



Casa África – Business Opportunities

Republic of Zambia

By 2020, a 4% decrease in GDP is predicted, which could lead to a sharp contraction in economic activity if the pandemic drags on, reaching -6.5%. Key sectors driving growth, including tourism, mining, manufacturing, construction and wholesale and retail are projected to decline. The disruption in world trade has affected the country's main export product, copper. Copper prices have fallen since the beginning of the year, and along with a dramatic decline in tourist arrivals, the losses in revenue are substantial. The fiscal deficit is expected to widen further due to higher public spending and lower revenues, with a percentage that is projected at 8.9% of GDP and could reach up to 10.7%. Monetary policy is being challenged by rising inflation and currency depreciation; inflation is projected to be between 12.1% and 12.9% in 2020.

The Seventh National Development Plan for 2017-2022 was expected to foster more inclusive growth led by tourism, mining, energy and agriculture, with consequent job creation and economic diversification. For each sector, the plan supported different measures such as an integrated information system to support agribusiness, diversify mineral extraction beyond copper and increase energy capacity, among others. With the advent of COVID-19, these measures are likely to take longer than expected to be implemented.

In recent years, Zambia's trade balance has been in surplus thanks to increased exports. Exports consist of more than 85% of copper as the main product, followed by non-fuel crude oil, food products and live animals. The increase in recent years has been due to cotton, sugar, precious stones and tobacco, among others. The main destination of these exports is Switzerland, followed by China and the Democratic Republic of Congo. As far as imports are concerned, there is a great variety: chemicals and plastics, machinery, vegetables, electronics, metals and fuels. These products come mainly from South Africa, which heads the list of suppliers, followed by the DRC and China.

Among the risks faced by the country are droughts, for which measures have been proposed in the 2020 budget to develop agricultural resilience; risks associated with debt, which require sustained fiscal adjustment; and external risks arising from weakening global demand and tightening global financial conditions. These risks reflect the dependence on a narrow economic and export base driven by copper mining. Reducing these risks requires Zambia to accelerate diversification and move quickly to a broader model led by the private sector. Given the previous and intensified needs with the advent of the pandemic, the country needs to invest in capacity development and in improving and expanding public health infrastructure, as well as accelerate economic diversification and promote value addition and local manufacturing to minimize the economic impact of future crises.

AEO: <https://www.afdb.org/en/documents/african-economic-outlook-2020>

AEO (Suplemento COVID-19): <https://www.afdb.org/en/documents/african-economic-outlook-2020-supplement>

MAEC: http://www.exteriores.gob.es/Documents/FichasPais/ZAMBIA_FICHA%20PAIS.pdf

ANNEX: Economic tables

Table 1: Macroeconomic indicators

	2017	2018	2019	2020 (p)
Real GDP growth	3,7	4,0	2,0	2,4
Real per capita GDP growth	0,5	0,7	-0,9	-1,2
Inflation	6,6	7,5	9,2	9,0
Budget balance (% GDP)	-7,0	-10,5	-7,7	-6,9
Current account (% GDP)	-1,7	-1,3	-2,8	-2,9

Source: African Development Bank, (p) predictions before the Covid-19