Monetary Policy Report

NOVEMBER 2024

Bank *of* Zambia

Bank of Zambia

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

This MPR was approved by the Monetary Policy Committee on November 12, 2024 and contains the information available as of November 6, 2024

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

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

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Preface

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

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

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

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

Executive Summary

Since the last MPC Meeting in August, macroeconomic conditions have worsened due to the larger- than-envisaged impact of the drought, particularly on electricity generation. This has led to increased hours of electricity load management and in turn adversely impacted economic activity reflected in sustained deterioration in business conditions for the private sector and broadly weak demand in the economy. Consequently, real GDP growth projection for 2024 has been significantly revised downwards to 1.2 percent from the earlier 2.3 percent. However, growth prospects for the 2025-2026 period remain optimistic.

Inflationary pressures have persisted, with average annual overall inflation rising to 15.5 percent in the third quarter from 14.6 percent in the second quarter. In October, annual inflation rose to 15.7 percent from 15.6 percent in September. The key drivers of inflation were low supply of maize grain, fish and vegetables; increased demand for solid fuels due to heightened electricity load management; and depreciation of the Kwacha against major currencies. Inflation is projected to remain above the 6-8 percent target band over the next eight quarters, despite some moderation in the latter part of the forecast horizon. This is mostly on account of the recent depreciation of the exchange rate and upward adjustment in electricity tariffs occasioned by the drought to support the importation of electricity.

Due to reduced economic activity as a result of the drought, lending to the private sector slowed down in the third quarter. This impacted the growth in money supply, slowing to 22.0 percent, year- on-year, from 29.5 percent in the second quarter. However, credit to Government picked up as commercial banks accumulated Government securities following improvement in liquidity conditions due to net Government spending. Overall, domestic credit growth marginally increased but was broadly on trend.

The *current account* surplus expanded in the third quarter mostly on account of a substantial decline in retained earnings by foreign-owned firms to mitigate rising operating costs occasioned by extended electricity load management. This led to the reduction in the primary income account deficit. Over the medium-term, an expansion in the current account surplus is projected as exports rise faster than imports on account of the anticipated strong rebound in mining production reinforced by buoyant copper prices.

Despite a temporary sharp increase in the fiscal deficit in 2024, to accommodate the adverse impact of the drought, a sustained decline is projected in the medium-term in line with Government's fiscal consolidation programme.

In view of actual and projected inflation continuing to remain above the 6-8 percent target band, the Monetary Policy Committee decided to **increase the Monetary Policy Rate by 50 basis points to 14.0 percent** at its November 11-12, 2024 Meeting. The decision to raise the Policy Rate was aimed at steering inflation back towards the target band and anchoring inflation expectations. In arriving at the decision, the Committee also took into account: (i) complementary liquidity management measures under consideration; (ii) foreign exchange market reforms underway; (iii) the fragility of the economy in the wake of the severe impact of the recent drought; and (iv) the stability of the financial system.


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1. Macroeconomic Outlook

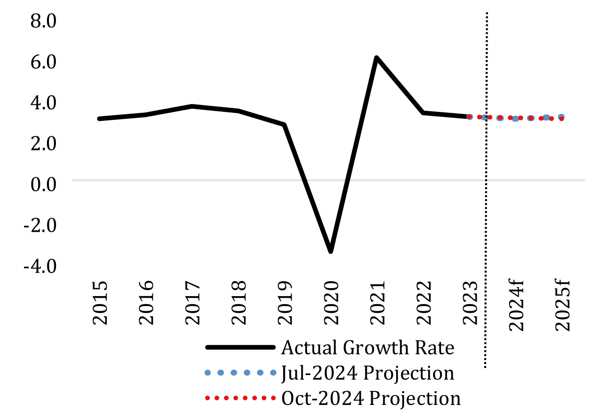
- *Global growth to hold steady in 2024 and 2025.*
- *Copper prices to remain elevated on strong demand for green energy, robust growth in production of electric vehicles (EVs) and investment in artificial intelligence.*
- *Crude oil prices to decline on weaker global demand and transition to use of EVs and liquified natural gas.*
- *Current account to improve on faster growth in net exports as mining production expands, reinforced by buoyant copper prices.*
- *Domestic growth for 2024 significantly revised down to 1.2 percent on greater-than-anticipated impact of the drought on food and electricity supply, but strong rebound expected in 2025 as mining sector rebounds and agriculture sector recovers.*
- *Cash fiscal deficit to narrow in 2025 after accommodating impact of the drought in 2024.*

1.1 External Sector Outlook

... global growth remains relatively low

Global growth projection for 2024[1] remains unchanged at 3.2 percent (Figure 1). Underpinning the projection is mostly strong growth in the US on account of robust consumer spending[2] and high non-residential fixed investment.

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



Source: IMF WEO, October 2024; Bank of Zambia Compilations

The current growth path falls below the 3.8 percent pre-pandemic level largely due to persistent structural challenges. These include aging population and sluggish underlying productivity growth, which are limiting potential growth in many economies. However, global growth for 2025 has been slightly downgraded by 0.1 percentage points to 3.2 percent, reflecting the anticipated slowdown in the US economy on the back of gradual tightening of fiscal policy and softening labour market[3]. This is expected to constrain government and consumer spending, which are key drivers of growth.

The risks to global growth are still tilted to the downside as presented in the *August Monetary Policy Report*. These include a deeper-than-anticipated crisis in China's property sector, adverse weather conditions, and possible escalation of regional geopolitical tensions, particularly in the Middle East and the conflict in Ukraine. In addition, risks related to growing sovereign debt distress in emerging market and developing countries, elevated global services inflation, a possible resurgence of financial market volatility, and rising protectionism in global trade could result in lower growth than projected.

... expansion in economic activity in major trading partner countries to strengthen

Preliminary data indicate a further expansion in real GDP for Zambia's main trading partner countries in 2024 and 2025. This is reflected in a slightly higher Export-Weighted GDP (GDP-9) Index[4] than reported in August (Table 1 and Figure 2).

[1] IMF WEO update, October 2024.
[2] Despite the recent cooling of the labour market, consumer spending in the US continues to be bolstered by strong income growth (wage gains) and healthy savings, as well as strong household balance sheet.
[3] The IMF raised the 2024 growth forecast to 2.8 percent but expects a slowdown in 2025 to 2.2 percent.

[4] The GDP-9 Index is used to assess external demand conditions in Zambia's key trading partner countries. It is computed as a Fisher Ideal Index and constructed based on nine countries: China, DRC, Singapore, South Africa, United Arab Emirates, United Kingdom, Hong Kong, Malawi and Tanzania. In 2020, these countries accounted for 86.9 percent of Zambia's exports, excluding Switzerland—a predominantly invoicing country for copper exports.

Table 1: Changes in GDP-9 Index and Country Contributions, 2022 – 25

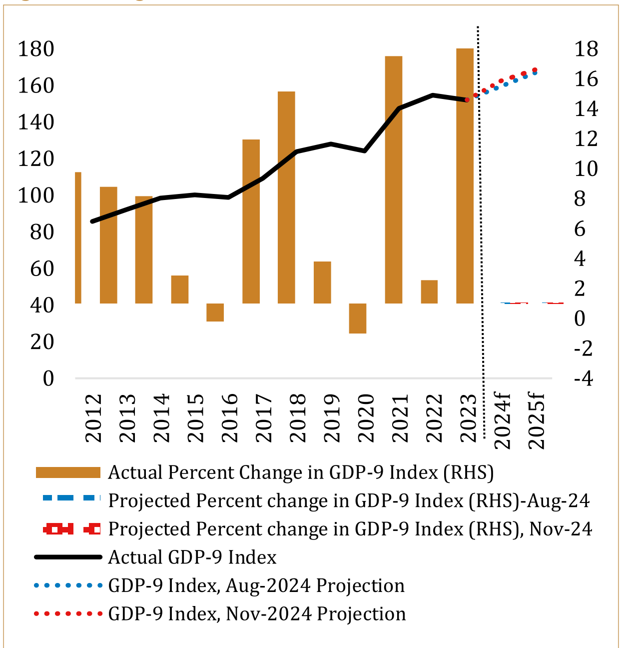
	Weight	2022	2023p	2024f	2025f
GDP-9 Index (percent change) – Nov 2024		1.81	1.72	4.20	4.79
GDP-9 Index (percent change) –Aug 2024		1.81	1.69	4.02	4.27
Country Contributions to the Change in GDP-9 Index					
China	0.49	0.78	0.77	1.86	2.11
DRC	0.30	0.42	0.43	1.04	1.18
South Africa	0.12	0.27	0.25	0.61	0.69
Singapore	0.00	0.13	0.09	0.24	0.29
UK	0.07	0.07	0.08	0.19	0.21
UAE	0.00	0.05	0.03	0.08	0.10
Tanzania	0.00	0.03	0.03	0.07	0.08
Malawi	0.02	0.04	0.03	0.07	0.08
Hong Kong	0.00	0.02	0.02	0.04	0.05

Source: Bank of Zambia Staff Calculations

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

p = preliminary, f = forecast

Figure 2: Changes in GDP-9 Index



Source: Bank of Zambia

The positive outlook is supported by the upward revision to the growth forecasts for South Africa[5] (2024 and 2025) and the United Kingdom[6] (2024).

[5]The IMF upgraded the growth forecast for South Africa by 0.2 and 0.3 percentage points for 2024 and 2025 to 1.1 percent and 1.5 percent from the July forecast, respectively.

[6]The IMF raised the UK growth projection for 2024 by 0.4 percentage points to 1.1 percent but left the 2025 projection unchanged at 1.5 percent assumed in July

Table 2: Trading Partner Growth Rates (percent), 2022-2025

	Weight	2022	2023	2024	2025
China	0.5	3.0	5.3	4.8	4.5
DRC	0.3	8.8	8.4	4.7	5.0
South Africa	0.1	1.9	0.7	1.1	1.5
Singapore	0.0	3.8	1.1	2.6	2.5
UK	0.1	4.8	0.3	1.1	1.5
UAE	0.0	7.5	3.6	4.0	5.1
Tanzania	0.0	4.7	5.1	5.4	6.0
Malawi	0.0	0.9	1.5	1.8	4.0
Hong Kong	0.0	-3.7	3.3	3.2	3.0

Source: IMF WEO, Oct 2024 and Bank of Zambia Compilations.

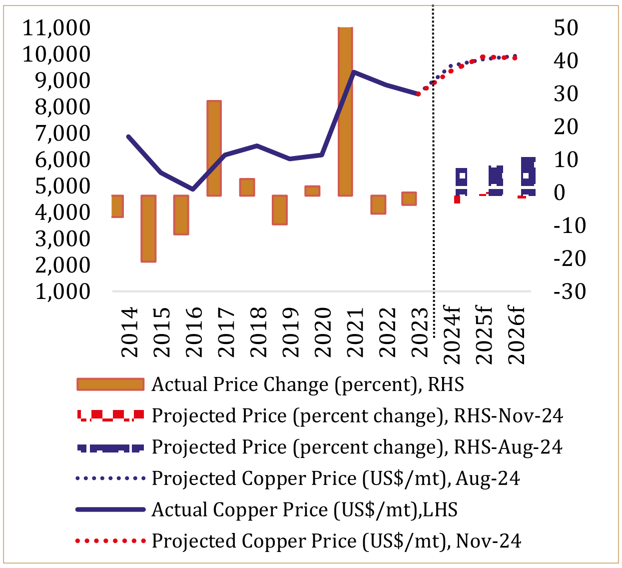
The IMF raised the growth projection for South Africa on account of increased consumer and business confidence in the aftermath of stable electricity supply, formation of a Government of National Unity and declining inflation. The upward adjustment to the growth forecast for the UK is mainly attributed to falling inflation and lower interest rates, which are expected to stimulate domestic demand and investment.

Consistent with the *August Monetary Policy Report*, the risks to the growth outlook in major trading partner countries remain tilted to the downside.

... copper prices to remain strong

Copper prices are expected to remain elevated over the 2024-26 period despite a modest reduction in 2024 to US$9,342.56 per metric tonne relative to the August forecast of US$9,551.00 per metric tonne (Figure 3 and Table 4).

Figure 3: Copper Prices (annual average)



Source: IMF, World Bank, Bloomberg, Reuters Futures, and Bank of Zambia Compilation projection.

Underlying this projection is mostly soaring demand stemming from global transition to renewable energy[7],

[7]Global energy transition is expected to support copper prices as the metal is extensively used in the production of renewable energy technologies such as photovoltaic cells, inverters, solar panels, wind

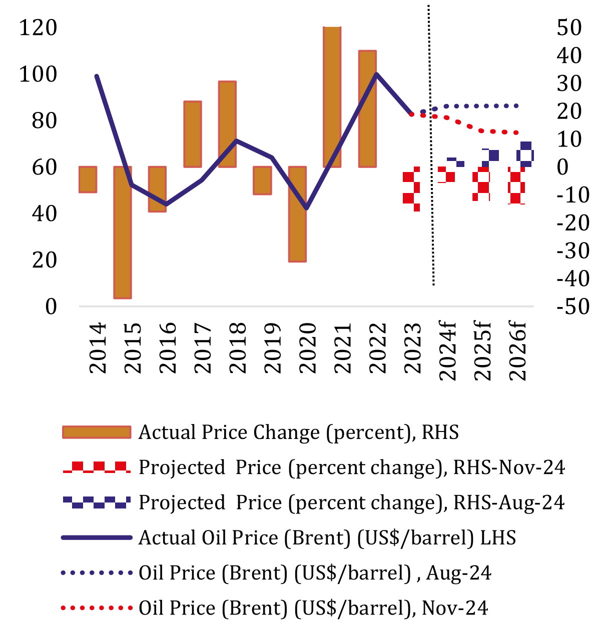
particularly in the production of electric vehicles[8] (EVs), increased demand for electricity[9] and investment in data centre infrastructure to support artificial intelligence (AI) applications[10]. Copper prices are also expected to be bolstered by growing expectations of a potential supply deficit[11], deployment of stimulus measures by China to shore up the property sector[12] and interest rate cuts by central banks in advanced economies, especially the US Federal Reserve.

Copper prices may rise further if the key upside risks highlighted in the *August 2024 Monetary Policy Report* take effect[13].

... crude oil prices to decline

Crude oil prices[14] are now projected to decline largely due to weaker-than-expected global demand mainly by China[15] and North America[16] (Figure 4 and Table 4).

Figure 4: Crude Oil Prices (annual average)



Source: World Bank, Bloomberg, Reuters Futures and Bank of Zambia Compilation

Growing concerns about oversupply in the global market due to expected strong production by non-OPEC countries led by the US[17], coupled with the restoration of production and exports by Libya, as well as the planned gradual easing of OPEC+ production cuts in January 2025 are expected to dampen crude oil prices. A further decline in prices than projected may occur with a possible de-escalation of conflict in the Middle East.

The upside risks to crude oil prices reported in August, mostly relating to the potential escalation in geopolitical conflicts in the Middle East, possible reduction in US oil production, and a rebound in oil demand by China when recently deployed stimulus measures take effect, are still valid. Extreme weather conditions, possibility of interest rates remaining elevated for an extended period, and potential deeper production cuts by OPEC+ may dampen prices even further.

.... downward trend in maize and wheat prices to persist

Maize prices are projected to decline further in 2024 to US$187.00 per metric tonne and to US$185.00 per metric tonne in 2025 from the August forecast of US$200.00 per metric tonne and US$196.00 per metric tonne, respectively (Figure 5).

turbines generators and batteries, including sea power cables: https://oilprice.com/Energy/Energy-General/Clean-Energy-Transition-Faces-Looming-Metal-Supply-Crunch.html

[8]Global production and sales of electric EVs is expected to be a key driver of copper demand as they require up to five times more copper than traditional cars; copper is essential in EV manufacturing for electric batteries, motors, cable connections, and charging stations infrastructure; demand for EVs has skyrocketed and is projected to remain strong, underpinned by technological advancements, greater affordability: https://about.bnef.com/blog/electric-vehicle-sales-headed-for-record-year-but-growth-slowdown-puts-climate-targets-at-risk-according-to-bloombergnef-report/

[9]New investment in power infrastructure will include building new generation capacity and power grids, transportation, and smart cities, which require more copper. Electrification is forecast to increase current annual copper demand from around 25 million metric tonnes to 36.6 million metric tonnes by 2031 while supply is anticipated to reach just about 30.1 million metric tonnes, leading to a 6.5 million metric tonne shortfall: https://www.wsj.com/articles/copper-shortage-threatens-green-transition-620df1e5

[10]Copper plays a crucial role in data centers by supporting power distribution, cooling, grounding, interconnections, and additional electricity generation requires more copper. Trafigura, a leading commodity trader, predicts demand for copper, driven by artificial intelligence and data centers, increasing by as much as one million metric tonnes by 2030, likely intensifying supply shortages towards the end of the decade: https://www.trafigura.com/news-and-insights/in-the-news/2024/ai-could-add-1-million-tons-to-copper-demand-by-2030-says-trafigura/

[11]The copper deficit will be largely occasioned by disruptions at some major mines, combined with increased demand arising from the global energy transition, with the current mining output falling short of meeting this burgeoning demand: https://about.bnef.com/blog/copper-prices-may-jump-20-by-2027-as-supply-deficit-rises

[12]China's sluggish economic growth emphasises the urgent need for policymakers to quickly implement additional robust stimulus measures to revive the property sector, capital markets and the wider economy: https://finance.yahoo.com/news/china-urges-swift-implementation-expansive-011700190.html?guccounter=1

[13] These include disruptions to global supply, sustained global disinflation, which could weaken the US dollar, a strong rebound in the property sector in China, and stronger-than-expected global economic growth.

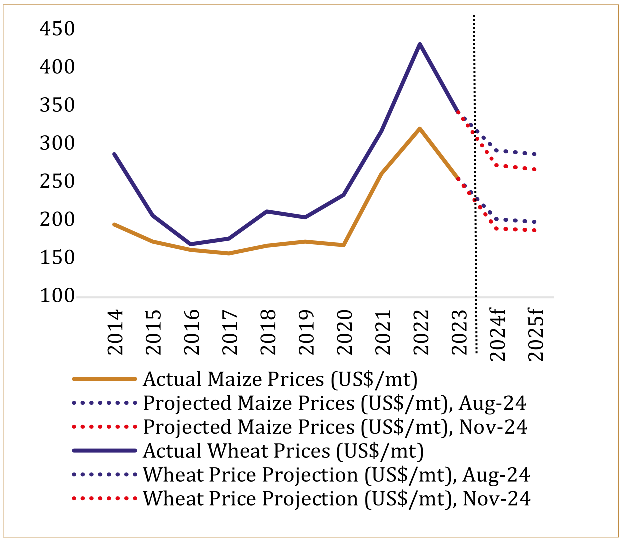
[14]Crude prices are averages of Bloomberg, FocusEconomics, Refinitiv, World Bank and IMF projections.

[15]Oil demand growth by China has been decelerating due to slower economic growth, rapid adoption of EVs, rising use of LNG-powered trucks for transportation, and development of a vast national high-speed rail network, which has constrained growth in domestic air travel: https://oilprice.com/Latest-Energy-News/World-News/Chinas-Energy-Transition-Is-Slowing-Its-Oil-Demand-Growth.html

[16]OPEC, EIA and IEA lowered their 2024 and 2025 global oil demand growth forecast: https://www.business-standard.com/economy/news/opec-vs-iea-diverging-oil-demand-forecasts-signal-an-uncertain-future-124091001319_1.html https://www.theguardian.com/business/2024/oct/15/oil-price-falls-china-middle-east-brent-crude-opec

[17]Robust production by non-OPEC countries, led by the US followed by Brazil, Canada and Guyana, is expected to boost overall global oil supply: https://www.hellenicshippingnews.com/oil-market-update-market-surplus-is-on-the-horizon-for-2025/

Figure 5: Maize and Wheat Prices (annual average)



Source: World Bank Pink Sheet and Commodity Markets Outlook, October 2024, and Bank of Zambia Compilation

Similarly, wheat prices are projected to reduce to US$270.00 per metric tonne and US$265.00 per metric tonne in 2024 and 2025, respectively, down from the August projection of US$290.00 per metric tonne and US$285.00 per metric tonne (Figure 5).

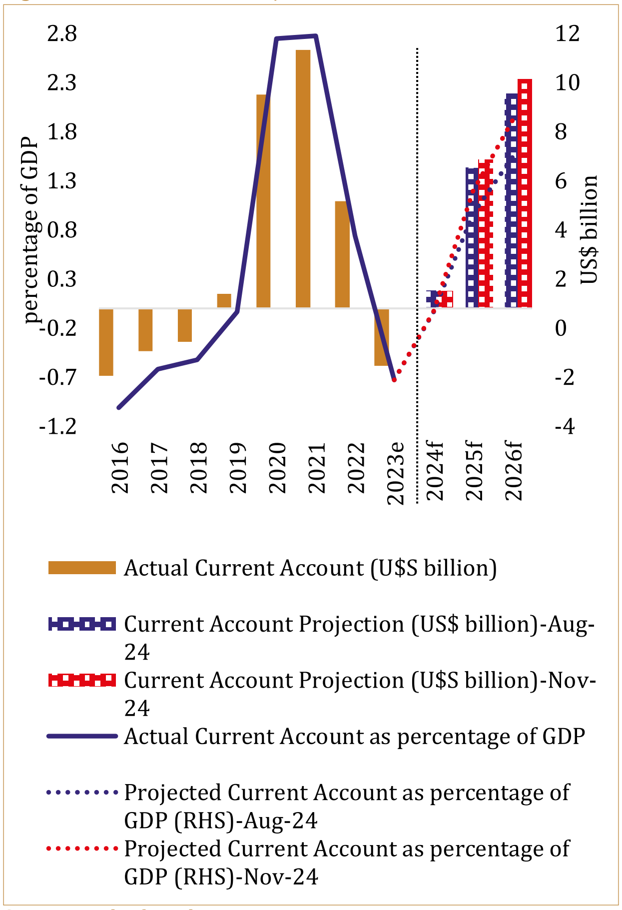
The persistent downward projection in both maize and wheat prices is mostly influenced by weak global demand and the anticipated strong production[18] by major exporting countries, bolstered by favourable weather conditions and improved yields. The enactment of the food security law and implementation of the 5-year (2024 to 2028) action plan by China[19] are also expected to contribute to lower grain prices.

The risks to the maize and wheat price outlook are now balanced unlike in August when they were tilted to the downside. Notable upside risks are associated with the potential occurrence of adverse weather conditions as well as increased input costs and disruption to grain shipment due to heightened geopolitical tensions, particularly in the Middle East. On the downside, the risks relate to weaker-than-anticipated global growth and crude oil prices as well as strong La Niña weather conditions that could enhance crop production.

... current account surplus to expand over the medium-term

While a *current account* surplus of US$0.2 billion (0.7 percent of GDP) projected in August for 2024 remains unchanged, the projection for 2025 and 2026 is more optimistic (Figure 6).

Figure 6: Current Account Projections



Source: Bank of Zambia

The surplus is projected to expand to US$1.5 billion (5.6 percent of GDP) in 2025 and widen further to US$2.3 billion (8.4 percent of GDP) in 2026, respectively (Figure 6). This is based on the projected faster growth in exports relative to imports on account of the anticipated rebound in mining production leading to higher copper export volumes, reinforced by buoyant copper prices (refer to section 1.2 for details).

1.2 Prospects for Domestic Economic Growth

... significantly lowered for 2024

The Bank of Zambia has significantly revised downward the 2024 real GDP growth projection to 1.8 percent from the earlier 3.0 percent (Table 3 and Figure 7). This reflects the impact of a more severe drought than previously anticipated, particularly on electricity generation. Nonetheless, the projection for 2025 is revised slightly upward while the 2026 forecast remains unchanged mostly on anticipated favourable external sector performance.

