percent in 2022 and further to 1.4 percent in 2023 from a recovery of 4.6 percent in 2021. Subdued growth is based on weak public investment amid rising Government debt, which continues to constrain policy space; uncertainty regarding the COVID-19 pandemic; persistent electricity supply challenges; and high unemployment levels. This is despite the gradual easing of containment measures and bolstered recovery in the tourism sector as a result of significant progress towards COVID-19 vaccinations.

Real GDP growth for the United Kingdom (UK) is projected to decelerate to 4.7 percent in 2022 and further down to 2.3 percent in 2023 from 7.2 percent in 2021. This reflects persistent supply constraints, sustained labour market shortages, and the impact of high energy prices on economic activity. Further, continued trade disputes with the European Union (EU) over the Northern Ireland Protocol[9] could limit growth.

For the United Arab Emirates, growth momentum is expected to continue on the back of stronger oil output and significant progress towards vaccination. Malawi and Tanzania are also expected to record positive growth as vaccination against COVID-19 progresses and tourism activity recovers. For Tanzania, growth may be boosted by the approval of an IMF Rapid Credit Facility; upbeat commodity prices, particularly for gold; and the Government's 5-Year Development Plan, which is expected to spur capital spending, industrialisation, and employment.

Real GDP growth for Singapore and Hong Kong is projected to moderate in view of the anticipated external headwinds, particularly related to the slowdown in China. Nonetheless, growth could turn out higher than expected on account of the continued easing of COVID-19 restrictions globally amid improvements in global demand. These two factors will be fundamentally crucial in driving tourism and manufacturing activity.

5.2 Commodity Prices

Crude oil prices are projected to continue rising and average about US$102.00 per barrel in June 2022[10]. Steady demand underpinned by increased vaccination, envisaged return to normalcy in air and sea travel as well as the impact of the Russia Ukraine conflict underpin the projected increase in oil prices. However, the anticipated increase in global petroleum production predominantly driven by easing OPEC+ supply cuts, and stronger output by the United States of America pose a risk to the outlook.

Agricultural commodity prices are also expected to rise in the medium-term on account of high energy and fertilizer prices, increased shipping costs, and strong global demand. This is in addition to the effects of extreme weather conditions persistent La Niña conditions in Argentina, Brazil, and the southern parts of the United States of America. Nevertheless, prices could decline as supply stabilises.

In contrast, copper prices are projected to increase to an average of US$10,183 per metric tonne in June 2022[11]. The shift towards green energy technologies in line with the global drive to reduce carbon emissions and the impact of the Russia - Ukraine conflict underlie the projection.

Overall, the risks to the commodity price outlook include the resurgence in COVID-19 infections and possible further strengthening of the US dollar.

6.0 Review of Global Developments in the Second Half of 2021

6.1 Economic Growth

The global economy continued on a recovery path in the second half of 2021 albeit at a slower pace than in the first half. The slowdown was largely due to supply chain disruptions following the emergence of highly transmittable Delta and Omicron variants of COVID-19. This affected business activity in both manufacturing and services sectors. The asymmetric distribution of COVID-19 vaccines coupled with the slow uptake in low-income developing countries contributed to the moderation in growth. Tightening financial conditions as a result of reversals of monetary stimulus by some advanced and emerging market economies[12] in light of rising inflationary pressures also weighed on the recovery momentum.

[8]The approved funding and construction of a bridge over the Congo River linking the country to Brazzaville in the Republic of Congo is expected to boost investment in DRC.

[9]The Northern Ireland Protocol is a crucial part of the Brexit Agreement which prevents the creation of a hard border between Northern Ireland (NI) and the EU in which NI is required to align to EU trade law. This entails that, although NI is part of the Great Britain, goods entering NI from Great Britain must also comply with EU trade law. This has become a point of serious contention as the UK accuses the EU of unfairly enforcing the provisions of the Protocol.

[10]Bloomberg forecast of Dubai crude oil.

[11]Bloomberg forecast of copper prices.

[12]The debt distress in the property sector in China, particularly related to Evergrande, could culminate into significant pressures for the construction sector and eventually weigh on demand for copper.

Consistent with the moderation in global economic activity, economic growth in most of Zambia's major trading partner countries tapered in the second half of 2021 except for the UK.

In China, growth eased on the back of power crisis, summer floods, slump in the real estate sector due to credit defaults[13], and the zero-tolerance policy toward new local COVID-19 infections. In the DRC, protracted conflicts, the Ebola virus outbreak in September and low vaccination rates weighed on economic activity. For Singapore, UAE, Hong Kong, Malawi and Tanzania, economic activity was dampened by reinstated lockdowns and disruption of global supply linkages, especially during the third wave of the pandemic. In addition, rising inflationary pressures; sustained raw material shortages; and increased production costs, largely arising from supply chain disruptions, hampered economic activity.

Further, the South African economy contracted owing to electricity and raw materials shortages, social unrest at the outset of the period and a near 3-week strike[16] in the steel and engineering sector. This was in addition to waning consumer demand occasioned by rapidly rising COVID-19 cases and renewed travel restrictions to South Africa by most European countries and the United States of America as measures to combat the spread of the Omicron variant were instituted.

In contrast, economic growth in the UK accelerated as the services sector recovered strongly from the adverse effects of the pandemic amid improved vaccinations and continued fiscal support.

