

D&A CONSTRUCTION INDUSTRY INSIGHT

Zambia's September 2026 Rate Cut: What It Means for Construction

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October 2026 | Data to 1 October 2026 | Daka & Associates Construction Brokerage Limited

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CONSTRUCTION ECONOMICS AND MARKET INTELLIGENCE

Zambia's September 2026 Rate Cut: What It Means for Construction

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Time-stamped publication. This analysis reflects information available to 1 October 2026.

POLICY RATE	ANNUAL CPI	USD/ZMW SPOT	OLF RATE
10.75%	6.1%	19.63	22.25%
29 Sep 2026	Sep 2026	1 Oct 2026	30 Sep 2026

Zambia's construction industry enters the final quarter of 2026 with a noticeably better macroeconomic backdrop than it faced a year ago.

The Bank of Zambia has reduced the Policy Rate by **250 basis points to 10.75%**. Annual inflation has fallen to **6.1%**, inside the Bank's 6% to 8% target range, while the Kwacha remains substantially stronger than during the currency pressures experienced in early 2025.

For contractors, developers, consultants and suppliers, those developments are broadly positive. Lower inflation should reduce some pressure on locally determined costs. A stronger currency than in early 2025 continues to support the economics of many imported materials and specialist systems. Monetary easing also creates the prospect of lower borrowing costs if commercial banks pass the improvement through to customers.

> **The qualification:** the Kwacha weakened steadily between June and the end of September. Commercial lending rates were still around 25% in the latest available banking data, and cheaper money does not solve a shortage of working capital.

The practical message for the industry is therefore not simply that rates are down. It is that **project economics should now be rebased to current market conditions: current exchange rates, current supplier quotations, actual financing terms and realistic payment cycles.**

The September decision

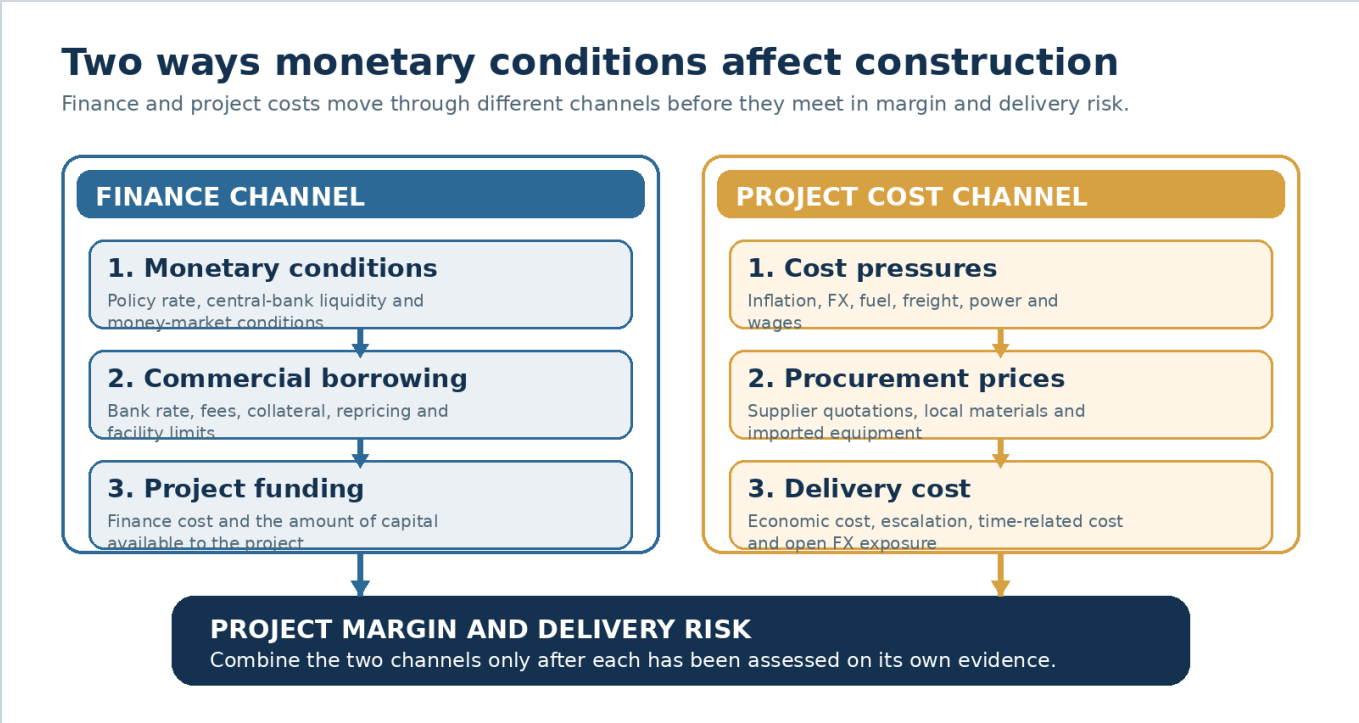
At its 28 to 29 September meeting, the Bank of Zambia reduced the Policy Rate to **10.75%**.