[18]The International Grains Council forecasts a record-high global grain production for the 2024/25 farming season, reaching 2.321 billion tonnes: https://www.pig333.com/latest_swine_news/record-global-grain-production-expected-in-2024-25_20585/ https://www.world-grain.com/articles/20235-igc-revises-wheat-corn-production-higher

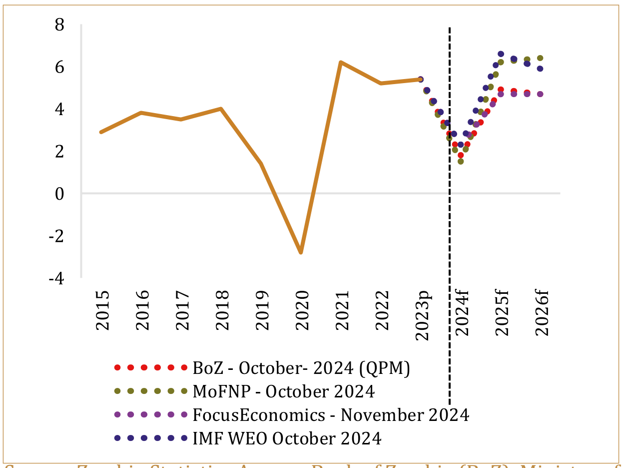
[19]China launched a 5-year action plan to digitally transform its agriculture sector by boosting domestic food production using smart farming technologies such as AI tools, big data, GPS navigation systems and 5G in farming in its quest for food security: https://theoutpost.ai/news-story/china-unveils-five-year-smart-agriculture-plan-to-boost-food-production-7536/

Table 3: Annual Real GDP Growth Projections (percent)

	2023	2024p	2025f	2026f
Bank of Zambia Quarterly Projection Model (QPM)				
BoZ October 2024	5.4	1.8	4.9	4.7
BoZ July 2024	5.4	3.0	4.4	4.7
Ministry of Finance and National Planning				
MoFNP October 2024	5.4	1.5	6.2	6.4
MoFNP July 2024	5.4	2.3	6.6	5.9
International Monetary Fund				
IMF October 2024	5.4	1.2	6.2	6.6
IMF June 2024	5.4	2.3	6.6	5.9
IMF WEO October 2024	4.3	2.3	6.6	5.9
IMF WEO April 2024	4.3	4.7	4.8	4.8
FocusEconomics				
November 2024	5.8	2.3	4.7	4.7
August 2024	5.8	3.3	4.6	4.9

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

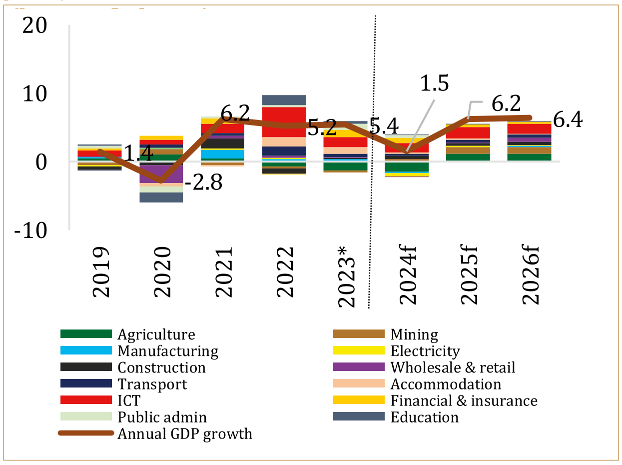
Figure 7: Annual Real GDP Growth (percent)



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

Similarly, the Ministry of Finance and National Planning (MoFNP) and the International Monetary Fund (IMF) have significantly downgraded the growth projection for 2024 to 1.5 percent and 1.2 percent from 2.3 percent, respectively (Table 3 and Figures 7 and 8). The greater-than-anticipated impact of the drought owing to severe electricity shortages mainly accounts for this revision. However, projections for 2025 and 2026 remain broadly unchanged.

Figure 8: Sectoral Contribution to Real GDP Growth (percentage points)

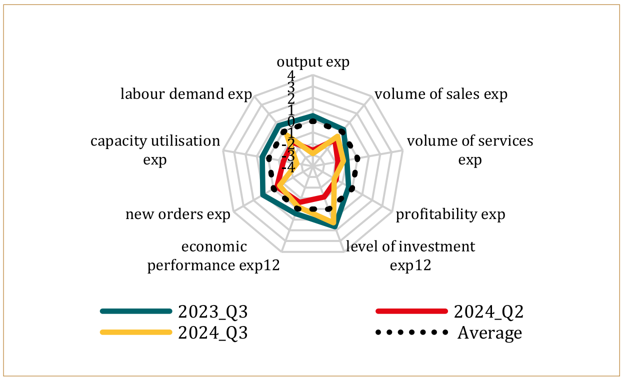


Source: Ministry of Finance and National Planning, Zambia Statistics Agency
Note: p=preliminary, f=forecast.

FocusEconomics has also marked down the growth projection for 2024 to 2.3 percent from 3.3 percent, taking into account the severe impact of the drought, particularly on energy-intensive sectors (Table 3 and Figure 7). The real GDP growth projection for 2025 has been slightly increased to 4.7 percent from 4.6 percent. This is premised on the expected normal-to-above-normal rainfall that will support the recovery of the agriculture and energy sectors. The economy is projected to continue expanding in 2026, at 4.7 percent, albeit slightly lower than the earlier 4.9 percent.

The respondents to the *November 2024 Quarterly Survey of Business Opinions and Expectations* expressed optimism about economic prospects one year ahead. The positive outlook was based on expectations of increased agricultural production due to favourable weather conditions, which could lead to the reduction in inflationary pressures as input prices decline (Figure 9).

Figure 9: Business Expectations Response Patterns[20]



Source: Bank of Zambia

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

Over the medium to long-term, increased generation capacity through continued investments in renewable energy, including solar, wind and thermal energy, is critical to the growth of the energy sector.

The agriculture sector will be supported by access to affordable financing for mechanisation and irrigation under the Sustainable Agricultural Financing Facility by Government and financing by commercial banks. The forecast of normal-to-above normal rainfall for the 2024/2025 rainy season will also contribute to the recovery of the sector.

The risks to the growth forecast remain predominantly negative and largely consistent with those outlined in the *August 2024 Monetary Policy Report*. Climate change, especially prolonged El Niño events, continues to pose significant threats to agricultural production and hydropower generation as water levels in major dams are nearing historic lows. In addition, economic activity is likely to be further dampened by increased and unpredictable electricity load management.

1.3 Fiscal Outlook

... fiscal deficit to narrow sharply in 2025 after higher drought-induced spending in 2024

After accommodating the impact of the recent drought that has raised the fiscal deficit to 6.4 percent in 2024, a lower budget deficit of 3.1 percent is projected for 2025. In this regard, revenue mobilisation efforts will be stepped up and expenditure prioritisation maintained.

The risks to the medium-term fiscal outlook remain tilted to the upside as reported in August and also articulated in the inaugural *2024 Fiscal Risk Statement*. They include lower copper prices associated with weaker global demand, adverse effects of geopolitical tensions on energy and food prices, depreciation of the exchange rate, and constrained production and hydropower generation occasioned by weather-related shocks.

1.4 Inflation Outlook: Fourth Quarter 2024 – Third Quarter 2026

... drought impact to keep inflation elevated

Since the August MPC Meeting, external initial conditions have improved and are expected to have a moderating effect on inflation[21]. However, domestic initial conditions remain broadly unfavourable as the impact of the drought on the energy sector, particularly on electricity generation, is more pronounced than earlier envisaged. Consequently, inflation, absent any policy action, is expected to remain elevated and above the 6-8 percent target band.

The key assumptions shaping the current inflation projection for the period 2024 Q4 to 2026 Q3 (forecast horizon) are presented in Table 4 and briefly discussed.

Table 4: Key Assumptions Underlying Inflation Projection (Mostly Exogenous)

Variables	2024f	2025f	2026f
Average inflation-USA (percent)	2.6 (3.2)	2.1 (2.4)	2.1 (2.2)
Fed funds rate (percent)	4.4 (5.3)	3.4 (4.8)	2.9 (3.9)
Treasury bill rate-USA (percent)	5.1 (5.1)	4.1 (4.1)	3.2 (3.4)
Treasury bill rate - Zambia (percent)	10.60 (10.80)	10.60 (10.80)	10.60 (10.80)
Average inflation - South Africa (percent)	4.6 (4.9)	4.0 (4.4)	4.4 (4.5)
Producer price index-South Africa	172.6 (171.4)	179.6 (175.1)	187.4 (175.1)
Average copper price/ton (US$)	9,342.56 (9,551.00)	9,901.13 (9,806.50)	9,847.88 (9,930.42)
Average crude oil Price/barrel (US$)	81.12 (86.00)	75.39 (85.80)	74.76 (86.30)
Reserve money growth (percent)*	4.7[22] (7.7)	3.9 (4.0)	-6.7 (-6.8)
Fiscal deficit**	1.27 (1.27)	1.13 (1.16)	1.12 (1.12)
BoZ Policy Rate (percent)	13.5 (13.5)	13.5 (13.5)	13.5 (13.5)
World food price index	114.8 (118.5)	110.2 (113.9)	109.8 (113.9)
Maize grain price - Zambia (K/50Kg)	410.00 (435.00)	410.00 (435.00)	410.00 (435.00)
Diesel price - Zambia (K/litre)	30.01 (30.12)	30.36 (30.12)	33.14 (30.12)

Source: IMF, World Bank, Bloomberg, FocusEconomics Consensus, Reuters, Congressional Budget Office, US Federal Reserve, South African Reserve Bank, Bank of Zambia
Note: the numbers in parenthesis ( ) represent projections in the previous forecasting period.
*Refer to reserve money computation in Table 9.
**Computed as a ratio of expenditure (excluding amortisation) over revenue. A value in excess of 1 implies a deficit.
f = forecast

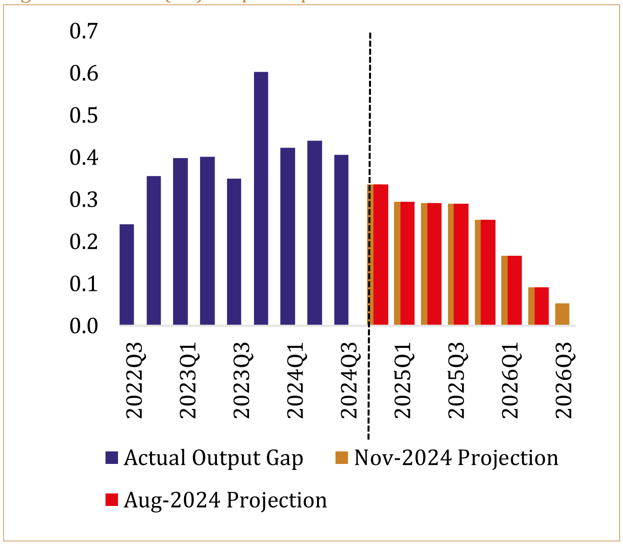
External Conditions

Global demand, proxied by the US output gap, continued to expand in the third quarter (Figure 10). Sustained elevated consumer spending, supported by growth in real wages due to easing inflation and a relatively resilient labour market, mostly accounted for strong demand. In addition, higher retail sales and increase in household savings contributed to the expansion in growth. As indicated in the *August 2024 Monetary Policy Report*, robust growth of the US economy is expected to be sustained in the medium-term. However, demand may moderate in view of the slower pace of wage and employment growth and the gradual tightening of fiscal policy.

[21] In determining the future path of inflation, an assessment of domestic and international conditions is conducted. The assessment of these conditions and methodology used to generate the inflation outlook were outlined in the *February 2024 Monetary Policy Report*.

[22] 2024 Q4

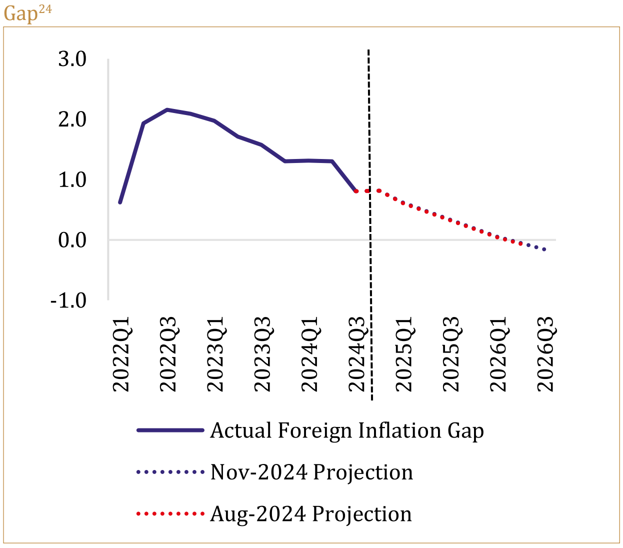
Figure 10: Global (US) Output Gap[23]



Source: Bank of Zambia Staff Computations

Foreign inflation, proxied by changes in the US personal consumption expenditure (PCE), eased further in the third quarter (Figure 11). At 2.2 percent in August, inflation was the lowest in over three years and moved closer to the 2.0 percent Federal Reserve target. The moderation in inflation was attributed to the reduction in services inflation, slower growth in wages and employment and the lagged impact of tight monetary policy on demand. In view of this, coupled with lower expectations, US inflation is projected to decline faster than earlier anticipated (Table 4).

Figure 11: Foreign (US Personal Consumption Expenditure) Inflation Gap[24]

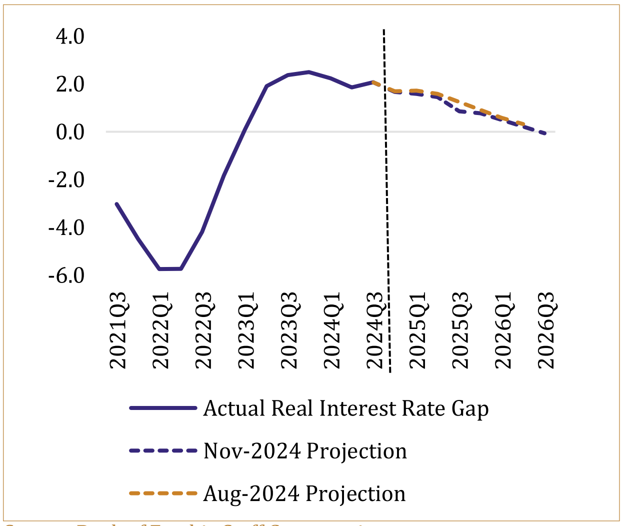


Source: Bank of Zambia staff computations

Inflation in South Africa also declined to 4.4 percent in August, slightly below the mid-point of the 3-6 percent target band, driven by easing fuel and food prices. Inflation is forecast to rise slightly above the mid-point target in 2024, but decline and hold below the mid-point from 2025 (Table 4). Lower food and fuel prices, as well as expectations of a favourable exchange rate underpin this projection.

Given a substantial slowdown in inflation towards the target, central banks in major economies cut interest rates during the third quarter. For instance, the European Central Bank (ECB), Bank of England (BoE), Federal Reserve and Bank of Canada lowered benchmark rates by 60 basis points, 25 basis points, 50 basis points and 25 basis points, respectively. This largely reflects their confidence in inflation moving sustainably towards the target with risks to inflation assessed to be balanced. The People's Bank of China[25] also reduced 1- and 5-year loan prime rates by 10 basis points each. Most central banks are, however, cautious about the magnitude of interest rate cut. This will leave the monetary policy stance relatively tight (Figure 12).

Figure 12: Foreign Real Interest Rate Gap[26]



Source: Bank of Zambia Staff Computations

Crude oil prices declined in the third quarter owing to weak demand by China and the US, as well as expectations of improved supply[27] (Table 4 and Figure 13). Further, indications of a gain in momentum of ceasefire discussions between Israel and Hamas abated fears of supply disruptions leading to the reduction in prices. Over the forecast horizon, the profile for crude oil prices is revised significantly downward and below the long-term trend compared to the August

[23]The global or foreign output gap is the difference between observed and potential US GDP. A negative foreign output gap implies slack in demand while a positive gap reflects excess demand.

[24]Foreign inflation gap is the difference between observed and target US inflation. A negative foreign inflation gap implies inflation falling below the target while a positive gap reflects higher actual inflation than the target.

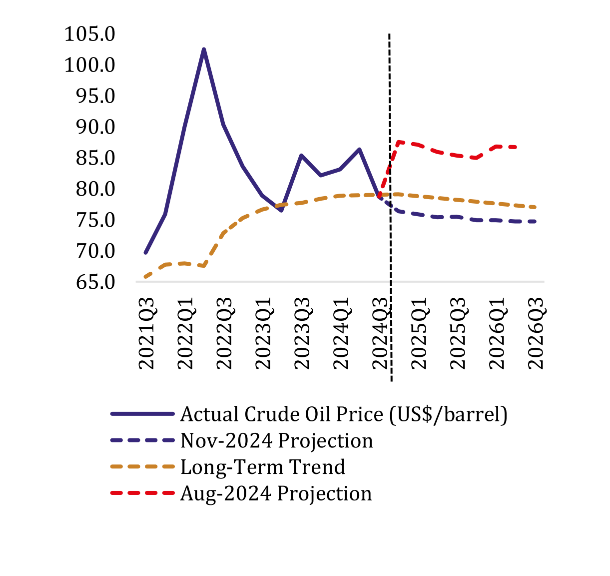
[25]Monetary policy was eased further in September as the PBoC provided more stimulus to support growth. The stimulus package included a 50 basis point cut to banks' required reserve ratios, 20 basis points to the 7-day reverse repurchase rate and 30 basis points to the 1-year medium-term lending facility rate.

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

[27]Supply is expected to improve as Saudi Arabia and OPEC+ plan to cease output cuts in October 2024 combined with increased production in Libya.

projection. This is due to expectations of higher supply by non-OPEC+ producers and weak consumer demand, particularly by China and the US.

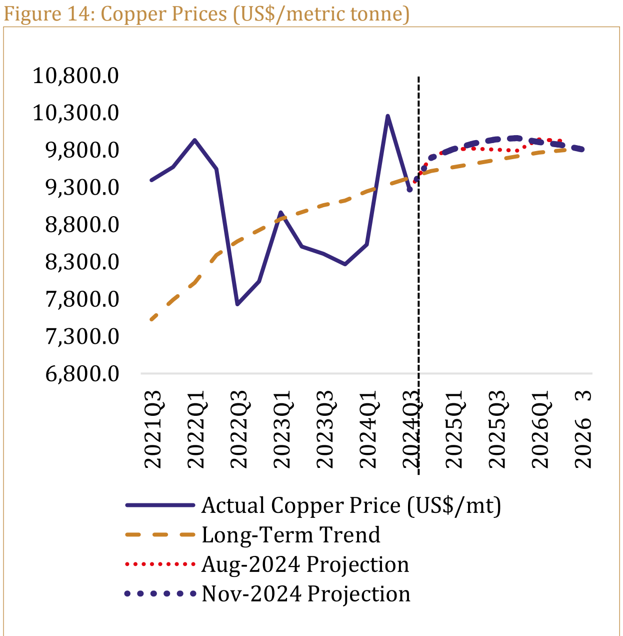
Figure 13: Crude Oil Prices (US$/barrel)



Source: Bank of Zambia Staff Computations

Similarly, copper prices reduced owing to weak demand by China, slowing manufacturing activity in the US, Germany, and Japan, as well as the rise in inventories at warehouses affiliated with the London Metal Exchange (Table 4 and Figure 14). Current copper price projections are broadly in line with the August forecast. The transition to green technology is anticipated to keep prices elevated.

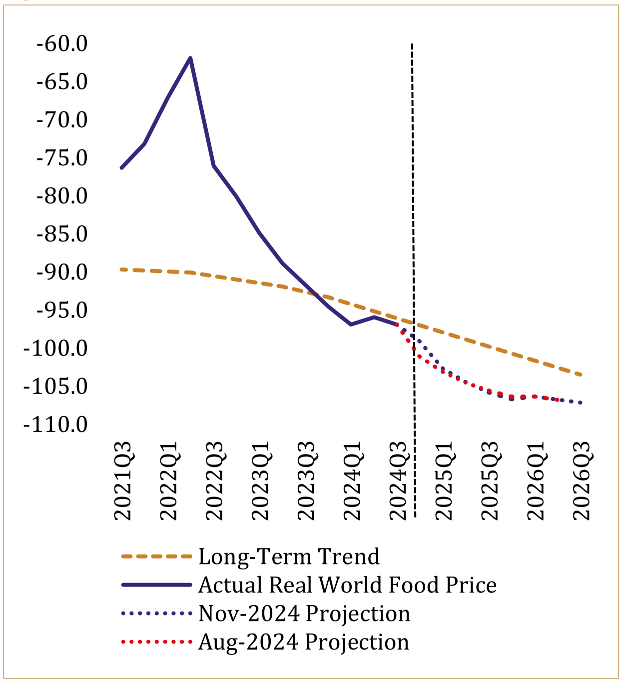
Figure 14: Copper Prices (US$/metric tonne)



Source: Bank of Zambia Staff Computations

World food prices[28] *ticked up in the third quarter, but remained below the long-term trend* (Figure 15). This was due to sugarcane supply concerns in Brazil and India, lower-than-expected production of vegetable oils in Southeast Asia (palm, soy, sunflower and rapeseed) and strong import demand for Brazil's meat and dairy products. Nonetheless, as highlighted in the *August 2024 Monetary Policy Report*, the FAO Food Price Index is expected to maintain a downward trend throughout the forecast horizon on account of increased production of coarse grains (barley and sorghum) and wheat in major exporting countries.

Figure 15: Real World Food Prices



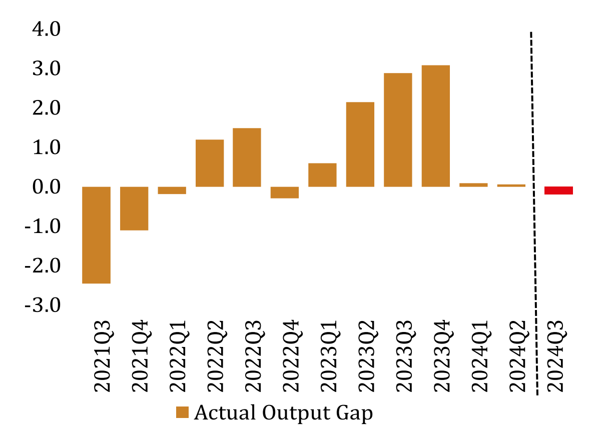
Source: Bank of Zambia Staff Computations

Domestic Conditions

The domestic output gap is estimated to have turned negative in the third quarter primarily on account of relatively less favourable terms of trade, and slight moderation in monetary conditions and foreign demand (Figure 16). In the medium-term, the domestic output gap is projected to remain negative due to the impact of the drought on real GDP (based on the expected impact of severe electricity shortages on some sectors), moderation in the terms of trade and foreign demand, as well as declining fiscal expenditures.

[28]World food prices are measured by the FAO Food Price Index, a weighted average of five commodity sub-indices, with the weight of the cereals sub-index being the second largest (https://www.fao.org/fileadmin/templates/worldfood/Reports_and_docs/FO-Expanded-SF.pdf). This is relevant to our inflation forecast as the CPI basket is dominated by cereals (mostly maize) as a single product.