6.2 Commodity Prices

Stronger industrial activity in China, rapid growth of the electric vehicle industry, transition to renewable energy systems, and sustained supply bottlenecks were supportive of copper prices in the last half of 2021. Consequently, copper prices averaged US$9,542.5/metric tonne, up from US$9,091.6 in the first half of 2021. Over the same period, crude oil prices increased by 18.7 percent to an average of US$75.0/barrel, underpinned by the switch[17] to using crude oil from more expensive natural gas and coal in the production of electricity. Constrained supply amid slower-than-anticipated recovery in global oil output as some OPEC+ Members[18] produced below their allocated quotas and US refinery shutdowns following Hurricane Ida[19] contributed to the rise in oil prices.

Uncertainty regarding the Russian agriculture commodity export policy, low grain quality in Europe, and poor harvest in some major exporting countries pushed wheat prices 6.5 percent higher to US$291.4/metric tonne while higher prices of ethanol resulted in sugar prices edging up to US$0.42/kg from US$0.36. In contrast, maize and soybeans prices fell by 4.2 percent and 5.5 percent to US$253.9/metric tonne and US$566.8/metric tonne, respectively. Excess supply amid subsiding demand owing to reduced ethanol production, largely accounted for the fall in maize prices. The decline in soy oil export values, particularly toward the end of the period, and better-than-expected yields led to lower soybean prices.

7.0 Assessment of Monetary Policy Implementation in the Second Half of 2021

During the second half of 2021, monetary policy continued to focus on containing escalating inflationary pressures and anchoring inflation expectations. Thus, the Policy Rate was increased by 50 basis points to 9.0 percent in November to steer inflation towards single digits by the end of 2022 and back to the 6-8 percent target range by mid-2023. This was in line with the Government targets announced in the 2022 National Budget Speech. The Monetary Policy Rate was held at 8.5 percent in August to allow for the earlier adjustment to take full effect on the economy. This decision also considered existing vulnerabilities in the financial sector and fragile growth. Further, contractionary open market operations were undertaken, particularly in the fourth quarter, to contain the overnight interbank rate-opearating target-within the Policy Rate corridor in line with the inflation objective.

Broadly, monetary policy remained supportive of the macroeconomic objectives during the second half of 2021 as outlined in Table 2 in the Appendix.

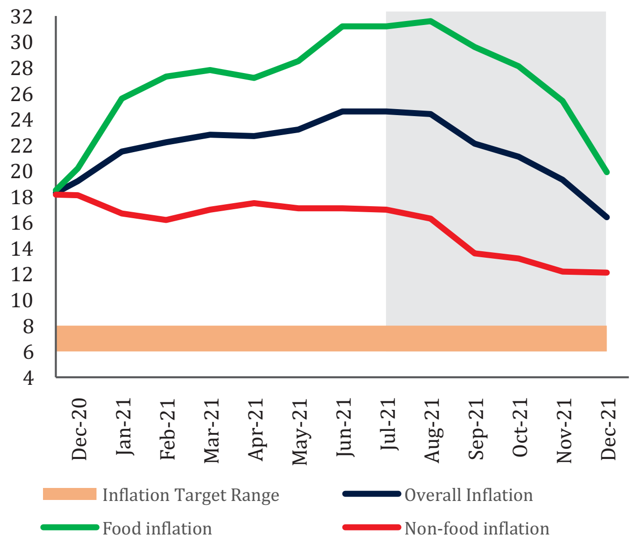
[13]Supply is likely to be boosted by the normalisation of output in Latin American following the resolution of wrangles with labour unions that persisted throughout 2021.
[14]Some of the economies where monetary policy rates were hiked include Brazil, Chile, Mexico, Russia, the UK, and USA .
[15]The default by Evergrande-China's giant property company-on coupon payments on November 6, 2021, resulted in a slump in the real estate sector and worsened worries about the risk of contagion for the broader economy.
[16]An estimated total of 600 million rand (US$41 million) in revenue and 300 million rand in wages was lost by affected companies and striking workers, respectively.
[17]Natural gas and coal prices soared during the review period forcing some producers, especially Asia and Europe, to switch to crude oil and thus pushing oil prices up.
[18]Nigeria, Azerbaijan and Angola produced below the allocated production quotas due to low investment in drilling and exploration.
[19]Hurricane Ida, a category 4 storm that hit the US Gulf Coast on August 29, 2021, led to a shutdown of oil refineries.

8.0 Review of Domestic Macroeconomic Developments in the Second Half of 2021

8.1 Inflation

Annual overall inflation declined to 21.3 percent in the second half of 2021 from 22.8 percent in the first half but remained significantly above the 6-8 target band (Chart 2). The appreciation of the Kwacha against the US dollar; partial dissipation of shocks to the price of meat and poultry products; as well as the increase in the supply of cereals, vegetables, and fruits largely accounted for the decline in inflation. Both food and non-food inflation declined to 27.6 percent and 14.1 percent from 27.9 percent 16.9 percent, respectively.

Chart 2: Annual Inflation Rate (Percent)

