

2023 FIRST QUARTER BUDGET AND ECONOMIC PERFORMANCE

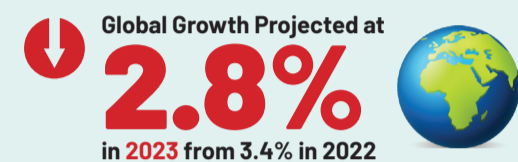
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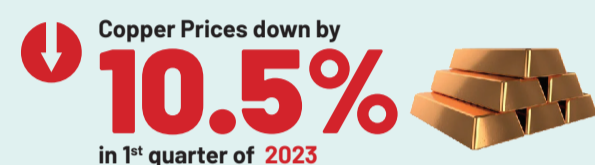
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GLOBAL ECONOMIC DEVELOPMENTS

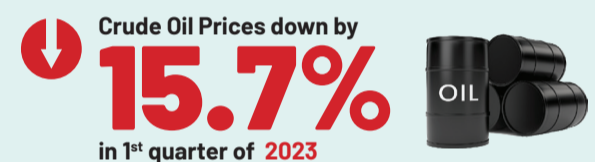
- Global growth is projected at **2.8%** in 2023, down from **3.4%** growth recorded in 2022. Fall due to:
 - Higher inflation requiring monetary policy response of raising interest rates
 - Financial sector vulnerabilities
 - Continued Russia-Ukraine conflict



- Copper prices averaged **US\$8,932 per tonne** in the first quarter of 2023, down by **10.5%** from an average of **US\$9,985** recorded in the first quarter of 2022.



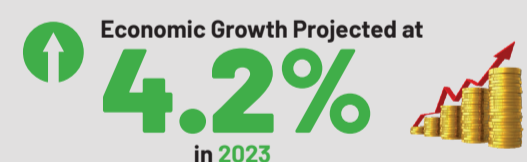
- Crude oil price reduced to an average of **US\$82.28 per barrel** in the first quarter of 2023, down by **15.7%** from an average of **US\$97.60** recorded in the first quarter of 2022.



- Government will continue to monitor global developments as they have an impact on the domestic economy.

DOMESTIC DEVELOPMENTS: ECONOMIC GROWTH

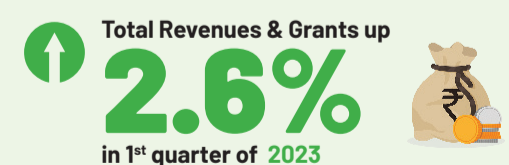
- Preliminary data indicates that in 2022, the economy grew by **4.7%** from a growth of **4.6%** in 2021
- In 2023, growth is projected at **4.2%**, driven by the **mining, manufacturing, energy, tourism and ICT sectors**.



- The agricultural sector is projected to contract (flash floods, drought, fall army worms during the 2022/2023 farming season)
- Growth is projected at above **4.5%** in 2024 and 2025

FISCAL PERFORMANCE: REVENUES

- During the first quarter of 2023, total revenues and grants amounted to **K26.4 billion**, **2.6%** above the target of **K25.6 billion**.



- Tax revenues amounted to **K21.1 billion**, **1.1%** below the target of **K21.3 billion**.



- Income tax amounted to **K9.9 billion** against the target of **K11.6 billion**, below target by **14.2%**

- Company Tax collections amounted to **K2.9 billion** against the target of **K4.5 billion**, **35.3%** below target mainly due to low payments of first quarter provisional income tax by mining companies.

- PAYE collections amounted **K4.78 billion** against the target of **K4.89 billion**, **2.3%** below target.

- Other Income Tax - Withholding Tax Collections amounted to **K2.3 billion** against the target of **K2.2 billion** and were **2.3%** above target. The performance is attributed to **advanced payment by some tax payers**.

- Value Added Tax amounted to **K7.99 billion** against a target of **K6.55 billion**, **22%** above target.

- Domestic VAT collections amounted to **K2.84 billion** against a target of **K2.46 billion** representing an over collection of **15.4%**. **This performance is attributed to the high payment compliance by withholding VAT agents with most agents requesting for offsets against liabilities owed to them.**

- Import VAT total collections amounted to **K5.13 billion** against a target of **K4.09 billion** representing an over collection of **25.9%** on account of increased import volumes.

- Non-Tax Revenue amounted to **K4.2 billion** against a target of **K3.83 billion**, **9.9%** above target **due to enhanced revenue collections**.

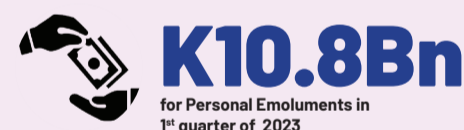


- In the first quarter, Treasury received a total of **K474.3 million** as grants towards Social Cash Transfer Programme and Women Empowerment under the Ministry of Community Development.

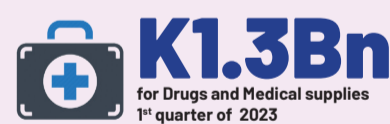
FISCAL PERFORMANCE: EXPENDITURES

- During the first quarter of 2023, Government released **K38.5 billion** which was above the projection of **K37.8 billion**

- Personnel Emoluments released amounted to **K10.8 billion**, **4.9%** below target mainly due to lower releases towards other emoluments.



