

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

## INTRODUCTION

The Minister of Finance Hon. Bwalya Ng'andu on the 27<sup>th</sup> of March, 2020 updated the nation on the impact of the Coronavirus (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 than 20,000 deaths. In Zambia, 29 cases have been confirmed as positive as at 29<sup>th</sup> March 2020.



## IMPACT ON THE GLOBAL ECONOMY

The Coronavirus pandemic poses the following impact on the global economy;

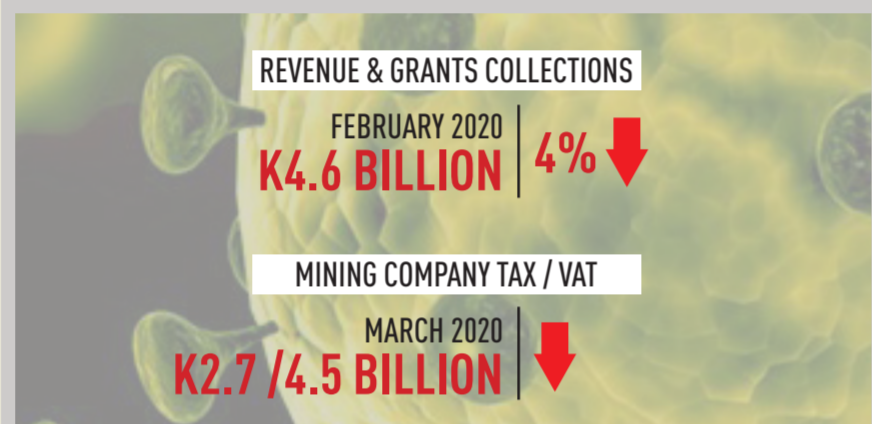
- 1. Slow Down in Global Growth:** Preliminary assessments by the International Monetary Fund (IMF) indicates a substantial slowdown in global economic growth in 2020 compared to 2019.
- 2. Drag in Global Trade:** Global trade has slowed down following closure of borders and the lock down in major economies.
- 3. Plummeting 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 25<sup>th</sup> of March, 2020. Stocks on the London Stock Market have surged to about 225 thousand metric tonnes from about 145 thousand metric tonnes in January 2020.
- 4. Capital Flight in the Financial Markets:** The international economy has seen investors divesting 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 2020 budget address, the Zambian economy growth rate was projected at **3.2%**, which is now projected to be lower at around **2%** due the challenge 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 percent 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 25<sup>th</sup> March, 2020 from **US\$6,165** per metric tonne in January 2020.
- 4. Fiscal Revenues** under the 2020 budget are projected to be lower on

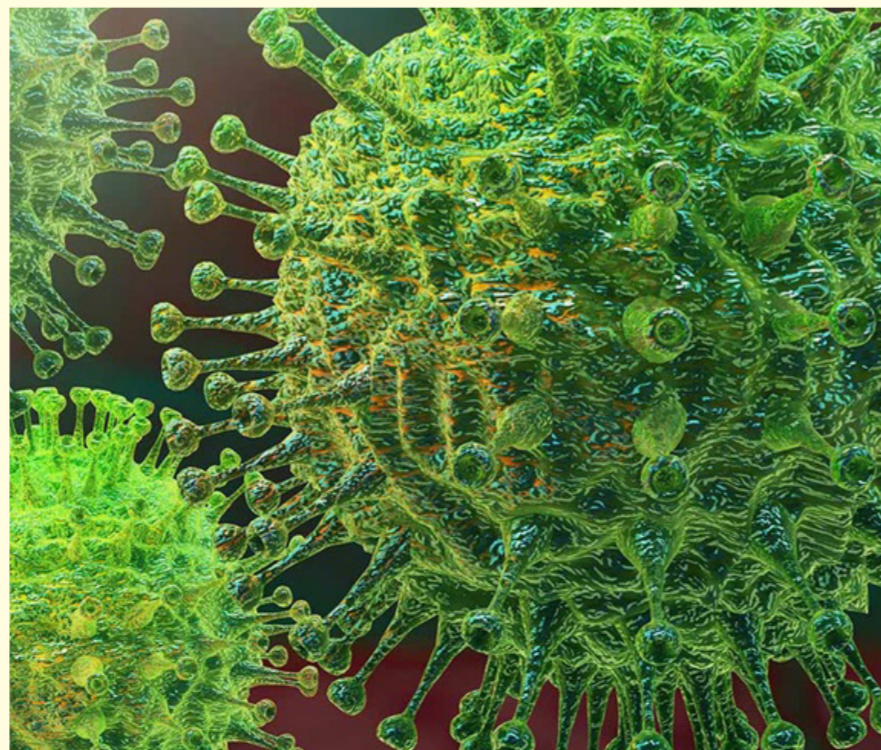
account of the slowdown in economic activity. Collections under VAT, Customs Duties, Income Tax and Mineral Royalty **are expected to decline**. In February 2020, revenue and grants collections were recorded at **K4.6 billion**, which was **4 percent below the target**. Collection from mining company 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 most 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.



