

MID-YEAR BUDGET AND ECONOMIC PERFORMANCE INFOGRAPHIC

GLOBAL ECONOMIC DEVELOPMENTS

The global economy is projected to **grow by 3.6% in 2022:**

- This is slower than initially projected and primarily on account of the **Russian-Ukraine conflict which has led to a humanitarian crisis in Europe.**

The impact has been an increase in the price of these commodities:

- Crude oil prices currently around \$100 per barrel and projected to average **\$106.83 for 2022.**
- Price of **fertilizers, wheat and soya beans have all been impacted.**
- Recent agreement brokered by Turkey may help ease the supply disruptions and ease the upward price pressures.
- The price of Copper on the international market averaged **\$8,000 per Mt** during the first half of the year from around **\$10,000 per Mt** at the beginning of the year.
- The observed downtrend has been influenced by fluctuations in **demand for the commodity** as a result of the **lockdowns in China.**

DOMESTIC ECONOMIC PERFORMANCE

- The domestic economy **grew by 2.4% in Q1 2022** compared to a growth of 1.8% recorded during the first quarter of 2021.
 - This was mainly influenced by the Education and ICT sectors.
- This positive momentum is expected to continue for the remainder of the year.
- Annual inflation in **Q2 2022 averaged 10.5% from 14.1% recorded in Q1 of 2022.**
 - This was largely due to a continued slow down in both food and non-food inflation.
- Annual inflation closed the quarter at **9.7% in June 2022 (from a high of 24.6% in June 2021).**



- The **Kwacha appreciated by 3.4% against the US Dollar** trading at an average of **K17.15 per US Dollar** in Q2 of 2022, from an average of **K17.76 per US Dollar** in Q1 of 2022.



- The Kwacha closed the quarter at an average of **K16.96 per US Dollar** compared to **K22.58 per US Dollar** during the corresponding period in 2021.

- Commercial Banks average **lending rates continued to be high over the first half of 2022 averaging 25.4%**, marginally dropping from 25.8% recorded over the same period of 2021.

BUDGET PERFORMANCE

1. Government revenues and grants

- Total collections of Revenues and Grants amounted to **K54.7 billion** and were **5.5% above the half year budget target of K51.9 billion.**



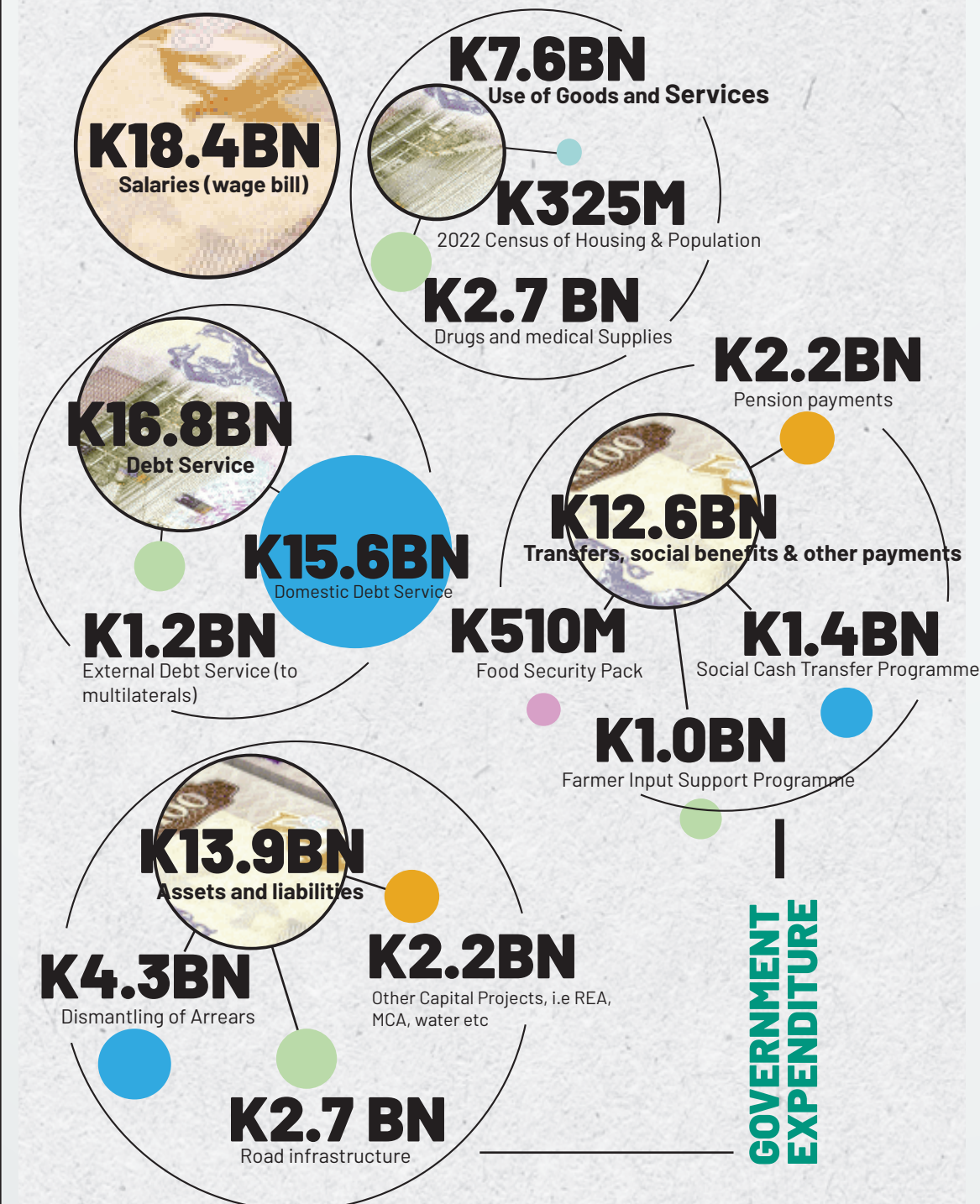
The following was the breakdown of collections:

- Tax revenue K41.8 billion (6.3% above target of K39.4 billion)**
- Non-tax revenues K10.7 billion (7.8% below target of K11.6 billion)**
- Grants K2.2 billion (139.4% above target of K911.0 million)**

2. Government Expenditures

- Government released a total of **K69.6 billion** to finance public service delivery. This was **below target by 14.7%**, mainly as a result of delayed recruitment and the continued external debt service standstill.

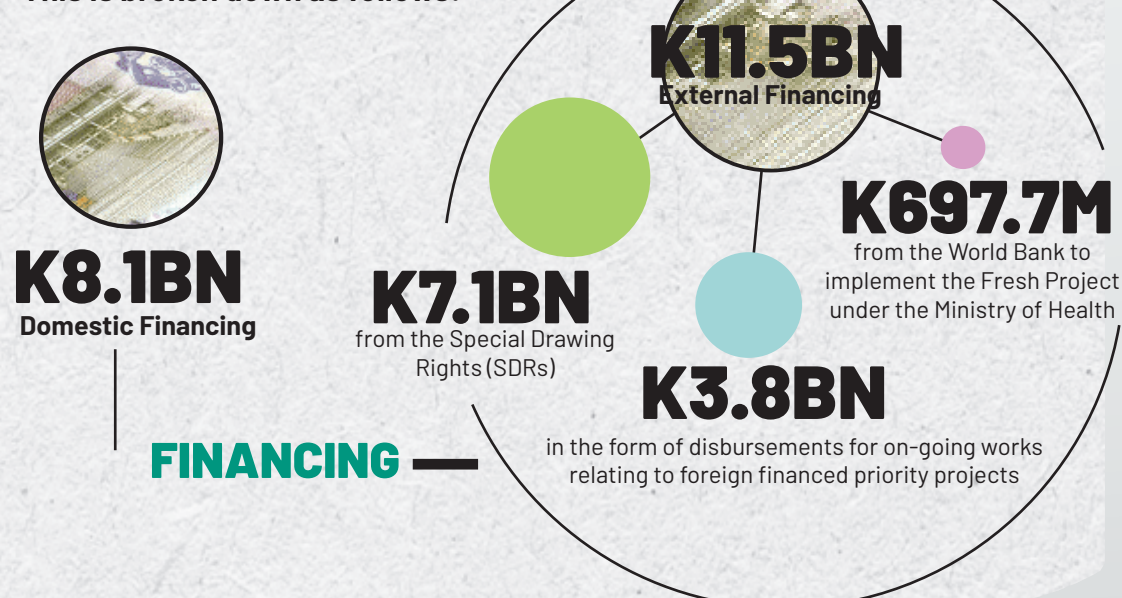
Notable releases included the following:



3. Financing

- Total financing accessed during the period, amounted to **K19.7 billion** against a projection of **K29.4 billion.**

This is broken down as follows:



PREPARED BY AUGUST 2022



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DEBT PERFORMANCE

1. External debt position

- In the first half of 2022, the external debt stock increased by **1.57%** to **US\$ 13.25 billion** from **US\$ 13.04 billion** at the end of 2021.