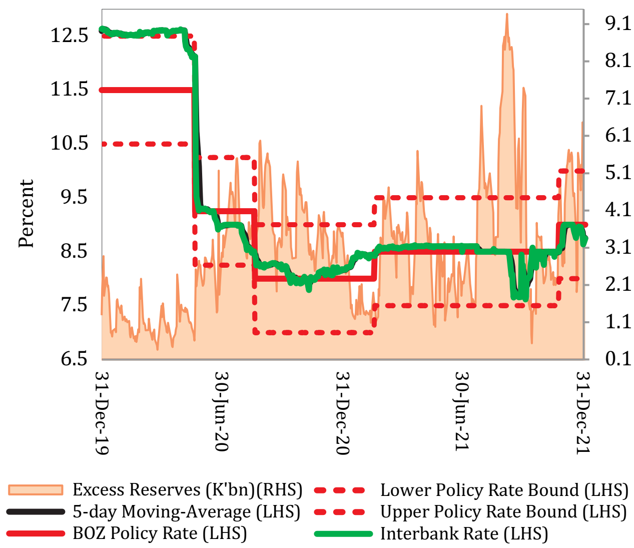


Source: Zambia Statistics Agency

8.2 Money Market Liquidity and Interbank Rate

Money market liquidity conditions were loose on account of net Government spending, disbursements under the Bank of Zambia Targeted Medium-Term Refinancing Facility, and the settlement of bonds under the Secondary Market Bond Purchase Programme (Table 3 - Appendix). With high liquidity levels, particularly in the fourth quarter, contractionary open market operations were undertaken to steer the overnight interbank rate towards the Policy Rate. Consequently, the average overnight interbank rate rose to 8.64 percent from 8.53 percent, but was contained within the Policy Rate Corridor of 8.0 – 10.0 percent (Chart 3).

Chart 3: Market Liquidity and Interbank Rate



8.3 Government Securities Market

Demand for Government securities remained strong in the last half of 2021, supported by improved liquidity conditions, higher participation by non-resident investors mostly in Government bond auctions, and positive sentiments reinforced by the conclusion of an IMF Staff-Level Agreement reached on an Extended Credit Facility on December 3, 2021. Consequently, subscription rates for Treasury bills and Government bond auctions increased to 129.3 percent and 231.7 percent from 106.8 percent and 114.6 percent in the first half, respectively.

Commercial banks dominated demand for the Treasury bills, accounting for 74.6 percent of the total bids received (at cost). Non-resident investors dominated demand for Government bonds, at 37.3 percent of the total bids received at cost. A total of K44.4 billion was raised from the auctions against maturities of K36.8 billion resulting in a surplus of K7.6 billion.

Consequently, the outstanding stock of Government securities increased by 7.1 percent to K192.9 billion (face value) at end-December 2021. Non-resident investors held K54.1 billion compared with K44.8 billion at end-June, representing 28.0 percent of the stock. About 99.4 percent of their holdings were in Government bonds.

8.4 Capital Market Performance

The capital market remained buoyant as the Lusaka Securities All-share Index (LASI) rose further by 35.4 percent to 6,059.7 at end-December 2021. Market capitalization rose to K67.2 billion from K57.5 billion. The strong performance of shares was due to improved profitability, particularly by firms in the manufacturing and energy sectors.

8.5 Foreign Exchange Market

The Kwacha appreciated by 19.3 percent against the US dollar to K17.77 in the second half of 2021 (Table 4 – Appendix). It also appreciated by 20.8 percent, 22.3 percent, and 22.1 percent against the British pound sterling, euro and the South African rand, respectively.

The Kwacha gained significantly in the earlier part of the period as the allocation of Special Drawing Rights by the IMF boosted foreign exchange reserves in August and generated positive market sentiments. The outcome of the 2021 General Elections and the expected conclusion of discussions on an IMF Extended Credit Facility (ECF)[20] further strengthened sentiments and contributed to the appreciation of the Kwacha. However, the Kwacha came under pressure in the latter part of the period as demand increased, particularly for the importation of petroleum products, while supply remained low. As a result, the Bank of Zambia almost doubled its net sales of foreign exchange to US$805.3 million to dampen volatility in the exchange rate.

8.6 Interest Rates

The movement in interest rates was mixed in the second half of 2021. Yield rates on Government securities and the 180-day deposit rate (amounts exceeding K20,000) declined while lending rates were broadly unchanged.

Composite Treasury bill and bond yield rates declined to an average of 12.3 percent and 22.6 percent in December from 22.4 percent and 32.1 percent in June, respectively (Table 5 - Appendix). The fall in yield rates was largely explained by sustained demand. The average 180-day deposit rate also declined to 7.5 percent from 9.8 percent.

In contrast, the composite non-banks' effective lending rate rose to 54.6 percent from 51.0 percent largely reflecting the increase in the Policy Rate to 9.0 percent in November and the expiry of COVID-19 relief granted to some borrowers (Table 6 - Appendix).

The commercial banks' average lending rate remained broadly unchanged at 25.9 percent in December (25.6 percent in June).

8.7 Domestic Credit

Total domestic credit[21] contracted by 4.6 percent in the second half of 2021 against a growth of 14.8 percent in the first half of 2021. This was largely driven by the slowdown in lending to Government and the contraction in private sector credit (Table 7 – Appendix). The decline in loans and advances as well as further reduction in the accumulation of securities by domestic residents largely explained the slowdown in lending to Government.

Similarly, credit to the private sector shrunk by 15.7 percent in December against a growth of 9.6 percent in June largely due to the contraction in foreign currency denominated credit. Loan repayments and valuation effects following the appreciation of the Kwacha accounted for this outturn. Kwacha denominated credit, however, continued to expand as disbursements under the TMTRF and conversion of US dollar loan facilities into Kwacha continued (Tables 8 and 9).

8.8 Broad Money

Money supply (M3) contracted by 11.2 percent against a growth of 17.4 percent in the first half of 2021. Thus, the stock of M3 reduced to K108.3 billion at end-December from K121.9 million at end-June (Table 10 - Appendix). This was largely explained by the fall in net foreign assets attributed to the reduction in foreign currency deposits held by commercial banks abroad, valuation effects following the appreciation of the Kwacha, and the slowdown in the growth of domestic credit.