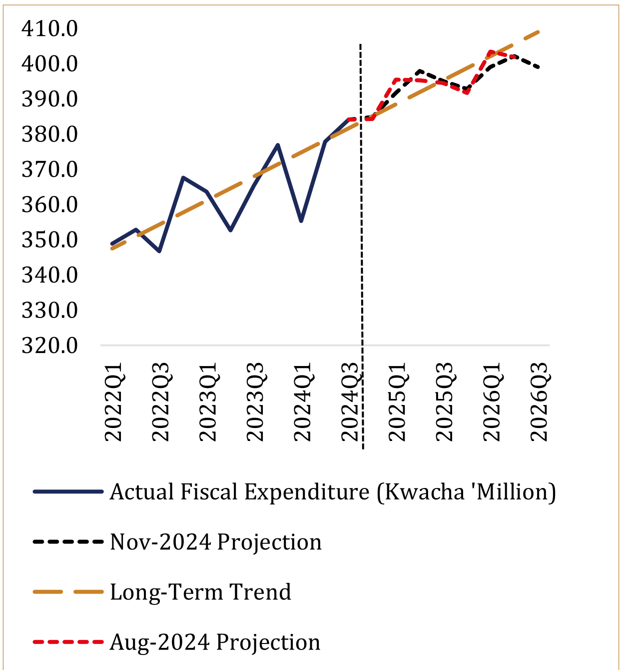
Figure 16: Domestic Output Gap[29]



Source: Bank of Zambia Staff Computations

The fiscal deficit projection remains broadly unchanged from the August forecast (Table 4). Higher fiscal expenditures to mitigate the adverse effects of the drought are expected to result in a wider fiscal deficit in 2024, but with minimal impact on inflation as real fiscal expenditures remain below the long-term trend, including during the 2025 – 2026 period (Figure 17).

Figure 17: Real Fiscal Expenditure



Source: Bank of Zambia Staff Computations

During the third quarter, loose monetary conditions moderated further as the exchange rate depreciated at a slower rate than in the second quarter.

In the last quarter of 2024, reserve money is projected to grow at 4.7 percent and further by 3.9 percent in 2025 (Tables 4 and 5). This is mostly attributed to net Government spending. However, reserve money growth is expected to contract by 6.7 percent in 2026 on account of net Government securities sales.

A slightly lower average market maize grain price of K410/50kg bag (prevailing average market price as at October 11, 2024) is assumed than the August forecast of K435 due to improved post-harvest supply (Table 4). The price is held constant in each quarter throughout the forecast period.

As earlier stated, while external conditions have improved and expected to have a moderating effect on inflation, domestic conditions remain broadly unfavourable. In particular, the impact of the drought on the energy sector[30], which has turned out to be more severe than earlier anticipated, reflected in an upward adjustment of electricity tariffs, largely underpins the current higher inflation projection[31].

Inflation is higher in 2024 and the early part of 2025 than forecast in August (Table 10 and Figure 18). It is, however, projected to decelerate from the second half of 2025, but still remain above the upper bound of the target band. As articulated in the *August 2024 Monetary Policy Report*, the key factors expected to moderate inflation in the latter part of the forecast horizon are declining global food prices, improvement in the external sector, a lower risk premium due to easing global financial conditions (working through the exchange rate channel), coupled with the moderation in loose monetary conditions, and broadly muted domestic aggregate demand.

Table 5: Inflation Projection (average percent)

	2024Q4	2025	2026
Nov-24 Baseline	15.9	14.5	12.2*
Nov-24 MPC Forecast	16.4	13.9	9.0*
Aug-24 Baseline	14.6	12.8	11.8**
Aug-24 MPC Forecast	15.1	12.7	10.8**

Source: Bank of Zambia Staff Forecasts

Note: *Projection for Q1 – Q3 2026

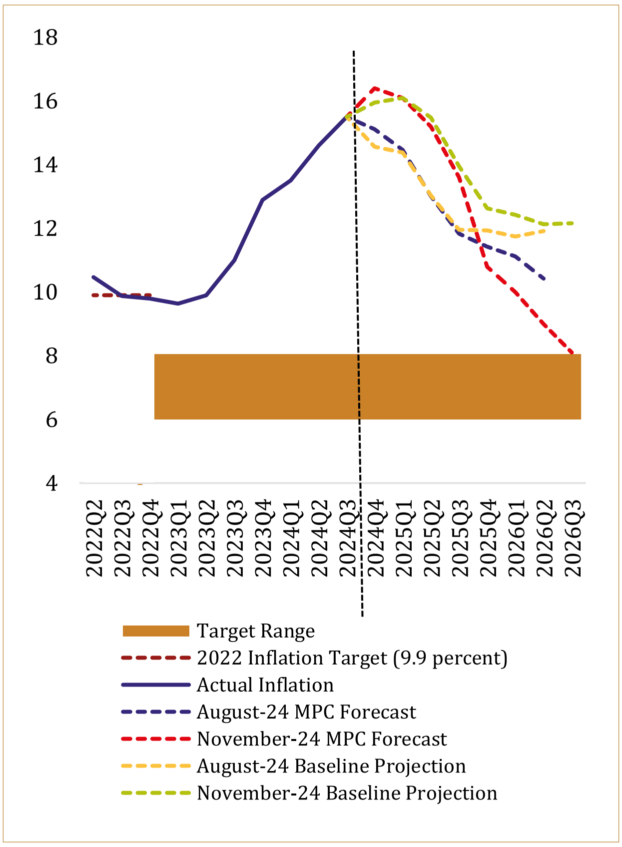
**Projection for the first half of 2026

[29]The domestic output gap is the deviation of aggregate demand from its potential. Negative output gap implies slack in demand while positive output gap implies excess demand. The output gap is endogenously determined by expectations, monetary conditions, foreign demand, terms of trade and fiscal policy.

[30]Due to the severe impact of the drought on electricity generation, the power deficit has widened to 1,300 megawatts from the initial estimate of 430 megawatts at the beginning of the year. This has resulted in extended hours of loadshedding and implementation of the ZESCO emergency electricity tariff adjustment (for three months) effective November 1, 2024. This is meant to facilitate the importation of 788 megawatts of electricity.

[31]This has necessitated the implementation of a significantly higher emergency electricity tariff adjustment.

Figure 18: Inflation Profiles (percent)



Source: Bank of Zambia Staff Forecasts and Zambia Statistics Agency

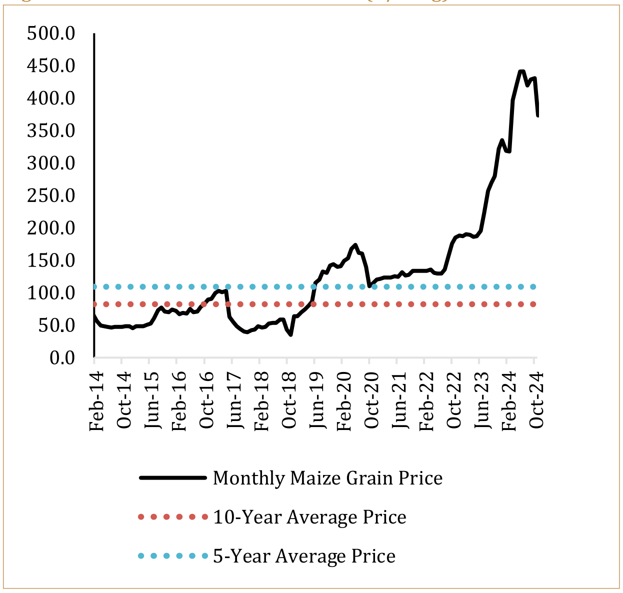
Respondents to the *November 2024 Bank of Zambia Quarterly Survey of Business Opinions and Expectations (QSBOE)* expect inflation to rise in the fourth quarter of 2024 to 16.2 percent. This is attributed to the escalation in operating costs on account of increased hours of electricity rationing and a weaker exchange rate. Further, respondents expect past price increases, high interest rates and fluctuating domestic fuel prices to contribute to elevated inflationary pressures.

Assessment of Risks to the Inflation Outlook

Since the August 2024 MPC Meeting, some risks have materialised, others remain unchanged while more information has emerged on others. The risks to the current outlook include:

a) Higher maize grain prices. While maize grain prices moderated slightly during the post-harvest period (May to August), the downward movement reversed in September and prices are well above the 5 and 10-year averages (Figure 19). The domestic maize grain net deficit recorded during the 2023/24 farming season and tight regional supply[32] and a possible strong seasonal regional demand[33] during the lean period (October 2024 to March 2025) could raise maize grain prices higher than assumed in the baseline. In addition, the current weather forecast[34] for the 2024/25 farming season points to a 71 to 83 percent probability of La Niña conditions. These conditions tend to be characterised by above-average rainfall and floods in the Southern Africa region, which could adversely affect production and contribute to higher maize grain prices;

Figure 19: Domestic Maize Grain Prices (K/50kg)



Source: Millers' Association of Zambia and Bank of Zambia

b) Higher prices of goods and services due to extended hours of load management. Currently, the country is experiencing 16 hours of daily electricity load management. This could worsen should the projected electricity imports not be met due to financial and physical resource constraints at ZESCO. This would result in firms having recourse to expensive alternative sources of energy for an extended period resulting in increased production costs and potentially passed on to consumers through higher prices of goods and services. Alternatively, some firms could cut down production leading to shortages of goods and services and a further increase in prices; and

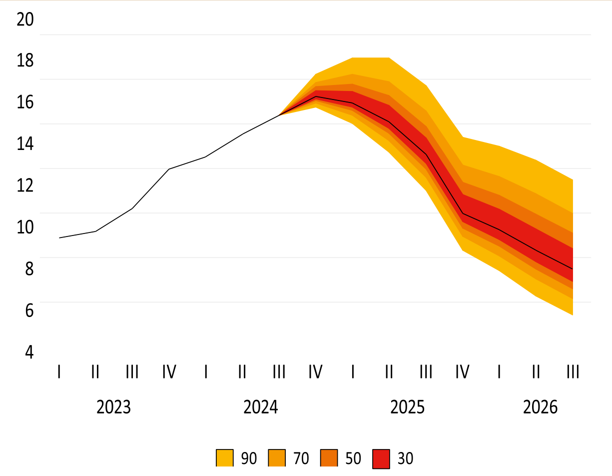
Broadly, upside risks remain dominant reflected in the inflation fan chart (Figure 20 and Table 6). This implies that the probability of inflation outcome exceeding the baseline projection is higher than that of it falling below the baseline.

[32]According to FEWSNET, the poor harvest across the region–including in South Africa (10 percent below average) and Zambia (50 percent below average)–has resulted in tight regional maize market supply. As a result, an estimated 3.0 million tonnes of imported maize is necessary to meet total regional demand (https://fews.net/sites/default/files/2024-08/Alert-Southern-Africa-ElNino-202408.pdf).

[33]FEWSNET estimates indicate that as of August 2024, many poor households in the region (Southern Angola, conflict areas of the DRC, southern Malawi, southern and central Mozambique and Zimbabwe) had either nearly or completely exhausted their stocks from the 2024 harvest and are increasingly resorting to unsustainable coping strategies or experiencing food consumption gaps https://fews.net/sites/default/files/2024-08/Alert-Southern-Africa-ElNino-202408.pdf).

[34]Crop Monitor for Early Warning No. 98, October 2024.

Figure 20: Inflation – Actual and Projected: Q4 2024 – Q3 2026 (percent)



Source: Bank of Zambia and Zambia Statistics Agency

Table 6: Range of Possible Inflation Outcomes and Associated Probabilities

Range of Possible Inflation Outcomes (percent)	Probability (percent)
8.5 – 16.7	30
8.1 – 17.0	50
7.6 – 17.5	70
6.8 – 18.2	90

Source: Bank of Zambia

Monetary Policy Decision

At its November 11-12, 2024 Meeting, the Monetary Policy Committee decided to **increase the Monetary Policy Rate by 50 basis points to 14.0 percent.** The increase in the Policy Rate was necessitated by actual and projected inflation continuing to remain above the 6-8 percent target band. The decision to raise the Policy Rate was aimed at steering inflation back towards the target band and anchoring inflation expectations. In arriving at the decision, the Committee also took into account:

(i) complementary liquidity management measures under consideration;
(ii) foreign exchange market reforms underway;
(iii) fragility of the economy in the wake of the severe impact of the recent drought; and
(iv) stability of the financial system.

The Bank stands ready to take appropriate action should inflation persist above the 6-8 percent target band. Decisions on the Policy Rate will continue to be guided by inflation outcomes, forecasts, and identified risks, including those associated with financial stability.

2. Current Economic Developments

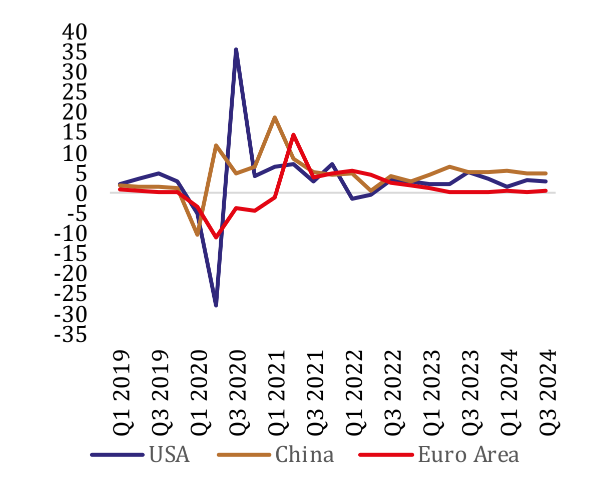
- *Growth in major economies broadly mixed.*
- *Global financial conditions easing as inflation in major economies returns to target.*
- *Current account surplus expands as primary income account deficit reduces due to rising operating costs occasioned by imports of electrictity.*
- *Interest rate movements mixed; domestic credit increases, albeit marginally, on increased lending to Government, but credit to the private sector slows down on educed economic activity; money supply growth affected by reduced private sector credit growth.*
- *Economic activity slows further on persistent electricity shortages and inflationary pressures.*
- *Inflation rises further as maize grain prices remain elevated, supply of fish and vegetables reduce, demand for solid fuels increase, and exchange rate depreciates.*

2.1 External Sector External Sector

... real GDP growth in major economies mixed

Growth ticked up in the euro area, but slowed down in the US and China(Figure 21).

Figure 21: Real GDP Growth (percent)



Source: Fed St. Louis, National Bureau of Statics & Eurostat

Growth in the eurozone rose to 0.4[35] percent in the third quarter from 0.3 percent in the second quarter. This was largely supported by consumer and government spending due to declining inflation and lower interest rates. However, growth in the US slowed down in the third quarter to 2.8 percent from 3.0 percent in the second quarter largely reflecting a surge in imports and a significant drop in fixed residential investment[36] (housing sector). Over the same period, growth in China eased to 4.6 percent from 4.7 percent due to persistent downturn in the property sector, sluggish consumer demand and heightened deflationary pressures that continued to dampen business confidence.

... slowdown in economic activity in key trading partner countries persists

Preliminary data indicate a further slowdown in economic activity in Zambia's key trading partner countries in the third quarter. This is reflected in the reduction of the GDP-9 Index by 1.23 percent (Table 7 and Figure 22).

Table 7: Preliminary Year-on-Year Changes in GDP-9 Index and Country Contributions

	Weight	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
GDP-9 Index (percent Change)		-0.14	-0.03	-1.73	-0.18	-1.23
Contribution to the GDP-9 Index Change						
China	0.5	-0.06	-0.01	-0.75	-0.08	-0.14
DRC	0.3	-0.03	0.00	-0.41	-0.04	-0.32
South Africa	0.1	-0.02	-0.01	-0.25	-0.03	-0.17
Singapore	0.0	-0.01	-0.01	-0.11	-0.01	-0.05
UK	0.1	0.00	0.00	-0.07	-0.01	-0.06
UAE	0.0	0.00	0.00	-0.04	0.00	-0.02
Tanzania	0.0	0.00	0.00	-0.03	0.00	-0.02
Malawi	0.0	0.00	0.00	-0.03	0.00	-0.01
Hong Kong	0.0	0.00	0.00	-0.02	0.00	-0.01

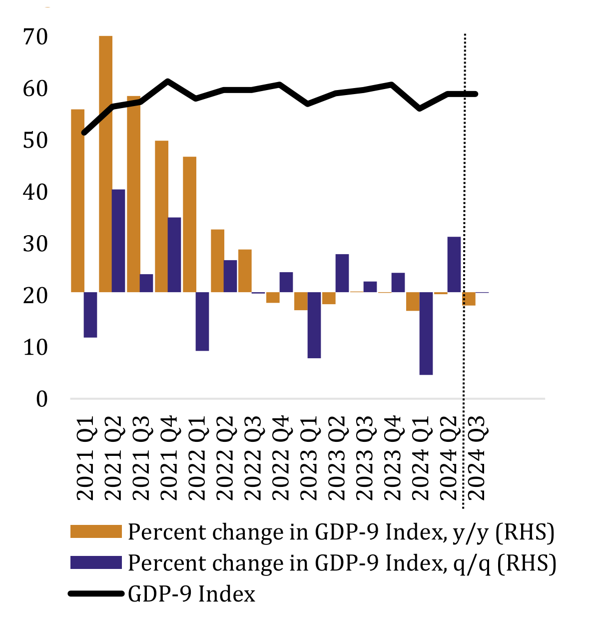
Source: Bank of Zambia Staff Calculations

DRC=The Democratic Republic of the Congo, S/Africa=Republic of South Africa, H/Kong = Hong Kong

[35]In the third quarter, GDP in Germany, France and Spain grew by 0.2 percent, 0.4 percent and 0.8 percent, respectively mainly on account of strong consumer and government spending. Consumer spending was strong in France, bolstered by the summer Olympic games, while a surge in tourism boosted growth in Spain.

[36]The housing market weighed on US growth in the third quarter due to soaring prices and high mortgage rates, which adversely affected residential investment and reduced demand for purchasing new homes and undertaking renovations: https://www.fxempire.com/news/article/u-s-q3-gdp-grows-2-8-misses-forecast-as-housing-and-income-growth-slow-1472540

Figure 22: GDP-9 Index



Source: Bank of Zambia Compilation

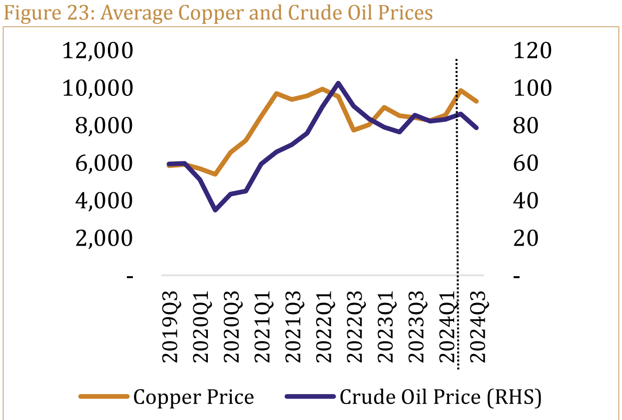
Declining economic activity in the Democratic Republic of the Congo (DRC), South Africa and China underpin the reduction in the GDP-9 Index.

Economic activity in the DRC was impacted by strong import demand, persistent armed conflict in the eastern region and the outbreak of Mpox[37] (previously called monkeypox), which exerted pressure on public finances. In South Africa, economic activity was mainly dampened by logistical challenges relating to the operations of rail systems and ports that affected export potential. For China, economic activity continued to be constrained by the persistent slump in the property sector, weak consumer spending, high local Government debt and increased deflationary pressures.

... copper and crude oil prices decline

In the third quarter, copper prices declined by 6.0 percent to US$9,269.60 per metric tonne (Figure 23).

Figure 23: Average Copper and Crude Oil Prices



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

[37]https://www.fitchratings.com/research/sovereigns/mpox-emergency-may-add-to-economic-fiscal-challenges-in-some-african-sovereigns-28-08-2024

Underlying the decline was sustained weak demand by China due to faltering growth and persistent slump in the property sector. Increased output by major producers[38], rising copper inventories in London Metal Exchange (LME) warehouses[39], as well as deepening contraction in global manufacturing activity (especially in China, US and euro area) also contributed to the fall in copper prices[40].

Similarly, crude oil prices reduced by 8.7 percent to US$78.70 per barrel (Figure 40). This reflects subdued global demand[41] mostly by China[42] due to slower economic growth, robust output by non-OPEC countries, particularly the US[43], and resilient Russian seaborne crude oil exports[44]. In addition, the decision by Saudi Arabia to abandon its informal price target of US$100 per barrel, low compliance levels by some OPEC+ members[45], and pessimistic demand prospects weighed on prices.

... maize and wheat prices maintain a downward trend

Maize and wheat prices declined further in the third quarter by 8.5 percent and 5.6 percent to US$177.57 per metric tonne and US$260.27 per metric tonne, respectively (Figure 24).

[38]The International Copper Study Group (ICSG) reported a 3.1 percent increase in global copper production in the first half of 2024, driven by growth in production by Chile, Indonesia, US and the Democratic Republic of Congo:https://www.mining.com/global-refined-copper-surplus-swells-in-first-half-of-2024-report/

[39]Copper inventories in the LME warehouses soared close to a 5-year high, reflecting underlying weakness in demand: https:// think.ing.com/articles/copper-prices-slump-as-lme-stocks-continue-to-pile-up/

[40]Global manufacturing slipped into contraction after the PMI fell to 48.8 in September. The manufacturing PMI has stayed in the contraction territory for the past five, six, and eighteen consecutive months in China, US and euro area, respectively: https://www.abnamro.com/research/en/our-research/contraction-in-global-manufacturing-deepens

[41]China's oil consumption dropped by 350,000 barrels per day (bpd) in the first nine months of this year from 10.99 million bpd in the corresponding period last year due to slowing economic growth, increased adoption of EVs and a shift towards alternative fuels like LNG.

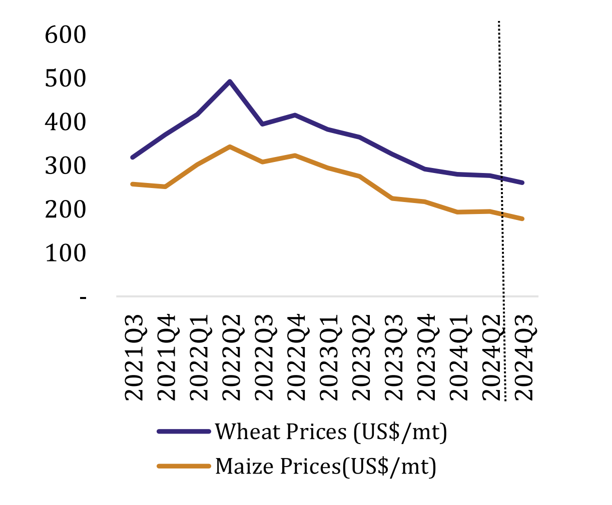
[42]https://oilprice.com/Latest-Energy-News/World-News/Weak-Chinese-Manufacturing-Data-Adds-to-Bearish-Sentiment-in-Oil-Markets.html

[43]The EIA indicated that US oil production reached a record sites/davidblackmon/2024/08/11/americas-resilient-oil-drillers-pump-out-another-record/

[44]Russian seaborne crude oil exports have remained stable as the country circumvents EU sanctions and price caps by using shadow tankers and offering substantial discounts of US$30-40 per barrel mainly to China and India thereby compensating for losses in European markets: https://oilprice.com/Energy/Energy-General/How-Russia-Is-Using-Its-10-Billion-Shadow-Tanker-Fleet-to-Avoid-Sanctions.html

[45]OPEC+ is sitting on a significant amount of spare capacity in excess of 5 million bpd due to production cuts implemented in 2022. However, some members, including Iraq, Kazakhstan and Russia, have repeatedly failed to adhere to agreed production cuts despite ongoing commitments resulting in overproduction: https://oilprice.com/Energy/Crude-Oil/Will-OPEC-Ever-Rein-In-Its-Non-Compliant-Members.html

Figure 24: Average Maize and Wheat Prices



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

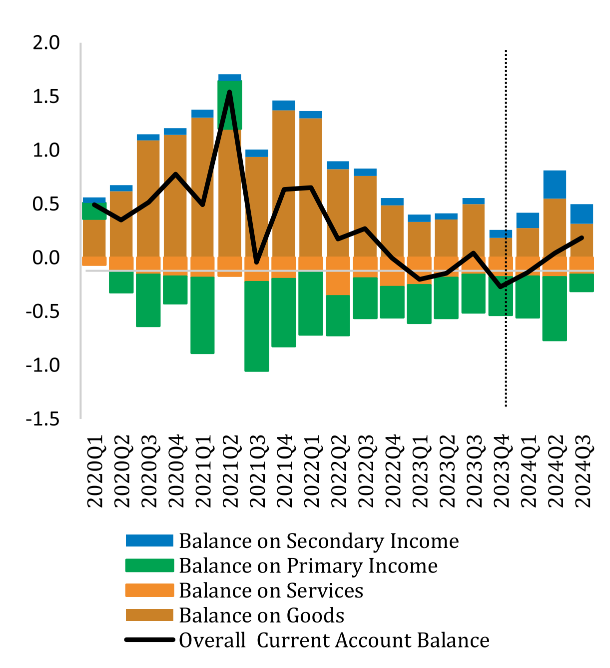
Maize prices declined due to increased seasonal supply by South American countries and expectations of a favourable production outlook, particularly in the US[46].

