



***FOR IMMEDIATE RELEASE***

**Date: 31/08/21**

**CTPD'S EXPECTATIONS ON THE UPCOMING BANK OF ZAMBIA MPC DECISION ANNOUNCEMENT**

As the Bank of Zambia (BoZ) Monetary Policy Committee (MPC) sets to announce its monetary policy decision on Wednesday 1<sup>st</sup> September 2021, the Centre for Trade Policy and Development (CTPD) expects the committee to maintain the policy rate at 8.50 percent. Considering the high overall inflation, any adjustments to the policy rate should be upwards to arrest demand pressures and moderate inflation in the medium term.

Inflation is expected to continue above the upper bound of the 6 - 8 percent target range over the forecast horizon. Annual inflation currently stands at 24.4% recorded in the month of August 2021 from 24.6% in July 2021, representing a 2.2 percent reduction. Annual food inflation has increased from 31.2 percent to 31.6 percent (0.4 percent rise), while annual non-food inflation has reduced from 17 percent to 16.3 %. The reduction in annual inflation has been mainly attributed to price movements in non-food items.

CTPD notes that despite the reduction in annual inflation for the month of August 2021, overall inflation rose to a quarterly average of 24.5 percent in the third quarter of 2021 after closing the previous quarter at around 22.9 percent, driven mainly by an increase in food inflation as non-food inflation slowed down.

Food Inflation rose to a quarterly average of 31.3 percent from the previous average of 27.8 percent while non-food inflation declined to a quarterly average of 16.8 percent from the previous 17.02 percent. Supply-side constraints contributed to the rise in overall inflation over the review period.

Developments in the FOREX market are expected to support the moderation of inflationary pressures in the short-term. Following the recent political developments, and the subsequent

investor confidence from the change in government, the Zambian Kwacha appreciated steadily, dropping to around K15/\$ from an average of K20/\$. This outcome thrives on the already conducive environment created by maize and wheat supply from a good harvest, favorable copper prices and continued investor confidence in the government securities market by non-residents. Furthermore, the allocation of the Special Drawings Right (SDRs) by the IMF to the tune of \$1.3 billion, will remain supportive of the foreign exchange market and in turn lead to lower inflation in the days ahead.

It is our considered view that the current macroeconomic environment provides the scope for BoZ to enhance its focus on containing the rising quarterly inflation and anchor inflation expectations against the efforts made to support financial system stability and growth.

The decision also recognizes existing susceptibilities in the financial sector and delicate growth. To restore and achieve macroeconomic stability, the implementation of fiscal adjustment measures in line with the Economic Recovery Programme and completing a deal with the IMF for the much-awaited Extended Credit Facility remain critical.

**Issued By**

**Mr. Boyd Muleya**

**Head of Research**

**Centre for Trade Policy and Development**

Editor's Note

The Centre for Trade Policy and Development (CTPD) is a not-for-profit, membership-based trade policy and development think tank. The organization was established in 1999 and existed as the civil society trade network (CSTNZ), until 2009 when it was rebranded as the Centre for Trade Policy and Development (CTPD).

The mandate of CTPD is to influence pro-poor trade and investment reforms at national, regional and multilateral levels as well as facilitate the participation of various stakeholders including member organizations in ensuring that trade is used as a tool for poverty eradication.

For more information you can Email: [info@ctpd.org.zm](mailto:info@ctpd.org.zm). or Visit our web site [[www.ctpd.org.zm](http://www.ctpd.org.zm)] You can also follow our TWITTER Account - @CTPDZambia Address: office Plot 123, Kudu Road Kabulonga

Contact: Mwaka Nyimbili  
Centre for Trade Policy and Development  
Phone: +260 211 264409 | +260975876038  
Fax: +260 211266234  
Plot 123, Kudu Road Kabulonga  
[www.ctpd.org.zm](http://www.ctpd.org.zm)