

PwC Zambia 2024 Economic Review and 2025 Outlook

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Foreword



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Sixty years after independence, the nation stands at a pivotal moment in its economic journey. The PwC 2024 Economic Review and 2025 Outlook offers a comprehensive analysis of the challenges and triumphs that have shaped Zambia's economic landscape over the past year. The country's economic resilience and adaptability have been tested, as Zambia has recently had to navigate energy and food shortages brought on by severe drought.

Suffice it to say that the impact of Zambia's recent challenges on the citizenry—businesses and individuals alike—has been significant. The rising cost of living, coupled with constrained economic activity, has produced what can only be described as the perfect storm.

Despite these challenges, there is cause for some optimism. Debt restructuring has been substantially concluded, and there is the promise of recovery, driven by expected improvements in key sectors such as mining and agriculture, as well as continued growth in emerging sectors like information and communication technology (ICT) and tourism. Investment in various sectors of the economy has also increased significantly, and the results are expected to crystallize in due time.

This report highlights the most pertinent matters that stakeholders need to be aware of as we reflect on 2024 and look ahead to 2025 and beyond.

I take this opportunity to thank various stakeholders that assisted us as we prepared this report. We are grateful for the support. Notable were:

- The Ministry of Finance and National Planning
- The Ministry of Mines and Minerals Development
- The Bank of Zambia
- The Zambia Revenue Authority
- The Zambia Development Agency
- The Zambia Statistics Agency

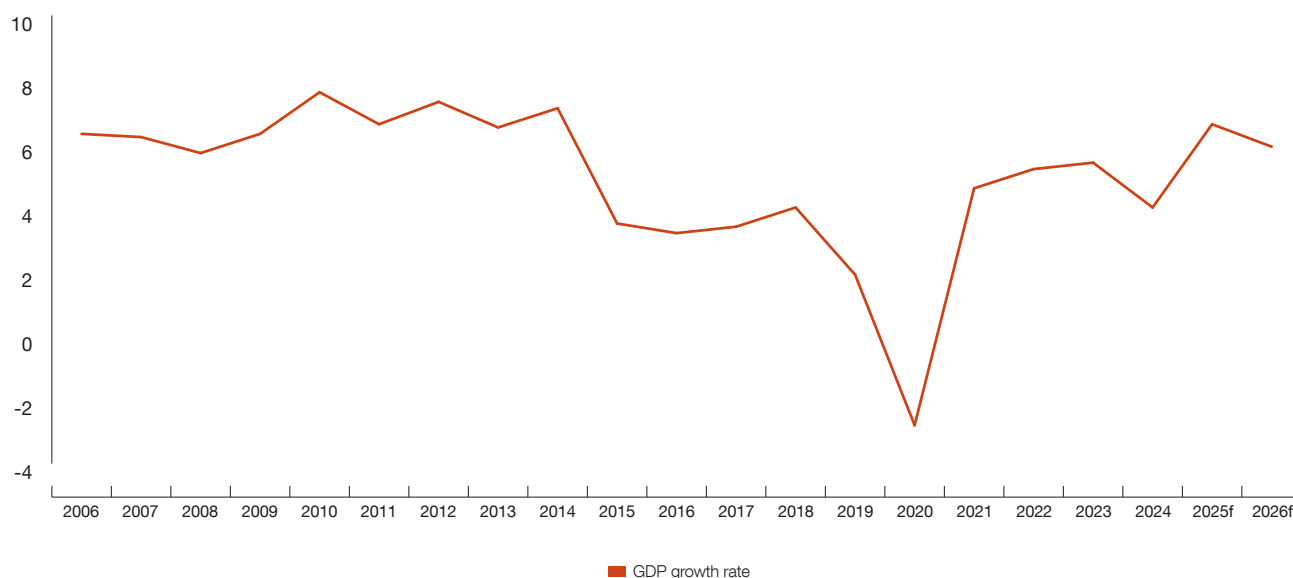
I also acknowledge the partners and staff at PwC Zambia that contributed to this publication.

1. Introduction

Zambia marked 60 years of independence in 2024, a milestone that has coincided with the country facing significant economic challenges. Gross domestic product (GDP) growth was muted during the year, falling well below the levels needed to have a positive impact on Zambia's growing population. After falling into recession in 2020, Zambia's economy had appeared to bounce back, with economic indicators showing a strong recovery in 2021. However, by 2024, this progress was under threat. Zambia's economy was initially projected to grow at 4.6% but this expectation was varied during the year to 2.3%, then as low as 1% before the final rate was confirmed as 4%.¹ The rebound in the last quarter helped drive the recovery. The volatility has been on account of the impact of the 2023/2024 drought on agricultural production and electricity generation, with the ripple effect of this felt across the broader economy.

Despite these setbacks, a strong economic recovery is expected in 2025, with GDP growth forecast at 6.6% for the year.² Whether this ambitious projected target is achievable remains uncertain, especially if the effects of climate change persist. This paper reviews Zambia's prospects for 2025, while reflecting on the economic developments of 2024. Notably, 2024 also marked three years since the United Party for National Development (UPND) government, led by President Hakainde Hichilema, took office. The UPND was elected on the promise of improving the economy but has been in perpetual firefighting mode since it came to power. The party assumed office at the tail end of the COVID-19 pandemic, inheriting a full-blown debt crisis. Since then, the New Dawn government has had to deal with numerous problems, including global geo-political tensions, a depressed mining sector and, more recently, the devastating and pervasive effects of climate change, which have resulted in electricity and food deficits in Zambia.

Figure 1: GDP growth rate



Source: Ministry of Finance and National Planning

As we delve into Zambia's economic landscape, the resilience and adaptability of its government and people will be crucial in navigating these turbulent times. The journey ahead will present challenges, but it also holds the promise of transformation and growth.