The reduction in wheat prices was mainly on account of weak global demand, mostly by China[47] amid high carryover stocks, and higher-than-expected production in Argentina, Brazil, Canada, US and Ukraine[48] underpinned by warm and dry weather conditions. Falling export prices in Russia on account of subdued export activities contributed to the overall decline in wheat prices.

... current account surplus picks up

The *current account* surplus expanded to US$0.19 billion (2.7 percent of GDP) in the third quarter from US$0.04 billion (0.6 percent of GDP) in the second quarter (Figure 25).

Figure 25: Current Account Balance (US$ billion)



Source: Bank of Zambia

This was mainly driven by the reduction in the *primary income account* deficit to US$0.15 billion from US$0.59 billion. The escalation in operating costs occasioned by the intense use of alternative sources of energy by foreign-owned companies to mitigate the impact of extended electricity load management and subsequent substantial decline in retained earnings or reduced profitability largely underpin the reduction in the *primary income account*.

The *balance on goods* declined by 42.3 percent to US$0.32 billion as imports rose while exports reduced (Figure 26). Imports rose by 7.9 percent to US$2.6 billion as demand for food items, iron and steel, industrial boilers and equipment, electrical machinery and equipment, petroleum products, and electricity expanded (Figure 27). In contrast, merchandise exports fell by 1.5 percent to US$2.9 billion due to the reduction in copper export volumes and realised prices[49].

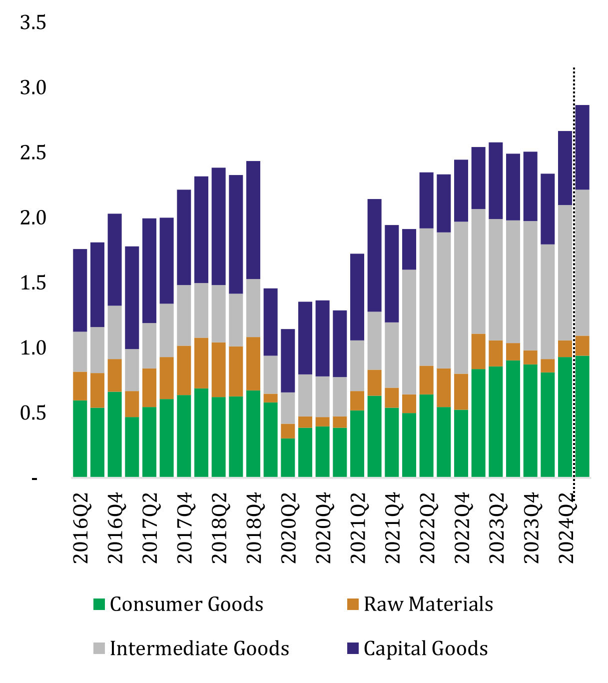
[46]The US Department of Agriculture projects US corn yields and production to be the second largest on record: https://www.hellenicshippingnews.com/wheat-slips-from-3-month-highs-corn-and-soy-also-fall/

[47]China has excess stocks of grain in its warehouses due to weak demand, which is posing challenges for farmers around the globe: https://www.scmp.com/business/commodities/article/3278677/chinas-fading-hunger-grain-spells-trouble-world-farmers?module=perpetual_scroll_0&pgtype=articl

[48]Ukraine's grain exports via the Black Sea during the 2024/25 marketing season remained resilient, rising to 7.6 metric tonnes in September from 5.1 million metric tonnes in the preceding year: https://www.xm.com/research/markets/allNews/reuters/ukraine-grain-exports-up-49-so-far-in-202425-ministry-says-53921208

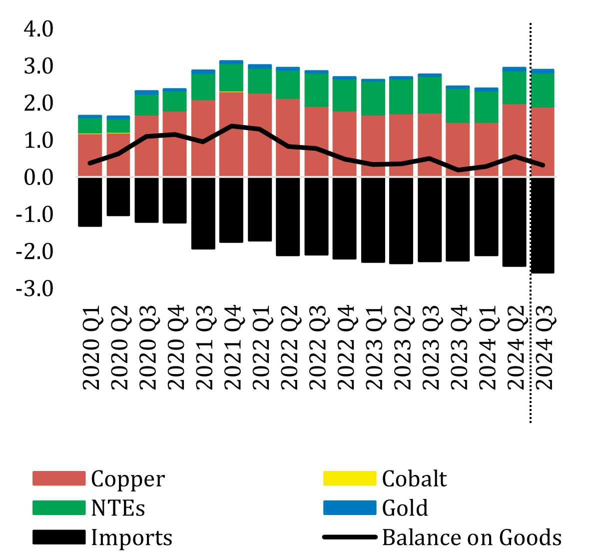
[49]Copper export volumes declined to 196,092 metric tonnes from 206,334 metric tonnes in the second quarter. Similarly, realised copper prices slightly fell to US$9,611.68 per metric tonne from US$9,636.92 per metric tonne.

Figure 26: Composition of Trade Balance (US$ billions)



Source: Bank of Zambia

Figure 27: Composition of Imports (US$ billion)



Source: Bank of Zambia

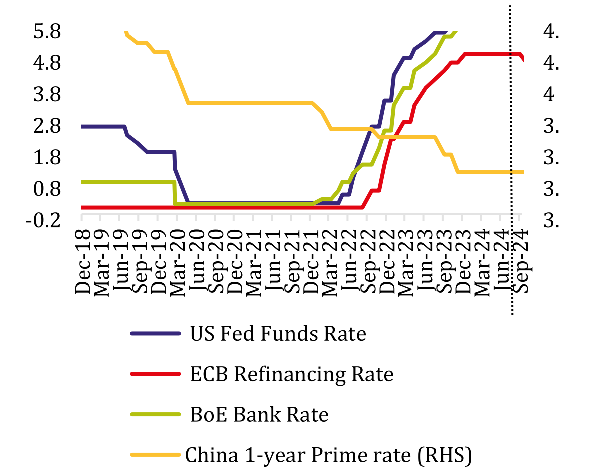
2.2 Global Financial Conditions

... ease

Inflation[50] continued to decline in advanced economies. This precipitated monetary easing for the first time in four years in the US and the United Kingdom as the Federal Reserve and Bank of England respectively reduced interest rates by 50 basis points and 25 basis points to 5.25 percent and 5.0 percent (Figure 28).

The European Central Bank, which had begun to ease policy in the second quarter, also reduced the main refinancing rate by an additional 60 basis points to 3.65 percent.

Figure 28: Central Bank Policy Rates in Selected Economies



Source: Reuters and Bank of Zambia Compilations

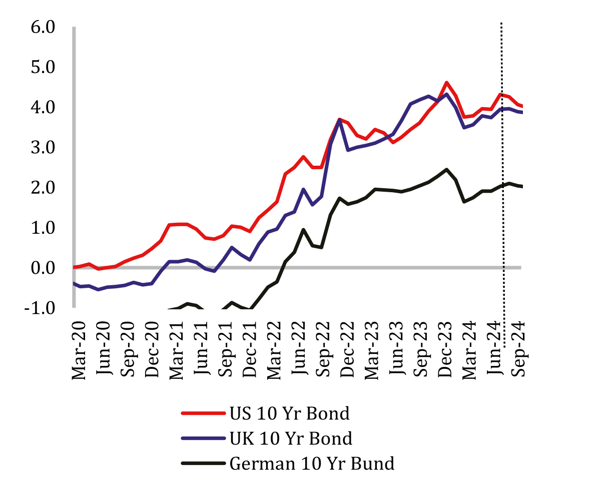
While inflation has receded in advanced economies, concerns about weakening performance of the manufacturing and services sectors due to prolonged high interest rates also underpinned central banks' decisions to reduce interest rates and support economic growth. The People's Bank of China (PBoC) continued its accommodative stance to further stimulate economic growth, which has been undermined by the property market crisis. During the quarter, the PBoC reduced the 1-year prime rate by 10 basis points to 3.35 percent (Figure 28).

... bond yield rates drop

The start of the monetary policy easing cycle in the US was the dominant driver of the positive performance of financial markets globally. With lower policy rates, yield rates in the Government bond markets in advanced economies declined. Yield rates on 10-year Government bonds in the US, UK and Germany declined by 59 basis points, 26 basis points and 32 basis points to 3.72 percent, 3.89 percent and 2.17 percent, respectively (Figure 29).

[50]Inflation in the UK dropped below the 2 percent target to 1.7 percent in September while it declined to 2.4 percent in the US, slightly higher than the 2 percent target, from 3 percent in June. In the eurozone, inflation declined further to 2.1 percent in September from 2.6 percent in June. This outturn marginally exceeded the target by 0.1 percentage points.

Figure 29: US, UK, and Germany 10-Year Benchmark Bond Yield Rates (monthly averages)

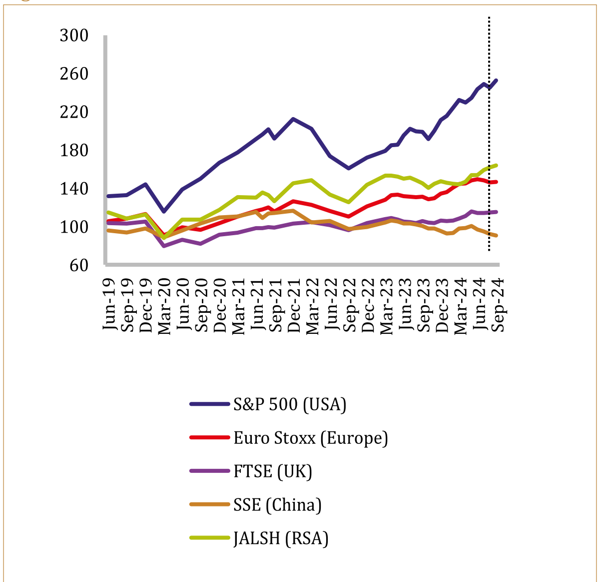


Source: Reuters and Bank of Zambia Compilations

*... **equities rally while US dollar weakens***

The easing of monetary policy boosted investor confidence leading to a rebound in equity markets after heightened volatility earlier as geopolitical[51], economic[52] and political risks[53] intensified. The S&P 500 and FTSE 100 indices rose by 3.8 percent and 0.6 percent, respectively (Figure 30). In contrast, the Euro Stoxx 50 fell by 2.0 percent on account of relatively weaker business and consumer confidence.

Figure 30: Selected Stock Market Indices



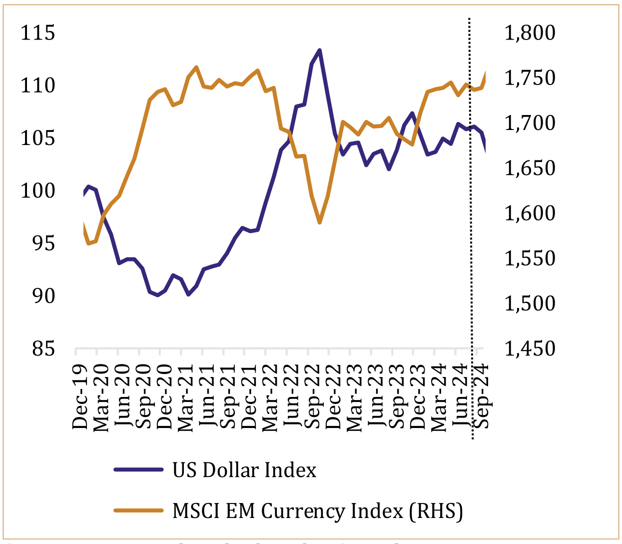
Source: Reuters and Bank of Zambia Compilations

Financial markets equally performed well in emerging economies as the reduction in policy rates in advanced economies signalled improved global risk appetite. As a result, the MSCI Emerging Market Equities Index gained 2.7 percent. Notably, the Johannesburg All-share (JALSH) Index recorded a 6.7 percent rise (Chart 30). However, China's Shanghai Composite Index declined by 6.8 percent, reflecting persistent weakness in domestic demand.

Emerging market currencies appreciated against the US dollar as the easing of monetary policy and expectations of further interest rate cut weighed on the US currency. This was reflected in a 3.9 percent decline in the US Dollar Index and a 2.8 percent increase in the MSCI Emerging Market Currency Index (Figure 31). Some of the key currencies constituting the index that strengthened include the Indonesian Rupiah, Chinese yuan and South African rand (Figure 32).

Although, currencies in emerging market economies broadly gained, the impact of global developments was subdued by idiosyncratic factors in some markets. Unique economic factors included persistent shortages of foreign exchange, high inflation and weak economic performance. Notably, the Angolan kwanza, Nigerian naira, Mexican peso, Argentine peso and Turkish lira recorded the most significant losses (Figure 32).

Figure 31: US Dollar and MSCI Emerging Market Currency Indices (monthly average)



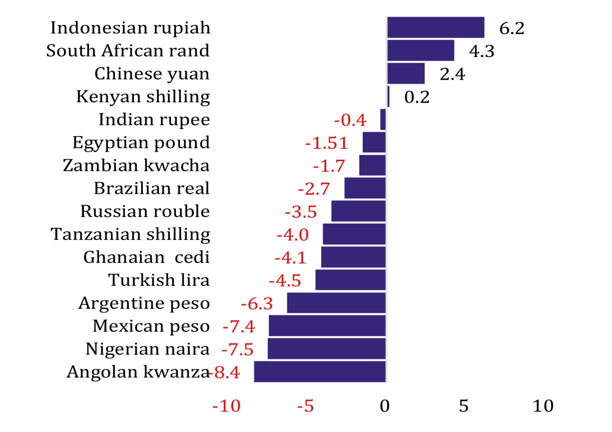
Source: Reuters and Bank of Zambia Compilations

[51]The Israeli-Hamas war escalated into a regional conflict as Israel extended military operations in Lebanon and Yemen while Iran launched strikes at Israel.

[52]Signs of weakness in the US economy as consumer spending slowed, manufacturing weakened, and unemployment rose engendered market uncertainty as some participants feared a possible recession. In addition, the Bank of Japan hiked interest rates, forcing investors to unwind US dollar denominated investments funded by borrowing in Japanese yen.

[53]The tight US Presidential race, French legislative elections and leadership changes in Japan, Mexico and the United Kingdom were among the noteworthy developments.

Figure 32: Performance of Selected Emerging Market and Developing Economies Currencies versus the US Dollar*



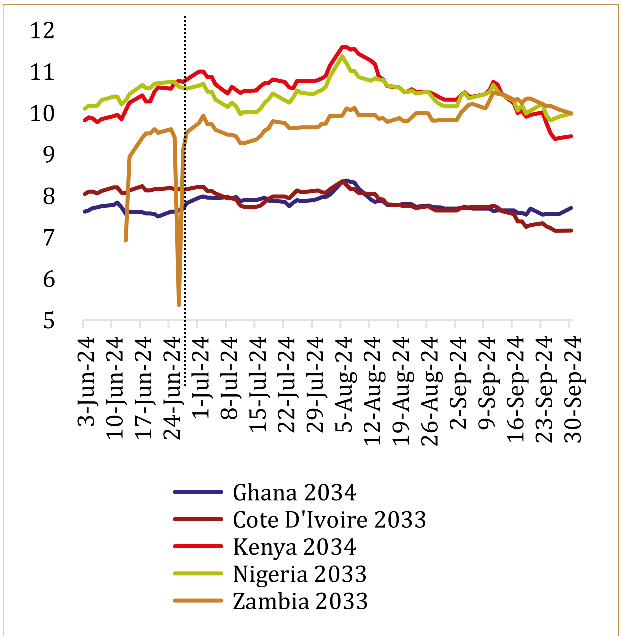
Source: Reuters and Bank of Zambia Compilations

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

... SSA Eurobond yield rates fall

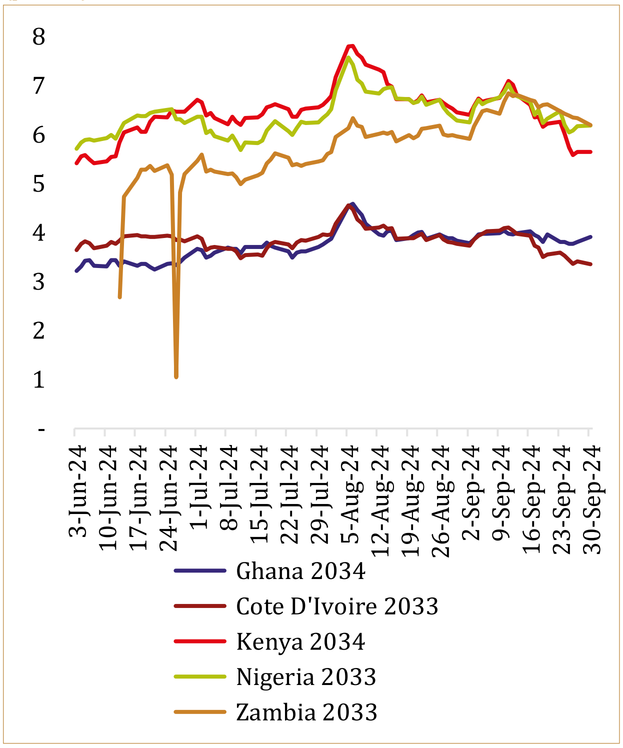
In response to reduced global risk aversion and renewed demand for higher yielding assets from emerging and frontier markets, yield rates on Sub-Saharan Africa (SSA) Eurobonds generally declined in the third quarter and the spread narrowed (Figures 33 and 34).

Figure 33: Yield Rates for Selected Sub-Sahara Africa Eurobonds (percent)



Source: Reuters and Bank of Zambia Compilations

Figure 34: Yield Spreads Over the US 10-Year Bond Yield Rate (percent)



Source: Reuters and Bank of Zambia Compilations

Yield rates on Eurobonds issued by Côte d'Ivoire, Ghana, Kenya and Nigeria fell by 65 basis points, 2 basis points, 13 basis points and 24 basis points to 7.48 percent, 7.63 percent, 10.12 percent and 10.22 percent, respectively. However, the newly issued Zambia 2033 Eurobond did not yield to positive global market developments but was influenced by weaker domestic growth prospects due to the severe impact of the drought. By end-September, the yield rate increased by 132 basis points to a quarterly average of 10.22 percent (Figure 33).

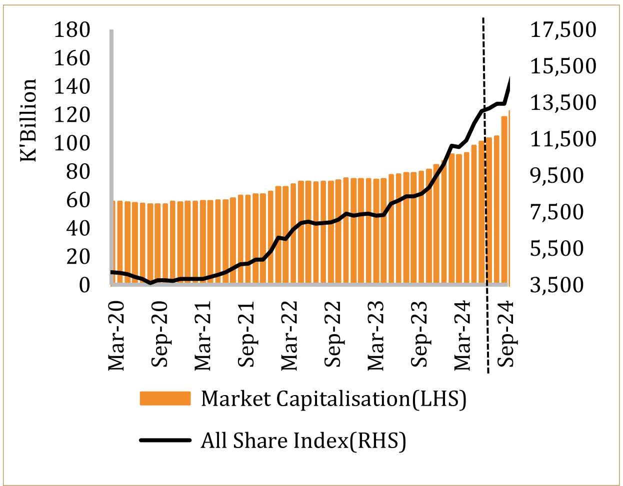
... Lusaka All-Share Index soars

The Lusaka All-share Index (LASI) rallied during the quarter, rising by 21.9 percent (Figure 35). This resulted in market capitalisation increasing by 45.5 percent to K166.5 billion. Accounting for the surge was share price appreciation mostly for Copperbelt Energy (CEC)[54], Taj Pamodzi Hotel[55] and Chilanga Cement.

[54]The CEC stock rose as demand for electricity continued to outpace available supply due to the impact of the drought.

[55]The stock price for Taj Pamodzi has increased since ASB Hospitality LLC, a subsidiary of the Albwardy Group of Dubai, acquired it. ASB Hospitality is expected to upgrade the hotel, train staff and strengthen its market position.

Figure 35: Lusaka All-share Index and Market Capitalisation[56]



Source: Reuters and Bank of Zambia Compilations

2.3 Domestic Financial Conditions

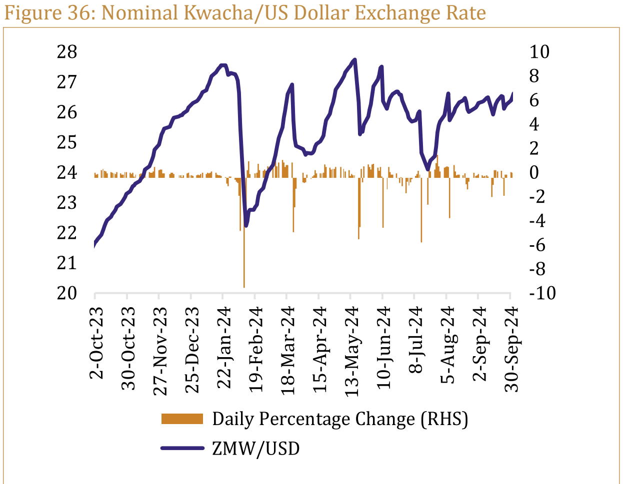
… eased

Domestic financial conditions eased as money market liquidity conditions improved.

… exchange rate depreciation slows down further

The rate of depreciation of the Kwacha against the US dollar continued to moderate in the third quarter. The Kwacha depreciated by 1.7 percent compared to 3.8 percent in the second quarter (Figure 36). This was mostly attributed to the moderation in demand backlog due to improved supply and a broadly weaker US dollar[57] induced by heightened expectations of interest rate cut by the Federal Reserve.

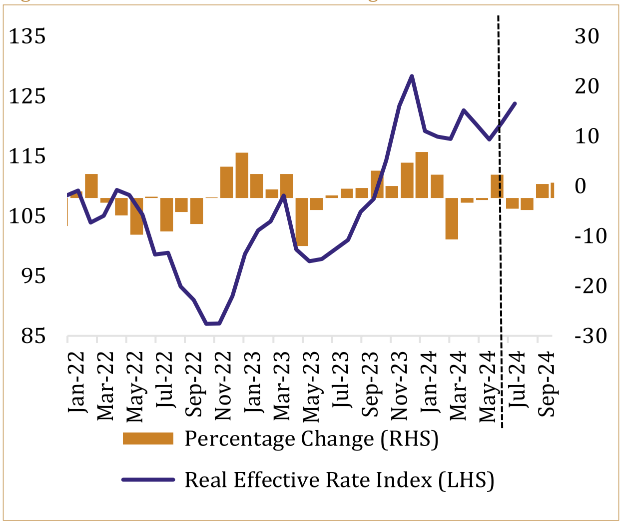
Figure 36: Nominal Kwacha/US Dollar Exchange Rate



Source: Bank of Zambia

In real terms, the Kwacha depreciated much more by 3.1 percent in the third quarter compared to 2.0 percent in the second quarter (Figure 37). This reflected the continued depreciation of the nominal exchange rate of the Kwacha against a basket of currencies[58] of major trading partners[59], especially the Swiss franc and South African rand.

