



## Statement on the Developments in the Foreign Exchange Market September 2020

**Lusaka, Tuesday September 15, 2020** - In the recent weeks, the Kwacha has come under renewed pressure. Between mid-August and September 14, 2020 the Kwacha<sup>1</sup> depreciated by 8.0% to K19.81 per US dollar from K18.34, largely reflecting imbalances in the foreign exchange market.

On the supply side, lower foreign exchange sales have been noted from the mining sector as well as foreign financial firms who typically invest in Government securities. The reduced mining sector supply, although pronounced during this period, is consistent with the gradual reduction in exports in general. This is partly due to disruptions to international trade and declining global economic growth following the outbreak of the COVID-19 pandemic. In addition, operational challenges at key mining firms, which have been significant suppliers of foreign exchange in the past, have compounded the situation.

On the demand side, there has been a significant increase in foreign exchange requirements for the importation of agricultural inputs, health related supplies required to address the COVID-19 pandemic, and procurement of petroleum products, including clearance of past arrears to suppliers. This elevated demand is in addition to continued debt service payments that present the largest call on international reserves.

In June 2020, mining companies began paying all of their statutory tax obligations, in addition to mineral royalties to Zambia Revenue Authority through the Bank of Zambia. This has contributed to foreign exchange reserves. In August and September, the Bank of Zambia has been able to provide foreign exchange liquidity back into the market to help meet the current significant increase in demand amidst reduced supply.

As has been indicated in previous Monetary Policy Committee (MPC) Statements, the exchange rate has an important impact on inflation outcomes. Addressing volatility in the exchange rate, whilst allowing it to adjust to market conditions, is therefore a critical ingredient in achieving and maintaining price and financial system stability. The Bank of Zambia will continue to use all available monetary and foreign exchange intervention options, as appropriate, to address adverse developments in the foreign exchange market.

Issued by:

Communications Division  
Bank of Zambia  
Box 30080  
LUSAKA  
Email: [info@boz.zm](mailto:info@boz.zm)



<sup>1</sup> Bank of Zambia mid-exchange rate