

ECONOMIC PERFORMANCE IN THE FIRST HALF OF 2023

BY HON. DR. SITUMBEKO MUSOKOTWANE, MP (MINISTER OF FINANCE AND NATIONAL PLANNING)



SUBSCRIBE NOW: info@pmrczambia.net

GROWTH



- IMF has revised the growth rate upwards to **3%** from **2.8%**.

Growth Rate revised to
3.0%
 from 2.8%

- Domestically, real GDP growth downgraded to **2.7%** from **4.2%** during the April symposium mostly due to:

Real GDP downgraded to
2.7%
 from 4.2% during April

- Drag by mining** - Copper production was **321,779 Mt** in the first half of 2023 compared to **365,042 Mt** over the same period in 2022.

- Positive growth projected from other key sectors (agriculture, energy, tourism, manufacturing, and ICT).

- Maize production was **3.2 million Mt** during the 2022/23 farming season. Production of other crops like soya beans, groundnuts, sweet potatoes, Irish potatoes, and cassava also increased.

Maize production was at
3.2Mt

- Electricity generation was **9,486,195 Mwh** in January-June 2023 compared to **9,159,536 Mwh** over the same period in 2022

Electricity generation in Mwh was at
9,486,195
 from 9,159,536 over same period in 2022.

- 605,650** international tourist arrivals compared to **496,456** arrivals recorded in 2022, an increase of 22%.

International tourists at
605,650
 compared to 496,456 in 2022

REVENUE PERFORMANCE



- For the period January to June 2023, total revenues and grants amounted to **K57.3 billion**, **0.4%** below the target of **K57.5 billion**, mostly due to underperformance from tax revenue.

Jan to June 2023 Revenues & Grants were
K57.3Bn
 below target of K57.5 Billion.

Tax Revenues:

- Income tax at **K22.8 billion** was below target by **5.1%** mainly due to low payments of provisional income tax by mining companies and non-payment of liabilities by some taxpayers who cited cashflow challenges during the period under review.

Income Tax at
K22.8Bn
 5.1% below target

EXPENDITURE PERFORMANCE



- For the period January to June 2023, expenditures amounted to **K76.2 billion**, **7.4%** below the target of **K82.3 billion** due to expenditure rationalization.

January to June 2023 expenditure was
K76.2Bn
 Below target of K82.3 Billion

- Notable expenses incurred:

- Personnel Emoluments at **K21.4 Billion** against a target of **K23.1 billion**

Personnel Emoluments were at
K21.4Bn
 against target of K23.1 Billion

- Government operations at **K6.8 billion** against a target of **K7.3 billion**, inclusive of drugs and other medical suppliers which were **K1.7 billion**

- Value Added Tax at **K14.1 billion** over-performed by **4.1%** due to improved compliance by VAT withholding agents (including debt swaps), increased taxable imports and depreciation of the Kwacha against the US dollar.

Value Added Tax rises to
K14.1Bn
 Over performed by 4.1%

- Customs duties at **K2.9 billion** were **14%** below target due to revenue forgone on account of tax concessions on goods used as inputs in the manufacturing sector.

Customs Duties were at
K2.9Bn
 14% below target

- Excise duties were above target by **3.6%** following reinstatement of excise duty on diesel and petrol in 2022.

- Export Duties at **K42.9 million** were below target by **10.2%** due to reduced exports of mineral concentrates.

Export Duties were at
K42.9Bn
 10.2% below target

- Non-Tax Revenue at **K12.1 billion** was above target by **24.3%** due to higher collections from road user charges, receipt of a dividend and exceptional revenue from Bank of Zambia and Atlas Mara, respectively.

Non-Tax Revenue was
K12.1Bn
 Above target by 24.3%

- Mineral royalty at **K3.7 billion** was lower than projected by **23.2%** due to lower copper output.

Mineral Royalty at
K3.7Bn
 Lower by 23.2%

- Grants at **K1.3 billion** were **49.9%** above target due to improved goodwill from cooperating partners.