Annual inflation declined from **7.1% in March to 6.5% in June and 6.1% in September**. Average inflation was 8.0% in the first quarter, 6.6% in the second and 6.3% in the third. The Bank projects average inflation of 6.7% in 2026 and 6.0% in 2027.

The direction is encouraging, but the Bank also identifies risks that are highly relevant to construction: possible electricity-generation pressure associated with El Nino, higher crude-oil prices arising from geopolitical disruption, and renewed exchange-rate pressure if global financial conditions tighten.

Two ways monetary conditions affect construction

The MPC decision reaches the industry through two different routes. The first is **finance**. Lower policy and central-bank liquidity rates may eventually reduce the cost of overdrafts, working-capital facilities and development finance. The second is **project cost**. Inflation, exchange rates, fuel, freight, electricity and supplier pricing determine what contractors actually spend to deliver work.



Finance and project cost move through separate channels before they meet in project margin and delivery risk.

These channels interact, but they are not the same. A project may become cheaper to finance while imported equipment becomes more expensive. Conversely, the Kwacha may strengthen while a contractor still cannot obtain enough working capital.

A dated view of the market

The latest indicators do not all describe the same date. Inflation, exchange rates and the central-bank facility rate extend to September or 1 October 2026. Commercial lending, sector credit and banking indicators are available only to March 2026 in the data reviewed for this analysis.

Indicator	As at	Reading	Context
Policy Rate	29 Sep 2026	**10.75%**	250bp reduction
Annual CPI inflation	Sep 2026	**6.1%**	6.5% Jun; 7.1% Mar
USD/ZMW spot	1 Oct 2026	**19.63**	Q3 average 18.89
Overnight Lending Facility	30 Sep 2026	**22.25%**	24.75% Jul; 29.75% May
Weighted commercial lending rate	Mar 2026	**25.11%**	26.50% Mar 2025
91-day Treasury bill	Mar 2026	**11.45%**	11.05% Mar 2025
Construction share of bank loans	Mar 2026	**1.30%**	1.53% Mar 2025
Real-estate share of bank loans	Mar 2026	**1.67%**	2.96% Mar 2025
Bank NPL ratio	Mar 2026	**2.83%**	4.00% Mar 2025
Reserve import cover	Mar 2026	**5.16 months**	4.63 months Mar 2025

The Kwacha: imported construction remains cheaper than in early 2025, but Q3 moved the other way