8.9 Current Account

The current account surplus narrowed to US$1.0 billion (9.8 percent of GDP) in the second half of 2021 from US$1.4 billion (13.3 percent of GDP) in the first half of 2021. This was on account of the reduction in net exports as well as the widening deficit on the primary income and services accounts (Table 11 – Appendix).
Net exports of goods declined by 9.1 percent to US$2.3 billion, reflecting a strong recovery in imports. Imports edged up by 36.7 percent to US$4.1 billion (Table 12 - Appendix), buoyed by improved domestic economic activity and the appreciation of the Kwacha. The recovery in imports was broad based.

The primary income deficit widened to US$1.0 billion from US$0.9 billion owing to the rise in earnings by non-residents on investments in Zambia, particularly in the mining sector. A higher deficit on the services account, in view of increased expenditure on transport occasioned by the recovery in imports, contributed to the reduction in the trade surplus.

Export earnings from goods rose by 14.3 percent to US$5.9 billion largely on account of copper receipts (US$4.4 billion) as copper prices soared and export volumes increased (Tables 11 and 13 - Appendix). Improvements in domestic production, imports of concentrates from the DRC, and delayed shipments in the previous quarter explain the rise in the export volume.

[20]A Staff-Level Agreement on the ECF was reached on December 3, 2021 after which the Kwacha appreciated by 9.7 percent against the US dollar between December 3 and 10, 2021 before stabilising.

[21]Total domestic credit includes lending by the Bank of Zambia, commercial banks, and Other Depository corporations in both Kwacha and foreign currency.

Non-traditional export (NTEs) earnings also grew by 27.4 percent to US$1.4 billion (Table 11 – Appendix) on the back of continued economic recovery in trading partner countries, seasonal pick-up in exports of agricultural products (maize[22] and maize seed, cotton lint, cane sugar, fresh fruits and vegetables). The decision by Government to allow maize exports of over one million metric tonnes contributed to the rise in maize exports.

8.10 Fiscal Balance

The cash fiscal deficit narrowed in the second half of 2021 as a result of strong revenue performance despite expenditure (excluding amortisation) exceeding the target (Table 15 – Appendix). Sustained higher collections of income tax and mineral royalty as well as withholding tax accounted for the strong revenue performance. Expenditure pressures were mainly driven by higher personal emoluments than budget and elevated spending on COVID-19 related activities and the 2021 General Elections.

8.11 Economic Activity

Economic activity exhibited signs of recovery in the second half of 2021. Real GDP grew by 3.5 percent, year-on-year, in the third quarter compared to a contraction of 3.0 percent in the corresponding period in 2020. The ICT and construction sectors contributed significantly to this outturn. Positive growth was also recorded in the financial and insurance, public administration, transportation and storage, as well as manufacturing sectors.

The level of investment, capacity utilisation, new orders, volume of sales, domestic sales, and profitability improved in the fourth quarter according to the Bank of Zambia Survey of Business Opinions and Expectations. A healthier business environment for the private sector was also reported by the Stanbic Bank Purchasing Manager's Index (PMI) whose reading averaged 50.7—above the 50.0 mark—during the July-December period. This mostly followed the relaxation of COVID 19 restrictions as well as enhanced investor confidence and improvements in the macroeconomic environment following a peaceful outcome from the August 2021 General Elections.

9.0 Conclusion

Inflation is projected to continue trending downwards and average 13.7 percent in the first half of 2022. In view of this, monetary policy will focus on containing inflationary pressures and steering inflation to the 6-8 percent target range in order to meet the end-2022 single digit inflation target. Thus, the decision on the Policy Rate in managing inflation will continue to be guided by inflation forecasts, outcomes, and identified risks, including those associated with financial stability and the COVID-19 pandemic within the context of the forward-looking monetary policy framework anchored on the Policy Rate as a key signal for the monetary policy stance.

In February, the Monetary Policy Rate was maintained at 9.0 percent in view of the sharp deceleration in inflation, particularly in the last quarter of 2021, and its projected continued downward trend towards the 6-8 percent target range in 2022 and 2023. Underlying this projection are the catalytic benefits of securing an IMF programme and the positive impact of higher copper prices, mainly through the exchange rate. This is expected to be complemented by the implementation of the Government's Medium-Term Budget Plan.

During the second half of 2022, the Policy Rate was increased by 50 basis points to 9.0 percent in order to steer inflation towards single digits by the end of 2022 and back to the 6-8 percent target range by mid-2023 in line with the Government targets announced in the 2022 National Budget Speech. Inflation fell sharply, but still remained in double digits, interest rates generally declined, demand for Government securities remained strong as liquidity conditions improved, capital market performance was enhanced, the exchange rate appreciated, the fiscal deficit narrowed, and economic activity exhibited signs of recovery. However, domestic credit and money supply contracted while the current account surplus narrowed.

[22] The decision by Government to allow maize exports of over one million metric tonnes contributed to the rise in maize exports.