Figure 37: Kwacha Real Effective Exchange Rate



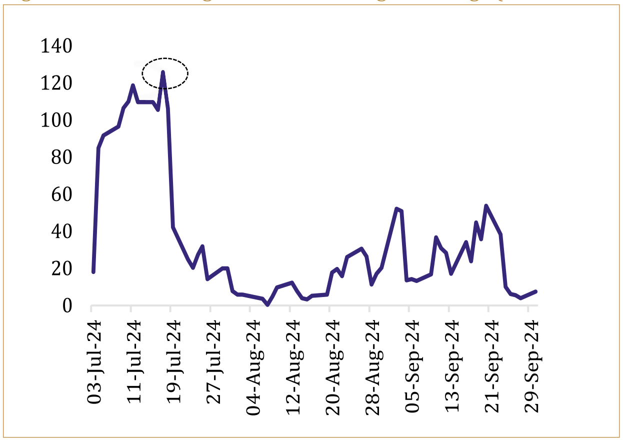
Source: Bank of Zambia

In early July, the Kwacha came under pressure, weakening by 6.9 percent against the US dollar to K26.41 on July 18 (Figure 54). This was driven by the increase in outstanding demand[60], which peaked at US$126.0 million on July 17 from US$17.9 million on July 3 (Figure 38). However, net inflows of foreign exchange, particularly from mining companies and foreign financial institutions, along with market support by the Bank on July 18 significantly reduced demand backlog to US$42.2 million. This supported a rebound of the Kwacha.

The Kwacha was broadly stable between July 18 and the end of the quarter. Stability in the exchange rate was supported by sustained moderation in outstanding demand, which averaged US$20 million over this period[61] and fell to US$7.4 million at end-September.

[56]On August 5, the Index dropped significantly following the 11.8 percent reduction in the share price of Zambia Sugar.
[57]The US Dollar Index declined by 3.9 percent in the third quarter.
[58]The Kwacha depreciated by 6.9 percent against the Swiss franc, 6.2 percent against the South African rand, 5.4 percent against the British pound, 4.6 percent against the euro, and 3.9 percent against the Chinese yuan.
[59]The nominal effective exchange rate, a measure of the value of the Kwacha against a basket of currencies of Zambia's major trading partners, depreciated by 6.0 percent in the third quarter compared to 4.9 percent in the second quarter.
[60]Demand was driven by energy (US$25.1 million), manufacturing (US$20.9 million), agriculture (US$20.2 million) and foreign financials (US$20.0 million) sectors.
[61]The reduction in demand was driven by net inflows from mining companies and foreign financial institutions in August and September.

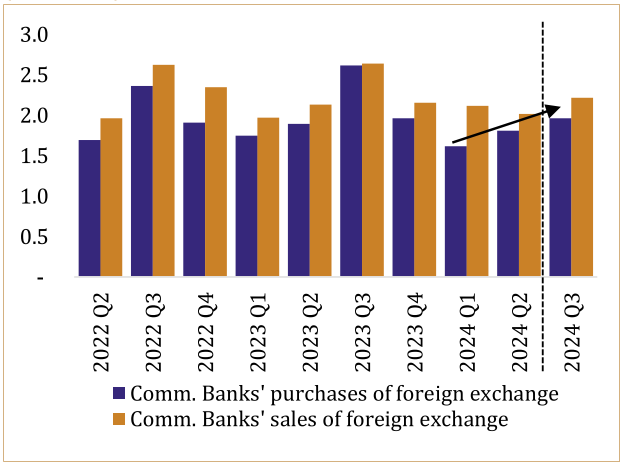
Figure 38: Outstanding Demand for Foreign Exchange (US$ million



Source: Bank of Zambia

Overall, the supply of foreign exchange increased in the third quarter by 8.3 percent to US$2.0 billion while demand increased by 9.9 percent to US$2.2 billion[62] (Figure 39). The increase in supply contributed to the moderation in outstanding demand and supported the observed relative stability in the exchange rate.

Figure 39: Commercial Banks' Overall Foreign Exchange Transactions (US$' billion)



Source: Bank of Zambia

*All spot purchases and sales of respective foreign currencies against the Kwacha are converted into the local currency (i.e. Kwacha) using exchange rates at which they were executed, and then converted into US dollar using the monthly average Kwacha/US dollar exchange rate.

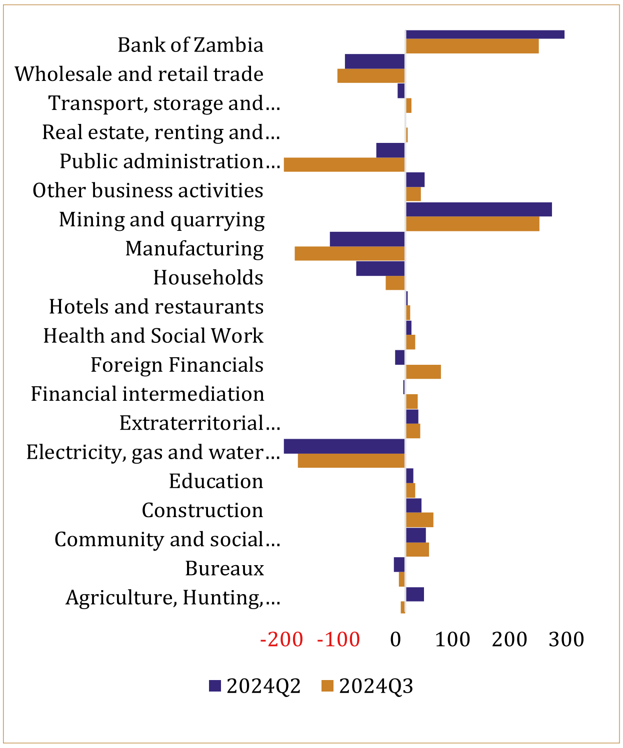
Supply was dominated by the mining sector, which, on a net basis, provided US$232.1 million to the market (Figure 40). The Bank continued to provide liquidity to the market and injected US$230.8 million[63]. This reflected the decline in mining taxes paid in US dollars to US$233.8 million in the third quarter from US$252.5 million in the second quarter (Figure 41). Other notable sources of foreign exchange inflows were foreign financials (US$61.6 million) and construction (US$49.0 million) sectors.

[62]Foreign exchange supply is measured as commercial banks' purchases of foreign exchange from the non-bank public while demand by commercial banks refers to sales of foreign exchange to the non-bank public.

[63]In the quarter, the Bank sold US$234.8 million for market support and purchased US$4.0 million to augment international reserves.

Demand for foreign exchange largely arose mostly by the public sector, which purchased US$231.8 million, on a net basis (Figure 40). Demand was also recorded from manufacturing, energy, as well as wholesale and retail sectors, which made net purchases of US$189.9 million, US$184.8 million and US$117.0 million, respectively.

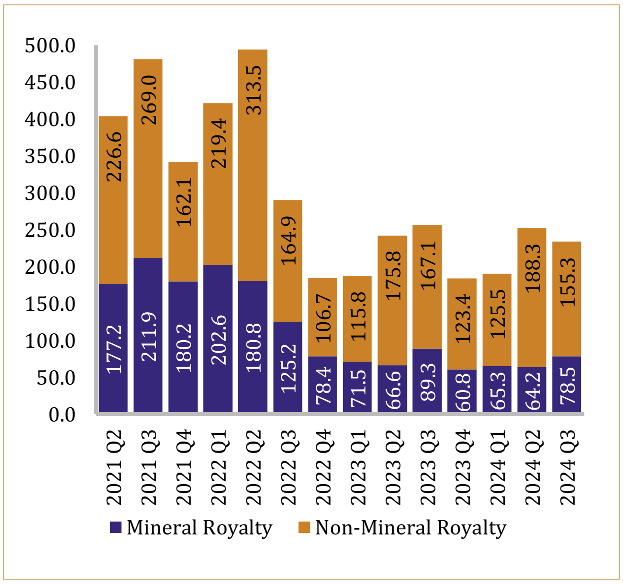
Figure 40: Net Supply by Sector (US$ million)



Source: Bank of Zambia

*All spot purchases and sales of respective foreign currencies against the Kwacha are converted into the local currency(i.e Kwacha) using exchange rates at which they were excuted, and then convert into US dollar using the monthly average Kwacha/ US dollar ex change rate.

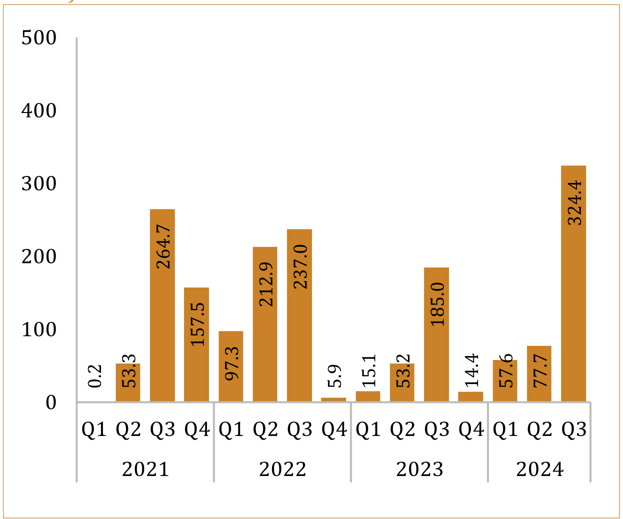
Figure 41: Mining Taxes Remitted to BoZ in US Dollars (US$ million)



Source: Bank of Zambia

Activity in the interbank foreign exchange market increased markedly in the third quarter, supported by improved inflows. As a result, the turnover rose to US$324.7 million from US$77.0 million in the second quarter, marking the highest level of activity since the first quarter of 2021 (Figure 59).

Figure 42: Turnover in Interbank Foreign Exchange Market (US$ million)

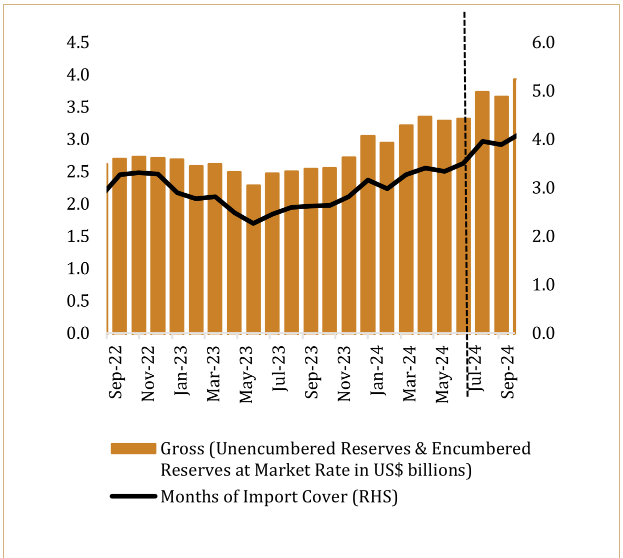


Source: Bank of Zambia

... foreign reserves sustain upward trend

Gross international reserves (GIR) increased to US$4.15 billion (equivalent to 4.6 months of import cover) at end-September from US$3.91 billion (equivalent to 4.3 months of import cover) at end-June (Figure 43). This was mostly due to project disbursements by the World Bank and net purchases of mining taxes.

Figure 43: Gross International Reserves, September 2022-September 2024

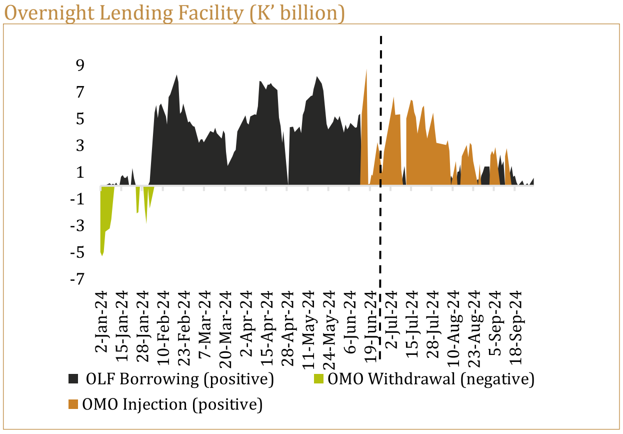


Source: Bank of Zambia

... liquidity conditions ease

Money market liquidity conditions eased in the third quarter relative to the previous quarter. Hence, commercial banks switched their source of overnight funding from predominantly Overnight Lending Facility (OLF)[64] to open market operations (OMOs) and the interbank market (Figure 44). Net Government spending, as well as maturities of debt securities and coupon payments[65] largely accounted for the improvement in system liquidity in August and September(Table 8). By end-September, commercial banks' aggregate current account balance was recorded at K4.8 billion compared to K6.4 billion at end-June[66].

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



Source: Bank of Zambia

Table 8: Liquidity Influences (K' billion)

	2024Q2	2024Q3
Opening Balance	1.1	6.4
Net Govt Spending	0.8	11.6
Net BoZ FX Intervention	(7.6)	(7.6)
CIC	(3.7)	(0.1)
Change in SR Deposits	8.0	(2.1)
OLF	(3.9)	0.6
Net Govt Securities Transactions	4.9	4.6
Open Market Operations	9.4	(7.6)
TMTRF	(0.9)	(0.5)
Miscellaneous	(1.8)	(0.5)
Closing Balance	6.4	4.8

Source: Bank of Zambia

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

Until mid-September, the Bank offered overnight liquidity support through OMOs following a protracted period of liquidity tightness after a significant increase in the statutory reserve requirement (SRR) in the first quarter (Figure 45).

[64]Cumulative borrowing from the OLF declined markedly to K27.4 billion from K285.8 billion.

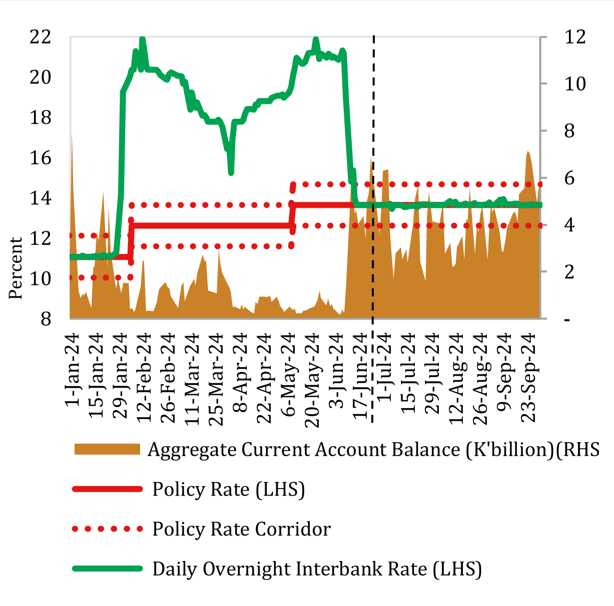
[65]Maturities of Government bonds and Treasury bills amounted to K1.2 billion and K1.4 billion, respectively. Coupon payments on Government bonds totalled K1.0 billion.

[66]The moderation in the closing aggregate current account balance was primarily driven by maturities of reverse repos on OMO and net sales of foreign exchange by the Bank.

As liquidity improved, demand for Government securities picked up[67], which moderated the risk of a Government default and the threat to financial stability that had characterised the previous quarter. This outturn also supported the discontinuation of liquidity support through OMO.

With improved liquidity, the overnight interbank rate was closely aligned to the Policy Rate throughout the quarter (Figure 45). The interbank rate averaged 13.5 percent in the third quarter, down from 18.1 percent in the second quarter.

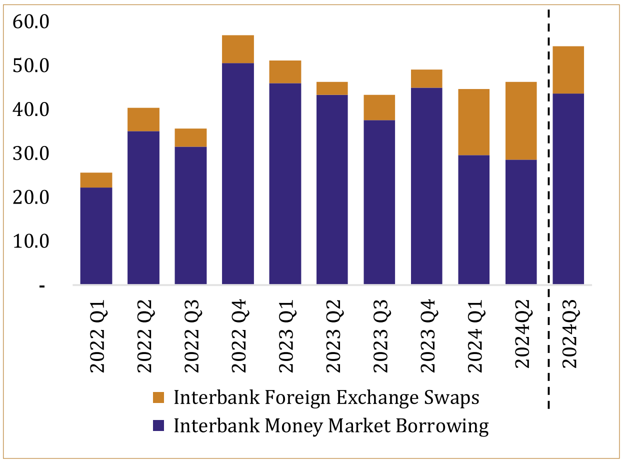
Figure 45: Liquidity Levels, Overnight Interbank Rate



Source: Bank of Zambia

The volume of funding accessed through the interbank money market increased to K43.7 billion from K28.6 billion previously in response to increased availability of reserves (Figure 46). As a result, commercial banks reduced overnight funding through alternative instruments. In the interbank foreign exchange swap market, overnight borrowings moderated to K10.8 billion from K17.8 billion while cumulative borrowings from the OLF dropped significantly to K27.4 billion from K285.8 billion.

Figure 46: Interbank Money Market Borrowing and Foreign Exchange Swaps (K' billion)

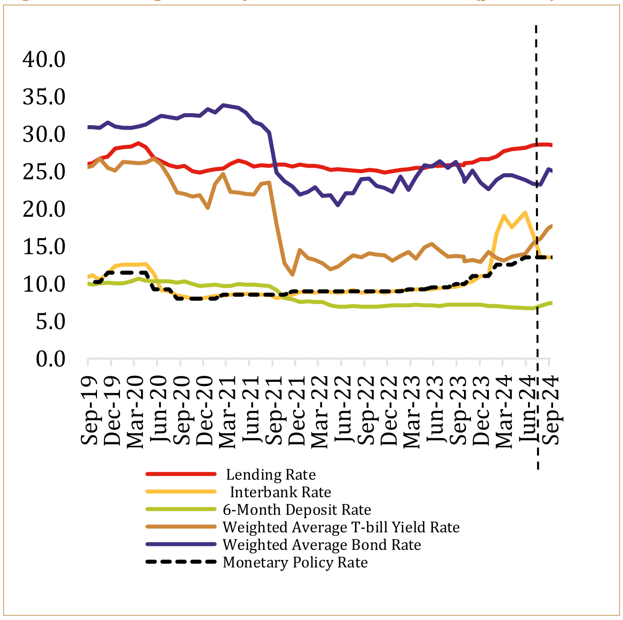


Source: Bank of Zambia

... interest rate movements mixed

In the third quarter, the overnight interbank and lending rates declined while the 6-month deposit and yield rates on Government securities increased (Figures 47 and 48).

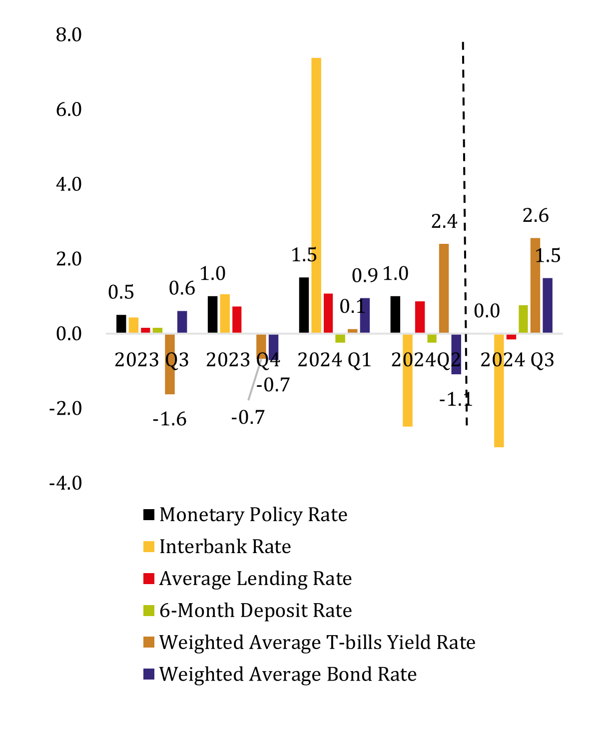
Figure 47: Average Monthly Nominal Interest Rates (percent)



Source: Bank of Zambia

[67]The subscription for Treasury bills and Government bonds improved to 108.5 percent and 145.7 percent, respectively in the third quarter from 60.8 percent and 75.4 percent in the second quarter.

Figure 48: Quarterly Changes in Interest Rates (percent)



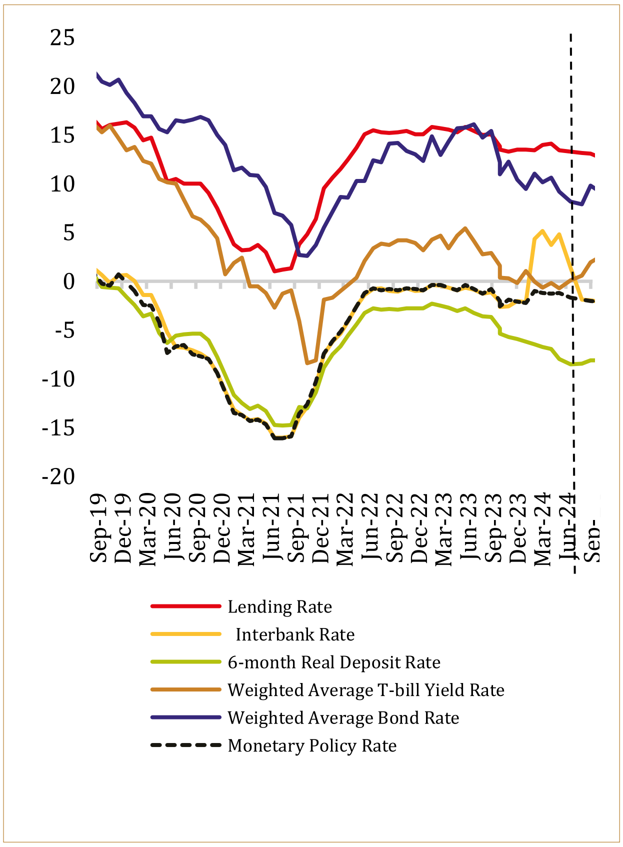
Source: Bank of Zambia

The overnight interbank rate converged to the Policy Rate of 13.5 percent, down from 18.1 percent in the second quarter as liquidity in the money market eased. The commercial banks' average nominal lending rate[68] also declined, albeit marginally, by 0.2 percentage points to 28.4 percent.

In contrast, yield rates on Government securities increased across all the tenors despite a significant improvement in demand in the quarter. This mostly reflects relatively tight money market liquidity conditions during the early part of the quarter. The weighted average yield rate on Treasury bills rose to 18.2 percent in September from 15.4 percent in June. Similarly, the Government bond composite yield rate edged up to 24.8 percent from 23.4 percent. The 6-month deposit rate also rose to 7.5 percent from 6.7 percent.

In real terms, all the interest rates declined except for yield rates on Government securities following a further rise in inflation (Figure 49).

Figure 49: Real Interest Rates



Source: Bank of Zambia

The two surveys (Credit Conditions and Business Opinions and Expectations) conducted by the Bank in November all point to lending rates remaining elevated over the next four quarters, ranging from 22.0 percent to 25 percent. This is premised on the anticipated tight monetary policy stance to curb rising inflationary pressures.

