# **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



■ 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:



- **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%.



## **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.

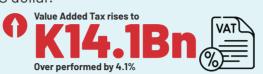


#### **Tax Revenues:**

 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.



 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.



 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.



- 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.



■ 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.



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



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





# EXPENDITURE PERFOMANCE

■ 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.



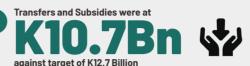
- Notable expenses incurred:
  - Personnel Emoluments at K21.4 Billion against a target of K23.1 billion



 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



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



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



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



• **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.



- 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.



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.



# 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.



• 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.



• 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



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.



- 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.