

## Caleb M Fundanga: Developing Zambia's Stock Exchange

Remarks by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the official launch of the BancABC Central African Stock Exchange Handbook, Lusaka, 26 July 2011.

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- The Chief Executive Officer of ABC Holdings - Mr Douglas Munatsi
- The Managing Director of BancABC Zambia Limited - Mr Dana Botha
- The Managing Director of Lusaka Stock Exchange - Mrs Beatrice Nkanza
- Management and Staff of BancABC
- Chief Executive Officers and Representatives of various Institutions present;
- Distinguished Invited Guests;
- Members of the Press;
- Ladies and Gentlemen.

Let me begin by thanking the management of BancABC for inviting me to this occasion, which marks the official launch of the "Central African Stock Exchange (CASE) Handbook". I also wish to thank the Managing Director of BancABC, Mr Dana Botha, for sending me a copy of the CASE handbook.

The handbook provides a snapshot of various company financial results, share price performance and volumes traded in 2010. The handbook also highlights basic information on investment and borrowing options, which will not only assist investors diversify their portfolios but also assist in reducing transaction costs in our stock market.

**Ladies and Gentlemen**, The stock market is an important avenue for harnessing resources for the financing of development in our country. Stock Markets enable firms to acquire the much needed capital at relatively lower cost, hence facilitating capital allocation, investment and growth. The stock market also plays a resource mobilisation role by encouraging savings through the purchase of equities that meet investors risk preferences and liquidity needs.

The provision of information on the stock market and its activity such as contained in the CASE handbook is therefore one way of promoting investor awareness and participation on our local market. This will no doubt enhance the development of the stock exchange and its contribution to our economy.

**Chairperson**, as you may be aware, the Government of the Republic of Zambia has been implementing a comprehensive Financial Sector Development Plan (FSDP) since 2004, whose main objective is to broaden and deepen the financial sector in Zambia. Under the FSDP, the need for a well-developed capital market as an engine for economic development is emphasised as it among other things would enable investors have access to a wide range of investment options.

It is for this reason that the Bank of Zambia together with stakeholders introduced a number of initiatives aimed at further developing the capital market. This includes the introduction of long term Government bonds, which among other purposes, was aimed at providing an appropriate platform for pricing corporate bonds. Furthermore, the Bank of Zambia in collaboration with LuSE and Bankers Association of Zambia is in the process of extending the services of RTGS to settle stock exchange transaction.

Another welcome development to the capital market is the recent B+ sovereign rating assigned to the country, as well as, the reclassification of Zambia as a low middle income country. These developments reflect the country's recent strong economic performance. As

you may be aware, GDP growth has averaged above 6% over the last five years, supported by low inflation and a positive external sector performance.

These favorable developments put the Zambian business community and Government in a strong position to access finance for sustained economic growth and improved living conditions of all citizens.

**Ladies and Gentlemen**, in the medium to long-term the prospects for Zambia's economy are bright. The robust GDP Growth momentum is expected to be maintained premised on favourable growth performance in mining, agriculture, construction, tourism, manufacturing among other sectors. This will be supported by favourable commodity prices on the international market, Government's investment in infrastructure and expected increases in foreign direct investment.

Further, inflation is expected to remain in single digits owing to prudent macroeconomic policies and the bumper harvest recorded during the 2010/11 harvest season which is expected to dampen any negative effects on overall inflation through the food component. Accordingly, interest rates are expected to decline further. In addition, the macroeconomic environment is expected to remain favourable due to a projected strong external sector performance. In this regard, the capital market has an important role to play.

I wish therefore, to commend BancABC for sponsoring the CASE Handbook, which I am sure will provide valuable information to active and potential players on the Stock Market in Zambia.

With these remarks, I wish to declare the CASE handbook officially launched.

I thank you for your attention.