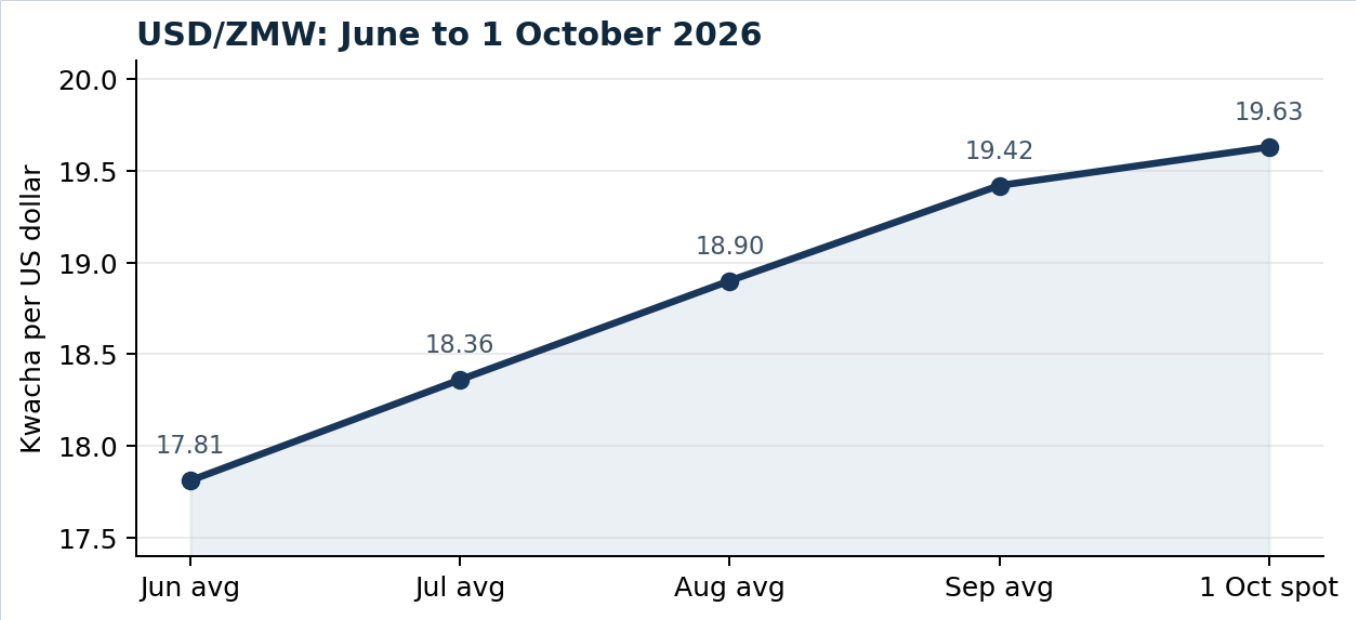
The currency picture is one of the most important developments for Zambia's construction industry.

The Q1 2025 average was approximately **K28.27/USD**. By 1 October 2026, the rate stood at approximately **K19.63/USD**. On that comparison, the Kwacha cost of an unchanged dollar obligation is roughly 31% lower.

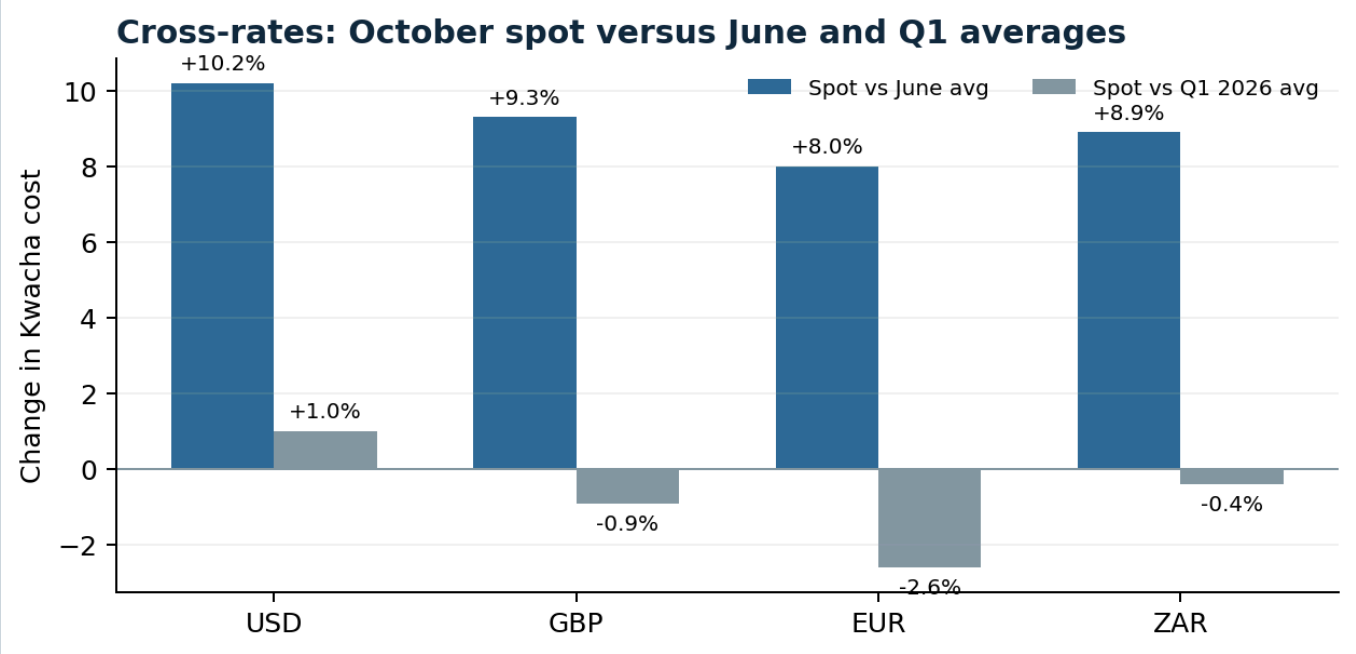
> **Illustration.** A USD100,000 equipment order would be approximately K2.827 million at K28.27/USD and K1.963 million at K19.63/USD, a difference of about **K864,000**.