Appendix

Table 1: Actual and Projected Inflation: Jan 2021 - Jun 2022

Month	Projection (a)	Actual (b)	Forecast Error (b-a)
Jan 21	19.5	21.5	2.0
Feb 21	22.0	22.2	0.2
Mar 21	22.5	22.8	0.3
Apr 21	23.0	22.7	-0.3
May 21	22.4	23.2	0.8
Jun 21	23.5	24.6	1.1
Jul 21	25.7	24.6	-1.1
Aug 21	24.1	24.4	0.3
Sept 21	23.8	22.1	-1.7
Oct 21	21.2	21.1	-0.1
Nov 21	20.3	19.3	-1.0
Dec 21	17.9	16.4	-1.5
Jan 22	14.8	15.1	0.3
Feb 22	14.3	14.2	-0.1
Mar 22	13.7		
Apr 22	13.2		
May 22	12.7		
Jun 22	12.3		

Source: Zambia Statistics Agency and Bank of Zambia

Table 2: Macroeconomic Targets and Outturns: 2020 -2022

	2020 Target	2020 Outturn	2021 Target	2021 Outturn	2022 Target
Real GDP growth rate (percent)	-4.2	-2.8	2.3	3.3	3.5
CPI Inflation (percent), Annual Average	6-8	15.7	6-8	22.1	<=9.9*
Gross International Reserves (months of imports cover)	2.5	2.4	2.5	4.4	3.0
Broad Money growth (percent)	na	7.9	na	4.3	na
Budget deficit (on cash basis, excluding grants), percent of GDP	5.5	14.2	9.3	10.0**	6.7
Domestic financing of Budget (percent of GDP)	1.0	9.5	4.8	8.5**	5.2

Source: Bank of Zambia Compilations, Zambia Statistics Agency, Ministry of Finance;
**=end of period; *=preliminary; and na=not applicable.

Table 3: Liquidity Influences (K' billion): Jan 2019 – Dec 2021

	Jan-Jun 2019	Jul-Dec 2019	Jan-Jun 2020	Jul-Dec 2020	Jan-Jun 2021	Jul-Dec 2021
Opening balance	1.4	0.9	2.0	3.0	3.3	2.2
Net Government spending	-8.1	-3.8	-1.2	10.8	10.7	15.7
BoZ foreign exchange influence	3.2	4.2	2.5	-9.3	-8.9	-14.8
Other BoZ Operations*	na	na	6.4	4.5	-3.3	2.6
Change in currency in circulation	-0.1	-0.3	-1.8	-2.8	-0.3	0.2
Change in statutory reserve deposits	-0.3	-1.4	-1.2	-0.2	0.2	-1.1
Overnight Lending Facility	0.0	0.7	0.2	0.1	-5.6	0.0
Net Government securities influence	2.3	3.4	-6.6	-2.5	1.6	4.2
Open market operations	1.5	-1.5	2.9	-1.4	2.2	-6.8
Miscellaneous	1.0	-0.2	-0.2	1.1	3.3	1.2
Closing balance	0.9	2.0	3.0	3.3	2.2	3.1

Source: Bank of Zambia Compilations
*This includes the Targeted-Medium Term Refinancing Facility and Secondary Market Bond Purchase Programme introduced in April and June 2020, respectively

Table 4: Exchange Rate: Jan 2019 – Dec 2021

	Jan-Jun 2019	Jul-Dec 2019	Jan-Jun 2020	Jul-Dec 2020	Jan-Jun 2021	Jul-Dec 2021
ZMW/USD	12.43	13.41	16.74	19.83	22.03	17.77
ZMW/GBP	16.06	16.90	21.06	25.94	30.59	24.22
ZMW/EUR	14.04	14.87	18.44	23.46	26.55	20.63
ZMW/ZAR	0.88	0.91	1.01	1.23	1.52	1.18
Real Trade-weighted Exchange Rate (end-period)						
Domestic CPI (2005=100)	339.6	360.2	393.7	429.5	490.6	499.8
Weighted Foreign CPI (2005=100)	149.3	150.0	151.0	152.3	153.5	152.9
NEER	2.73	4.13	4.86	6.2	6.9	4.8
REER Index (2005=100)	125.8	132.0	143.1	168.7	165.7	113.0

Source: Bank of Zambia Compilations

Table 5: Interest Rates (Percent, period average): Jan 2019 – Dec 2021

	Jan-Jun 2019	Jul-Dec 2019	Jan-Jun 2020	Jul-Dec 2020	Jan-Jun 2021	Jul-Dec 2021
BoZ Policy Rate (end-period)	10.25	11.50	9.25	8.00	8.50	9.00
Overnight interbank rate	9.98	11.09	11.77	8.31	8.53	8.64
Average commercial banks' lending rate	25.4	28.6	26.4	25.1	25.6	25.9
more than K100	3.1	3.0	3.0	3.0	3.0	3.0
above K20,000 (180 days)	10.1	10.1	10.3	9.8	9.8	7.5
Treasury bill yield rates						
composite yield rate	23.55	25.47	25.9	22.0	23.0	16.7
91days	15.59	16.5	16.6	14.3	14.0	11.5
182 days	15.61	18.38	20.8	16.8	16.0	12.6
273 days	23.67	26.38	27.0	20.7	19.8	14.2
364 days	24.6	27.29	28.7	24.9	27.7	18.4
Government bond yield rate						
composite yield rate	28.11	31.08	31.3	32.6	33.1	25.8
2 years	27.7	29.5	31.0	31.8	31.7	22.8
3 years	28.0	29.5	30.6	32.7	32.4	23.9
5 years	28.8	32.6	33.0	33.0	34.0	25.8
7 years	25.0	25.0	25.0	26.7	29.5	25.9
10 years	26.6	26.4	24.8	33.0	33.8	27.2
15 years	18.3	24.5	31.4	33.1	33.9	28.2

Source: Bank of Zambia Compilations

Table 6: Average Annual Non-Banks' Effective Interest Rates (Percent): Jan 2019 – Dec 2021

	Jan-Jun 2019	Jul-Dec 2019	Jan-Jun 2020	Jul-Dec 2020	Jan-Jun 2021	Jul-Dec 2021
Microfinance Institutions	81.0	81.0	88.8	96.9	90.1	92.4
Leasing Finance Institutions	39.0	39.9	39.9	39.9	31.8	31.8
Building Societies	34.9	34.9	51.0	51.0	58.9	58.9
Development Bank of Zambia	27.1	27.1	28.2	24.9	17.0	18.6
National Savings and Credit Bank	73	73.0	73.5	62.0	63.0	63.0
Financial Businesses	35.5	35.5	43.5	70.4*	45.4	63.1
Overall for the sector	48.4	48.6	54.2	57.5	51.0	54.6

Source: Bank of Zambia Compilations
*The increase followed the change in the strategic decision to focus on short-term facilities with a higher interest cost by one of the major players in the sector.