... domestic credit growth marginally picks up

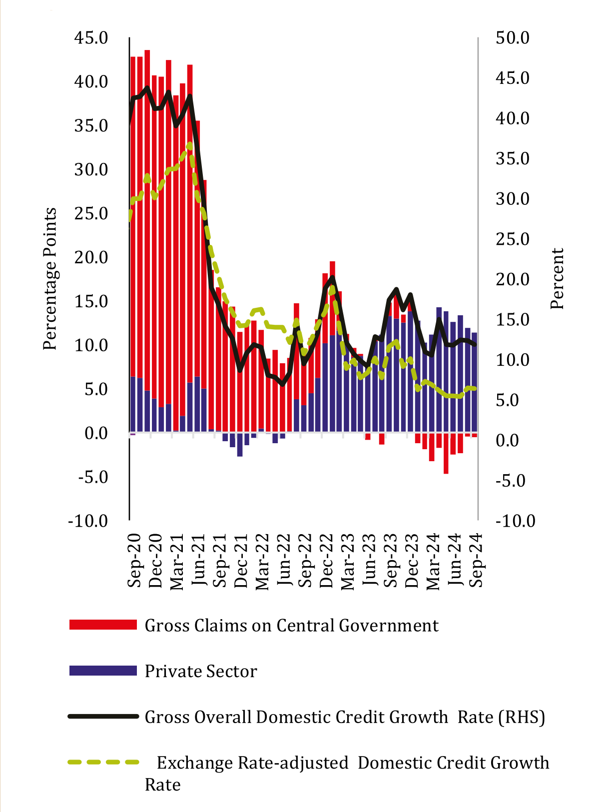
Overall domestic credit[69] edged up in September to 11.8 percent, year-on-year (y/y), from 11.7 percent, y/y, in June (Figure 50). Adjusted for exchange rate depreciation[70], domestic credit grew by 6.4 percent in September compared to 5.5 percent in June. However, credit growth remained broadly on trend (Figures 51 and 52).

[68]Lending rates on Kwacha loans ranged from 9.4 percent to 42.0 percent while the 6-month deposit rate was between 2.0 percent and 21.0 percent. Lending rates on US dollar denominated loans were between 3.0 percent and 42.0 percent while the deposit rate was between 2.0 percent and 19.0 percent.

[69]Domestic credit refers to aggregate lending by the Bank of Zambia, commercial banks and other depository corporations in both Kwacha and foreign currency.

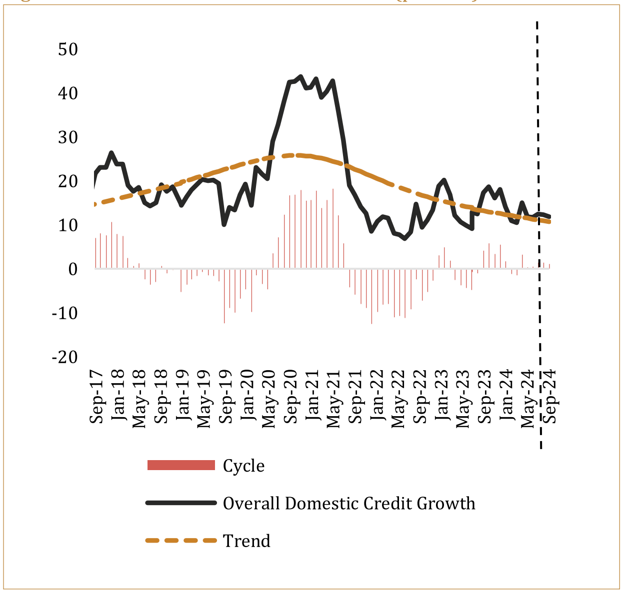
[70]Exchange rate adjusted domestic credit is calculated by multiplying the current US dollar amount by the exchange rate in the same month a year ago to eliminate valuation effects. A depreciation magnifies credit growth through the valuation effects on foreign currency credit. The opposite is true for an appreciation.

Figure 50: Contribution to Credit Growth (year-on-year)



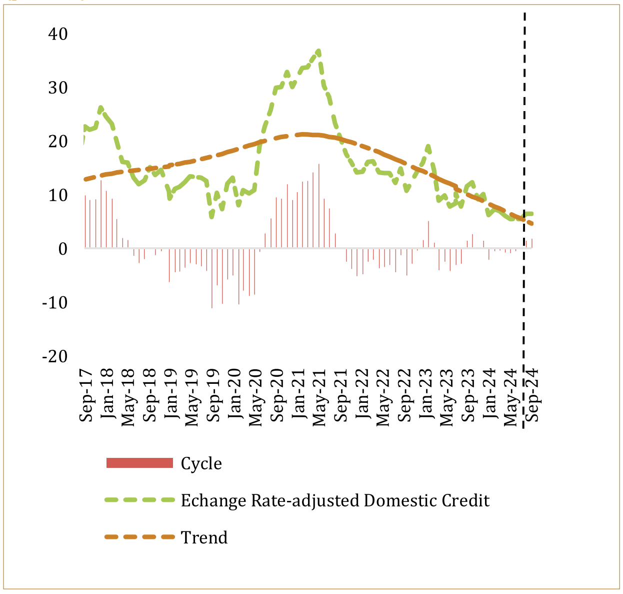
Source: Bank of Zambia

Figure 51: Overall Domestic Credit Growth (percent)



Source: Bank of Zambia

Figure 52: Exchange Rate-Adjusted Overall Domestic Credit Growth (percent)

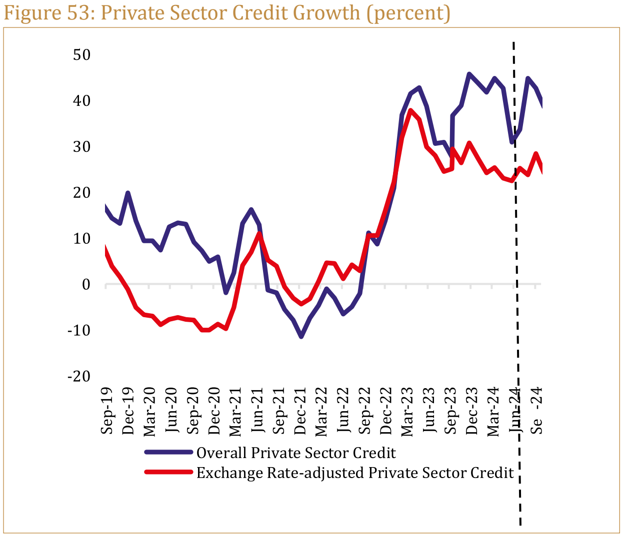


Source: Bank of Zambia

The increase in credit was mostly underpinned by the accumulation of Government securities by commercial banks amounting to K10.1 billion, which pushed their holdings to K48.0 billion at end-September. This followed improvement in liquidity conditions as articulated earlier. Thus, the negative contribution of public sector credit (Government) to overall domestic credit growth reduced to 0.6 percentage points from 2.5 percentage points in June (Figure 50).

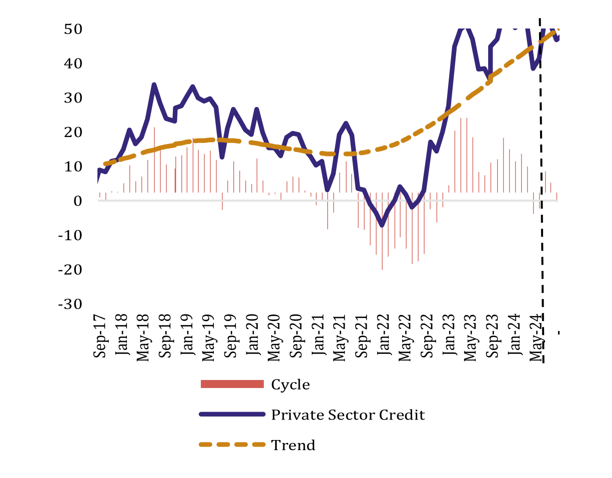
On the other hand, the growth in private sector credit slowed down in September to 29.7 percent, y/y, from 35.8 percent, y/y, in June and remained below trend (Figures 54-55). This was mainly attributed to lower lending in Kwacha (Figure 56), largely to the manufacturing and transport sectors (Figures 57-58), as economic activity declined further due to the impact of extended electricity load management (*2024 November Credit Conditions Survey*).

Figure 53: Private Sector Credit Growth (percent)



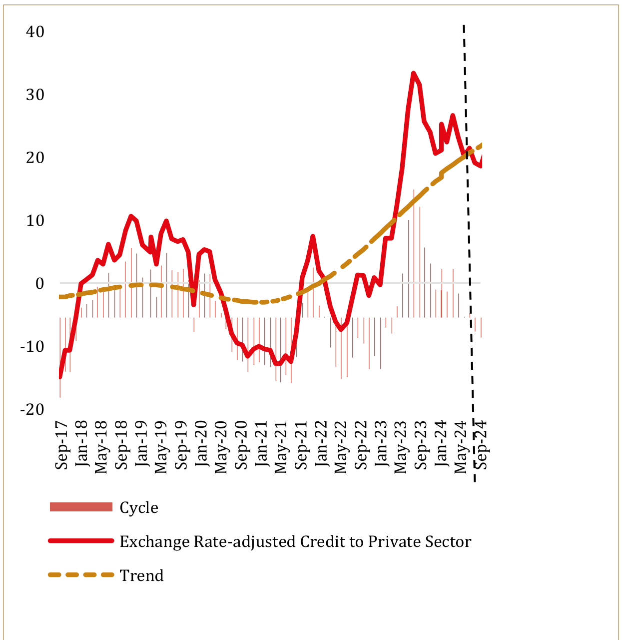
Source: Bank of Zambia

Figure 54: Overall Private Sector Credit Growth (percent)



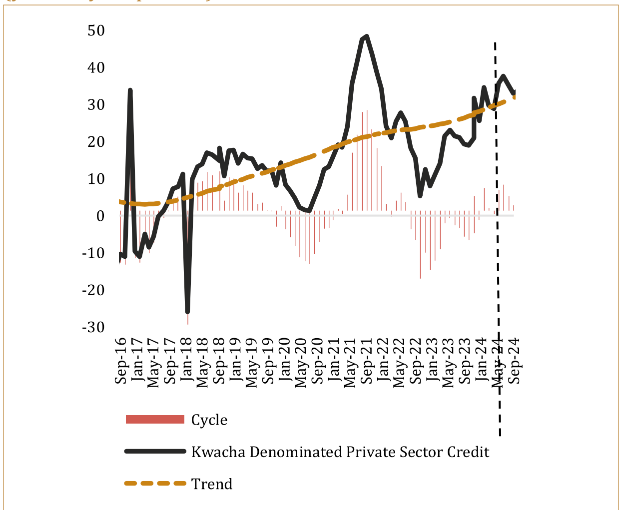
Source: Bank of Zambia

Figure 55: Exchange Rate-Adjusted Private Sector Credit Growth (percent)



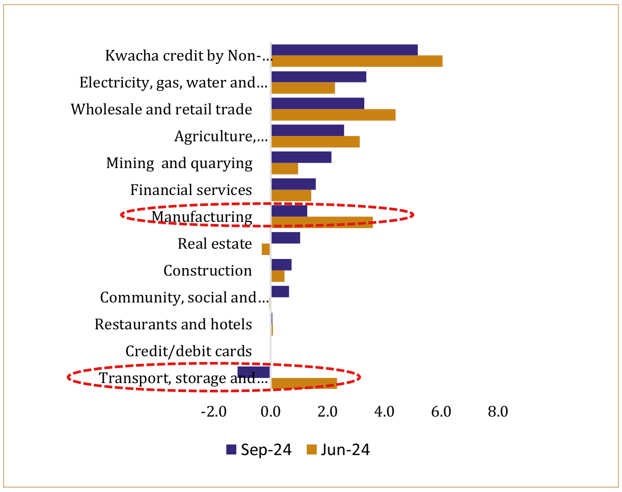
Source: Bank of Zambia

Figure 56: Kwacha Denominated Private Sector Credit Growth Rate (year-on-year, percent)



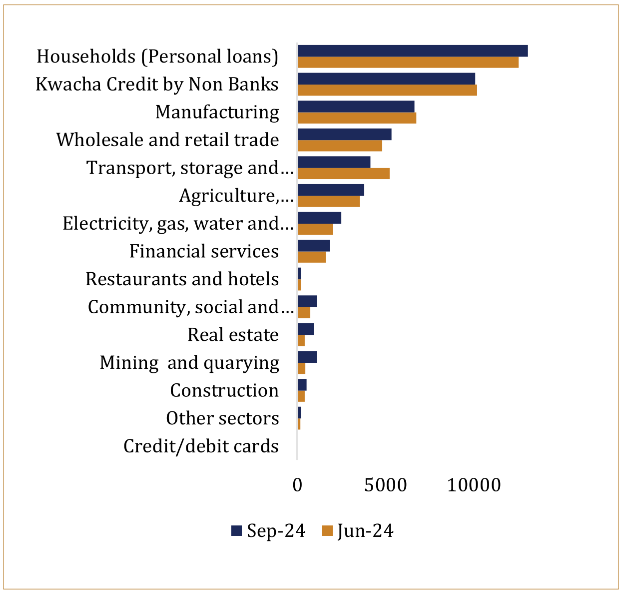
Source: Bank of Zambia

Figure 57: Sectoral Contribution to Annual Percent Change in Kwacha Denominated Private Sector Credit



Source: Bank of Zambia

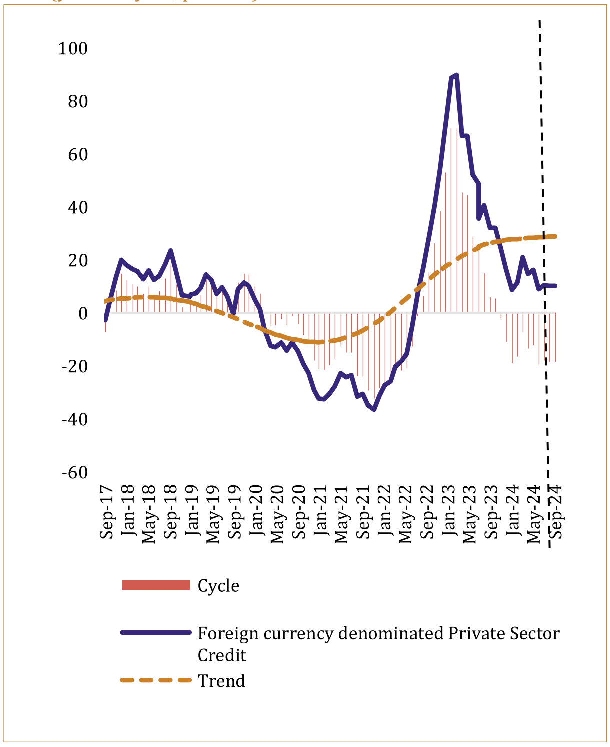
Figure 58: Stock Distribution of Private Sector Kwacha Denominated Credit (K'million)



Source: Bank of Zambia

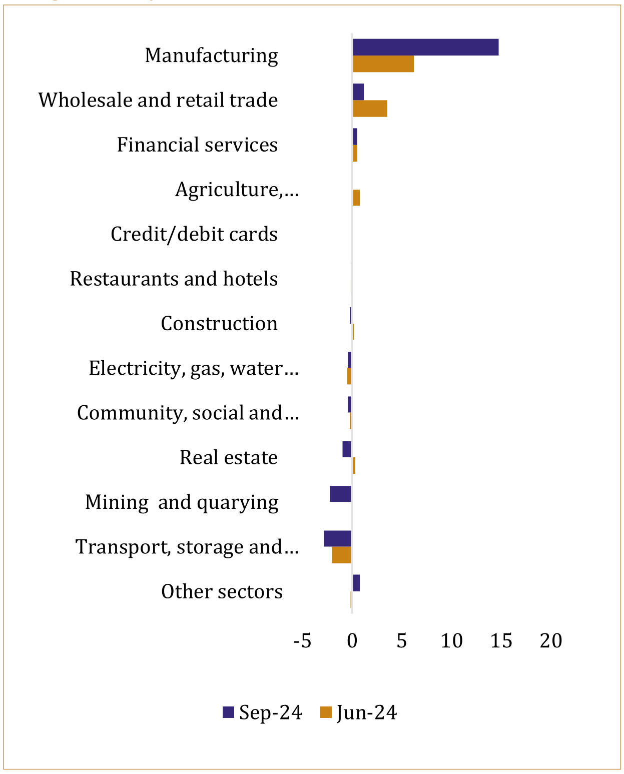
However, the growth in foreign exchange denominated private sector credit increased to 10.2 percent, y/y, in September from 8.8 percent, y/y, in June but remained below trend (Figures 59). Accounting for the increase is mostly lending to the manufacturing sector mostly for plant expansion (Figures 59 and 60).

Figure 59: Foreign Currency Denominated Private Sector Growth Rate (year-on-year, percent)



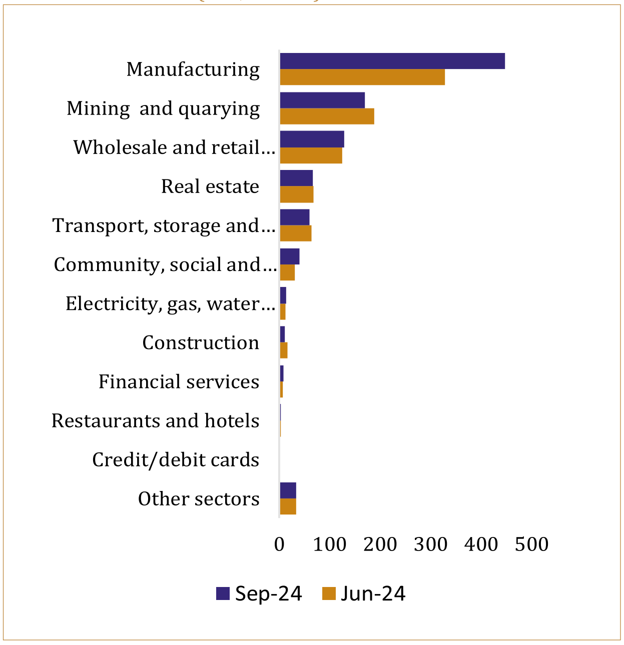
Source: Bank of Zambia

Figure 60: Sectoral Contribution to Annual Percent Change in Foreign Currency Denominated Private Secor Credit



Source: Bank of Zambia

Figure 61: Stock Distribution of Foreign Currency Denominated Private Sector Credit (US$, million)



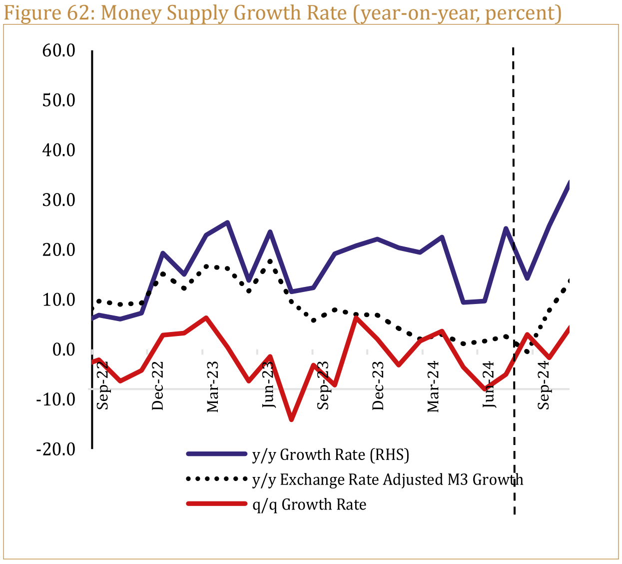
Source: Bank of Zambia

Respondents to the *November 2024 Credit Conditions Survey* expect demand for credit by the private sector to be sustained in the near-term. This is to mitigate the high cost of living and elevated business operating costs occasioned by rising inflation and increased electricity shortages, respectively.

... money supply growth slows down

Money supply (M3)[71] growth slowed down to 22.0 percent in September from 29.5 percent in June (Figure 62). Adjusted for exchange rate movement, M3 growth was 10.7 percent (14.1 percent in June). The slowdown in private sector credit largely explains the lower growth in M3.

Figure 62: Money Supply Growth Rate (year-on-year, percent)

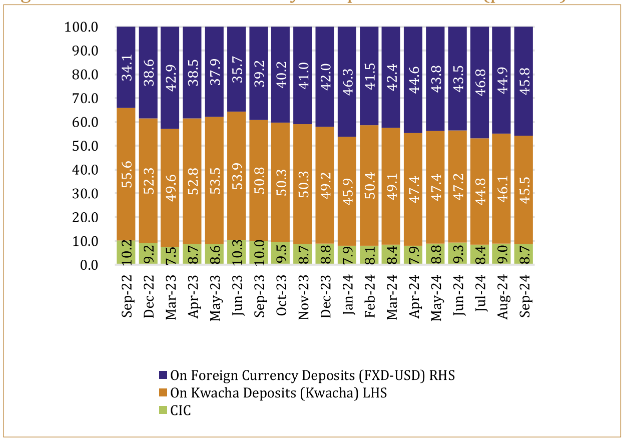


Source: Bank of Zambia

[71]M3 stock remained stable at K187.5 billion at end-September 2024.

The share of Kwacha deposits in money supply and currency held by the non-bank public fell to 45.5 percent and 8.7 percent from 47.2 percent and 9.3 percent, respectively (Figure 63). In contrast, the share of foreign currency deposits increased to 45.8 percent from 43.5 percent due to the depreciation of the exchange rate.

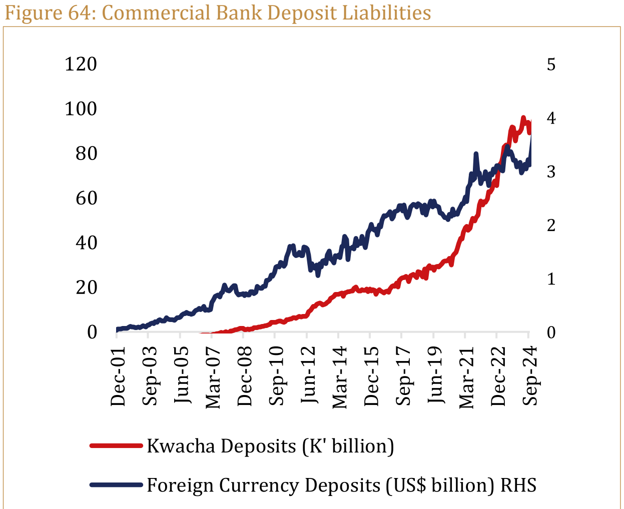
Figure 63: Share of Broad Money Components in M3 (percent)



Source: Bank of Zambia

Kwacha deposit liabilities increased to K104.3 billion at end-September from K95.1 billion at end-June while foreign currency liabilities remained unchanged at US$3.7 billion (Figure 64).

Figure 64: Commercial Bank Deposit Liabilities



Source: Bank of Zambia

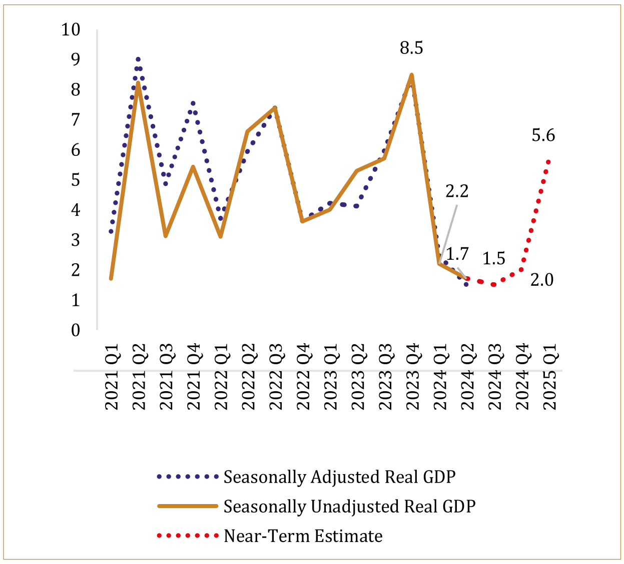
2.4 Domestic Economic Activity

... slows down in the third quarter

The BoZ near-term estimate, November 2024 Quarterly Survey of Business Opinion and Expectations and Stanbic Bank Zambia[72] PMI™ point to a further slowdown in economic activity in the third quarter.

