

# ZAMBIA

## Key conditions and challenges

**Table 1** **2023**

Population, million	20.6
GDP, current US\$ billion	26.4
GDP per capita, current US\$	1283.5
International poverty rate (\$2.15) <sup>a</sup>	64.3
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	81.0
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	93.2
Gini index <sup>a</sup>	51.5
School enrollment, primary (% gross) <sup>b</sup>	94.8
Life expectancy at birth, years <sup>b</sup>	61.2
Total GHG emissions (mtCO2e)	93.5

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2022), 2017 PPPs.  
b/ Most recent WDI value (2021).

Despite a protracted debt restructuring process and subdued copper production, Zambia's economy has been recovering since the COVID-19 recession, primarily driven by firmer services. In Q3:2023, real GDP grew by 5.0 percent year-to-date and 5.1 percent y/y. In 2024, a severe drought affecting agriculture, electricity, and water supply will significantly dampen growth; however, an anticipated upturn in mining may offset some of the agricultural losses. Still, Zambia needs to finalize debt treatments to strengthen the response to drought and other shocks.

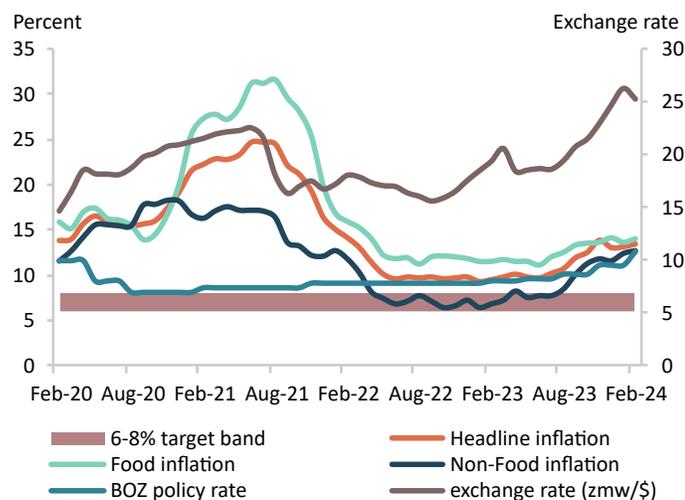
Zambia is a country with vast natural resources seeking to exploit economic opportunities to improve livelihoods by reducing poverty and inequality, which are high. The vast mineral resources (mainly copper) have been exploited with little value addition and employment creation, making growth and revenues volatile and contributing little to inclusive growth. The mainstay agriculture sector, which employs most of the workforce, remains undiversified and has low and declining productivity, exacerbating socio-economic development challenges. The 2023/24 rainy season's drought, worsened by climate change, has led to massive crop failure and damage, affecting food security and livelihoods of 6.6 million people in 84 out of 116 districts. The diminished water supply constraining hydroelectricity generation—the dominant power source—is expected to result in up to a 1000 megawatts annual deficit, disrupting business, especially among most small and medium enterprises, as blackouts intensify. Meanwhile, the current administration continues to pursue bold fiscal and structural reforms to restore macroeconomic stability, reinvigorate growth, and increase pro-poor spending since 2022. These reforms followed a decade of unbalanced fiscal expansion and unsustainable debt accumulation that worsened distortions and growth potential. Despite challenging

domestic and external environments, they have supported economic recovery from the multiple and compounding crises which started in 20220. Still, maintaining macroeconomic stability remains challenging due to uncertainty caused by protracted debt restructuring and declining mining performance over the past three years. The recent contraction in the mining sector starting in 2021 has triggered a deterioration in the external sector balances and softened fiscal revenues, leading to large currency depreciation, high inflation, and a sharp increase in the cost of living. With the government's capacity to finance development significantly constrained, completing debt treatment would give breathing space for Zambia to restore macroeconomic stability and debt sustainability and support the administration's ambitious reform program.

## Recent developments

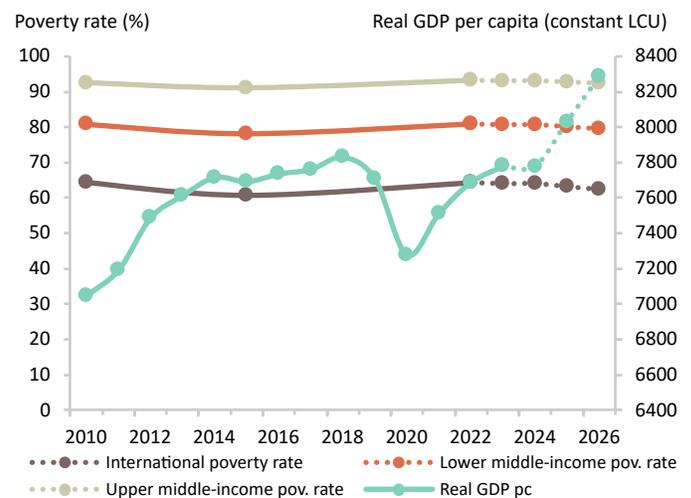
Real GDP grew by 5.0 percent year-to-date and 5.1 percent y/y in Q3:2023, driven by firmer services in transport, information and communications, and hospitality. Copper production remained below potential, declining by 8.0 percent (y/y) due to legacy operational difficulties at Mopani Copper mines and Konkola Copper Mine (KCM). This negatively impacted exports, with export earnings declining amid heightened uncertainty arising from protracted debt restructuring, severely weakening Zambia's external balances. The current account slipped into deficit in 2023—the first time in

**FIGURE 1 Zambia / Selected macroeconomic indicators**



Source: World Bank estimates.