- Total publicly guaranteed external debt stock stood at **US\$1.5 billion** a decrease of **2.4% from US\$1.53 billion** recorded as at the end of 2021. The decrease in the debt stock was partly on account of partial debt service payments made by some guaranteed entities coupled with the suspension of disbursements by creditors.

2. Domestic debt position

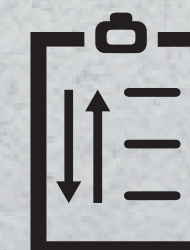
- As at the end of June 2022, the stock of Government securities (Treasury Bills and Bonds) increased to **K203.3 billion** compared to **K201.2 billion** recorded in **March 2022, an increase of 1.03%.**



- At the end of June 2022, Government Bonds were **K165.5 billion** while Treasury Bills were **K37.8 billion.**



- Dismantling of arrears is being prioritized** to support medium-term stabilization and sustainability of economic growth.



PRIORITIZED

STATUS REPORT ON CDF EXPENDITURE AS AT 30TH JUNE 2022

- In order to enhance public service delivery and empower the local communities at the Ward and Constituency Level, the Government increased CDF allocation in the 2022 budget from **K1.6 million to K25.7 million per constituency.**
- For the first half of 2022, the Treasury has been able to **disburse 50% of the annual budget allocation amounting to K2.01 billion** broken down as follows:
 - Secondary Boarding Schools and Skills Development Bursaries **K396.11 million.**
 - Community Projects **K1.21 billion.**
 - Empowerment Funds **K401.54 million.**
- From the **amount disbursed only K84.55 million** has been spent as at 30th June, 2022 representing **4.2%** absorption.
- Reasons for hampered utilization of funds include, among others; lack of information on CDF processes and application forms, perceived cumbersome registration and procurement processes.

PROSPECTS FOR THE SECOND HALF OF 2022

- The macroeconomic environment is expected to continue improving on the back of advanced IMF and Creditor engagements.
- Growth is projected to remain positive for the rest of the year premised on **continued favorable copper prices, supported by improved macroeconomic conditions.**
- Notwithstanding the recent drop in prices of the commodity, prospects indicate consistently favorable demand for copper in the manufacturing of electric cars and other green power industries.
- Other sectors of the economy are expected to continue gaining momentum.

PMRC ANALYSIS OF THE MID-YEAR ECONOMIC PERFORMANCE

1. Revenue performance

- While ZRA has performed well in the first half of the year, Government can pursue some of the following means to further boost revenue mobilization in the second half of 2022:

- Exploring opportunities for increased revenue generation, job creation and investment following the enactment of the Cannabis Act and Industrial Hemp Act. Statistics show that the world **marijuana market is expected to reach US\$146.4 billion by the end of 2025.**
- Broadening the tax base through the provision of incentives to **support the formalization of the informal sector to stimulate growth and job creation.** Such incentives could include: the formation of capital markets to improve access to finance as well as easing the cost and tedious processes attached to formalization of businesses.

2. Expenditure performance

- The first half of the year has been characterized by a significant amount of social sector spending in health, education and social protection. In addition, there has been a significant budget release towards CDF. These budget releases will ensure an increase in the standard of living for citizens.
- Government is encouraged to continue on a path of fiscal discipline. It is commendable to increasingly see expenditure being kept in check with targeted amounts.

3. Supplementary budget

- It is important to realize that the supplementary budget will not be financed through additional borrowing. **K19.7 billion** which would have gone to external debt service will now be spent within the economy to support economic activities.
- FISP will receive an additional **K4.7 billion** which will improve agriculture production. There is also a need to ensure that farmers receive increased agriculture extension and diversified marketing support.
- K6.5 billion** is being allocated towards the dismantling of domestic arrears. This is a positive step towards the dismantling huge sums owed to suppliers of goods and services and could go a long way in ensuring lifeline of suppliers remain afloat. The payment of arrears will further ensure that there is increased money in the economy for re-investment.