For import-intensive construction, including mechanical and electrical systems, process equipment, lifts, pumps, solar equipment, specialist steel, data-centre equipment and construction plant, that improvement can materially affect project economics.

But the more recent movement tells a different story. The monthly USD/ZMW average moved from approximately **17.81 in June to 18.36 in July, 18.90 in August and 19.42 in September**. Within Q3, the rate moved from about 18.15 on 1 July to 19.58 at the end of September.



USD/ZMW from June to 1 October 2026. The Kwacha remained stronger than early 2025 but weakened through Q3.



The recent reversal was visible across the supplied USD, GBP, EUR and ZAR series.

Price new imported commitments at the current rate and current supplier quotation, not at the best exchange rate achieved earlier in the year.

What matters is the exposure that is still open

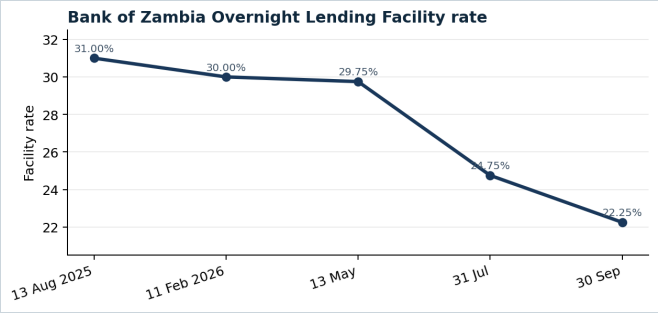
A physically imported item is not automatically an FX risk. If equipment has already been paid for, hedged or fixed contractually in Kwacha, later exchange-rate movements have little or no effect on that purchase.

The risk lies in **foreign-currency commitments that have not yet been fixed**. A contractor with an unsigned USD quotation that will be paid in two or three months is exposed to currency movements during that period.

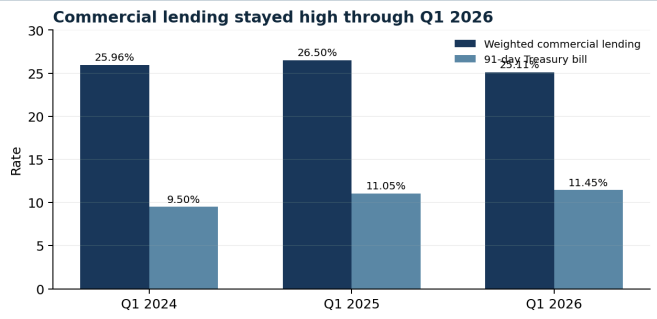
That is why two contractors buying the same imported equipment can carry very different levels of FX risk depending on when and how they procure it.

Lower rates are helpful. Access to money matters more.

The Bank of Zambia's Overnight Lending Facility rate provides additional evidence that central-bank liquidity conditions have eased during 2026.



The Overnight Lending Facility rate declined materially through 2026.



The latest commercial lending data available to this analysis remains from March 2026.

The OLF series shows 30.00% in February, 29.75% in May, 24.75% in July and **22.25% by 30 September**. That is a significant change in central-bank facility pricing.

It is not, however, the rate a construction company pays for an overdraft or working-capital facility. The latest commercial lending data available to this analysis is from March 2026, when the weighted lending rate was approximately **25.11%**. That figure predates both the July and September changes in central-bank conditions.