Table 7: Domestic Credit (K' billion unless otherwise stated): Jan 2019 – Dec 2021

	Jan-Jun 2019	Jul-Dec 2019	Jan-Jun 2020	Jul-Dec 2020	Jan-Jun 2021	Jul-Dec 2021
Domestic Credit (DC)	76.6	83.0	98.8	117.2	134.5	128.3
Credit to Government	40.6	44.4	59.7	75.0	88.5	89.6
Private Sector Credit	34.7	37.6	38.4	40.8	44.7	37.7
Half-year percent change						
6-month percent change in DC	7.8	8.4	18.9	18.7	14.8	-4.6
6-month percent change in credit to Government	7.1	9.4	34.5	25.6	18.0	1.2
6-month Change in Private Sector Credit	8.1	8.4	2.1	6.3	9.6	-15.7
Annual percent change						
Annual Change in DC	20.1	16.8	28.9	41.9	36.2	9.5
Annual Change in Government Credit	17.5	17.2	46.9	68.8	48.3	19.4
Annual Change in private sector credit	21.4	17.2	10.4	8.5	16.3	-7.7

Source: Bank of Zambia

Table 8: Shares of Private Sector Kwacha Credit by Sector (Percent): Jan 2019 – Dec 2021

	Jan-Jun 2019	Jul-Dec 2019	Jan-Jun 2020	Jul-Dec 2020	Jan-Jun 2021	Jul-Dec 2021
Agriculture, forestry, fishing and hunting	6.0	7.1	7.0	9.3	9.9	8.9
Mining & Quarrying	0.7	0.6	0.5	0.4	0.3	0.3
Manufacturing	5.3	2.9	3.7	6.8	10.4	11.4
Electricity, gas, water, and energy	2.1	2.8	3.1	2.1	3.2	3.9
Construction	1.3	1.1	1.1	0.9	0.9	1.6
Wholesale and retail trade	9.3	8.4	8.8	8.3	8.6	10.2
Restaurants and hotels	0.5	0.4	0.4	0.5	0.6	0.8
Transport, storage, and communications	5.1	5.3	5.1	5.9	8.7	10.2
Financial services	3.0	2.5	2.2	2.2	1.4	1.3
Community, social and personal services	1.0	0.9	1.0	1.1	1.0	1.3
Real estate	1.0	0.8	1.0	2.0	1.2	1.6
Credit/debit cards	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	39.8	40.1	39.0	34.5	27.7	27.3
Kwacha credit by non-banks	24.9	27.1	27.1	25.9	26.0	21.2

Source: Bank of Zambia

Table 9: Shares of Private Sector Foreign Currency Credit by Sector (Percent): Jan 2019 – Dec 2021

	Jan-Jun 2019	Jul-Dec 2019	Jan-Jun 2020	Jul-Dec 2020	Jan-Jun 2021	Jul-Dec 2021
Agriculture, forestry, fishing and hunting	28.4	24.6	24.9	25.2	26.9	19.2
Mining and quarrying	15.2	15.9	16.5	15.4	14.6	17.6
Manufacturing	17.9	16.1	18.2	16.4	18.7	19.2
Electricity, gas, water and energy	2.5	2.5	1.5	2.9	2.9	3.3
Construction	3.8	3.3	3.2	3.1	2.9	3.9
Wholesale and retail trade	11.1	14.1	8.8	9.9	9.4	11.9
Restaurants and hotels	1.6	1.4	1.9	1.8	1.4	0.8
Transport, storage, and communications	6.5	8.3	8.5	9.1	6.8	4.2
Financial services	0.5	0.4	1.9	0.5	0.5	0.9
Community, social and personal services	1.1	1.2	1.0	0.9	0.7	1.0
Real estate	6.5	6.1	7.1	8.8	9.4	11.1
Credit/debit cards	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	4.6	6.1	6.7	5.9	5.9	7.0

Source: Bank of Zambia

Table 10: Broad Money (K' billion unless otherwise stated): Jan 2019 – Dec 2021

	Jan-Jun 2019	Jul-Dec 2019	Jan-Jun 2020	Jul-Dec 2020	Jan-Jun 2021	Jul-Dec 2021
Broad Money (M3)	63.7	70.9	82.5	103.8	121.9	108.3
Foreign Exchange (FX) Deposits	25.9	28.9	35.1	47.3	60.2	40.2
M3 (excl. Foreign Exchange Deposits)	37.8	42.0	47.4	56.5	61.7	68.1
6-month change in M3 (percent)	1.2	11.2	16.4	25.8	17.4	-11.2
6-month percent change in Forex deposits	2.3	11.5	21.4	34.8	27.3	-33.2
6-Month percent change in M3 (excl. Forex deposits)	0.4	11.1	12.9	19.2	9.2	10.3
Annual percent change in M3 (percent)	15.4	12.5	29.4	46.4	48.3	4.3
Annual percent change in Forex deposits	21.2	14.0	35.3	63.6	71.6	-15.0
Annual percent change in M3 (excl. Forex Deposits)	18.5	11.6	25.4	34.6	30.1	20.5

