



Macro-economics of Zambia, May 2019

Main Economic Statistical Indexes		2018	2019
1.	Population (millions)	17.09 (2017)	-
2.	Population growth rate (%)	3.0 (2017)	-
3.	Unemployment rate (%)	41.8 (Q3)	41.8 (2018, Q3)
4.	Life Expectancy (age) [M= male, F= female]	51.4(M)/54.7(F) (est)	-
5.	GDP (million USD)*1	25,868 (2017)	-
6.	GDP growth rate (%)	3.4 (2017)	3.6 (proj)
7.	GNI per capita (USD)	1,290 (2017)	-
8.	Inflation rate (%)	7.9 (Dec)	8.1 (May)
9.	Consumer Price Index (year 2009 =100)	216.99 (Dec)	226.84 (May)
10.	Balance of trade (million USD)	-438.39	171.43*2
11.	Balance of trade against Japan (million USD)	109.86*4	8.4*3
12.	Export (million USD)	9,059.36	2,572.71*2
13.	Export against Japan (million USD)	168.30*4	25.58*3
14.	Import (million USD)	9,497.75	2,401.28*2
15.	Import against Japan (million USD)	58.44*4	17.18*3
16.	Balance of current account (million USD)	-1,006 (2017, est)	-
17.	Outward direct investment (million USD)	-149 (2017)	-
18.	Inward direct investment (million USD)	1,091 (2017)	-
19.	Gold, Foreign currency reserve (million USD)	1,590 (est)	1,569 (Dec, 2018)
20.	External Debt (million USD)	10,050 (Dec)	10,178 (Mar)
21.	Exchange rate (Kwacha/ USD, average)	10.45ZMW	13.26 ZMW (May)
22.	Main policy interest rate (annual rate %)	9.75 (Nov)	10.25 (May)

*Figures are rounded off to two decimal places. **est = estimated, proj = projected, Q1 = First Quarter

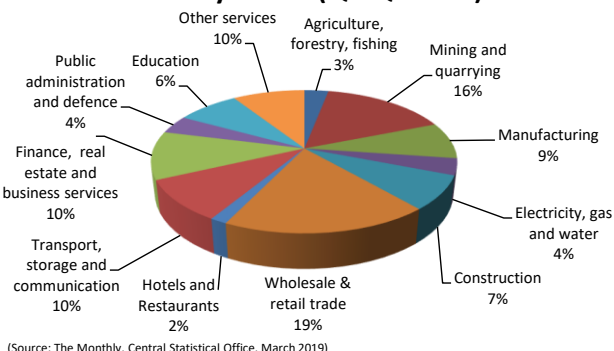
*1	GDP at market prices (Current USD)
*2	Accumulated average rate of January-April 2019. 1USD = 12.05ZMW (Bank of Zambia rate)
*3	Accumulated average rate of January-April 2019. 1USD =111YEN (Bank of Japan rate)
	Main export products [April 2019]: Copper anodes for electrolytic refining, Electro-refined copper cathodes, Electro-won copper cathodes, Copper blister, Sulphuric acid and Oleum in bulk. Five (5) Main trade partners(export) [April 2019]: Switzerland 46.6%, China 19.3%, Congo DR 11.2%, Singapore 3.3%, South Africa 3.0% and Other destinations 16.6%.
	Main import products [April 2019]: Copper concentrate, Petroleum oil, Sulphur of all kinds, Motor Spirit, Gas oil, Medicaments of mixed or unmixed products. Five (5) Main trade partners(import) [April 2019]: South Africa 29.9%, United Arab Emirates 12.2%, China 11.0%, Congo DR 8.9%, India 3.9%, and Other sources 34.1%.
*4	Based on 1USD = 110YEN (Bank of Japan rate, 2018 average)
<Source> 1, 2, 5-7, 20:World Bank / 3: Zambia Labour Force Survey Report (CSO & Ministry of Labour and Social Security) / 4, 16: The World Factbook (CIA) / 8, 9, 10, 12, 14: Monthly Bulletin (CSO) & EIU Country Report / 19, 21: Country Report (EIU) & Bank of Zambia / 11, 13, 15: Trade Statistics of Japan (Ministry of Finance Japan) / 17, 18: UNCTAD / 21, 22: Bank of Zambia	

Mining Sector Taxes Source : ZRA, ZEITI

- Value Added Tax (VAT): 16%
- Corporate Income Tax : 30%
- Mineral Royalty tax:
 - 5.5-10% (Variable depending on copper price at LME)
- Customs & Excise Duty: The rate of duty varies per commodity from 0% to 25%.
 - Mining capital equipment are taxed at 0% duty (duty free)
 - Export levy on concentrates is charged at 15%
- Withholding Tax: 15%.

Note: A holder of a mining right is exempt from customs, excise and VAT duties in respect of the all machinery and equipment required for exploration or mining activities.

