

# 2021 MID-YEAR ECONOMIC REPORT INFOGRAPHIC - PART 3



## INTRODUCTION

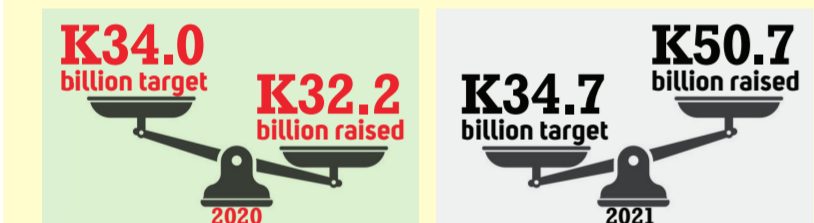
The 2021 Mid-Year Economic Report presents the developments in the global and domestic economy in the first half of 2021. On the basis of first half performance, a forecast is also made for the remainder of the year.

## BUDGET PERFORMANCE

Budget performance during the first half of 2021 was favourable on account of revenues and grants performing above target by **46%**. Expenditures were above the target by **11.4%** which was mainly attributed to higher expenditures on other liabilities and capital projects in 2021.



In the first half of 2021, total revenue and grants amounted to **K50.7 billion** against a target of **K34.7 billion**, compared to **K32.2 billion** against a target of **K34.0 billion** in the same period in 2020. Domestic revenues accounted for **98.6%** at **K49.9 billion** while grants received were **K753 million**.



**Domestic Revenues** which stood at **K49.9 billion** were **48%** above the target of **K33.7 billion** during the period under review. This was on account of higher than forecasted collections under Income Tax and Value Added Tax.



**Tax revenues** collected in the period under review amounted to **K33.8 billion**, which was **25%** above the target of **K27 billion**.

**VAT collections** were **15%** above target at **K9.4 billion** against a target of **K8.2 billion**.

Customs duties were above target by **19%** at **K2.5 billion** while Excise duties were below target by **8%** at **K2.1 billion** against a target of **K2.5 billion**.

**Insurance premium** collections were above target by **30%** at **K81.8 million** against a target of **K63.1 million**.



**Income tax collections** for the period under review amounted to **K19.6 billion** against the target of **K14.2 billion** and were above target by **38%**.

Export duty collections in the first half of 2021, however, were **53%** below target. This performance is mainly attributable to the waiver of export duty on precious metals and tax concessions.

**Non-Tax revenue collections** amounted to **K16.1 billion** against a target of **K6.7 billion** and were above target by over **100%**.

**Grant inflows** were recorded at **K753 million** against a target of **K993.1 million** representing an underperformance of **24%** below the target.

In the first half of 2021, expenditures, including amortization, were **11.4%** above the target of **K57.7 billion** at **K64.3 billion**.



Expenses were **22.7%** above target at **K47.2 billion**, mainly driven by higher disbursements under Use of Goods and Services, Transfers and Other Payments. Interest payments and amortization under external debt were, however, below target by **84%**.



On the other hand, domestic debt service was above the projected amount by 10 percent due principal repayments on commercial bank facilities. In addition, higher releases on domestic debt interest were attributed to FISP financing for the 2020/21 farming season and liquidation of outstanding fuel arrears.

In the period under review, releases under assets and liabilities accounted for **9.4%** of total expenditures at **K6.1 billion**.

Expenses on liabilities were above target at **K5.7 billion** against a projection **K1.3 billion** on account of higher than projected disbursements on dismantling of arrears. The amount included releases towards the Fuel suppliers, various suppliers of good services and contractors.

The fiscal deficit in the first half of 2021 amounted to **K12.4 billion**, which was **5.4%** below the projection of **K13.1 billion**. The deficit was largely domestically financed at **K10.8 billion** against the target of **K6.3 billion**.



## PUBLIC DEBT



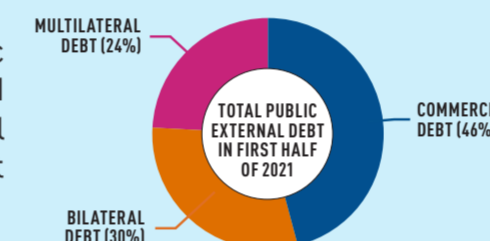
### External debt position

The Government's external debt stock as at the end of June 2021 increased by **1.3%** to **US \$12,909.85 million** from **US \$12,738.30 million** as at the end of December 2020.



The increase was on account of continued disbursements on existing project loans largely from multilateral institutions and supplier creditors to finance on-going priority infrastructure projects.

The proportion of Commercial debt to total public external debt was **46%** in the first half of 2021 accounting for the largest proportion. Bilateral debt accounted for **30%**, while Multilateral debt (including plurilateral) accounted for **24%**.



In the first half of 2021, a total of **US \$88.09 million** was paid out as debt service comprising of principal and interest payments of **US \$65.17 million** and **US \$22.92 million**, respectively.



A significant reduction in external debt service was due to the debt service standstill that Government put in place for all its non-multilateral creditors not participating in the **Debt Service Suspension Initiative (DSSI)**.

Debt service further reduced as a result of the debt service suspension granted to Zambia by members of the **G20/Paris Club and other private creditors from January to June 2021, under the DSSI extension**.

### Loan contraction

In the first half of 2021, Government contracted 1 new concessional loan amounting to **US \$105 million** as **additional financing for the Girls Education and Women's Empowerment and Livelihood Project (GEWEL)**.



### Domestic debt

The stock of domestic debt contracted through issuance of Government Securities, grew by **38.42%** to **K180.24 billion** as at the end of June 2021 from **K130.21 billion** as at the end of December 2020.

The increase was necessitated by the need to finance the budget.

In terms of borrowing by instruments, Government bonds accounted for **80.42%** (**K144.94 billion**) while Treasury Bills accounted for **19.58%** (**K35.30 billion**).



### Domestic arrears

The stock of verified domestic arrears excluding VAT refunds and Personal Emoluments increased by **27.31%** to **K30.6 billion** as at the end of March 2021 from **K24.0 billion** as at the end of December 2020.

The increase was mainly attributed to the accumulation of capital and road projects related arrears.

## MONETARY AND FINANCIAL SECTOR DEVELOPMENTS

In the first half of 2021, monetary policy focused on containing escalating inflationary pressures and anchoring inflation expectations. The inflation forecasts, outcomes, and identified risks, including those associated with **financial stability and the COVID-19 pandemic** guided the **decision on the Policy Rate**. Further, monetary policy remained supportive of the Government's macroeconomic objectives.

### Monetary developments

Money supply (M3) grew at a slower pace, by **17.4%** over the first half of 2021 from **25.8%** in the second half of 2020.



In nominal terms, the stock of M3 rose to **K121.9 billion** at the end of June 2021 from **K103.8 billion** at the end of 2020.



An expansion in net foreign assets attributed to an increase in Gross International Reserves largely explained the growth in M3.

The expansion in total **domestic credit** slowed down to **14.8%** in the first half of 2021 from **18.7%** in the second half of 2021 driven by reduced growth in lending to Government on account of the slowdown in the accumulation of securities by commercial banks.



Annual overall inflation rose in the first half of 2021 driven by sustained depreciation of the Kwacha as well as constrained supply of some meat and fish products. Inflation averaged **22.8%** up from **14.8%** in the first half of 2020.



On an end period basis, annual overall inflation rose to **24.6%** in June 2021 from **19.2%** in December 2020.

