

STATE OF ZAMBIA'S ECONOMY

MAY 2019

INFOGRAPHIC

PREPARED BY



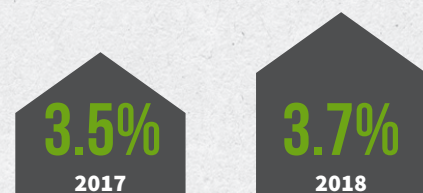
MAY 2019



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ECONOMIC GROWTH

Economic growth in 2018 was resilient. It increased from 3.5 percent in 2017 to 3.7 percent in 2018.



ECONOMIC GROWTH

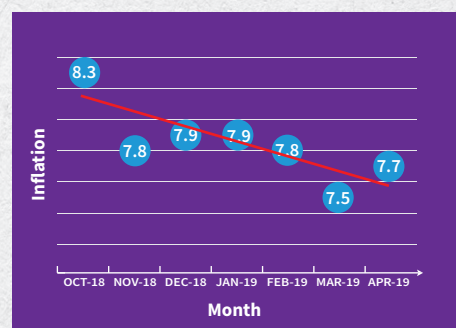
(Growth was supported by Mining, Electricity, Manufacturing and Financial Services sectors)

In 2019, growth will slow due to adverse weather conditions negatively impacting on agriculture production and the energy sector.



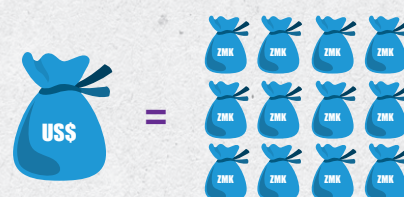
INFLATION

Inflation over the first four months of 2019 remained within the target band of 6-8 percent with an average of 7.7 percent from an average of 8.0 percent in the fourth quarter of 2018.



FOREIGN EXCHANGE MARKET

Kwacha depreciated against the US Dollar trading at an average of K11.9613 per US Dollar compared to an average of K11.8907 per US Dollar in the fourth quarter of 2018.



US\$1

ZMK11.9613

FOREIGN EXCHANGE RESERVES POSITION

Reserves position at the end of February 2019 was US \$1.43 billion (1.6 months import cover) from US \$1.56 million (1.8 months of import cover) at the end of 2018.

US\$1.43 BILLION

FEBRUARY 2019

1.6 Months Import Cover

DOMESTIC DEBT

Domestic debt stock at the end of March 2019 was K58.21 billion (representing 21 percent of GDP).

ZMK58.21 BILLION
MARCH 2019

BUDGET PERFORMANCE

THE REVENUE SIDE

In the first quarter of 2019, domestic revenues stood at K14.99 billion representing a 4.4 percent margin above the target.

ZMK14.99 BILLION

4.4%

2019 FIRST QUARTER



THE EXPENDITURE SIDE

Domestically financed expenditure amounted K12.8 billion, representing a margin of 11.5 percent below target projection.

ZMK12.80 BILLION

11.5%

2019 FIRST QUARTER



POLICY AND STRUCTURAL REFORMS UPDATE

Government committed to the following reforms:

- Switch from VAT to Sales Tax.

Engagement is ongoing with stakeholders

VAT → SALES TAX

- Revenue Enhancement

- ✓ Use of Electronic fiscal devices
- ✓ Use of agents in collection of withholding tax on income rentals and the land titling programme
- ✓ Diversification of revenue base by setting up a platform for trading in timber.

- Firmer expenditure measures through enhancing the Integrated Financial Management Information System (IFMIS) functionality.

LEGISLATIVE REFORMS THAT RELATE TO FISCAL SUSTAINABILITY

- ▶ Amendment of Zambia Public Procurement Act
- ▶ Enactment of the Planning and Budgeting Bill
- ▶ Amendments of the Loans and Guarantees (Authorization) Act

IMF ARTICLE IV UPDATES

Government and the IMF agreed on the following policy responses:

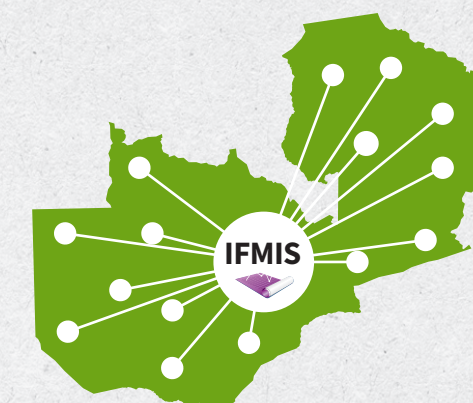
- ▶ Reinvigorating growth
- ▶ Developing sustainable fiscal path
- ▶ Fostering macroeconomic stability
- ▶ Reduction on Debt Accumulation and build of reserves.

RECOMMENDATIONS

- Government should put in measures that guarantee stable exchange rates to hedge against rising interest payments on sovereign debt.

- Government should put in mitigation measures to reduce impact of adverse weather conditions in the Agriculture and Energy Sectors and the consequential negative impact on the GDP. Government should continue providing an enabling environment for increased investment in renewable energy and adoption of climate smart agricultural practices.

- Policy Monitoring and Research Centre (PMRC) further encourages Government to roll out the Integrated Financial Management Information System (IFMIS) to all Government Ministries, Provinces, Departments and Agencies to ensure that no expenditure occurs outside the system.



INTEGRATED FINANCIAL MANAGEMENT SYSTEM (IFMIS)