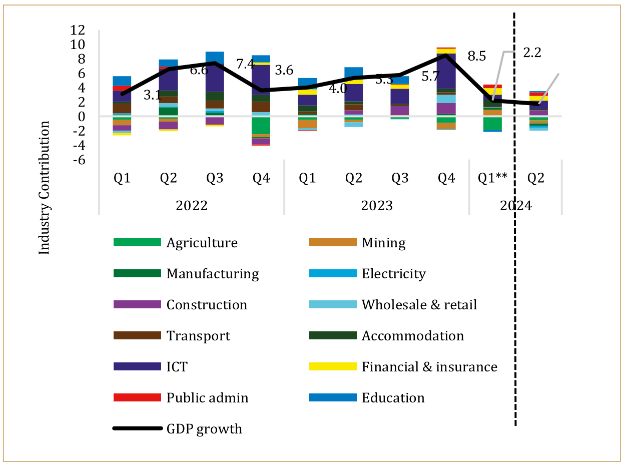
Preliminary estimates based on the Bank of Zambia near-term model indicate a sustained slowdown in real GDP growth in the third quarter to 1.5 percent, y/y, from 1.7 percent[73] in the second quarter (Figures 65 and 66). This is mainly attributed to the decline in tourist arrivals and retail sales, as well as contraction in electricity generation.

Figure 65: Quarterly Real GDP, y/y, Growth Rate (percent)



Source: Bank of Zambia

Figure 66: Quarterly Real GDP Growth and Contribution by Selected Sectors (percentage points)



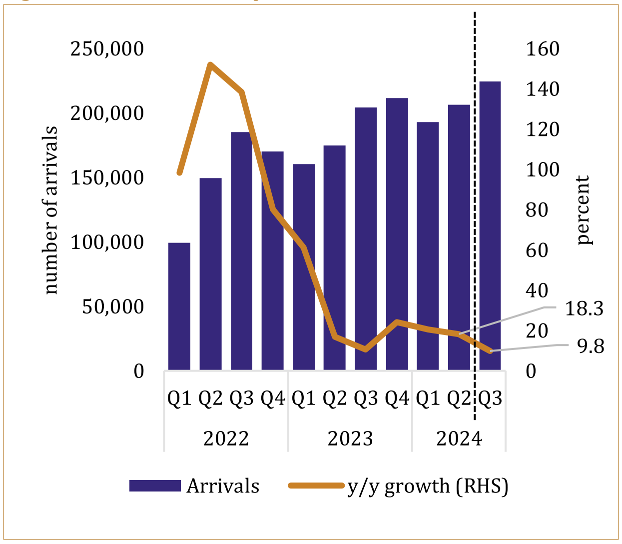
Source: Zambia Statistics Agency and Bank of Zambia
* = revised ** = preliminary

The growth in international airport arrivals—proxy for the tourism sector—declined further to 9.8 percent from 18.3 percent (Figure 67). As highlighted in the *August 2024 Monetary Policy Report*, this primarily reflects the ongoing normalisation of tourist arrivals following the easing of COVID-19 travel restrictions in June 2020.

[72]The PMI is a composite indicator produced by Stanbic Bank Zambia to provide an overall view of activity in the economy. It is calculated as a weighted average of five sub-components: new orders, output, employment, suppliers' delivery times and stocks of purchases. A reading below 50 means business conditions deteriorated and above 50 reading means an improvement while 50 means no change in the business environment.

[73]Growth was affected by the contraction in agriculture, mining, wholesale and retail trade, as well as electricity sectors in the second quarter.

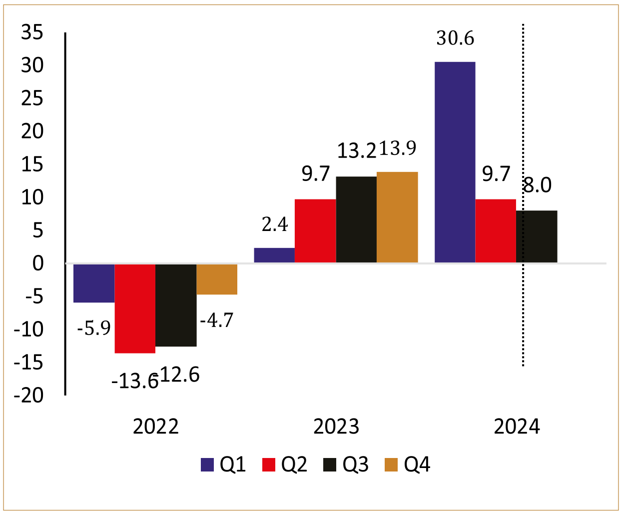
Figure 67: International Airport Arrivals



Source: Zambia Airports Corporation Limited, Bank of Zambia Compilations

Similarly, the growth in retail sales—proxy for wholesale and retail trade sector activity—eased to 8.0 percent from 9.7 percent in the previous quarter (Figure 68). This was primarily attributed to sluggish demand due to persistent inflation.

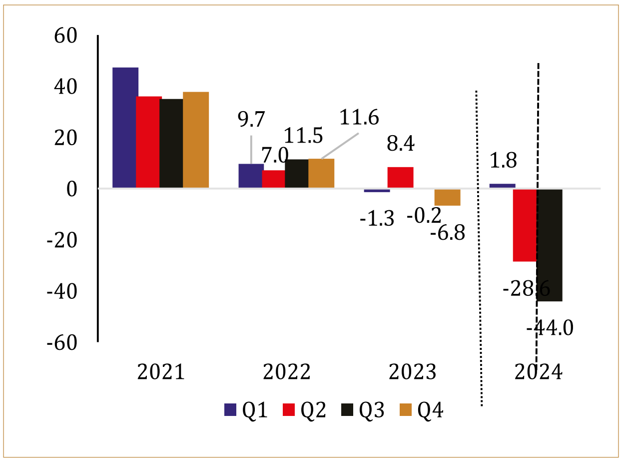
Figure 68: Real Retail Sales, year-on-year, Growth Rate (percent)



Source: Bank of Zambia

Electricity generation contracted sharply by 44.0 percent, y/y, to 2,827 gigawatt hours in the third quarter (Figure 69). Water levels in dams have continued to decline due to the severe drought, further constraining electricity generation.

Figure 69: Electricity Generation, year-on-year, Growth Rate (percent)

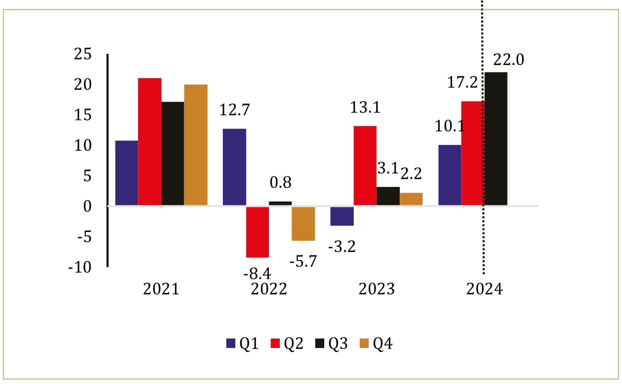


Source: ZESCO, Bank of Zambia Compilations

On the other hand, diesel and copper production expanded in the third quarter.

Diesel consumption—proxy for the transportation sector—rose by 22.0 percent to 442.1 million litres in the third quarter (Figure 70). Demand for diesel was driven by increased use in generators as an alternative source of energy amid persistent power shortages.

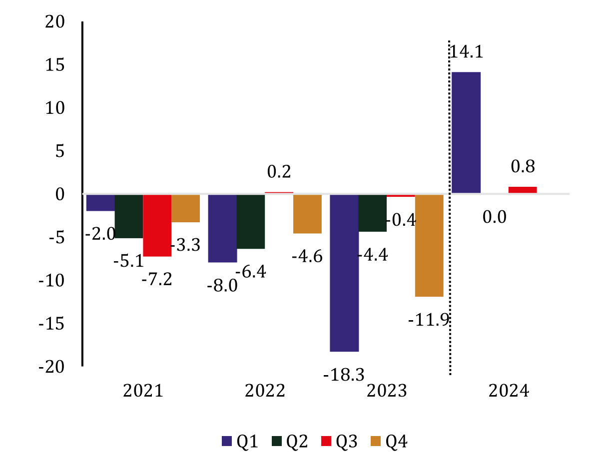
Figure 70: Diesel Consumption, year-on-year, Growth Rate (percent)



Source: Energy Regulation Board, Bank of Zambia Compilations

Copper production—proxy for mining sector activity—increased by 0.8 percent, y/y, compared to nearly no growth in the second quarter (Figure 71). This was mostly on the back of higher production at major mines and resumption of operations at other mines.

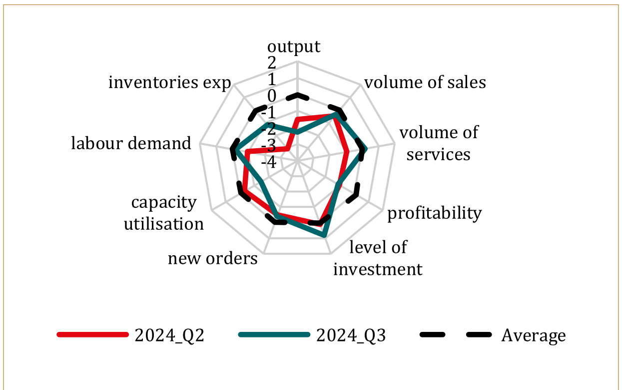
Figure 71: Copper Production, year-on-year, Growth Rate (percent)



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

Respondents to the *November 2024 Quarterly Survey of Business Opinions and Expectations* indicated that economic activity remained weak in the third quarter due to heightened electricity rationing and constrained consumer demand (Figure 72). Consequently, output, sales volume, new orders, profitability, capacity utilisation, service volume and labour demand declined. Inventories reduced significantly, largely reflecting lower production due to prolonged electricity shortages, which has led to fewer working hours and increased operating costs.

Figure 72: Business Opinion Response Patterns[74]

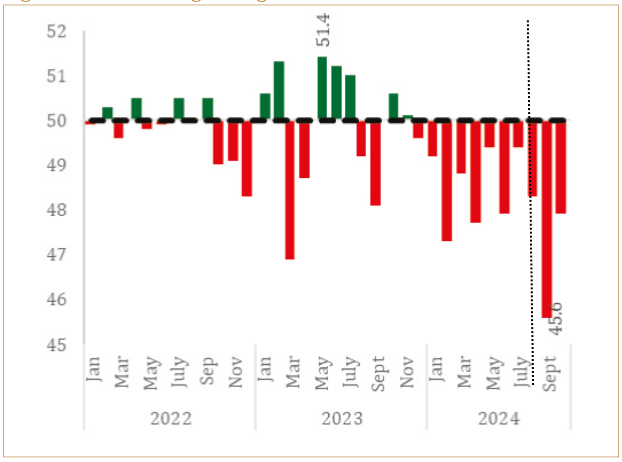


Source: Bank of Zambia

The *Stanbic Bank Zambia PMI™* also revealed sustained deterioration in business conditions for the private sector in the third quarter. The PMI remained below the 50 mark, averaging 47.8 compared to 48.3 in the second quarter (Figure 73). This reflects sustained contraction in output and new orders due to weaker demand across sectors attributed to declining customer purchasing power occasioned by energy-induced inflation. In addition, persistent power shortages have intensified operational challenges and constrained production capabilities.

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

Figure 73: Purchasing Manager's Index for Zambia



Source: Stanbic Zambia and Bank of Zambia Compilation

2.5 Budget Performance

... fiscal deficit lower than projected

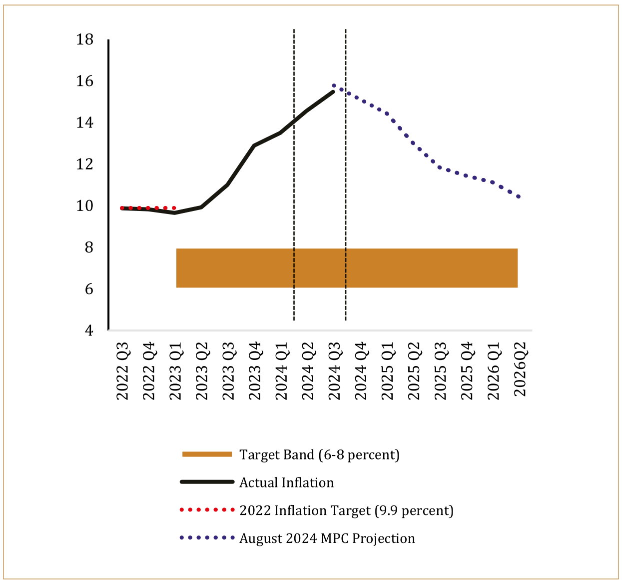
The cash fiscal deficit for the third quarter is estimated at 6.2 percent of GDP against a target of 7.1 percent, reflecting better revenue performance. Value added tax continued to perform strongly and accounted for the better outturn.

2.6 Domestic Prices

... upward trend sustained

Annual overall inflation continued to rise in the third quarter. It increased to 15.5 percent from 14.6 percent in the second quarter (Figure 74). The main drivers were elevated maize grain prices occasioned by low supply because of the drought, reduced supply of fish and vegetables, increased demand for solid fuels due to sustained electricity load management, and the depreciation of the Kwacha against major currencies.

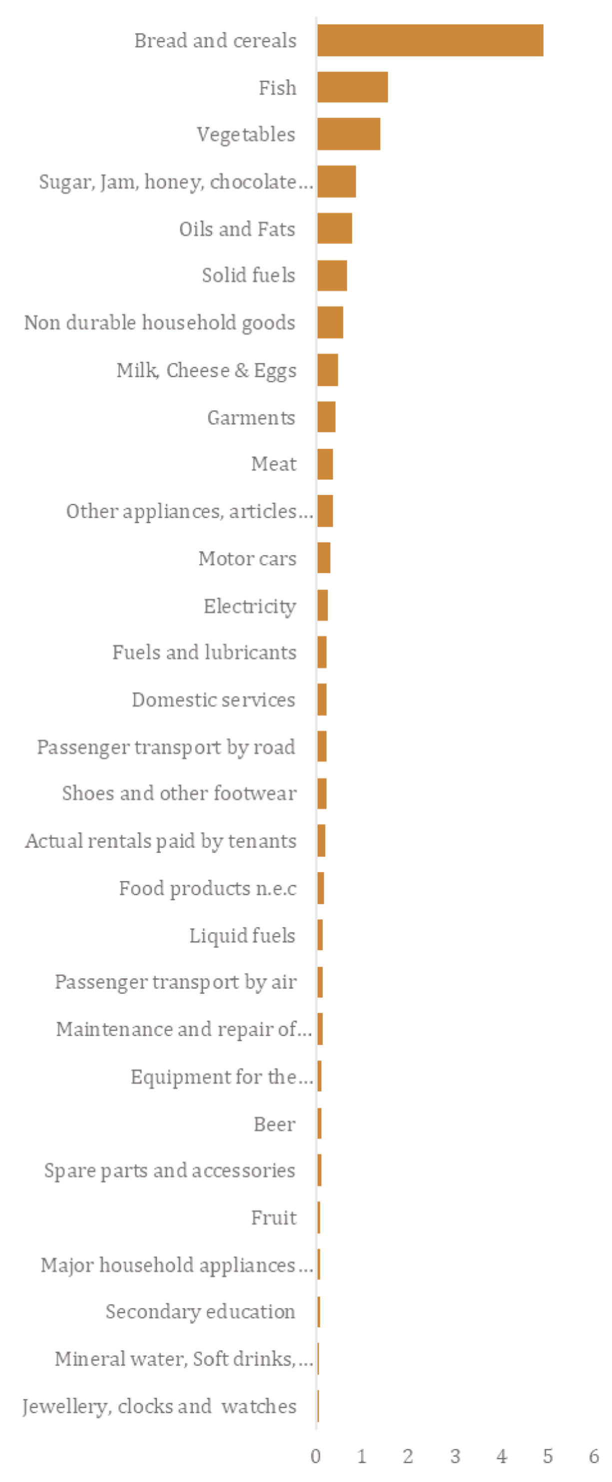
Figure 74: Actual and Projected Annual Overall Inflation (percent)



Source: Bank of Zambia Staff Forecast and Zambia Statistics Agency

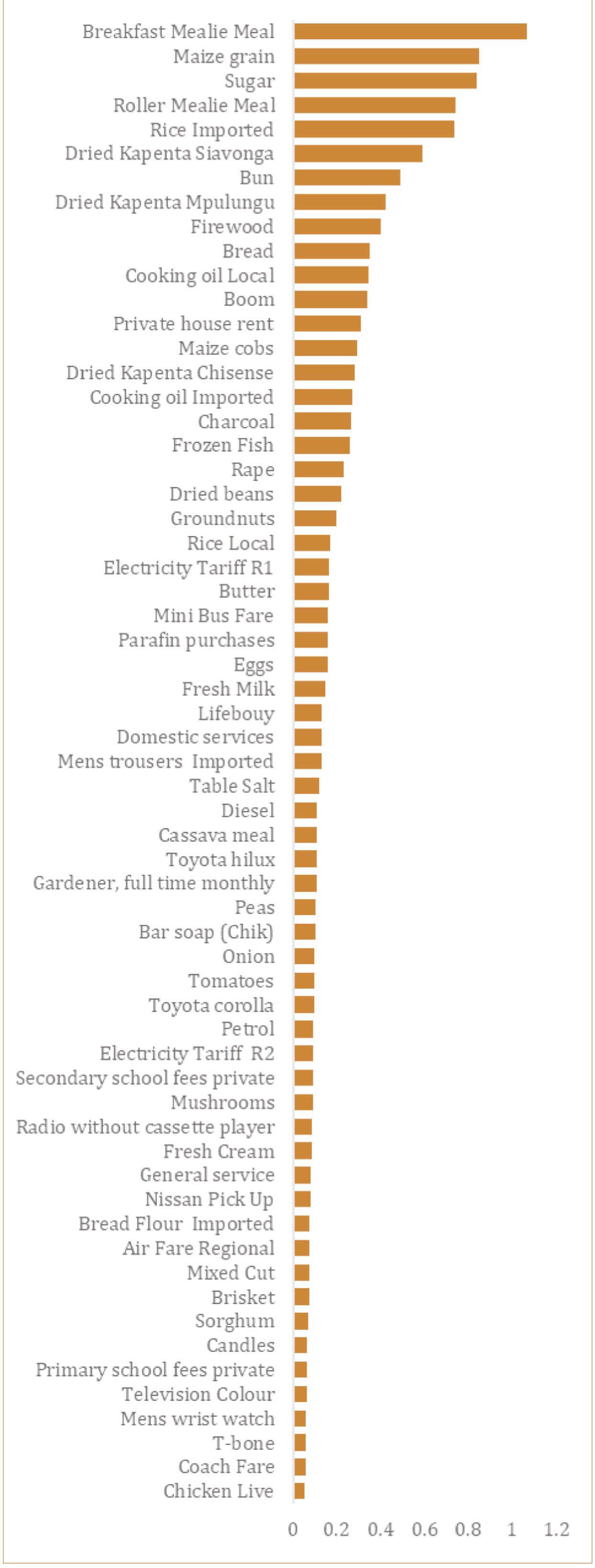
Notable sub-groups (products) that contributed the most to the rise in inflation were bread and cereals (breakfast and roller meal, maize grain and imported rice); fish (dried kapenta and frozen fish); vegetables (maize cobs, rape, dried beans and groundnuts); sugar; oils and fats (cooking oil and butter); solid fuels (charcoal and firewood); as well as non-durable household goods such as washing and bath soap (Figures 75 and 76).

Figure 75: Contribution to Overall Inflation by Sub-Group in the Third Quarter of 2024 (percentage points)



Source: Bank of Zambia Staff Computations

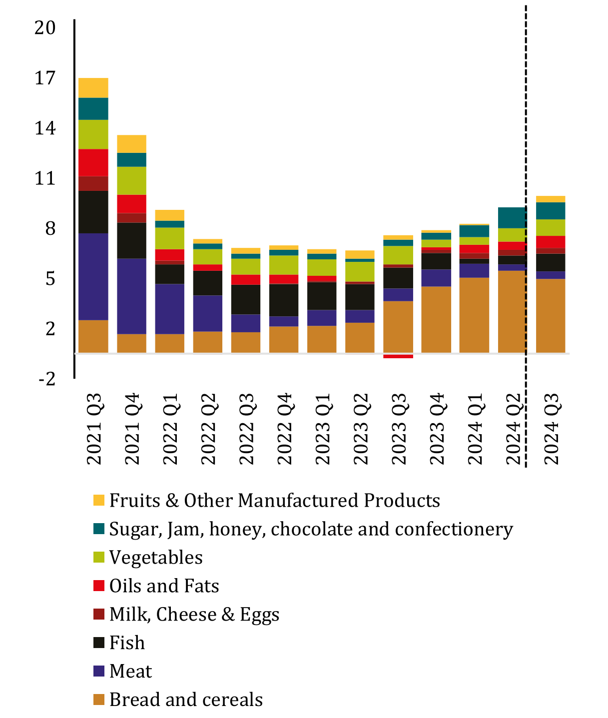
Figure 76: Contribution to Overall Inflation by Product in the Third Quarter of 2024 (percentage points)



Source: Bank of Zambia Staff Computations

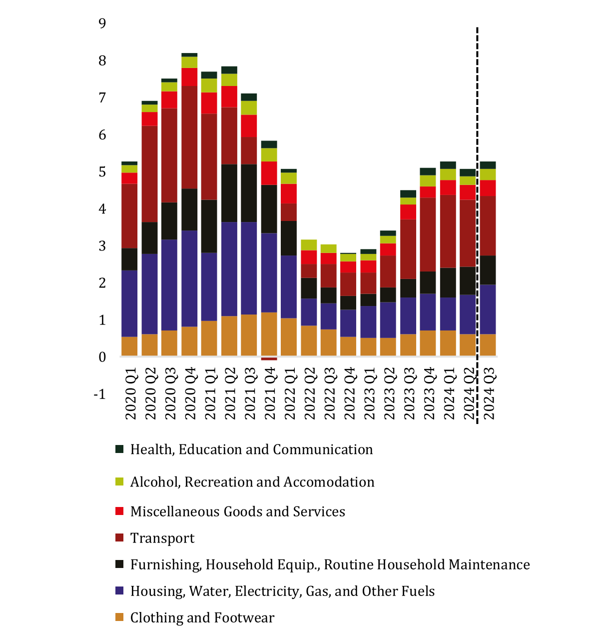
While the bread and cereals sub-group, driven by elevated maize grain prices, continued to contribute the most to food inflation in the third quarter, its proportion declined (Figure 77). This was largely due to relatively lower maize grain prices owing to post-harvest supply and reduced external demand. However, there were notable increases in contributions by fish, fruits and other manufactured products, as well as vegetables sub-groups owing to constrained supply as the impact of the drought persists. In terms of non-food inflation, increased contributions were observed in housing, water, electricity, gas and other fuels, as well as alcohol, recreation and accommodation sub-groups mostly on account of the depreciation of the Kwacha against major currencies (Figure 78).