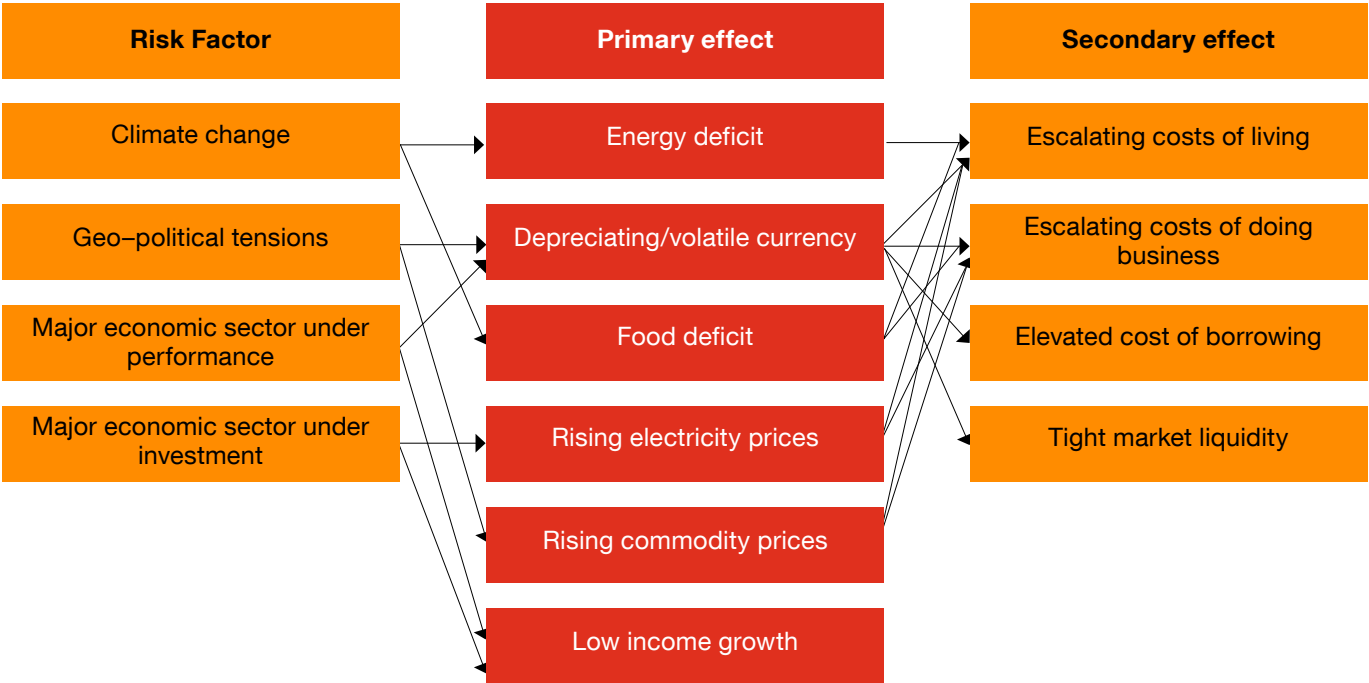


- 1 Zamstats: The monthly march bulletin 2025. <https://www.zamstats.gov.zm/wp-content/uploads/2025/03/Vol-264-of-2025-The-Monthly-March.pdf>
- 2 https://www.boz.zm/February_2025_Monetary_Policy_Report.pdf

Zambia’s economic risk

We have identified four major prevailing risks, both locally and globally, that have and will continue to impact Zambia’s prospects. These risks include climate change, geo-political tensions, underperformance of the economic sector and underinvestment in the economic sector. Previously, the list included unsustainable debt. This risk has subsided somewhat but remains pertinent.

There are primary and secondary effects arising from the risk factors we have identified. These are summarised briefly in the diagram below:

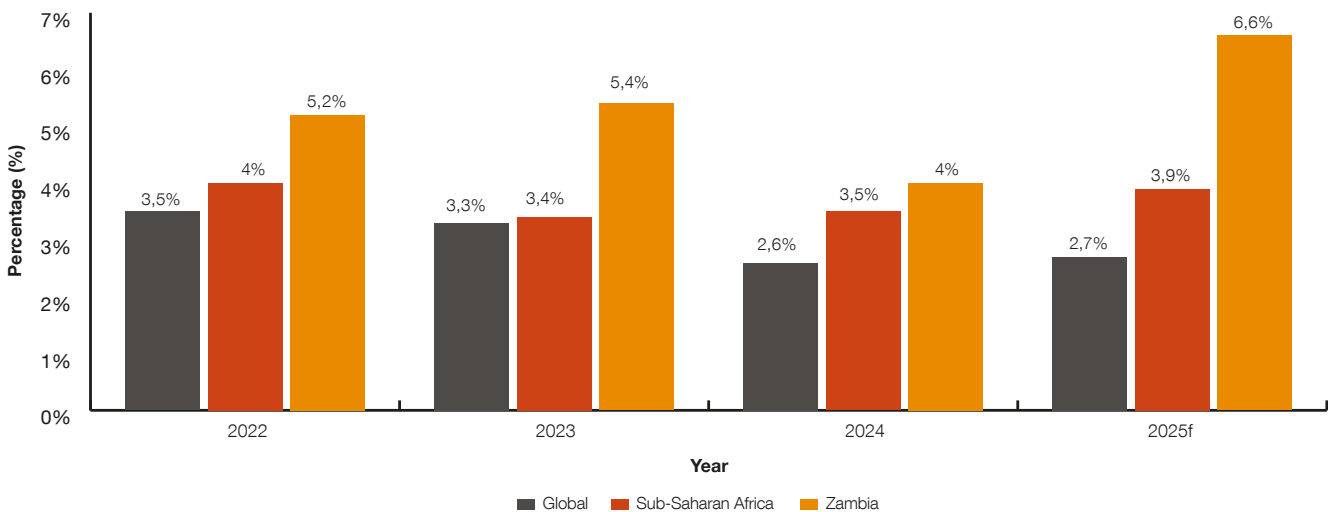


Zambia experienced its worst drought in recent times in the 2023/2024 agricultural season and this has had a direct impact on food and energy security, pushing up the cost of living and the running costs of businesses. Meanwhile, ongoing geopolitical tensions, such as the Russia-Ukraine war, have introduced further cost pressures into the economy. To add to this, the mining sector, one of the main contributors to Zambian GDP, underperformed in 2024.



Zambia's GDP performance in context

Figure 2: GDP growth rates: global, sub-Saharan Africa and Zambia



Source: The Ministry of Finance and National Planning.³

GDP performance

The preliminary GDP estimates indicate that the economy grew by 4.0% in 2024, compared to 5.4% in 2023. The Information and Communication industry made the highest positive contribution, adding 1.8% to GDP growth, while the Electricity Supply industry had the highest negative impact, reducing GDP growth by -0.5%. Initially, the real GDP growth rate for 2024 was revised down to 1.2% but made a subsequent rise to 4%. The GDP outlook for 2025 is projected at 6.6%.