- Use of Goods and Services amounted to **K3.7 billion**, **8.9%** above the projection mainly due to higher releases towards drugs and medical supplies (**K1.3 billion**) to facilitate procurement of drugs and medical supplies.



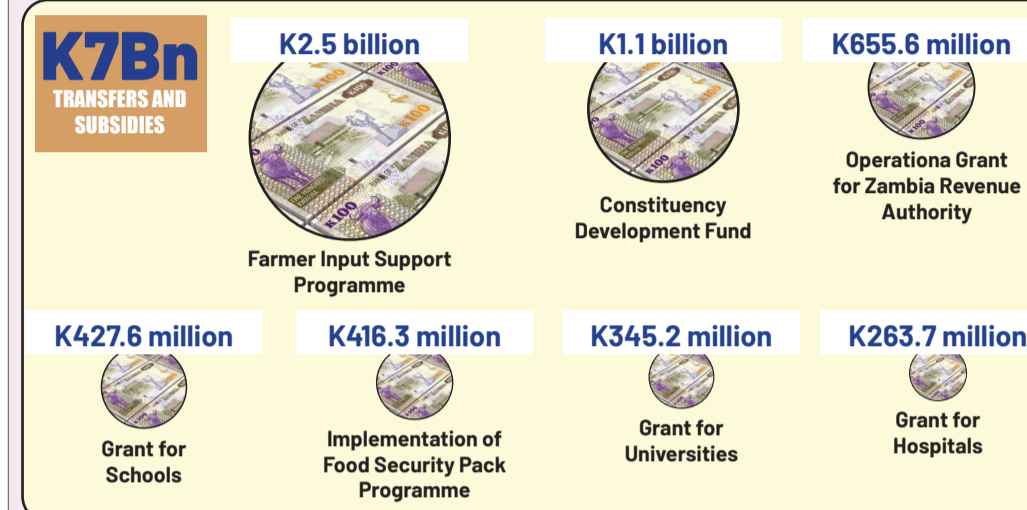
- Interest Payments amounted to **K8.7 billion** and were below target by **1.2%** due to the ongoing debt standstill on external debt. Domestic debt interest amounted to **K8.5 billion** while **K281.1 million** was for external debt interest to multilateral creditors.



- Transfers and Subsidies: Amounted to **K7 billion** and were above target by **1.6%**.



Funds went to the following notable areas:



- Social Benefits amounted to **K2.1 billion** and was **65.8%** above target due to higher releases towards the Public Service Pension Fund (PSPF) financing gap to accelerate clearance of pension arrears. Specific releases:



- Transactions in Non-financial Assets (Capital) amounted to **K2.3 billion** and were **34.3%** below target due to a lag on foreign financed disbursements. Funds went towards capital projects including:



- Transaction in Financial Assets and Liabilities amounted to **K3.3 billion** for assets and liabilities, above target by 198.1 due to higher releases on dismantling of arrears:



DEBT POSITION

- Zambia's Public and Publicly Guaranteed Debt Stock stood at **US\$25.4 billion** as at end of March 2023.

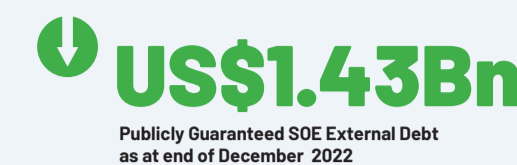


- Central Government External Debt increased by **1%** to **US\$14.09 billion** from **US\$13.96 billion** as at end December 2022.



- The increase in debt stock was largely on account of disbursements received from multilateral creditors for budget support and project loans

- Publicly Guaranteed State Owned Enterprises (SOE) External Debt decreased by **1.4%** to **US\$1.43 billion** from **US\$1.45 billion** as at end December 2022.



- This was as a result of partial principal debt service payments by guaranteed institutions.

- Non-Guaranteed External SOE debt decreased by **90.6%** to **US\$8.5 million** from **US\$91 million** as at end December 2022.



- The decrease was mainly due to the full repayment of a loan by one SOE.

- The stock of Government Securities increased by **0.8%** to **K211.7 billion** from **K210 billion** as at end December 2022.



- Government securities were issued to support budget implementation.

MONETARY SECTOR DEVELOPMENT

- In the first quarter of 2023, the Kwacha traded at an average of **K19.5 per US dollar**, representing a depreciation of **16.8%** from the fourth quarter of 2022.



- This is consistent with a trend of depreciation since the second half of 2022, and caused in part by global inflationary pressures.

- Delays to Zambia's debt restructuring negotiations have also put pressure on the Kwacha, as some foreign investors have been hesitant to invest in Zambia, pending debt restructuring.

- In the first quarter, inflation averaged **9.6%**, down from **9.8%** in the fourth quarter of 2022. Inflation was recorded at **10.2%** in April 2023. This is a significant reduction from this period last year, when inflation was **13.1%** in March 2022 and **11.5%** in April 2022.



2023 TARGETS

- For the rest of 2023, the outlook remains as announced during the Budget Speech:

- Attain a real GDP growth rate of at least **4%**;
- Reduce inflation to within the target band of **6-8%** by the end of the year;
- Maintain international reserves above 3 months of import cover;
- Mobilise domestic revenue to at least **20.9%** of GDP;
- Achieve a fiscal deficit of not more than **7.7%** of GDP; and
- Limit domestic borrowing to not more than **3%** of GDP.