**FIGURE 2 Zambia / Actual and projected poverty rates and real GDP per capita**



Source: World Bank. Notes: see Table 2.

four years. The exchange rate depreciated by 41.8 percent against the US\$ in 2023, save for short-lived appreciations in March and June around the news of expected breakthroughs in debt restructuring.

The sustained exchange rate depreciation and a food price shock (due to a grain deficit in the region) placed pressure on domestic prices. Both food and non-food inflation picked up, leading to a broad-based increase in headline inflation from 9.9 percent (y/y) in December 2022 to 13.5 percent in February 2024, against the 6–8 percent target range. Bank of Zambia (BoZ) raised the policy rate by 200 basis points (cumulatively) in 2023, with half of the increase in November amid intensifying inflationary pressures and currency depreciation. On February 14, 2024, the BoZ hiked the policy rate by an additional 150 basis points to 12.5 percent. It also raised the statutory reserve ratio from 9.0 percent in January 2023 to 26.0 in February 2024 to moderate FX demand and auctioned more than US\$50 million in the interbank market, triggering a temporary exchange rate appreciation of 13.8 percent.

The government continued the fiscal consolidation launched in 2022, achieving a primary fiscal surplus estimated at 0.2 percent of GDP in 2023, despite underperforming

revenues due to mining contraction. Higher non-tax revenues, better collection from non-mining, and higher grants from the development partners boosted overall revenue.

## Outlook

A severe drought in the current rainy season and cholera epidemic (with 20,577 cases and 699 deaths by end-February), which delayed the opening of schools, will significantly dampen growth to 2.7 percent in 2024. The government declared the drought a national disaster on February 29, 2024, and called for an emergency response. Although crop failure estimates are still preliminary, they suggest more than half of the planted area is damaged, directly affecting private consumption. Despite the rationing of electricity to cushion real sector activity, especially in the mines and critical life support services, the power deficit is slowing down aggregate industry and services production. However, the mining sector is expected to recover in 2024 and stimulate growth in industry, exports, and services activities that support

mining. This anticipated production improvement stems from a less wet rainy season for open pit mining and the resolution of legacy operation challenges leading to the potential realization of significant pledged foreign direct investment (FDI). Still, tight monetary policy and elevated net domestic financing to the government will likely constrain credit availability to the private sector due to higher borrowing costs.

There is substantial uncertainty surrounding the forecast. Firmer-than-expected copper prices would boost external sector performance and potentially reverse currency depreciation. Finalizing a debt restructuring deal would boost portfolio flows. Still, downside risks are considerable. Copper revenues may undershoot because of lower ore grades, delayed investments in the sector, and weakening copper prices. The effects of climate change pose a risk in terms of food security and hydropower generation. There could be additional inflationary pressures from exchange rate pass-through effects and climate-induced events such as food shortages. Subdued global growth due to the contraction of China's economy, the primary market for Zambia's copper exports, could dampen growth at home.

**TABLE 2 Zambia / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
<b>Real GDP growth, at constant market prices</b>	6.2	5.2	4.0	2.7	6.1	5.9
Private consumption	8.0	6.0	4.6	0.5	6.7	5.7
Government consumption	5.6	2.8	9.1	12.3	8.0	9.5
Gross fixed capital investment	4.7	5.0	6.0	6.0	7.0	6.6
Exports, goods and services	4.6	5.0	2.2	2.6	3.5	4.0
Imports, goods and services	2.5	4.0	4.5	3.5	4.0	4.0
<b>Real GDP growth, at constant factor prices</b>	6.4	5.5	3.9	2.7	6.1	5.9
Agriculture	6.9	-11.0	10.0	-20.0	2.0	2.0
Industry	7.1	-2.2	-1.7	1.8	3.8	5.0
Services	6.0	12.1	6.1	5.7	7.4	6.6
<b>Inflation (consumer price index)</b>	22.1	11.1	11.0	14.3	10.1	7.0
<b>Current account balance (% of GDP)</b>	9.7	3.7	-0.4	0.2	0.4	0.6
<b>Net foreign direct investment inflow (% of GDP)</b>	3.7	1.5	1.5	3.0	3.8	3.4
<b>Revenues (% of GDP)</b>	22.4	20.4	21.1	21.6	20.6	20.9
<b>Primary balance (% of GDP)</b>	-2.0	-1.5	0.6	0.2	1.6	0.8
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	..	64.3	64.0	64.0	63.2	62.4
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	..	81.0	80.8	80.8	80.2	79.6
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	..	93.2	93.1	93.1	92.8	92.5
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	0.5	0.8	1.2	1.4	1.4	1.4
<b>Energy related GHG emissions (% of total)</b>	9.9	10.3	11.0	11.9	12.9	13.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2022-LCMS-VIII. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.