3 <https://www.zamstats.gov.zm/wp-content/uploads/2025/03/Vol-264-of-2025-The-Monthly-March.pdf>

2. The pervasive effects of climate change

2.1 Energy and food deficit

Zambia is currently grappling with significant energy and food deficits, which have had profound implications for its economy and the well-being of its population. The energy crisis has been driven primarily by the country's heavy reliance on hydropower, which accounts for about 85% of Zambia's electricity generation. This dependency has been severely tested by periodic droughts, particularly the El Niño-induced drought experienced during the 2023/2024 rains, which has drastically reduced water levels in key reservoirs such as Lake Kariba. As of August 2024, Zambia's electricity generation capacity stood at 1,019MW with demand of 2400MW, leaving a deficit of 1,381MW.⁴ This shortfall has necessitated load shedding and power imports, putting strain on the national utility, ZESCO, and impacting economic activities and daily life.

Simultaneously, Zambia is facing a food deficit, exacerbated by the same climate change induced drought, which severely affected agricultural production in 2024. The country is experiencing a maize production shortfall of 55% from 3.3 metric tonnes to 1.5 metric tonnes in the 2022/23 farming season. The drought has hit six of Zambia's ten provinces, leading to significant reductions in crop yields. This has led to increased food prices and inflation, further straining household budgets.

2.2 Notable mitigating measures

The dual energy and food crises underscore the urgent need for Zambia to adopt more resilient and diversified strategies in both its energy and agricultural sectors to mitigate the impact of climate variability and ensure sustainable development. Recognising this, the government has taken various short and longer-term measures to address the energy and food crises.

Meanwhile, the Bank of Zambia has introduced a K5 billion Stability and Resilience Facility, which became effective on December 30, 2024. The facility's main aim is to ensure financial stability and enhance resilience across various sectors, including agriculture and energy. This fund is accessible to sectors like agriculture to help them develop climate resilience through irrigation.

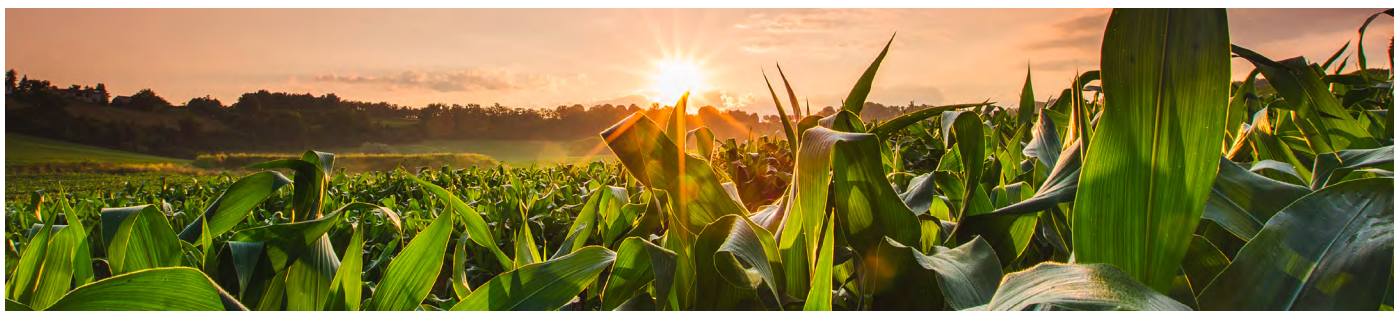
Energy

Zambia is trying to diversify energy generation away from its over-reliance on hydropower and there are various solar, wind and coal power projects in development, although most of these are medium- to long-term solutions.

Government has implemented various measures to tackle the energy crisis, including facilitating the transition to renewable energy sources, securing emergency power supplies, reducing power exports and expediting the completion of delayed power generation projects, such as the Maamba Collieries 300MW expansion. In addition, significant investments are being made in various renewable energy projects, including solar power stations in Chisamba (100MW), Choma (50MW), Kasama (100MW) and Kariba (100MW). Off-grid solutions, such as industrial generators and solar systems, are also being promoted, especially in markets, public hospitals and schools.

Food

The Farmer Input Support Programme (FISP) is an ongoing initiative that has been in place for several years to support Zambia's agricultural sector by providing essential inputs like seeds and fertilizers to enhance productivity and ensure food security. In 2024, the government significantly expanded the use of the electronic voucher (e-voucher) system for distributing inputs, aiming to improve efficiency and reduce corruption by allowing farmers to redeem vouchers at registered agro-dealers. In response to the drought and crop deficit, the government has also initiated measures to mitigate the impact, including importing over 600,000 metric tonnes of white non-GMO maize to support affected households. These efforts are part of a broader strategy to ensure food security, but there is a pressing need for more sustainable agricultural practices and climate-resilient crop varieties to ensure long-term food security.



4 Energy situation in country

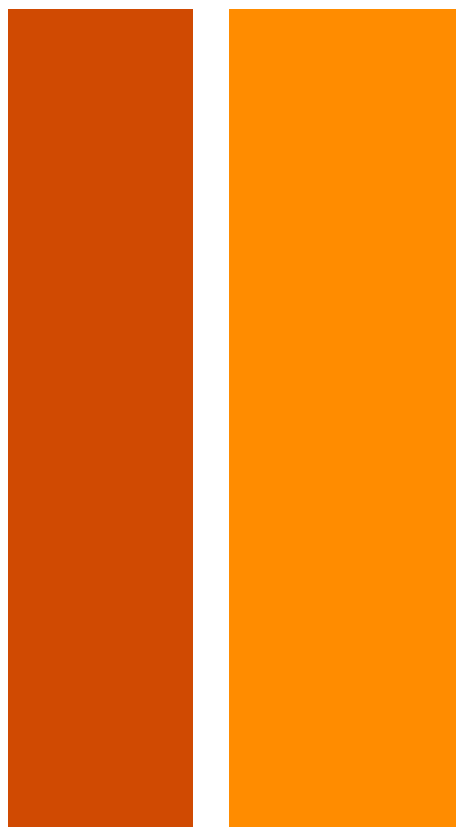
2.3 The 2025 outlook

Predicted rainfall pattern: The 2025 rainfall pattern is expected to be more favourable than in 2024, which should help alleviate the food crisis. However, the strain on farmers' capital due to the poor harvest in the 2023/2024 season is likely to affect their production plans, making support for farmers crucial. This support can come from various sources, such as government-subsidised agricultural inputs like seeds and fertilisers, as well as through financial and private sector institutions offering loans and credit facilities tailored to farmers' needs. Also, local cooperatives and community groups can pool resources and provide mutual support to farmers, including shared equipment, knowledge exchange and collective bargaining for better prices on inputs and produce.