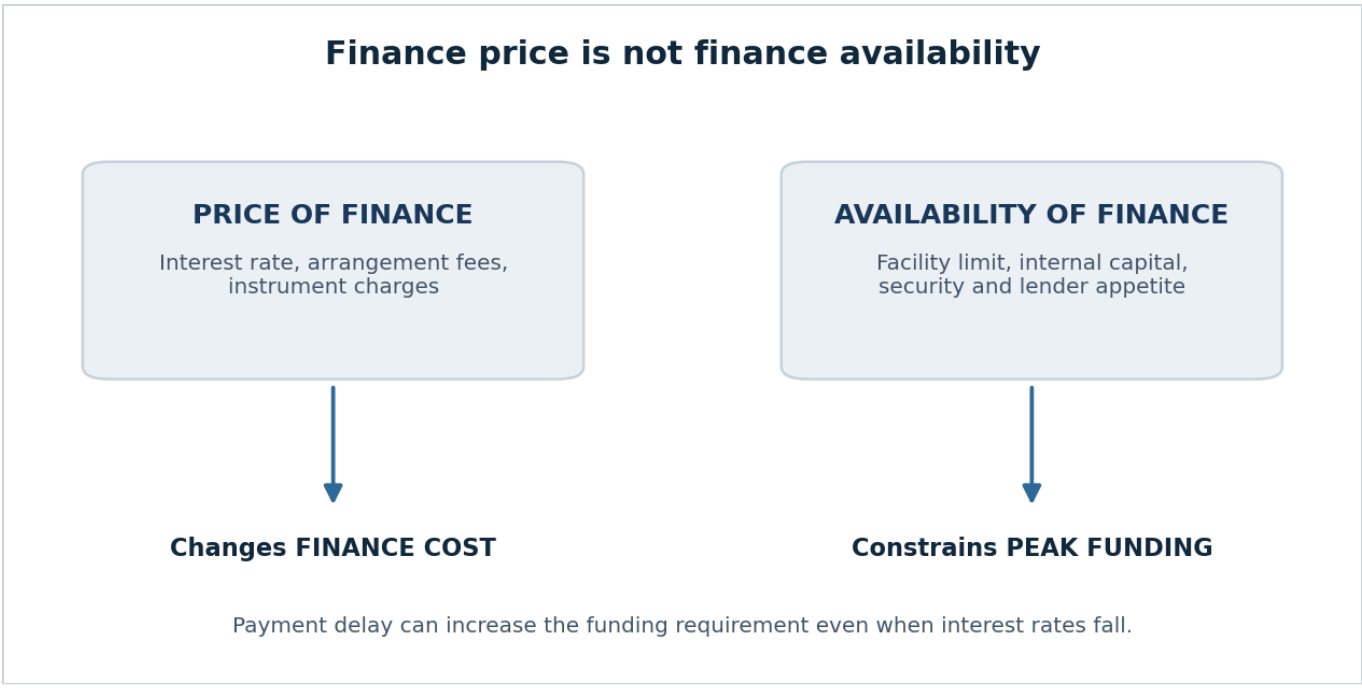
The scale of pass-through to contractors therefore remains to be seen. Banks must still price for borrower risk, collateral, liquidity, operating costs, facility structure and capital requirements. Existing facilities may also reprice only at renewal or reset.

> **Practical rule:** use the financing rate actually quoted by the lender. Do not assume that a 250-basis-point Policy Rate cut automatically produces a 250-basis-point reduction in the rate charged to a construction business.

Cheaper money is not the same as enough money

Consider a contractor that needs K10 million to finance labour, materials and subcontractors while waiting for certificates to be paid. If the borrowing rate falls, the **cost of carrying that K10 million** improves. But the contractor still needs K10 million.

If the employer pays 60 or 90 days late, the funding gap remains.



A lower interest rate can reduce finance cost without reducing the project's peak funding requirement.

For many contractors, the question of **how much funding is available** is more important than the question of whether the rate is slightly lower.

A profitable contract can still fail operationally if the contractor cannot finance the gap between expenditure and employer payment.

Lower inflation helps, but construction has its own cost basket

September inflation of **6.1%** is good news for the construction sector. It reduces pressure across the wider economy and can help moderate wage expectations, locally supplied services, transport and some domestic materials.

But CPI is not a construction cost index. A contractor buys a very different basket from the average household. Construction costs include cement, reinforcement steel, aggregates, diesel, plant, haulage, electrical equipment, mechanical systems, specialist fittings and skilled labour.

The correct response is to use lower CPI as evidence that the **macroeconomic cost backdrop has improved**, while still pricing actual work from current material indices and supplier quotations.

Contract structure also matters. A contractor working under a fixed-price agreement carries substantially more escalation risk than one operating under a genuine fluctuation or price-adjustment mechanism.

Who is likely to benefit most?

Import-intensive MEP and specialist systems

Strongest direct benefit from the currency position relative to early 2025, provided procurement has not already been fixed.

Industrial, energy and process projects

Imported plant and equipment can make FX and funding conditions especially important.