Source: Bank of Zambia

Table 11: Balance of Payments (US$ million) Jan 2020 - Dec 2021

	Jan-Jun 2020	Jul-Dec 2020	Jan-Jun 2021	Jul-Dec 2021
Current Account Balance	981.5	1,451.2	1,357.7	994.0
Balance on Goods	980.1	2,235.9	2,477.8	2,252.8
Total Goods Exports	3,319.9	4,682.9	5,186.6	5,927.9
Copper	2,389.2	3,478.5	3,954.8	4,390.5
Cobalt	8.1	2.6	2.7	2.3
Gold	109.0	111.4	89.7	119.5
NTEs	783.3	1,085.5	1,102.9	1,405.2
Total Imports	2,339.8	2,447.1	2,708.8	3,675.2
Services Account	-180.1	-313.7	-355.6	-420.5
Primary Income	77.8	-588.5	-907.9	-1,013.8
Secondary Income	103.7	117.6	143.4	175.6
Capital Account	43.9	35.9	38.2	38.9
Financial Account	1,079.5	1,741.4	1,303.4	-377.1
Net Errors/Omissions	-28.1	-89.0	113.5	-100.7
Overall Balance	82.2	343.3	-205.9	-1,309.4
Change in Reserves	-82.2	-343.3	206.0	1,309.4
Memorandum Items				
Realised Prices				
Copper (US$/mt)	5,431.35	6,690.20	8,857.95	9,660.15
Cobalt (US$/mt)	30,469.87	27,145.20	30,268.35	33,882.80
Gold (US$/ounce)	1,663.07	1,947.35	1,708.10	1,769.10
Export Volumes				
Copper (mt)	423,796.21	507,172.90	447,083.20	454,551.10
Cobalt (mt)	272.72	94.2	93.4	67.8
Gold (ounces)	65,437.00	57,720.00	52,613.00	67,531.00

Source: Bank of Zambia Compilations

Table 12: Trade Data (c.i.f – US$ million): Jan 2019-Dec 2021

	Jan-Jun 2019	Jul-Dec 2019	Jan-Jun 2020	Jul-Dec 2020	Jan-Jun 2021	Jul-Dec 2021
Trade Balance	88	-141.1	689.9	1,959.4	2,172.3	1,839.9
Total Exports, c.i.f. (including Gold)	3,774.20	3,396.80	3,289.6	4,678.4	5,182.2	5,923.4
General Exports, f.o.b	3,685.00	3,289.60	3,180.5	4,566.6	5,092.4	5,803.9
Metals	2,755.50	2,281.70	2,397.3	3,481.1	3,989.5	4,398.7
Copper	2,752.20	2,242.30	2,299.8	3,385.0	3,954.8	4,390.5
Copper concentrates			89.4	93.5	32.0	5.9
Cobalt	3.3	39.4	8.1	2.6	2.7	2.3
Non-Traditional Exports	929.5	1,007.80	783.3	1,085.5	1,102.9	1,405.2
Exporter Audit Adjustor	0	0	-	-	-	-
Sub Total	929.5	1,007.80	783.3	1,085.5	1,102.9	1,405.2
Gemstones	63	93.9	39.4	48.8	46.0	80.3
Sulphuric acid	95.1	53.7	53.1	41.5	23.1	33.5
Industrial Boilers and Equipment	80.2	59	37.0	53.0	44.4	59.9
Cane Sugar	66.8	75	45.0	70.6	58.8	63.3
Gasoil/Petroleum Oils	4.1	3.5	7.1	4.0	4.9	12.4
Cement & Lime	71.9	95.3	83.9	107.1	84.8	100.3
Electricity	38.2	48.2	58.2	65.5	84.3	29.4
Raw hides, Skins & Leather	1.8	2.9	2.1	3.2	2.4	2.1
Sulphur sublimed or precipitated; colloidal	0.2	0	-	-	0.1	0.3
Burley Tobacco	28.5	41.3	50.3	66.3	56.3	70.6
Copper Wire	34.6	18.6	17.5	31.0	35.8	40.3
Scrap of precious metals	0.7	1.5	1.0	1.7	5.7	2.3
Maize & Maize Seed	10.7	26.2	5.8	33.0	15.1	33.7
Electrical Cables	11.2	6.1	5.1	7.5	14.7	15.7
Cotton Lint	21.2	32.2	4.4	13.3	6.2	17.5
Soap, Active Agents, Washing Preps.	21.6	33.8	30.5	43.3	43.9	52.6
Fresh Fruits & Vegetables	4.4	5	3.7	8.4	5.8	10.9
Manganese Ores/Concentrates	7.6	10.4	5.0	4.9	3.7	6.7
Wheat & Meslin	0	0	-	0.2	0.1	-
Fresh Flowers	4.6	4	3.8	3.9	5.2	4.6
Other	362	397.1	330.4	478.4	561.5	768.8
Gold	89.2	107.2	107.2	111.9	89.7	119.5
Imports c.i.f./1	3,686.20	3,537.90	2,599.7	2,719.0	3,009.8	4,083.5

