



**OPENING REMARKS BY DR FRANCIS CHIPIMO – DEPUTY
GOVERNOR - OPERATIONS AT THE 2021 MEDIA SEMINAR HELD
AT URBAN BLISS HOTEL, KABWE**

**THEME
UNDERSTANDING THE MONETARY POLICY COMMITTEE
STATEMENT**

JUNE 10, 2021

Directors from Bank of Zambia

Staff from the Bank of Zambia

Members of the Press

Ladies and Gentlemen

It is my pleasure and privilege to welcome you all to Kabwe and to the Media Seminar which is being held under the theme *‘Understanding the Monetary Policy Committee Statement’*.

The Bank recognises the importance of effective communication in carrying out its mandate of achieving and maintaining price and financial system stability in order to foster sustainable economic development. This seminar is, therefore, being held within the broader scope of enhancing your understanding of developments in the economy and to help you, and through you, the general public, to correctly analyse and disseminate information.

Ladies and Gentlemen, this seminar is meant to provide deeper insights on how the Bank of Zambia operates and its role in the economy.

Ladies and Gentlemen, this is the beginning of many interactions of this nature which are planned with yourselves. This is because the Bank considers the media to be a critical stakeholder in the achievement of its mission. Our interactions will be divided into segments where we will deal with specific topics of interest at any given time.

This first seminar will focus on the Monetary Policy Committee Statement which will be discussed in detail. The goal is to help you understand the framework used by the MPC and the information analysed prior to arriving at a policy rate decision. The seminar is intended to achieve the following specific objectives:

- Raise understanding about the MPC decision-making process;
- Unpack key economic concepts used in the MPC Statement; and
- Improve knowledge levels on monetary policy in general.

The Bank has taken a deliberate decision to focus its media training initiatives on specific topics to allow for a more detailed discussion and deeper understanding of the topics covered. It is hoped that this tailor-made approach will result in deeper engagements during MPC media briefings.

Ladies and Gentlemen allow me to make a few remarks on the monetary policy objectives for the first half of 2021.

Over the first half of this year, monetary Policy is focusing on containing escalating inflationary pressures and anchoring inflation expectations. The shift in the monetary policy stance follows almost a one-year period of monetary easing to support financial system stability and economic growth in the wake of the COVID–19 pandemic. Thus, in February 2021, the Bank signalled its intentions to progressively tighten the monetary policy stance in order to bring inflation back to its 6 – 8 percent target range over the medium-term. This stance balances the need to rein in inflation against the efforts made to support financial system stability and economic growth. Ultimately, ensuring that inflation remains well anchored in the medium-term is essential to moderate fragilities in the financial sector and support economic recovery.

As you are aware, at its May Meeting, the Monetary Policy Committee decided to keep the Monetary Policy Rate unchanged at 8.50 percent. This was to allow for the last Policy Rate adjustment to take full effect on the economy. The decision took account of the existing vulnerabilities in the financial sector and fragile growth. It was noted that, although inflation was projected to remain above

the upper bound of the 6-8 percent target range over the forecast horizon, inflationary pressures were projected to ease faster than earlier anticipated, particularly towards the end of the forecast horizon. This was at the back of improved supply of food, particularly maize and wheat following a strong crop harvest, higher than anticipated copper prices and improved external financing.

Ladies and Gentlemen, annual inflation for May 2021 increased to 23.2 percent from 22.7 percent in April 2021. The increase in the annual rate of inflation was mainly attributed to past sustained depreciation of the Kwacha and low supply of some food items.

Our expectation is that going forward inflationary pressures will begin to subside on account of excess supply of maize in view of a good crop harvest.

Ladies and Gentlemen, discussions for this seminar will mainly cover monetary policy. However, we will also discuss the Targeted Medium-Term Refinancing Facility and developments in the payment systems, which I hope will generate interactive discussions between yourselves and Bank Staff will also be covered.

Ladies and Gentlemen, Zambia has continued to make significant progress in the digital transformation agenda, especially in the area of digital financial services. For example, the number of active MNO based mobile money users increased by 77% from 4,852,040 as at December 31, 2019 to 8,607,461 as at December 31, 2020. According to the Finscope Survey of 2020, Financial inclusion increase of 10.1 percentage points to 69.4% from 59.3% in 2015 was mainly attributable to mobile money. It is worth noting that these digital payment options have been instrumental in facilitating trade and commerce amidst the COVID-19 pandemic.

Ladies and Gentlemen, during the year 2020, the National Financial Switch (NFS) project accomplished its final major milestone, the mobile payments module. As at end of quarter 1 of 2021, a total of fifteen participants were live on the Mobile Payments module. This module provides great opportunities for everyone as it provides diverse use cases and enables customers to conduct instant payments across networks and service providers without handling cash. This is particularly important, given that the pandemic period has continued to ravage economies across the globe.

In its bid to provide an enabling environment for innovative financial services, the Bank, in April 2021, issued guidelines on the Regulatory Sandbox. The Regulatory Sandbox is a framework set up by the Bank to allow small scale live testing of new innovative financial products and services. These guidelines apply to any person whether already holding a regulatory license or prospective applicant of such a regulatory license seeking to subject a novel product or service to the markets. The guidelines are aimed at encouraging innovation in the financial sector and consequently promoting financial inclusion.

With these few remarks, I wish to thank you once again for accepting our invitation to attend this seminar and for being part of the team that the Bank will work with going forward. I urge you to be open-minded and ask as many questions as you can so that both the Bank and yourselves can benefit from this interaction.

With these few remarks, it is now my honour and privilege to declare this seminar officially open and I wish you fruitful deliberations.

I THANK YOU.