Civil engineering

More exposed to fuel, plant utilisation, programme and payment cycles, with a more moderate direct FX effect.

Residential and commercial development

The key question is whether easing reaches development finance and mortgage markets.

Public infrastructure contracting

Payment timing can dominate the benefit of lower borrowing rates if certification and cash conversion remain slow.

Local manufacturers and suppliers

Lower inflation helps, but a stronger Kwacha can also make competing imports more affordable.

Construction credit: watch availability, not only headline rates

Construction's share of bank lending was approximately **1.30% in March 2026**, compared with 1.53% a year earlier. The series has been volatile, and the latest reading was higher than in the final quarter of 2025, so it would be premature to describe construction credit as following a clear downward trend.

Real estate shows a clearer decline, with its share of bank lending falling from around 2.96% in March 2025 to 1.67% by March 2026.

These are proportions of bank lending, not absolute credit volumes.

> The question to watch is whether monetary easing merely makes existing credit cheaper, or whether it also increases the amount of capital available to contractors and developers.

Risks the industry should still price

Risk	Construction consequence
Electricity-generation constraints	Generator costs, reduced productivity and programme extension
Higher international crude-oil prices	Diesel, plant, freight and haulage costs
Renewed global financial tightening	FX pressure and more difficult financing conditions
Long payment cycles	Higher working-capital requirement even if interest rates fall
Programme delay	Additional preliminaries, overhead, plant and financing costs

The commercial objective is not to preserve the high-risk assumptions of the 2024 and 2025 environment indefinitely. It is to **update the central case while retaining credible downside protection**.

Before fixing a price, test these six questions



A practical project-level checklist for tender and commercial teams.

Lower expected cost does not automatically mean a lower tender price

One of the most important commercial implications of the current environment is that lower expected cost should not automatically translate into the same reduction in tender price.

Tender price reflects more than today's material price. It must cover **economic delivery cost, project risk, financing, required return and competitive position**.

Where cost conditions improve, a contractor may choose to use some of the benefit to strengthen margin, improve resilience, finance better resources or reduce the probability of a loss position.

Competitive pressure may ultimately lead to lower market prices, but that should be a deliberate commercial decision. The objective is not simply to be cheaper. It is to submit a price that is both **competitive and economically deliverable**.

What construction businesses should do now

1. **Requote uncommitted imports.** Use current exchange rates and current supplier quotations, particularly for specialist equipment and MEP packages.

2. **Get current bank terms.** Do not substitute the Policy Rate for the actual cost of an overdraft, working-capital facility or development loan.

3. **Test funding separately from interest.** A project can be profitable but still unfundable.

4. **Refresh escalation assumptions.** Use current ZPPA information, supplier quotations, fuel, labour and plant

data rather than carrying forward assumptions from the 2024/25 stress period.

5 **Keep downside protection.** Currency, fuel, electricity, payment and programme risks have reduced in some respects, but none has disappeared.

D&A outlook for Q4 2026

The construction industry is entering a more favourable macroeconomic environment than the one it faced in early 2025.

Inflation has normalised substantially. The Kwacha remains far stronger than during the worst of the previous currency stress. Central-bank rates are moving lower. Banking-sector asset quality has also improved in the latest available data.

That should improve project economics. But it does not yet amount to easy construction finance.

The Kwacha weakened through Q3, commercial lending data has not yet captured the September easing, and access to working capital remains a critical constraint for contractors and developers.

D&A's view: the cost environment is improving faster than the funding environment.

Businesses that respond well will not simply reduce their prices because macro conditions have improved. They will update supplier costs, reprice open currency exposure, negotiate financing, examine payment timing and use the improved environment to strengthen the economic resilience of their projects.

That is the more useful construction-industry interpretation of Zambia's September monetary-policy decision.

Data note, sources and disclosure

Data note. This insight is based on the Bank of Zambia September 2026 Monetary Policy Committee statement, the Bank of Zambia Quarterly Selected Macroeconomic Indicators available to Q1 2026, the supplied Overnight Lending Facility history, and daily exchange-rate data used consistently for the FX calculations. The banking and sector-credit indicators therefore provide context to March 2026 and do not yet show the response to the September rate cut.

Update note. This publication is dated October 2026. The financing section should be refreshed when post-MPC commercial lending, interbank, T-bill or bank base-rate evidence becomes available.

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DAKA & ASSOCIATES CONSTRUCTION BROKERAGE LIMITED

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