THE IMPACT OF THE CORONAVIRUS (COVID-19) ON THE ZAMBIAN ECONOMY - INFOGRAFIC

INTRODUCTION
The Minister of Finance Hon. Bwalya Ng'andu on the 27th of March, 2020 updated the nation on the impact of the Corona Virus (COVID-19) on the Zambian Economy. The latest update from the World Health Organization indicated that over 470,000 confirmed cases had been recorded around the world with more that 20,000 deaths. In Zambia 29 cases have been confirmed as of 19th March 2020.

IMPACT ON THE GLOBAL ECONOMY
The Coronavirus pandemic poses the following impact on the global economy:
1. Slow Down in Global Growth: Preliminary assessments by the International Monetary Fund (IMF) indicates a substantial slowdown in global economic growth in 2020 compared to 2019.
2. Drag in Global Trade: Global trade has slowed down following closure of borders and the lock down in major economies.
3. Plummets of Commodity Prices: Commodity prices have drastically reduced. Copper prices opened the year at US$6,165 per metric tonne closed at US$4,754 per metric tonne as of Wednesday the 25th of March, 2020. Stocks on the London Stock Market have surged to about 22% metric tonnes from about 145 thousand metric tonnes in January 2020.
4. Capital Flight in the Financial Markets: The international economy has seen investors diversifying their funds from traditional assets such as stocks to safe havens that include the US Dollar causing its appreciation against other currencies

IMPACT OF COVID-19 ON THE ZAMBIAN ECONOMY
1. GDP Growth: In the 2019 budget address, the Zambian economy growth rate was projected at 3.2%, which is now projected to be lower at around 2% due to the challenges facing the economy.
2. Tourism: Disruptions in international air transport have had an adverse effect on tourist arrivals. Some hotels and lodges have reported significant reductions in bed occupancy rates, to less than 20% from an average of 50 percent for the same period last year.
3. Mining: Copper prices have declined by 23 percent to US$4,754 per metric tonne as at 25th March, 2020 from US$4,145 per metric tonne in January 2020.
4. Fiscal Revenues under the 2020 budget are projected to be lower on account of the slowdown in economic activity. Collections under VAT, Customs Duties, Income Tax and Mineral Royalty are expected to decline. In February 2020, revenue and grants collections were recorded at K4.6 billion, which was 4 percent below the target. Collections from mining company tax and overall VAT were below target by 32 and 13 percent, respectively. Revenue collected in March 2020, stood at K2.7 billion against the target of K4.5 billion. The depreciation of the kwacha against major currencies is resulting in higher debt service than programmed.
5. Trade: COVID-19 has disrupted international trade in terms of both volumes and commodity prices. Collections of trade taxes are expected to be lower than projected in the first quarter of the year and impact likely beyond.
6. Exchange Rate Depreciation: The kwacha has depreciated by more than 20 percent to around K17.50 per US Dollar.
7. Inflation: Annual inflation is projected to remain above the target range of 6-8 percent. Inflation for March 2020 stood at 14%.
8. Financial Sector: The broader impact on the financial sector is likely to be observed with lags as the economy faces various challenges which translate into rising non-performing loans.

MEASURES TAKEN TO MITIGATE THE IMPACT OF COVID-19
4. Tax Relief
Government will:
• i. Suspend excise duty on imported ethanol for use in alcohol-based sanitisers and other medicines related activities subject to guidelines to be issued by ZRA;
• ii. Remove provisions of SI 90 relating to claim of VAT on imported spare parts, lubricants and stationery to ease pressure on companies;
• iii. Suspend import duties on the importation of concentrates in the mining sector to ease pressure on the sector;
• iv. Suspend export duty on precious metals and crocodile skin.
5. Financial Sector Measures
Government through the Bank of Zambia has taken measures to encourage the use of digital financial services. These are:
• a) Waived charges for person to person electronic money transfers of up to K150. These transactions are now free of charge;
• b) Revised upwards transactions and balance limits for individuals, small scale farmer and enterprises to give agents more float to deals with transactions. This is made to decongest banks;
• c) Removed the transaction and balance limits on agents and corporate wallets; and
• d) Reduced the processing fees for Real Time Gross Settlement System;
• • Government will issue an SI for Classification and Provisioning of Loans Directives to encourage financial service providers to provide relief to the private sector and facilitate long term lending to productive sectors of the economy.

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