Power generation challenges: Power generation is likely to remain a challenge based on dam water level information from the Zambezi River Authority and ZESCO. The lack of adequate power will continue to impair agriculture as irrigation equipment demands may not be fully met. While the situation should improve in 2025 if rainfall levels recover as expected, power generation will not reach full capability.

Contingency planning measures: Contingency planning measures will continue, including higher energy tariffs to facilitate emergency power imports. The government announced an increase in energy tariffs from 1 November 2024 to cover the costs of power imports, a move that is likely to pave the way for permanent higher, cost-reflective tariffs. The shift towards renewable energy (other than hydropower) will also be ongoing as government looks to diversify long-term power sources. Meanwhile, organisations and households that can finance the setup costs will use a combination of power sources, including ZESCO and their own generation.

Food security: Better rains in the 2024/2025 farming season may mean the food crisis abates, although the strain on farmers' capital from the previous poor harvest might affect production levels. Support for farmers through initiatives like the government's Farmer Input Support Programme⁵ will be vital if Zambia is to enjoy a successful agricultural season this year, as well as support from non-governmental organisations like the Agricultural Consultative Forum and iDE, which provide training, financial support and access to agricultural products and services.



5 FISPHandbook_FinalDraft_PrintVersion Revised

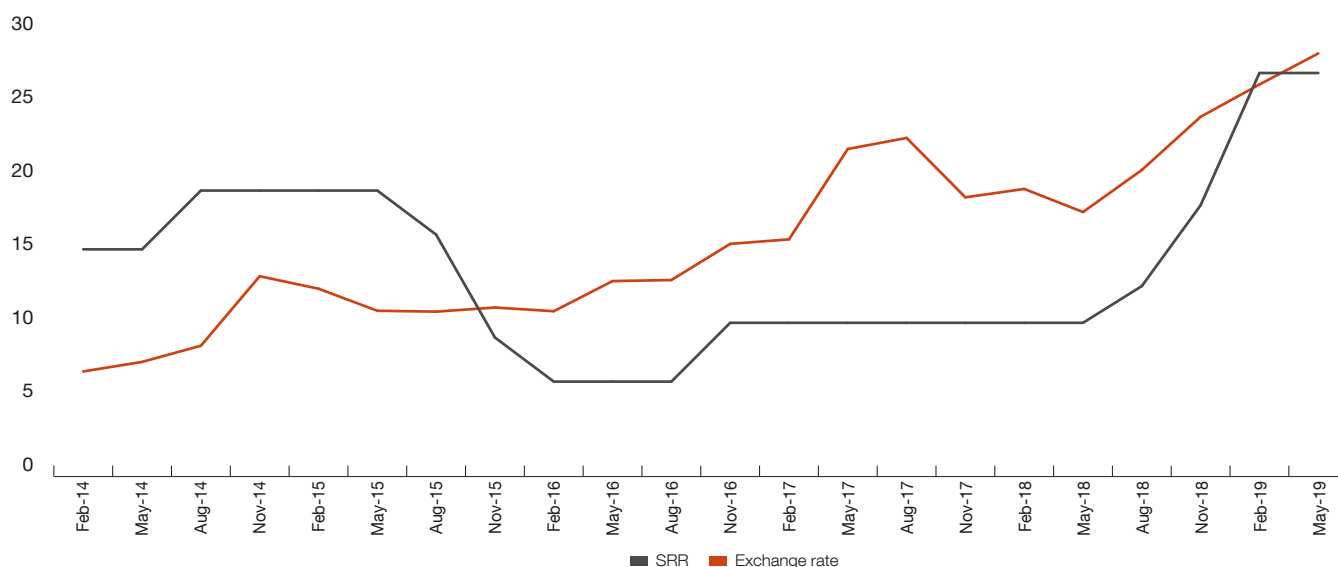
3. Macroeconomic indicators

3.1 Exchange rate

A review of 2024

The Bank of Zambia increased the statutory reserve ratio by 900 basis points to 26% on 5 February 2024, a significant policy adjustment designed to mitigate the challenges faced in the foreign currency market. This adjustment marked a substantial increase from the previous 17% set in November 2023 and represented a strategic move by the Bank to stabilise the foreign exchange market and strengthen the kwacha's position. The statutory reserve ratio had remained stable at 9% from December 2019 until November 2023, when it was increased to 11.5% by the Bank and then, later that month, to 17%. By raising the statutory reserve ratio to 26%, the Bank of Zambia aimed to control inflation, stabilise the kwacha and support a more stable exchange rate.⁶

Figure 3: The statutory reserve ratio and exchange rate movement



Source: The Bank of Zambia

Zambia's foreign exchange market grappled with a persistent imbalance in 2024 due mainly to a constrained supply of foreign currency versus strong demand. This demand for foreign exchange was driven by the energy, manufacturing, and wholesale and retail industries, which depend on foreign exchange for importing goods and sustaining operations.

The kwacha tumbled 35.1% in the first six months of 2024, settling at an average of K25.76 to the US dollar for the first half of the year. This sharp decline underscored the kwacha's susceptibility to market pressures, including reduced copper production, significant electricity imports and limited foreign currency inflows. The kwacha had depreciated by a further 7% by the end of the year to K27.58 due to stronger demand for the US dollar relative to supply.⁷

In response to this, the Bank of Zambia injected US\$230.8 million⁸ into the market. This intervention strategy was financed primarily by tax and other contributions from the mining sector, which are collected in US dollars. The Bank's intervention aimed to stabilise the currency and reduce the kwacha's volatility.⁹

New demand for foreign currency arose from the resumption of debt service payments in 2024, which will now be part of the country's regular outflows. This increased demand for US dollars to meet these obligations. Additionally, the strengthening of the US dollar, driven by robust US economic data, resilient retail sales and the Federal Reserve's less dovish monetary stance, further increased pressure on the kwacha.