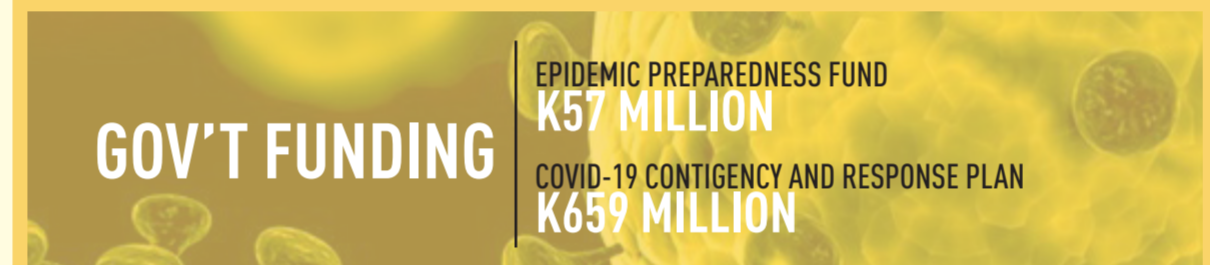
## MEASURES TAKEN TO MITIGATE THE IMPACT OF COVID-19

These include:

### 1. Funding towards COVID-19 Response

Government has taken the following measures:

- Set up an **Epidemic Preparedness Fund** under the **Ministry of Health** amounting to **K57 million**;
- Cabinet approved a **COVID-19 Contingency and Response Plan** with a budget of **K659 million** under the **Disaster Management and Mitigation Unit**;
- The Government is mobilizing funds through the budget and engagement with various local and international stakeholders.



### 2. Resources available from Multilateral Organisations

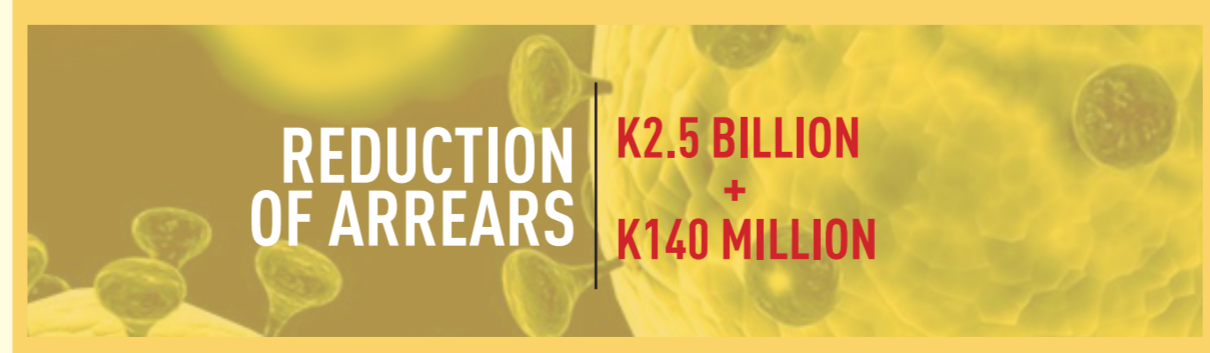
- Government is in the process of making applications to **multilateral partner organisations** for COVID-19 support.
- The **International Monetary Fund** is making available a total of **US\$50 billion** to affected countries via rapid disbursing emergency facilities while the **World Bank Group** has approved support of up to **US\$14 billion** under a fast track COVID-19 Facility.



### 3. Easing Liquidity

Government will release **K2.5 billion** to:

- Reduce domestic arrears** owed to domestic suppliers of goods and services;
- Reduce outstanding arrears** to pensioners under **Public Service Pension Fund** and retirees under **Ministry of Justice**;
- Reduce outstanding third-party arrears** and other employee related commitments. In addition, **K140 million** will be released to pay local contractors in the road sector.



### 4. Tax Relief

Government will:

- Suspend excise duty on imported ethanol** for use in alcohol-based sanitisers and other medicine related activities subject to guidelines to be issued by ZRA;
- Remove provisions of SI 90** relating to claim of **VAT on imported spare parts, lubricants and stationery to ease pressure on companies**;
- Suspend import duties on the importation of concentrates** in the mining sector to ease pressure on the sector;
- 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:

- Waived charges** for person to person electronic money transfers of up to **K150**. These transactions are now free of charge;
- Revised upwards transactions** and balance limits for individuals, small scale farmer and enterprises to give agents more float to deal with transactions. **This is made to decongest banks**;
- Removed the transaction and balance limits** on agents and corporate wallets; and
- 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**.

### 6. Business Continuity

Government has put in place measures to enable:

- Continuity of its operations by making it possible for **officers to work remotely** in services such as; the **Single Treasury Account, the Integrated Financial Management Information System (IFMIS) and Payroll Management and Establishment Control (PMEC)**.
- The **Minister of Commerce, Trade and Industry** will work with the **Ministry of Finance** to engage major retail outlets to **support local producers and domestic value chains of consumer goods**.

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