Grants were at
K1.3Bn
 Above target by 49.9%

Government Operations were at
K6.8Bn
 against target of K7.3 Billion

- Transfers and Subsidies at **K10.7 billion** against a target of **K12.7 billion**, inclusive of **K3.8 billion** for grants to schools, **K2.8 billion** for the 2022/2023 FISP and **K1.3 billion** for CDF

Transfers and Subsidies were at
K10.7Bn
 against target of K12.7 Billion

- Social Benefits at **K3.6 billion** against a target of **K3.9 billion**, inclusive of **K1.5 billion** for the pension financing gap under the Public Service Pension Fund and **K1.9 billion** for implementation of the Social Cash Transfer Programme

Social Benefits were at
K3.6Bn
 against target of K3.9 Billion

- Arrears clearance at **K6.1 billion** against a target of **K4.3 billion**; and

Arrears Clearance were at
K6.1Bn
 against target of K4.3 Billion

- K236.5 million** for empowerment funds broadly in line with the target of **K235 million**.

MONETARY SECTOR



- Inflation averaged **9.8%** in the first half of 2023, down from an average of **12.3%** recorded in the same period in 2022 due to:

- Dissipation of base effects in a broad range of items in the consumer basket; and
- Sustained reduction in the price of oils and fats due to lower costs of imported inputs.

- Commercial banks' average nominal lending rate increased to **25.5%** in June 2023 from **25.1%** in December 2022, in line with the upward adjustment in the Policy Rate.

Lending Rate increased to
25.5%
 in June 2023

- The Kwacha traded at an average of **K 19.01 per US Dollar** in the first half of 2023 from an average of **K16.7 per US Dollar** in the fourth quarter of 2022, a **9.2%** depreciation due to strong demand

EXTERNAL SECTOR DEVELOPMENTS



- Imports rose by **23.1%** to **US\$5.2 billion** during the first half of 2023 from **US\$ 4.2 billion** in the corresponding period of 2022. Exports decreased by **11.6%** to **US\$ 5.2 billion** as at the end of June 2023 from **US\$ 5.9 billion** in the corresponding period of 2022.

Imports rose to
US\$5.2Bn
 from US\$4.2 billion

- The merchandise trade surplus narrowed to **US\$ 0.02 billion** from **US\$ 1.7 billion** in the corresponding period of 2022 due to a higher growth in imports and a reduction in exports.

- Copper export earnings decreased by **22.6%** to **US\$ 3.4 billion** from **US\$ 4.4 billion** recorded in the corresponding period of 2022 due to lower export volumes and realised copper prices.

Copper earnings were at
US\$3.4Bn
 showing a decline of 22.6% from US\$4.4 billion

- The Gross International Reserves position as at the end of March 2023 declined to **US\$3 billion**, equivalent to **3.3 months of import cover** from **US\$3.1 billion**, equivalent to **3.8 months of import cover** as at the end of December, 2022.

Gross International Reserves declined to
US\$3Bn
 from US\$3.1 billion

DEBT STOCK AND DEBT RESTRUCTURING PROCESS

External debt stock

- Total stock of Central Government debt (excluding publicly guaranteed external debt) as at the end of June 2023 increased to **US \$14.07 billion** from **US \$13.96 billion** as at the end of December 2022.

- The increase in the stock was on account of project disbursements from multilateral creditors.

- Total publicly guaranteed external debt stock stood at **US \$1.43 billion** as at the end of June 2023 from **US \$1.45 billion** at the end of December 2022.

Total External Debt Stock stood at
US\$1.43Bn
 as at June 2023 from US\$1.45 billion at end of December 2022

- The decrease was mainly attributed to debt service payments made by some of the guaranteed institutions.

Domestic debt stock

- The stock of domestic debt (Government Securities) increased by **1.85%** to **K213.88 billion** as at the end of June 2023 from **K210 billion** as at the end of December 2022.

Domestic Debt increased by 1.85% to
K213.88Bn
 as at June 2023 from K210 billion at end of December 2022

- The increase was necessitated by the need to finance the budget in line with the 2023 Annual Borrowing Plan.

What does the debt restructuring agreement mean for Zambians?

- Approximately **US\$ 5.8 billion** in debt service savings between 2023 and 2031. This money was to be raised by the Government

Debt service savings approximately at
US\$5.8Bn
 between 2023 and 2031

- Zambia will pay official creditors about **US\$ 750 million** in the next decade compared to close to **US\$ 6.3 billion** that would have been due in the absence of the agreement.

Zambia to pay Official Creditors
US\$750Mn
 compared to US\$6.3 billion in the next decade

- The reduction in the debt service burden will free up resources for investment in critical areas such as healthcare provision, education and infrastructure development.

- Reduce budget deficit by **1%** of GDP.

- The agreement paved the way for IMF Executive Board approval of **US\$188 million** disbursement in July, 2023.