Figure 77: Contribution to Food Inflation by Food Sub-Group (percent)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

Figure 78: Contribution to Non-Food Inflation by Non-Food Sub-Group (percent)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

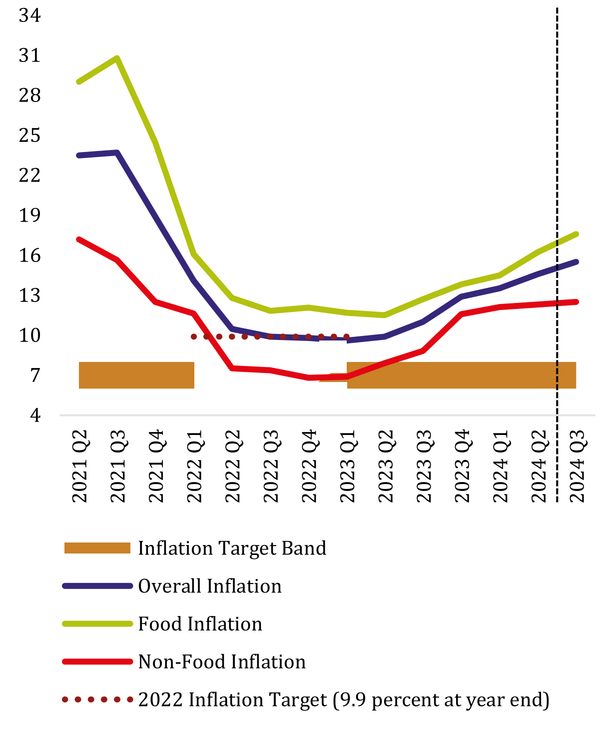
Consequently, food and non-food inflation rose to 17.6 percent and 12.5 percent from 16.2 percent and 12.3 percent, respectively (Table 9 and Figure 79).

Table 9: Quarterly Average and End-Period Inflation Rate (percent)

	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Average					
Overall Inflation	11.0	12.9	13.5	14.6	15.5
Food Inflation	12.7	13.8	14.5	16.2	17.6
Non-food Inflation	8.8	11.6	12.1	12.3	12.5
End Period					
Overall Inflation	12.0	13.1	13.7	15.2	15.6
Food Inflation	13.4	14.2	15.6	16.8	17.9
Non-food Inflation	10.1	11.6	11.2	13.0	12.4

Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

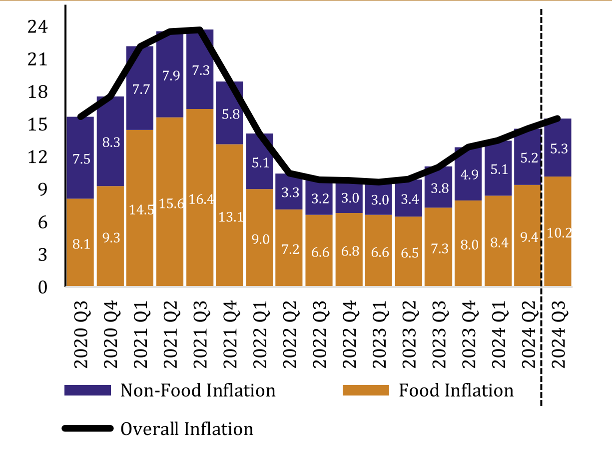
Figure 79: Inflation and its Components (percent)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

The contribution to overall inflation by the food sub-component rose to 10.2 percentage points from 9.4 percentage points while that of the non-food sub-component increased marginally to 5.3 percentage points from 5.2 percentage points (Figure 80).

Figure 80: Contribution by Food and Non-Food Sub-Components to Overall Inflation (percentage points)



Source: Zambia Statistics Agency and Bank of Zambia Staff Computations

Compared to the August 2024 MPC inflation projection, the inflation outturn of 15.5 percent in the third quarter was lower by 0.3 percentage points, but was in line with the baseline projection (Table 10). The MPC projection had higher US inflation, crude oil and world food prices, as well as stronger reserve money growth. These factors accounted for the lower inflation estimate computed using actual values (outcomes) of 14.3 percent (Table 10).

Table 10: Assumptions underlying Inflation Projection in Q3 2024

	2024 Q3	2024 Q3
	Assumed Value	Actual Value
Average inflation-USA (percent)	3.2	2.4
Fed funds rate (percent)	5.3	5.3
Average inflation-South Africa (percent)	4.9	4.7
Average copper price/ton (US$)	9,551.00	9,269.60
Average crude oil price/barrel (US$)	86.00	78.70
Reserve money growth (percent)	7.7	5.1
Fiscal deficit (ratio of expenditure to revenue)	1.27	1.36
World food price index	118.5	113.3
BoZ monetary policy rate (percent)	13.5	13.5
Inflation projection		
Baseline	15.5	
MPC	15.8	
August 2024 QSBOE expectations	15.5	
Inflation outturn (percent)		15.5
Inflation estimate using actual values (percent)		14.3
Exchange rate projection (K/US$)		
Baseline	25.17	
MPC	26.30	
Exchange rate outturn		26.04
Exchange rate estimate using actual values		25.00

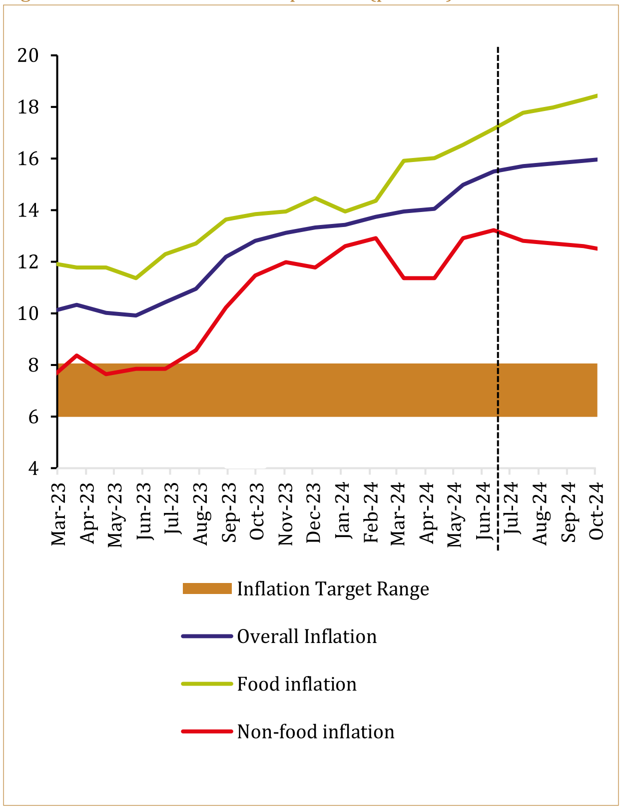
Source: Bank of Zambia Compilations, Reuters, South African Reserve Bank, World Bank Pink Sheet and Survey of Professional Forecasters

In the *August 2024 Bank of Zambia Quarterly Survey of Business Opinions and Expectations*, respondents expected inflation to rise to 15.5 percent and 15.7 percent in the third quarter, respectively. This turned out to be in line with the actual inflation. Respondents attributed the increase in inflation to higher operating costs due to the impact of electricity shortages and elevated fuel prices as firms switched to expensive alternative sources of energy, namely diesel/petrol generators.

... inflation marginally rises in October

Annual overall inflation continued to increase in October, albeit marginally. It rose to 15.7 percent from 15.6 percent in September (Figure 81). The depreciation of the Kwacha against major currencies, increased operating costs due to the impact of electricity shortages, elevated maize grain prices, reduced supply of fish and vegetables, as well as increased demand for solid fuels continued to push inflation up.

Figure 81: Inflation and its Components (percent)



Source: Zambia Statistics Agency, Bank of Zambia Staff Computations

Imported rice, sugar, bun, dried kapenta, maize grain, breakfast and roller mealie meal, bread, cooking oil, dried beans, boom, rape, frozen fish, charcoal, tomatoes, groundnuts and air fares were the notable products whose prices increased .

The bread and cereals sub-group continued to exert a dominant influence on overall inflation.

Monetary and Foreign Exchange Measures since April 2012

Measure	Date Implemented	Rationale
Policy Rate introduced and set at 9.0 percent	April 2, 2012	Mechanism for signalling monetary policy stance as transition to inflation targeting
Policy Rate raised to 9.25 percent	October 31, 2012	To contain inflationary pressures
Policy Rate raised to 9.50 percent	May 31, 2013	To contain inflationary pressures
Policy Rate raised to 9.75 percent	June 28, 2013	To contain inflationary pressures
Statutory reserve ratio raised to 14.0 percent from 8.0 percent	February 24, 2014	To address excess liquidity in the money market and its impact on inflation
Overnight Lending Facility (OLF) rate set at 600 basis points above the Policy Rate	March 19, 2014	To address excess liquidity in the money market and its impact on inflation
Access to OLF window restricted to once a week		
Marketable amount for two-way quote in the Interbank Foreign Exchange Market (IFEM) revised to US$0.5m-US$1m from US$1m	March 28, 2014	To moderate exchange rate volatility and bring orderliness in the interbank market
Interbank bid/ask spread increased to a maximum of K0.02 from K0.01		To enhance price discovery
Policy Rate raised to 10.25 percent	February 28, 2014	To contain inflationary pressures
Policy Rate raised to 12.0 percent	March 28, 2014	To contain inflationary pressures
Inclusion of Government deposits and vostro account deposits in the computation of statutory reserves	May 30, 2014	
Daily compliance on statutory reserve ratio re-introduced		
OLF rate set at 10.0 percentage points above the Policy Rate		
Policy Rate raised to 12.5 percent	November 19, 2014	To contain inflationary pressures
Once a week access to the OLF Window suspended and intraday loan to lapse into overnight loan allowed	December 10, 2014	
Statutory reserve ratio raised to 18.0 percent from 14.0 percent	March 20, 2015	
OLF rate set at 6 percentage points above the Policy Rate from 9.5 percentage points		
BoZ to discretionary trade any amount beyond marketable threshold on two-way quote	October 5, 2015	To improve order, stability, and transparency in the foreign exchange market
BoZ to publish individual commercial banks' exchange rates on Reuters platform		
Commercial banks to update board exchange rates three times a day as prescribed		
Policy Rate raised to 15.5 percent	November 3, 2015	To contain inflationary pressures
Interest rate caps removed, and consumer protection measures introduced	November 4, 2015	To allow for better functioning of the credit market

OLF rate set at 1,000 basis points above the Policy Rate	November 10, 2015	To contain inflationary pressures
Access to OLF Window restricted to once a week	November 18, 2015	To contain inflationary pressures
Roll-over of intra-day loan into an overnight loan discontinued		
Interbank bid/ask spread increased to a maximum of K0.05 from K0.02	May 19, 2016	To improve price discovery
Policy Rate reduced to 14.0 percent from 15.5 percent (first reduction since April 2012)	February 22, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 15.0 percent from 18.0 percent	February 22, 2017	Reduce the cost of funds and promote credit growth
OLF rate set at 600 basis points above the Policy Rate from 1,000 basis points previously	February 22, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 12.5 percent from 14.0 percent	May 17, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 12.5 percent from 15.5 percent	May 17, 2017	Reduce the cost of funds and promote credit growth
Narrowed the Policy Rate corridor to +/- 1 percentage point from +/- 2 percentage points	May 17, 2017	To improve clarity of the policy stance and enhance effectiveness of monetary policy.
Policy Rate reduced to 11.0 percent from 12.5 percent	August 10, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 9.5 percent from 12.5 percent	August 10, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 10.25 percent from 11.0 percent	November 22, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 8.0 percent from 9.5 percent	November 22, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 9.75 percent from 10.25 percent	February 20, 2018	Fall in inflation; support economic growth, financial system stability
Statutory reserve ratio reduced to 5.0 percent from 8.0 percent	February 20, 2018	Fall in inflation and to provide a firm basis for the Policy Rate as the key signal of monetary policy
Policy Rate raised to 10.25 percent from 9.75 percent	May 22, 2019	Rise in inflationary pressures and heightened upside risks
OLF rate adjusted to 775 basis points above the Policy Rate from 600 basis points	May 22, 2019	Reduce volatility in the foreign exchange market contributing to inflationary pressures
OLF rate set at 1,650 basis points above the Policy rate from 775 basis points	November 14, 2019	Reduce volatility in the foreign exchange market contributing to inflationary pressures
Policy Rate raised to 11.5 percent from 10.25 percent	November 20, 2019	Rise in inflationary pressures and heightened upside risks
Statutory reserve ratio raised to 9.0 percent from 5.0 percent	December 23, 2019	Reduce volatility in the foreign exchange market
Policy Rate cut to 9.25 percent from 11.5 percent	May 20, 2020	To mitigate the adverse effects of COVID-19 on economic activity.
Additional standards of professional and ethical conduct for market players to enhance market discipline introduced.	May 2020	To enhance market discipline
Mining companies required to pay non-mineral royalty obligations directly in US dollars.	May 2020	To shore up international reserves.

Policy Rate cut to 8.0 percent from 9.25 percent	August 19, 2020	To safeguard the stability of the financial sector and mitigate the adverse effects of COVID-19 on economic activity.
Pricing rules governing the IFEM amended requiring Authorised Dealers to transact at prevailing market rates.	November 6, 2020	To stabilise the foreign exchange market.
Policy Rate raised to 8.5 percent from 8.0 percent	February 17, 2021	To counter inflationary pressures and anchor inflation expectations.
Policy Rate raised to 9.0 percent from 8.5 percent	November 24, 2021	To steer inflation to single digits in 2022 and within the target range by mid-2023.
Statutory reserve ratio raised to 11.5 percent from 9.0 percent	February 8, 2023	To address volatility in the foreign exchange market and safeguard stability of the foreign exchange market
Policy Rate raised to 9.25 percent from 9.0 percent	February 15, 2023	To steer inflation to within the target range by end-2023.
Policy Rate raised to 9.50 percent from 9.25 percent	May 17, 2023	To steer inflation back into the target range of 6-8 percent
Policy Rate raised to 10.0 percent from 9.50 percent	August 23, 2023	To steer inflation back into the target range of 6-8 percent
Statutory reserve ratio raised to 14.5 percent from 11.5 percent	November 13, 2023	To relieve persistent foreign exchange market pressure with a view to rein in inflation.
Statutory reserve ratio raised to 17.0 percent from 14.5 percent	November 21, 2023	Necessitated by persistent exchange rate pressures which were contributing to higher inflation.
Policy Rate raised to 11.0 percent from 10.0 percent	November 22, 2023	To steer inflation back into the target range of 6-8 percent
Statutory reserve ratio raised to 26.0 percent from 17.0 percent	February 2, 2024	Necessitated by persistently high demand pressures in the foreign exchange market contributing to higher inflation.
Policy Rate raised to 12.5 percent from 11.0 percent	February 14, 2024	To steer inflation back into the target range of 6-8 percent and help anchor inflation expectations.
Policy Rate raised to 13.5 percent from 12.5 percent	May 15, 2024	To augment earlier actions aimed at containing persistent inflationary pressures, acting mostly through the exchange channel, and addressing rising inflation expectations.
Bank of Zambia Foreign Exchange Market Guidelines	May 24, 2024	To enhance transparency, efficiency and effectiveness of domestic foreign exchange market in Zambia.
Government Securities as an Additional Asset Class for Minimum Reserve Requirements	June 5, 2024	To moderate the cost of intermediation and provide flexibility to reserve requirement compliance.
Amendment to the Interbank Foreign Exchange Market Rules	June 11, 2024	To improve transparency and strengthen the operations of the domestic foreign exchange market.

Policy Rate maintained at 13.5 percent	August 15, 2024	The Committee judged that the monetary policy stance was appropriate despite actual and projected inflation remaining above the 6-8 percent target band.
Policy Rate raised to 14.0 percent from 13.5 percent	November 13, 2024	To steer inflation back towards the 6-8 percent target band and anchoring inflation expectations.
Measure	Date Implemented	Rationale
Policy Rate introduced and set at 9.0 percent	April 2, 2012	Mechanism for signalling monetary policy stance as transition to inflation targeting
Policy Rate raised to 9.25 percent	October 31, 2012	To contain inflationary pressures
Policy Rate raised to 9.50 percent	May 31, 2013	To contain inflationary pressures
Policy Rate raised to 9.75 percent	June 28, 2013	To contain inflationary pressures
Statutory reserve ratio raised to 14.0 percent from 8.0 percent	February 24, 2014	To address excess liquidity in the money market and its impact on inflation
Overnight Lending Facility (OLF) rate set at 600 basis points above the Policy Rate	March 19, 2014	To address excess liquidity in the money market and its impact on inflation
Access to OLF window restricted to once a week		
Marketable amount for two-way quote in the Interbank Foreign Exchange Market (IFEM) revised to US$0.5m-US$1m from US$1m	March 28, 2014	To moderate exchange rate volatility and bring orderliness in the interbank market
Interbank bid/ask spread increased to a maximum of K0.02 from K0.01		To enhance price discovery
Policy Rate raised to 10.25 percent	February 28, 2014	To contain inflationary pressures
Policy Rate raised to 12.0 percent	March 28, 2014	To contain inflationary pressures
Inclusion of Government deposits and vostro account deposits in the computation of statutory reserves	May 30, 2014	
Daily compliance on statutory reserve ratio re-introduced		
OLF rate set at 10.0 percentage points above the Policy Rate		
Policy Rate raised to 12.5 percent	November 19, 2014	To contain inflationary pressures
Once a week access to the OLF Window suspended and intraday loan to lapse into overnight loan allowed	December 10, 2014	
Statutory reserve ratio raised to 18.0 percent from 14.0 percent	March 20, 2015	
OLF rate set at 6 percentage points above the Policy Rate from 9.5 percentage points		
BoZ to discretionary trade any amount beyond marketable threshold on two-way quote	October 5, 2015	To improve order, stability, and transparency in the foreign exchange market
BoZ to publish individual commercial banks' exchange rates on Reuters platform		

Commercial banks to update board exchange rates three times a day as prescribed		
Policy Rate raised to 15.5 percent	November 3, 2015	To contain inflationary pressures
Interest rate caps removed, and consumer protection measures introduced	November 4, 2015	To allow for better functioning of the credit market
OLF rate set at 1,000 basis points above the Policy Rate	November 10, 2015	To contain inflationary pressures
Access to OLF Window restricted to once a week	November 18, 2015	To contain inflationary pressures
Roll-over of intra-day loan into an overnight loan discontinued		
Interbank bid/ask spread increased to a maximum of K0.05 from K0.02	May 19, 2016	To improve price discovery
Policy Rate reduced to 14.0 percent from 15.5 percent (first reduction since April 2012)	February 22, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 15.0 percent from 18.0 percent	February 22, 2017	Reduce the cost of funds and promote credit growth
OLF rate set at 600 basis points above the Policy Rate from 1,000 basis points previously	February 22, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 12.5 percent from 14.0 percent	May 17, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 12.5 percent from 15.5 percent	May 17, 2017	Reduce the cost of funds and promote credit growth
Narrowed the Policy Rate corridor to +/- 1 percentage point from +/- 2 percentage points	May 17, 2017	To improve clarity of the policy stance and enhance effectiveness of monetary policy.
Policy Rate reduced to 11.0 percent from 12.5 percent	August 10, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 9.5 percent from 12.5 percent	August 10, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 10.25 percent from 11.0 percent	November 22, 2017	Fall in inflation; support economic growth
Statutory reserve ratio reduced to 8.0 percent from 9.5 percent	November 22, 2017	Reduce the cost of funds and promote credit growth
Policy Rate reduced to 9.75 percent from 10.25 percent	February 20, 2018	Fall in inflation; support economic growth, financial system stability
Statutory reserve ratio reduced to 5.0 percent from 8.0 percent	February 20, 2018	Fall in inflation and to provide a firm basis for the Policy Rate as the key signal of monetary policy
Policy Rate raised to 10.25 percent from 9.75 percent	May 22, 2019	Rise in inflationary pressures and heightened upside risks
OLF rate adjusted to 775 basis points above the Policy Rate from 600 basis points	May 22, 2019	Reduce volatility in the foreign exchange market contributing to inflationary pressures
OLF rate set at 1,650 basis points above the Policy rate from 775 basis points	November 14, 2019	Reduce volatility in the foreign exchange market contributing to inflationary pressures
Policy Rate raised to 11.5 percent from 10.25 percent	November 20, 2019	Rise in inflationary pressures and heightened upside risks
Statutory reserve ratio raised to 9.0 percent from 5.0 percent	December 23, 2019	Reduce volatility in the foreign exchange market

Policy Rate cut to 9.25 percent from 11.5 percent	May 20, 2020	To mitigate the adverse effects of COVID-19 on economic activity.
Additional standards of professional and ethical conduct for market players to enhance market discipline introduced.	May 2020	To enhance market discipline
Mining companies required to pay non-mineral royalty obligations directly in US dollars.	May 2020	To shore up international reserves.
Policy Rate cut to 8.0 percent from 9.25 percent	August 19, 2020	To safeguard the stability of the financial sector and mitigate the adverse effects of COVID-19 on economic activity.
Pricing rules governing the IFEM amended requiring Authorised Dealers to transact at prevailing market rates.	November 6, 2020	To stabilise the foreign exchange market.
Policy Rate raised to 8.5 percent from 8.0 percent	February 17, 2021	To counter inflationary pressures and anchor inflation expectations.
Policy Rate raised to 9.0 percent from 8.5 percent	November 24, 2021	To steer inflation to single digits in 2022 and within the target range by mid-2023.
Statutory reserve ratio raised to 11.5 percent from 9.0 percent	February 8, 2023	To address volatility in the foreign exchange market and safeguard stability of the foreign exchange market
Policy Rate raised to 9.25 percent from 9.0 percent	February 15, 2023	To steer inflation to within the target range by end-2023.
Policy Rate raised to 9.50 percent from 9.25 percent	May 17, 2023	To steer inflation back into the target range of 6-8 percent
Policy Rate raised to 10.0 percent from 9.50 percent	August 23, 2023	To steer inflation back into the target range of 6-8 percent
Statutory reserve ratio raised to 14.5 percent from 11.5 percent	November 13, 2023	To relieve persistent foreign exchange market pressure with a view to rein in inflation.
Statutory reserve ratio raised to 17.0 percent from 14.5 percent	November 21, 2023	Necessitated by persistent exchange rate pressures which were contributing to higher inflation.
Policy Rate raised to 11.0 percent from 10.0 percent	November 22, 2023	To steer inflation back into the target range of 6-8 percent
Statutory reserve ratio raised to 26.0 percent from 17.0 percent	February 2, 2024	Necessitated by persistently high demand pressures in the foreign exchange market contributing to higher inflation.
Policy Rate raised to 12.5 percent from 11.0 percent	February 14, 2024	To steer inflation back into the target range of 6-8 percent and help anchor inflation expectations.
Policy Rate raised to 13.5 percent from 12.5 percent	May 15, 2024	To augment earlier actions aimed at containing persistent inflationary pressures, acting mostly through the exchange rate channel and addressing rising inflation expectations.
Bank of Zambia Foreign Exchange Market Guidelines	May 24, 2024	To enhance transparency, efficiency and effectiveness of domestic foreign exchange market in Zambia.
Government securities as an additional asset class for minimum reserve requirements	June 5, 2024	To moderate the cost of intermediation and provide flexibility to reserve requirement compliance.

Amendment to the Interbank Foreign Exchange Market Rules	June 11, 2024	To improve transparency and strengthen the operations of the domestic foreign exchange market.
Policy Rate maintained at 13.5 percent	August 14, 2024	The Committee judged that the monetary policy stance was appropriate despite actual and projected inflation remaining above the 6-8 percent target.
Policy Rate raised to 14.0 percent from 13.5 percent	November 13, 2024	To steer inflation back towards the 6-8 percent target band and anchor inflation expectations.