

Zambia

The Zambian economy is recovering from the global financial and economic crisis, with 2010 gross domestic product (GDP) projected at 6.6%, mainly driven by mining, agriculture, tourism, construction and manufacturing.

The government is seeking to lower expenditure, stimulate growth and diversify the economy in a bid to get the economy through the recession and get growth back to pre-crisis levels.

Zambia has intensified co-operation with China, India and Brazil. This has reduced co-operation with traditional partners, which have in turn cut financial support due to the financial crisis.

The projected 6.6% growth in Zambia's GDP in 2010 is up from 6.4% in 2009. Agriculture, tourism, construction, manufacturing and mining are driving growth which is expected to expand by 6.5% and 6.7% in 2011 and 2012 respectively.

Overall, primary industries performed well in 2010 with agriculture growing by 7.6%. In 2011 and 2012 agriculture growth is projected at 3.2% and 4.6%, respectively. The largest contribution to 2010 growth came from maize production. The harvest reached 2.8 million tonnes compared to 1.9 million tonnes in the previous season. Zambia is Africa's biggest copper producer and the mining sector's big recovery was due to improved global copper prices. The sector is estimated to have grown by 7.4% in 2010.

Manufacturing, which historically has contributed about 10% of GDP, grew by 2.5% in 2010. The government has made substantial progress in infrastructure construction and has invested in manufacturing through the establishment of Multi Facility Economic Zones. Tourism, which was hard hit by the financial crisis, is expected to rebound strongly with estimated growth of 25% in 2010. Construction was expected to expand by 10% in 2010 and maintain double-digit growth in the next few years.

Monetary policy focused on sustaining stability by maintaining single digit inflation while ensuring adequate liquidity for the growing economy. Annual inflation declined to an estimated 7.9% at the end of 2010, down from 9.9% in December 2009. Annual food inflation declined sharply from 8.0% in December 2009 to 2.8% in September 2010.

The Zambian government is pursuing aggressive business reforms to encourage increased private investment and reduce business costs. The Private Sector Development Reform Programme is intended to ease private sector development. The barriers include: *i)* limited and high cost credit; *ii)* excessive bureaucratic trade procedures due to the involvement of multiple government agencies and border clearance systems; *iii)* lengthy inspection and certification processes; *iv)* poor border information technology; *v)* outdated customs techniques; *vi)* inadequate skilled personnel; *vii)* inadequate infrastructure.

Progress in improving public financial management has led to the publishing of work plans by government agencies, and the introduction of a Treasury Single Account to improve budget execution and cash management.

In the past few years, donor assistance has shifted from developed countries to emerging economies, especially from Asia. Zambia has built new partnerships with China and India. There is, however, growing concern that the motives of these new powers may not be very different from the traditional partners - all are interested mainly in Zambia's vast mineral and energy resources.

Zambia remains one of the most politically stable countries in the Southern African Development Community (SADC) and Africa as a whole. There has been democracy since 1991 when a two-decade old single party system was ended. The Movement for Multiparty Democracy (MMD) which has been in power since 1991 is likely to face a formidable challenge from a possible merger between the Patriotic Front (PF) and the United Party for National Development (UPND) going into presidential and general elections in 2011. The vote is expected to be peaceful and whatever the outcome, the country is likely to remain stable.

Table 1: Macroeconomic indicators

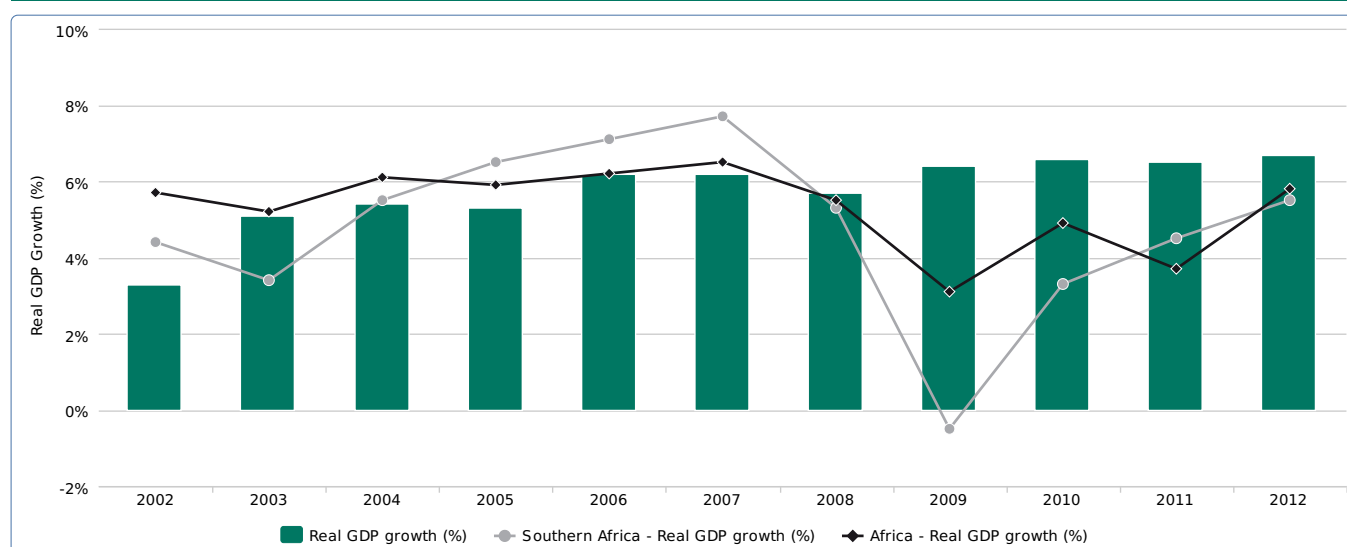
	2009	2010	2011	2012
Real GDP growth	6.4	6.6	6.5	6.7
CPI inflation	9.9	7.9	7.1	6.2
Budget balance % GDP	-2.1	-3.1	-4.5	-5.9
Current account % GDP	-3.2	-1.5	-1.8	-2.7

Source: National authorities' data; estimates and predictions based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Figure 1: Real GDP growth (S)



Source: IMF and local authorities' data; estimates and predictions based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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