GDP by sector (Q1-Q4 2018)



Monthly News (Economics)

1. IMF Tables Zambia's Bailout (2nd May, Daily Nation)

Government and the International Monetary Fund (IMF) have agreed to put in place measures aimed at frontloading fiscal adjustment, reducing debt accumulation, addressing the challenge of domestic arrears, and enhancing external buffers. Finance Minister Margaret Mwanakatwe said measures to keep the deficit within the 2019 budget target, as well as the medium term, will be undertaken as part of the adjustment measures agreed with the IMF. She said government was aware of the challenges facing the Zambian economy, and the measures were a key first step towards undertaking corrective measures and necessary measures will be undertaken to redeem the situation. Mary Goodman, the IMF staff team leader who was in Zambia to conduct the 2019 Article IV consultation, said "our discussion on Zambia's 2019 Article IV were frank and collaborative. This has been a valuable opportunity to take stock of the current situation and outlook for the economy and to gain a shared appreciation of current challenges and policy options going forward."

2. Exports to be Exempt from Sales Tax- Mwanakatwe (4th May, Times of Zambia)

The Government will exempt exports from Sales Tax to make them competitive and earn the country foreign exchange. Government has assured that it will pay off all outstanding legitimate Value-Added Tax refunds once reconciliation is concluded. Finance minister Margaret Mwanakatwe said in order to address the effects of cascading associated with sales tax; exemptions had been provided on capital goods, basic foods items, and essential goods and services in the health, education and water sectors. "Given the exemptions provided under sales tax, it is expected that production costs will remain relatively unchanged. However, it is expected that the sales tax would only increase prices to the extent of the number of distribution points in the production value chain" Ms. Mwanakatwe said. ZRA commissioner domestic taxes Moses Shuko said during the transitional period between VAT and Sales tax, tax account reconciliation would be undertaken to close off VAT and a plan would be put in place to liquidate the legitimate refunds.

3. Zambia in Consultation on AfCFTA, Tripartite Free Trade (6th May, Daily Mail)

Zambia anticipated ratifying the African Continental Free Trade Area (AfCFTA) and the Tripartite Free Trade Area agreements by August as the country positions itself to be part of the larger trading market that will accelerate economic growth. Minister of Commerce, Trade and Industry Christopher Yaluma said, consultations with various stakeholders are ongoing, and that the country will be ready to ratify the AfCFTA and the COMESA-SADC-EAC Tripartite Free Trade Area. Mr. Yaluma said regional and continental integration is necessary in the economic transformation of Zambia and the continent as a whole, and Government fully supports the integration.

4. VAT Refunds Swell to K1.4 Billion (7th May, Daily Nation)

Refunds claims under the Value Added Tax (VAT) have increased to K1.4 billion from K774 million per month following the announcement of the introduction of sales tax, effective July 1, this year. The business sector has until July 18, 2019 to submit their VAT refund claims, a few days after the implementation of the sales tax. Zambia Revenue Authority (ZRA) commissioner general, Kingsley Chanda, "At the end of the day when we collect revenue, we cannot pay out everything. Government needs to operate, so our commitment is to pay US\$80 million which is around about K1 billion at the current exchange rate. This means that every single month we will accumulate arrears of between K400 million to K500 million."

5. Bank of Zambia Acts on Economy (23rd May, Daily Mail)

To counter inflationary pressures and support macroeconomic stability, the Bank of Zambia (BoZ) has revised the monetary policy rate upwards by 50 basis points to 10.25%. BoZ governor Denny Kalyalya said, "Over the next eight quarters, inflation is projected to rise above the upper bound of six to eight percent target range as some of the risks to inflation outlined in previous monetary policy committees have begun to materialize." Dr. Kalyalya cited lower maize output, continued elevated fiscal deficits, high debt service payments and the decline in gross international reserves as among the key factors that affected inflation. He also said, "In 2019, economic growth is projected to slow down, mainly on account of lower agricultural production and mining output as well as constrained electricity generation. There are down risks to growth, which include delayed implementation of fiscal adjustments measures, rising domestic arrears and subdued credit growth to the private sector."

6. State Tightens Belt (29th May, Daily Mail)

Cabinet held an emergency meeting on Monday to discuss ways of ensuring the county gets back on its growth trajectory. To ensure that Government spends within available revenue, Cabinet has directed the cancellation of projects that are not economic in nature and some of those that maybe signed but to which finances are yet to be disbursed. Cabinet has also directed that no ministry, province, or spending agency should contract goods and services without readily available funds even when such is budgeted to stop accumulation of arrears. Minister of Finance Margaret Mwanakatwe said, "To this effect, the Minister of Finance was directed to take to Cabinet a list of loans to be considered for cancellation, postponement and slowdown for consideration."