6 Bank of Zambia, 2024. Monetary Policy Committee Statement for the fourth quarter of 2023. https://www.boz.zm/MPC_Media_Presentation_Q1_2024.pdf

7 Bank of Zambia Fortnightly Report.

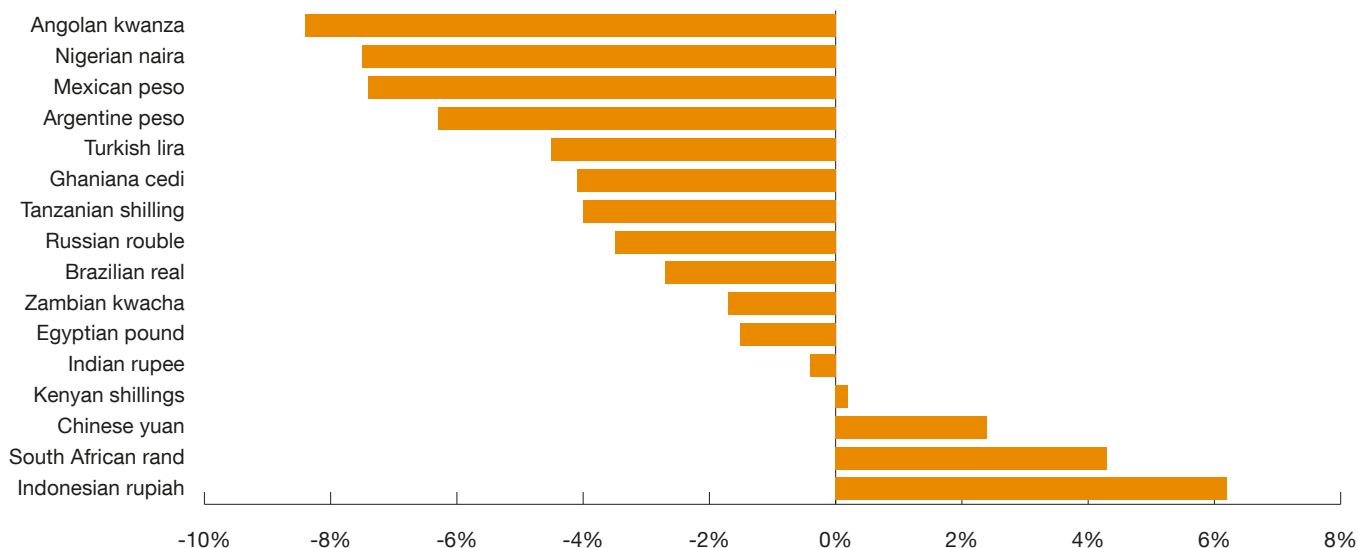
8 The Bank of Zambia November 2024 Monetary Policy Report.

9 Bank of Zambia MPC 2024 August Presentation PowerPoint Presentation

Performance of selected emerging markets' currencies vs USD

In 2024, emerging market currencies exhibited varied performance against the US dollar, reflecting the diverse economic conditions and external pressures faced by these economies. Only three emerging market currencies strengthened during the year. The Indonesian rupiah led the pack with a 6.2% appreciation, driven by robust economic growth and favourable trade balances. The South African rand followed with a 4.3% gain, supported by strong commodity exports. Meanwhile, the Chinese yuan appreciated by 2.4%, benefiting from steady economic recovery and strategic monetary policies.

Figure 4: Performance of selected emerging markets' currencies vs USD



Source: Reuters and the Bank of Zambia.

The negative numbers show depreciation against the US dollar while the positive numbers show an appreciation against the US dollar.

Exchange rate outlook for 2025

The kwacha is expected to remain under pressure in 2025, with significant appreciation unlikely. Rather, the value of the kwacha is expected to fall further, albeit at a more stable rate compared to the sharp declines seen in 2024. The government's efforts to stabilise the economy, manage debt and promote sustainable growth will be essential in navigating these challenges and achieving a more stable exchange rate environment.



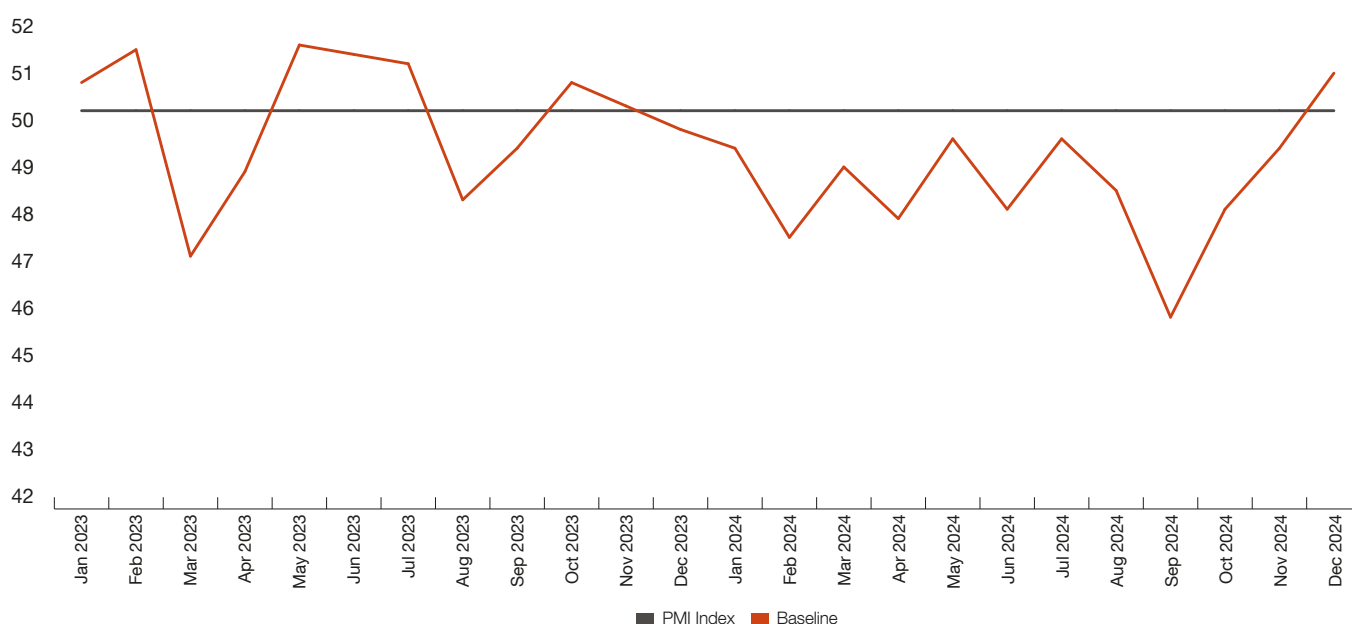
1. **Energy imports:** The ongoing need to import energy to address the power deficit will continue to exert pressure on the kwacha. This is because energy imports require payments in US dollars, increasing demand for dollars.
2. **Food imports:** To cushion the impact of the drought, Zambia has imported relief food from other countries. This increases the demand for US dollars as imports are typically paid in foreign currency. As a result, the kwacha will depreciate due to higher demand for dollars relative to supply.
3. **Debt service costs:** Debt servicing resumed in 2024 after being suspended since Zambia defaulted in November 2020. This resumption created new demand for US dollars to meet these debt service payments.
4. **Economic recovery:** A recovery in Zambia's economy is expected to lead to higher foreign exchange demand as imports surge, particularly for capital goods and raw materials needed for industrial activities.
5. **Investment repatriation:** There is a risk of investment repatriation from significant government security maturities, which could increase demand for foreign exchange. This happens when the investors are foreign entities and choose to repatriate earnings to their home countries. This process involves converting the kwacha to US dollars.

