

Denny H Kalyalya: Launch of the Monetary Policy Report

Speech by Dr Denny H Kalyalya, Governor of the Bank of Zambia, at the Launch of the Monetary Policy Report and Stakeholder Engagement, Lusaka, 26 February 2024.

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Secretary to the Treasury

Senior Government Officials here present

Bank of Zambia Board Members

Deputy Governors

Members of the Monetary Policy Committee

Former Bank of Zambia Governors

Former Bank of Zambia Deputy Governors

Chief Executive Officer of the Securities and Exchange Commission

Chief Executive Officers of the Pensions and Insurance Authority

Senior Bank of Zambia Management

Chief Executive Officers of Financial Institutions here present

Representatives of Cooperating Partners here present

Captains of Industry

Distinguished Invited Guests

Members of the Media

Ladies and Gentlemen.

It is a great honour and privilege for me to be welcoming you all to this Breakfast Meeting where we are launching the first publication of the Monetary Policy Report (MPR) by the Bank of Zambia. This is a monumental occasion in the history of the Bank and our beloved country. Our expectation is that the publication of the MPR will enhance our transparency, accountability, communication, and well-grounded interactions on monetary policy matters. As we commemorate the launching of the MPR it is important to recognise that it is a product of the newly constituted Monetary Policy Committee (MPC). The Committee is established by statute, the new Bank of Zambia Act, 2022. This is another significant milestone, as it is the first time in the history of the Bank and the country that we have a statutory MPC.

Distinguished invited guests, the Bank has been preparing these reports to support its monetary policy decisions, but only for internal use. However, under the new Bank of Zambia Act, 2022, it is a requirement that the Bank publishes the MPR. As an operationally autonomous institution the need for transparency and accountability can hardly be overemphasised. This Report is also part of the attributes of the forward-looking monetary policy framework that we adopted in April 2012 wherein communication of decisions is an important prerequisite. We, at the Bank of Zambia, are, therefore, excited that today we have reached and achieved this significant milestone, notwithstanding the enormous responsibility this places on our shoulders, especially those of the Monetary Policy Committee (MPC) members.

Back in April 2012, the Bank adopted the forward-looking monetary policy framework because the monetary aggregate targeting framework it had been using was no longer that effective in achieving the inflation objective, due to the changes that had happened and were happening to the structure of the economy. In addition, it was observed that the changes in monetary aggregates were no longer reliable indicators of current and future developments in inflation. It had also become difficult to signal the stance of monetary policy, which we believe is critical to anchor inflation expectations.

Ladies and Gentlemen, allow me, on behalf of the Board, Management, and Staff of the Bank, and indeed on my own behalf, to recognise the contributions of my predecessors and Deputy Governors to improving the monetary policy framework over the years and providing the solid foundation for the formulation and implementation of monetary policy comparable to those of other central banks globally.

Distinguished guests, the MPC formulates the monetary policy of the Republic on behalf of the Bank and prepares this Report. The Committee comprises nine (9) members, as prescribed under the Act, three of whom should be external and non-public officers. So far, eight (8) members have been appointed, two of these are external. The third external member is yet to be appointed.

Ladies and Gentlemen, you might have noticed that in sharp contrast to the previous Monetary Policy Statements, the Statement published on February 14 was very compressed. This will become the norm and is in line with our objective of publishing the MPR, which provides salient detailed information on what informs the decision of the MPC on the Policy Rate.

As earlier indicated, the Report presents a detailed assessment of the path of inflation over the next eight-quarters based on a careful and critical analysis of current domestic and global macroeconomic developments. It also provides an assessment of the MPC view on the balance of risks to the inflation projection. Our expectation is that such an assessment will help provide greater clarity to stakeholders on the basis upon which the MPC arrives at its decisions. It is also expected that the MPR will serve as a credible and reliable reference document for other economic policy makers, researchers, academics, and the public at large on economic developments in the country. The MPR will be published on the Bank of Zambia website soon after each MPC Meeting.

Distinguished guests, the monetary policy framework that we are currently using requires a huge amount of high frequency data to gain an in depth and better understanding of recent economic developments and to forecast inflation over a

forecast horizon of eight quarters ahead. In this context, the Bank has been collecting real sector data directly from firms through the Quarterly Survey of Business Opinions and Expectations and the Credit Conditions Survey. In addition, the Bank undertakes in-house policy research, procures technical assistance from various sources, including think tanks, and reaches out to other institutions for collaborative research. All this point to the fact that we, as an institution, have to continually build the requisite capacity, including in modelling and forecasting. For those participating in our surveys, we want to express our profound gratitude for their cooperation. I should hasten to add that under the new Bank of Zambia Act it is a statutory requirement for respondents to provide information when the institution formally asks for it.

Ladies and Gentlemen, in closing, let me comment on our regular engagements that we have with you, our stakeholders after each MPC Meeting. We appreciate and value these engagements as they accord us an opportunity to explain our Policy Rate decisions. The ensuing interactions also help us to get the much-needed insights and feedback on your understanding and the implications of our decisions on the economy, which serve as important inputs into our future decision making process. With the publication of the MPR, we hope that you and other stakeholders will be better informed about monetary policy formulation and implementation in Zambia.

With these remarks, it is now my singular honour and privilege to officially launch the ***Monetary Policy Report***.

Thank you for your attention and God bless!