

## **Caleb M Fundanga: Recent significant developments in the Zambian economy**

Speech by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the 2006 Business and Financial Writers, Media Awards, Lusaka, 24 January 2007.

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- Heads of Diplomatic Missions, Permanent Secretaries and senior Government officials
- Heads of Economic, Financial and Business organizations
- Heads of Media Institutions
- Economic, business and financial writers
- The ACCA International Assembly Member and the Branch President
- ACCA Country Manager
- Distinguished invited guests, ladies and gentlemen

I am delighted both as Governor of the Bank of Zambia and as patron of the business and financial writers forum, to officiate at the 5th annual business and financial writers awards ceremony for the second consecutive time.

I must say I am always delighted to interact with you my colleagues from the media because we are both stakeholders in the provision and dissemination of financial and economic information to the public.

The purpose of this annual event is to recognise outstanding journalism effort demonstrated by economic, financial and business writers from various media institutions. In this room tonight are different organizations represented with a commonality, that is, we all wish to have accurate, timely, informative, creative, relevant and in-depth information.

Distinguished Ladies and Gentlemen, I am pleased as patron of the business and financial writer forum to continue working with you. I would like to begin my presentation this evening by sharing with you some of the recent significant developments in our economy:

1. Positive and significant real GDP Growth rates over the last 7 years.
2. Continuous and significant drop in overall annual inflation rate to levels below 10%. As at end 2006, overall annual inflation was 8.2% compared with 15.9% at end 2005. But I must hasten to add here that the impact of increases in petroleum products and anticipated millers upward adjustment of maize prices in line with FRA maize prices pose significant threats to overall inflation.
3. A fall in commercial banks lending interest rates. In line with falling inflation and yield rates on Government securities, the average commercial bank lending rate declined to 27.8% in December 2006 from 33.9% in December 2005. Although the trend is in the right direction, the Bank of Zambia considers the levels of lending rates to be still too high and I urge commercial banks to reduce their lending rates further to stimulate growth.
4. In 2006, the exchange rate recorded depreciation. Against the US dollar, the Kwacha depreciated by 21.1 percent compared to an appreciation of 26.4 percent in 2005. The depreciation in the Kwacha was largely on account of reductions in emerging market premia due to continued interest rate hikes in major global economies, which resulted in reduced participation by foreign portfolio investors in the domestic securities market, a change in the commodities market sentiment aligned with lowering copper prices and uncertainty associated with the run-up to September 28, 2006 elections and the period immediately following the elections.
5. Another important milestone in 2006 was the licensing of credit reference bureau. As you are all aware, one important objective of a credit reference bureau is to help separate truant borrowers from good borrowers thereby help reduce the cost of borrowing in Zambia.

As you endeavor to deliver daily targets of newspapers and electronic media that are in a hurry to report on a daily basis, there also needs to be some commitment to create a longer term trail of rigorously investigated news that is backed by authoritative evidence. Bank of Zambia, commercial banks, the Central Statistics Office and other information providers amass a lot of detail that is reflective of what has happened in the economy. I would encourage business and financial writers to

monitor and highlight trends that can help us forecast where our economy and business sector is actually headed. If economic indicators are tracked effectively by the media and progress highlighted, it helps to generate even greater confidence in those seeking to make Zambia an investment destination. As part of its contribution to improved business reporting last year, the Bank of Zambia invited Mr Allan Beatie, International Business Editor, with one of the leading global newspapers, the Financial Times, to share views with journalists here in Zambia.

Distinguished Ladies and Gentlemen, there are a myriad of pointers that can be given to where economic, business and financial information can be found. As a starting point, I would like to suggest that journalists look around this room and will no doubt recognize the rich collection of invited guests who hold significant information from which we can learn a lot. These are people who can stimulate debate, provide relevant information, validate it, and explain its proper use.

Colleagues, allow me now to focus on one key stake-holder mentioned above, namely the business and financial writers' fraternity. It is heartening to note that the judges feel that the standards of reporting have improved significantly. I am also pleased to note that those who have been past prize winners are continuing to apply themselves effectively and raising the standards of the profession as a whole. It is therefore my delight to be able to officiate at August gathering of business and financial writers knowing they are all putting in a more than average effort to attain today's awards.

Ladies and Gentlemen, the top prizes over the last 3 years have been designed to build capacity in the journalists nominated. Attachments to top business newspapers in South Africa and training our journalists in economics at the University of Zambia should give us the comfort that a specialization is being built from which we can confidently tap into and exchange ideas and analysis. One of the challenges for our writers has been a lack of specialization. As such, they have had to understand all subjects broadly rather than in-depth to help them to communicate more authoritatively. As they are being strengthened through various training interventions, we should therefore be able to see a marked improvement in their performance. In this vein, I am told that the American Centre and the Canadian High Commission have also been keen stakeholders in training our journalists in this area and to this end have worked closely with ACCA over the past two years in delivering one week workshops on key topical areas. The partnerships demonstrate that there are a number of interested stakeholders that all have a common goal – good, reliable and timely information.

The announcement of the national budget is round the corner. It is that time of the year when many differing analysis are made. Don't take these analyses at face value – examine them in your own right and come up with alternative lines of reasoning so that the public can have a holistic view of the effects of the budget pronouncements. We would indeed expect this for any other economic, business and financial pronouncement.

To all the prize winners for 2006, I extend my sincere and heartfelt congratulations for well deserved awards. Please remember that it is not enough to only enjoy the glory of the moment, but also to take the responsibility to act as mentors to emergent writers. I believe that what the journalist fraternity needs is not individuals who excel alone, but a cadre of responsible reporters that leave an outstanding legacy. Let me also take this opportunity to thank ACCA, the sponsors of this event and prizes for their continuing support to economic, business and financial journalism.

In conclusion, allow me to encourage our journalists to compete for international media awards as well. This will be the true barometer of where you stand as Zambian journalists because you will be judged against international best practice which is, in turn, the true barometer in global economy.

As your patron, I wish you all the best in this and future endeavors that seek to raise the standards of journalism in the country.

I thank you.