Supply factors

1. **Improved mining output:** Increased mining output is expected to enhance the supply of foreign exchange as higher copper production and exports bring more dollars into the country.
2. **Investment inflows:** Investment into the country, particularly in sectors like mining and energy, should improve the supply of foreign exchange. However, not all this investment will manifest as actual dollars in the market as some is in the form of, for example, capital assets supplied from other parts of the world.
3. **US dollar strength:** The performance of the dollar will continue to impact the kwacha's performance.
4. **Drought impact:** The severe drought in 2024 has affected agricultural exports, another source of foreign exchange, reducing overall dollar supply in the market.

3.2 Purchasing Managers' Index (PMI) developments in 2024 and outlook for 2025

Figure 5: Purchasing Managers' Index



Source: Stanbic Bank Zambia

Developments in 2024

The Stanbic Bank Zambia Purchasing Managers' Index (PMI) serves as a monthly barometer of Zambia's business climate. The index operates on a scale from zero to 100, with higher readings indicating a healthier economic environment.

In 2024, the PMI was volatile, reflecting challenging economic conditions in Zambia. The year began with the PMI languishing below the critical 50 mark, indicating a contraction in business activity. This contraction was largely due to the adverse effects of drought and load shedding, which stifled new business ventures and escalated cost burdens for existing firms. In September, the index plummeted to a low of 45.6 amid diminished money circulation and a further depreciation of the kwacha, a level not seen since the previous March.

By July, the PMI had edged up to 49.4 from 47.9 in June, although this still signalled a continued contraction in business activity. The fall in output was primarily driven by a decrease in new orders and a softening of demand. Despite the challenging conditions, output expectations for the remainder of 2024 remained subdued but cautiously optimistic.

In December 2024, the Stanbic Bank Zambia PMI rose to 50.8 from 49.2 in November, ending a year-long period of difficult business conditions. This marked the highest PMI reading since July 2023, driven by a notable increase in new orders and expansions in both employment and inventory levels. However, cost pressures intensified, with overall input prices rising at a faster pace due to increased purchase costs. Despite this, the rate of inflation eased to its slowest since February.

The outlook in 2025

Looking ahead to 2025, the outlook for Zambia's PMI is cautiously optimistic. Several factors are expected to influence the business climate.

These include:

- 1. Improved economic conditions:** Projected GDP growth of 6.6% for 2025, if achieved, will likely have a positive impact on business activity. Economic recovery is expected to drive higher demand for goods and services, which should be reflected in the PMI.
- 2. Stabilisation of electricity supply:** Continued efforts to stabilise electricity supplies and diversify energy sources are crucial. Improved power availability will support industrial and commercial activities, reducing the disruptions caused by load shedding.
- 3. Cost pressures:** While cost pressures are expected to persist, measures to manage inflation and stabilise the kwacha should help mitigate the impact on businesses. Government's efforts to control inflation and manage exchange rate volatility will be key in this regard.
- 4. Investment and infrastructure development:** Increased investment in infrastructure and key sectors such as mining, agriculture and energy is anticipated to boost business confidence and activity. The government's focus on creating a conducive environment for investment will be critical.
- 5. Global economic conditions:** Geopolitical tensions and global economic trends will continue to influence Zambia's business environment. The ability to navigate these external challenges will be important for sustaining business growth.

Overall, while challenges remain, the outlook for Zambia's PMI in 2025 is more positive, with the expectation of improved business conditions driven by economic recovery, better power supply and strategic investments. Firms are likely to remain cautiously optimistic, balancing the opportunities for growth with the need to manage ongoing risks and uncertainties.