Source: Bank of Zambia Compilations

Table 13: Imports by Commodity Groups (c.i.f – US$ million): Jan 2019-Dec 2021

	Jan-Jun 2019	Jul-Dec 2019	Jan-Jun 2020	Jul-Dec 2020	Jan-Jun 2021	Jul-Dec 2021
Food Items	235.9	299.9	234.0	247.90	270.6	390.2
Petroleum Products	648.5	611.7	319.8	199.35	280.2	446.0
Fertilizer	104.3	231.9	221.3	189.58	173.3	266.2
Chemicals	470.6	381.8	337.9	463.06	500.0	606.8
Plastic and Rubber Products	212.4	228	199.9	222.63	263.4	326.2
Paper and paper products	51.5	78.2	45.6	50.75	51.0	69.6
Iron and Steel and items thereof	243.7	247	136.3	167.49	174.7	241.6
Industrial Boilers and Equipment	606.9	528.1	349	418.53	473.6	506.4
Electrical Machinery & Equipment	222.5	217.8	140.2	132.78	110.1	207.3
Vehicles	304.5	278.6	179.4	264.52	265.9	441.0
Ores, Slag and Ash	138.9	20.7	61.3	13.40	73.9	141.0
Other Imports	446.3	414.2	374.9	349.00	373.3	442.0
Total	3,686.20	3,537.90	2,599.70	2,718.99	3,010.00	4,084.11

Source: Zambia Statistics Agency and Bank of Zambia

Table 14: Metal Export Volumes, Values and Prices: Jan 2019-Dec 2021

Period	Copper				Cobalt			
	Export Volumes (mt)	Export US$ '000	Price/ Tonne	Price/ Pound	Export Volumes (mt)	Export US $'000	Price/ Tonne	Price/ Pound
Quarter 1	236,434.7	1,431,902.6	6,056.2	2.7	66.0	3,314.4	50,217.9	22.8
Quarter 2	212,614.6	1,320,268.4	6,209.7	2.8	0.0	0.0	n.a	n.a
Jan-Jun 2019	449,049.3	2,752,171.1	6,128.9	2.8	66.0	3,314.4	50,217.9	22.8
Quarter 3	174,359.4	1,013,753.7	5,814.2	2.6	0.0	0.0	n.a	n.a
Quarter 4	212,849.5	1,228,596.5	5,772.1	2.6	1205.3	39,371.3	32,664.5	14.8
Jul-Dec 2019	387,208.9	2,242,350.2	5,791.1	2.6	1205.3	39,371.3	32,664.5	14.8
Quarter 1	206,746.2	1,161,790.9	5,619.4	2.5	33.0	1,044.8	31,660.5	14.4
Quarter 2	217,050.0	1,138,055.3	5,243.3	2.4	239.7	7,018.8	29,279.3	13.3
Jan-Jun 2020	423,796.2	2,299,846.2	5,426.8	2.5	272.7	8,063.6	29,567.4	13.4
Quarter 3	265,633.1	1,687,548.4	6,352.9	2.9	94.2	2,557.6	27,145.2	12.3
Quarter 4	241,539.8	1,697,419.7	7,027.5	3.2	0.0	0.0	0.0	0.0
Jul-Dec 2020	507,172.9	3,384,968.2	6,674.2	3	94.2	2,557.6	27,145.2	12.3
Quarter 1	228,047.8	1,882,330.8	8,254.1	3.7	59.1	1,510.2	25,562.2	11.6
Quarter 2	219,035.4	2,072,458.8	9,461.8	4.3	34.3	1,200.3	34,974.5	15.9
Jan-Jun 2021	447,083.2	3,954,789.6	8,845.8	4.0	93.4	2,710.5	29,020.7	13.2
Quarter 3	215,233.4	2,083,665.9	9,681.0	4.4	0.0	0.0	n.a	n.a
Quarter 4	239,317.7	2,306,862.5	9,639.3	4.4	67.8	2,298.6	33,882.8	15.4
Jul-Dec 2021	454,551.1	4,390,528.4	9,660.1	4.4	67.8	2,298.6	33,882.8	15.4

Source: Bank of Zambia Compilations

Table 15: Government Budget (K'bn): Jul 2020 – Dec 2021

	Jul-Dec 2020		Jan-Jun 2021		Jul-Dec 2021	
	Target	Prel	Target	Prel	Target	Prel
Total Revenue & Grants	35.0	35.0	34.7	49.4	33.3	48.1
Tax Revenue	27.1	28.1	27.0	33.8	26.4	37.3
Non-Tax Revenue	5.4	5.9	6.7	14.9	5.9	10.2
Grants	1.6	1.0	1.0	0.8	1.0	0.6
Total Expenditure	53.6	64.2	47.8	72.3	54.3	61.2
Current Expenditure	39.6	45.6	38.5	48.3	42.8	53.9
Personal Emoluments	13.3	14.4	14.4	14.8	14.1	17.1
Use of Goods & Services	3.8	5.5	4.0	8.1	2.9	6.7
Interest	11.0	10.4	14.4	11.5	14.2	15.4
Grants & Other Payments	10.6	13.6	4.0	12.5	8.6	8.1
Social Benefits	0.8	1.7	1.7	1.5	1.5	2.8
Other Expenses	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	1.6	6.3	1.4	11.9	1.5	3.8
Assets	12.4	12.2	8.0	12.1	10.3	7.4
Non- Financial Assets	11.9	10.8	7.8	10.5	10.1	7.0
Financial Assets	0.5	1.4	0.1	1.7	0.1	0.4
Change in Balances & Statistical discrepancy	0.0	0.3	0.0	0.3	0.0	-1.2
Fiscal Balance	-18.6	-29.2	-13.1	-22.9	-19.9	-13.1
Financing	18.6	28.9	13.1	23.2	19.9	11.9
Net Domestic	13.1	24.0	6.3	19.3	10.0	11.9
Net Foreign	5.5	5.0	6.8	4.0	9.9	-0.1

Source: Ministry of Finance and National Planning