

# COUNTRY PROFILE

## Quarterly update

July 2016



United Nations  
Economic Commission for Africa

**Zambia**

## Introduction

This quarterly report on macroeconomic and social developments in Zambia covers the first quarter of 2016 and updates the Country Profile published in April 2016 using the latest available data from national sources.

## Recent developments – Key highlights

- The economy of Zambia grew by 3.2 per cent in 2015, down from 5.3 per cent in 2014. Growth was much lower than the projected figure of more than 7 per cent on account of slow global growth, which has adversely affected international demand and commodity prices, especially for copper. The output of various sectors was also negatively affected by adverse weather conditions and power cuts caused by electricity deficits. The agricultural sector recorded a contraction of 7.7 per cent, while the mining sector contracted by 0.3 per cent. Despite the contraction in these two sectors, construction, transport, communications and manufacturing boosted overall growth (Ministry of Finance, 2016a and 2016b).
- Growth for 2016 is projected to increase marginally to 3.5 per cent, up from 3.2 per cent in 2015, and is expected to be driven by the construction, transport, accommodation and information sectors. Electricity supply challenges and weak commodity prices on the international market, especially for copper, continue to undermine growth. The expected downward adjustment of anticipated global growth will weaken international commodity prices and further undermine the growth of the Zambian economy. However, the expected increase in power generation as new sources come on stream later in the year is expected to counterbalance this and boost growth (Ministry of Finance, 2016a and 2016b).
- The Central Bank of Zambia continued to implement tight monetary policy measures aimed at containing inflationary pressures and maintaining relative exchange rate stability. Consumer price inflation recorded a decline to 21.3 per cent in May 2016, compared to 21.8 per cent in January 2016, largely due to decreases in the prices of food items. Inflation is projected to continue falling and reach the single digit mark in the fourth quarter of 2016 on the back of improved food supply during the harvest season and relative exchange rate stability. Despite the relative stability of the exchange rate, the average commercial lending rate increased from 23.8 per cent in December 2015 to 28 per cent in May 2016, which could have an adverse impact on consumption and investment in 2016 (Bank of Zambia, 2016a and 2016b; Central Statistical Office, 2016a).
- The current account deficit for 2015 widened to US\$ 767.5 million, up from \$581.2 million in 2014, due to a fall in the trade surplus. Copper earnings declined by 31.3 per cent to \$5,233.6 million in 2015, down from \$7,618.5 million in 2014, largely due to falling international prices. However, there was a narrowing of the current account deficit from \$482.5 million in the last quarter of 2015 to \$168.6 million at the end of the first quarter of 2016 as a result of a higher decline in imports (25 per cent) than

in exports (10.5 per cent). The country's major exports are intermediate goods, mainly cathodes and cathode sections of refined copper, which account for 71.5 per cent of total exports, while capital goods account for 40.0 per cent of imports (Bank of Zambia, 2016a; Ministry of Finance, 2016a)

- The financial account posted a surplus of \$278.3 million in 2015, compared to a deficit of \$462.6 million in 2014, mainly on account of increased portfolio debt flows and foreign direct investment inflows. However, there was a decline in the capital account balance to \$81 million from \$202 million in 2014 due to reduced project grants (Ministry of Finance, 2016a).

## Economic performance

### Macroeconomic and sectoral performance

	Value	Year
GDP, constant prices (in millions of kwacha)	125,882.2	2015
GDP, current prices (in millions of kwacha)	183,790.4	2015
Real GDP growth rate (%)	3.2	2015
Inflation rate (%)	21.1	2015
Current account balance (in millions of US\$)	-767.5	2015

### Fiscal policy

(% of GDP)	Value	Year
Overall deficit	-9.39	2015
Total revenues and grants	18.73	2015
Tax revenue	14.38	2015
Non-tax revenue	4.14	2015
Grants	0.20	2015
Total expenditure and net lending	28.12	2015
Current expenditure	20.72	2015
of which: wages and salaries	8.76	2015
Capital expenditure	7.18	2015

### Monetary policy

(%)	Value	Year
Inflation rate	21.3	2016 (May)
Interest rate	20.68	2016 (May)
Central Bank reference rate	15.5	2016 (May)
Maximum lending interest rate	28.0	2016 (May)
Deposit interest rate (180 days)	13.13	2016 (May)

### Current account

	Value	Year
Total imports (in millions of kwacha)	74,171.6	2015
Total exports (in millions of kwacha)	60,685.1	2015
Trade balance (in millions of kwacha)	-13,486.5	2015
Current account (in millions of US\$)	-767.5	2015

### Capital and financial accounts

(in millions of US\$)	Value	Year
Financial account	278	2015
Capital account	81.1	2015

## Social developments

### Education

	Value	Year
Pupil-teacher ratio	53.2: 1	2015

### Poverty

	Value	Year
Proportion of people living below the poverty line (%)	54.4	2015

## References

Bank of Zambia (2016a). Monetary Policy Statement, May 2016. Lusaka.

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