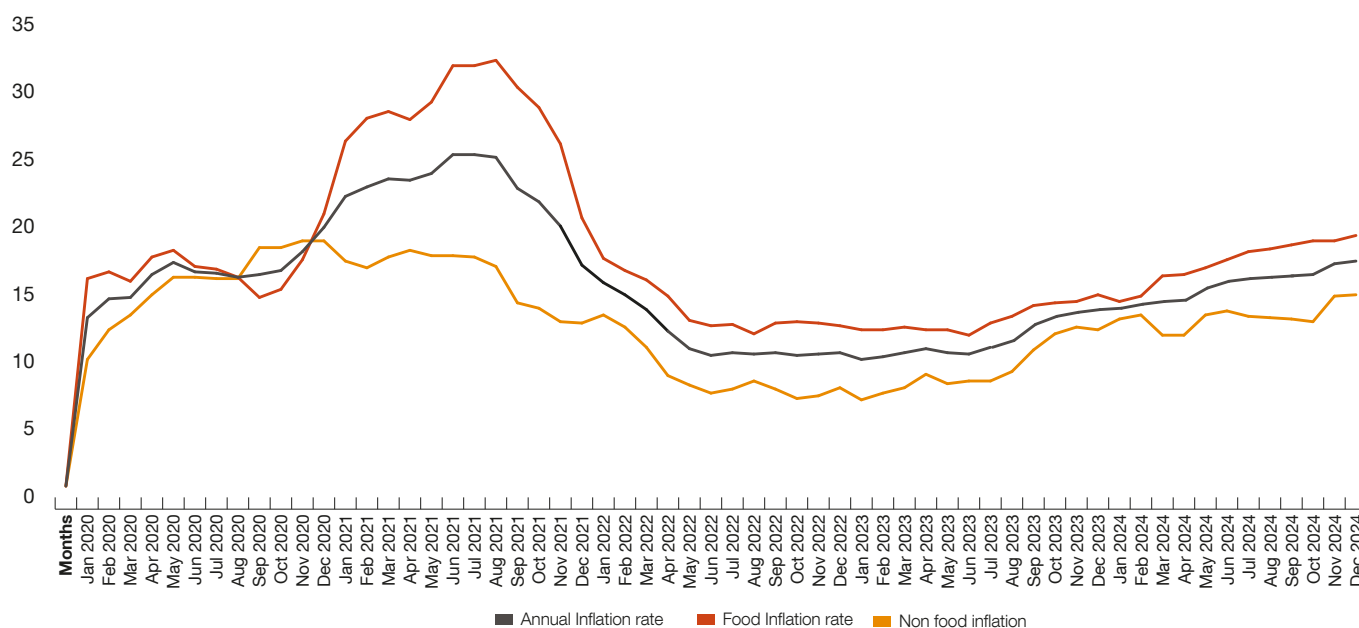


3.3 Inflation

Inflation faced upwards pressures in 2024 and rose steadily throughout the year. Average inflation rose to 14.6% in the second quarter of 2024 from 13.5% in the first quarter, according to the Bank of Zambia, with the expectation of a continued rise over the subsequent quarters.¹⁰ By the final quarter of 2024, average inflation had risen to 16.3% from 15.5% in the third quarter, straying further from the Bank's target range of 6%–8%. This increase was attributable to a confluence of external and domestic factors, which we discuss in more detail later in this section.

In 2025 and 2026, inflation is projected to remain outside the 6%–8% target. In 2025, it is expected to average 14.6% compared to the initial 13.9% projected in the November 2024 Monetary Policy Committee statement.¹¹ The 2025 projection has been revised due to the ongoing depreciation of the kwacha as well as increased inflationary pressures. Inflation is expected to decline to an average of 10.6% in 2026, according to the Bank of Zambia's February 2025 Monetary Policy Report,¹² although this remains above the target range.

Figure 6: Annual food and non-food inflation



Source: The Bank of Zambia

Domestic factors:

- **Climatic conditions:** The El Niño phenomenon, which affected weather patterns in Southern Africa in the latter part of 2023 and early 2024, resulted in less rainfall than the previous farming season. This decrease in rainfall affected the growth of key crops like maize and wheat, with lower production prompting an increase in domestic prices. The drought led to a 55% reduction in maize production from 3.3 million metric tonnes in the 2022/23 farming season to 1.5 million metric tonnes in the 2023/24 farming season, which had a significant impact food price.
- **Energy crisis:** The drought also severely impacted hydroelectric power generation, which accounts for some 85% of Zambia's electricity supply. This led to a power deficit, prompting load shedding and power imports, which impacted economic activity and put further strain on the national utility, ZESCO.



10 PowerPoint Presentation

11 The Bank of Zambia February 2025 Monetary Policy Committee Statement

12 https://www.boz.zm/February_2025_Monetary_Policy_Report.pdf

Actions taken to mitigate inflation effects

In February 2025, the Bank of Zambia's Monetary Policy Committee increased the monetary policy rate (MPR) by 50 basis points to 14.5%, with the intention of steering inflation back to the 6%–8% target range. Although increasing the MPR can lead to higher borrowing costs in the short term, in the longer term, it should control inflationary pressures and stabilise the economy.

The increase in the MPR in February follows a series of increases in both the MPR and the statutory reserve ratio in 2024. The central bank raised the MPR by a substantial 150 basis points to 12.5% in February 2024 and then by a further 50 points in May 2024 to 13%. This was followed by another increase of 50 basis points in November 2024, bringing the MPR to 14% from 13.5% in August 2024, the highest level since April 2017. These adjustments were driven by the need to curb inflation, which had risen to 15.7% in October 2024 and to 16.3% by the end of 2024 on the back of the depreciation of the kwacha, prolonged drought conditions and emergency electricity tariff increases.

Concurrently, the statutory reserve ratio was increased by 900 basis points to 26% as of 5 February 2024, marking a significant rise from the previous 17% set in November 2023. This move aimed to stabilise the foreign exchange market and strengthen the kwacha's position by reducing liquidity in the banking system.

Cost of living and doing business

Food basket, inflation and national average earnings

The basic needs and nutrition basket, the inflation rate and national average earnings reflect the economic challenges Zambia is facing. As of February 2025, the cost of living for a family of five in Lusaka for a month had risen to K11,599.12.¹³ The increase is due to significant hikes in food prices, especially for fruits, vegetables, and protein sources like kapenta. Non-food essentials also became more expensive, with charcoal prices rising because of seasonal shortages and ongoing load shedding. These price hikes worsen the cost-of-living crisis, particularly as national income levels stay flat, leaving informal sector workers earning far below what's needed for basic survival. This is a 12.5% increase from February 2024, where the cost of living for a family of five in Lusaka for a month was K10,307.01. This rise in the cost of the basket was driven by higher prices for essential commodities such as mealie meal, oil, bread and meat. As at the end of December 2024, food inflation was 18.6% compared to 18.2% in November 2024,¹⁴ while annual inflation for December 2024 increased to 16.7% from 16.5% in November. On average the prices of goods and services increased by 16.7% between December 2023 and December 2024. The primary drivers of this increase were a change in prices for both food and non-food items.

3.4 Interest rates

Average lending rates for commercial banks remained high, reflecting the Bank of Zambia's tight monetary policy stance, with rates at 28.3% per annum by November. Government also saw higher subscription rates for its bonds, with yields on two-year bonds at 19%, five-year bonds at 23.5% and 15-year bonds at 27.8%.

Interbank rates fluctuated in line with the MPR adjustments, maintaining a tight liquidity environment, while savings rates varied across different banks, with some offering rates as high as 17% for longer-term deposits.

These measures, such as a tight monetary policy stance, government bond issuance and interbank rate adjustments, are aimed collectively to stabilise the economy, manage inflation and ensure financial system stability amid the external and domestic economic challenges.

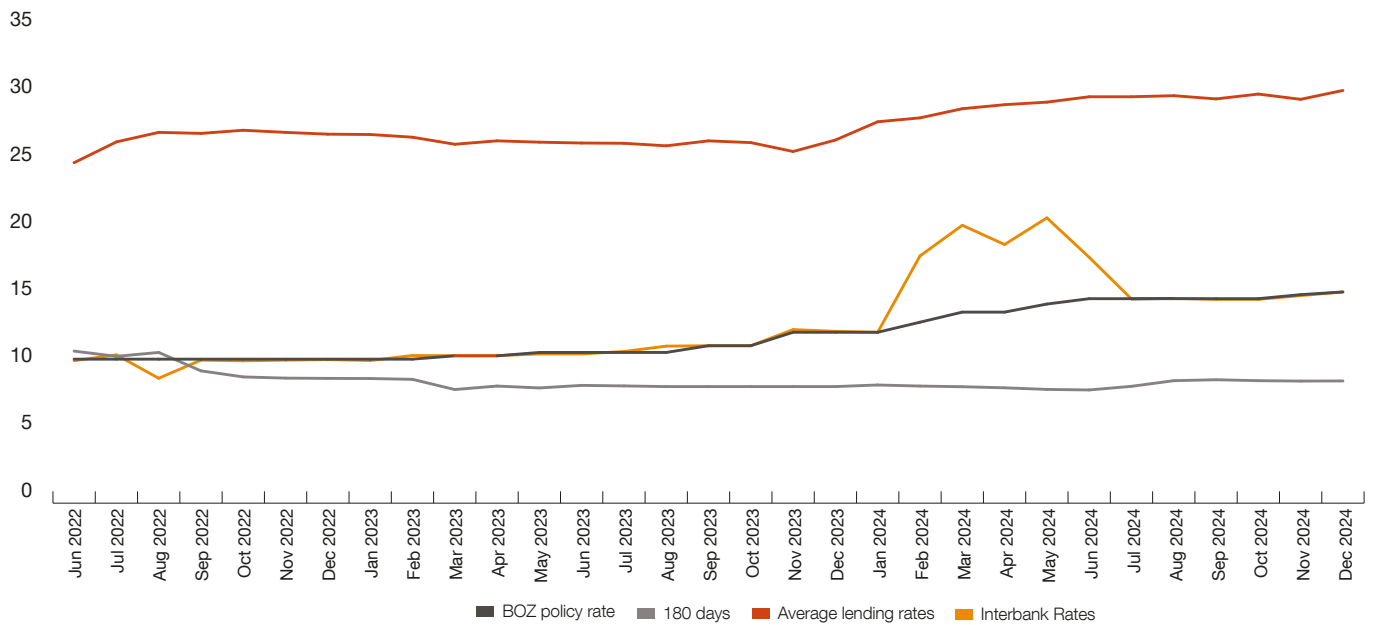
The Bank of Zambia's interest rate outlook for 2025 is shaped by its commitment to counter persistent inflationary pressures and stabilise the economy. Reducing inflation remains the Bank's primary objective. Therefore, elevated interest rates are likely to remain in 2025.



¹³ February 2025 Basic Needs and Nutrition Basket Statement: Addressing Inequalities Through Strategic Investments

¹⁴ Annual Overall Inflation, December 2024 (%) – Zambia Statistics Agency

Figure 7: Interest rate trends

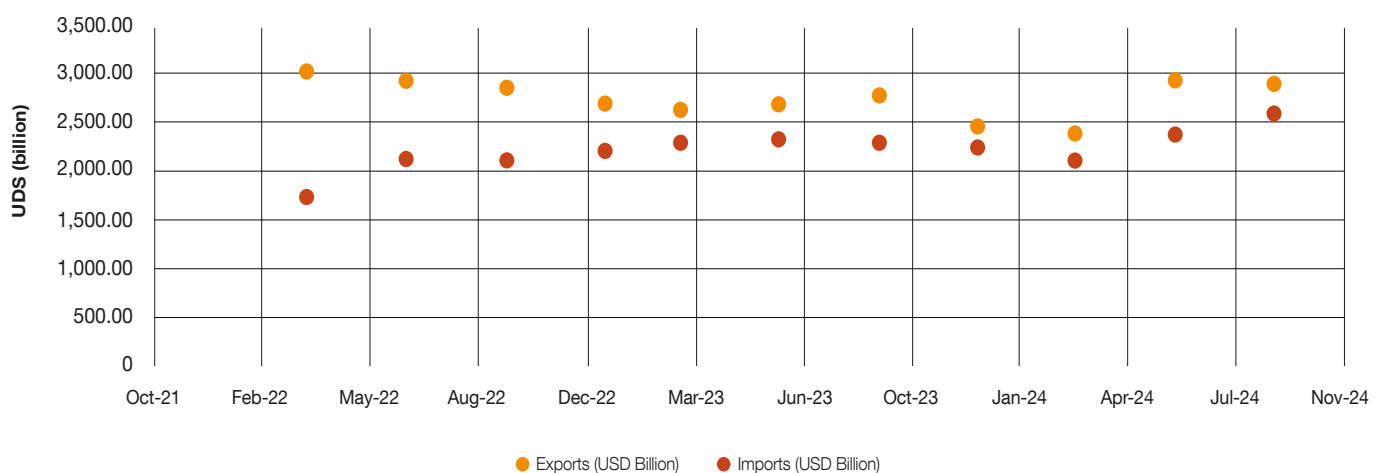


Source: The Bank of Zambia

3.5 Imports, exports and gross international reserves

From January to October 2024, Zambia’s total trade value was K468.4 billion, representing a 38.9% increase compared to the same period in 2023. The total value of exports for this period was K235.4 billion, with road transport accounting for the highest share at K219.2 billion (93.1%). The country’s main export commodities included copper, precious stones and agricultural products. On the import side, the total value of imports from January to October 2024 was K233 billion. Road transport again accounted for the highest share at K131.2 billion (56.3%). Key imports included refined petroleum, fertilisers and machinery. These figures highlight the significant growth in Zambia’s trade activities in 2024, driven by both increased exports and imports. The reliance on road transport for both exports and imports underscores the importance of infrastructure development in supporting trade.

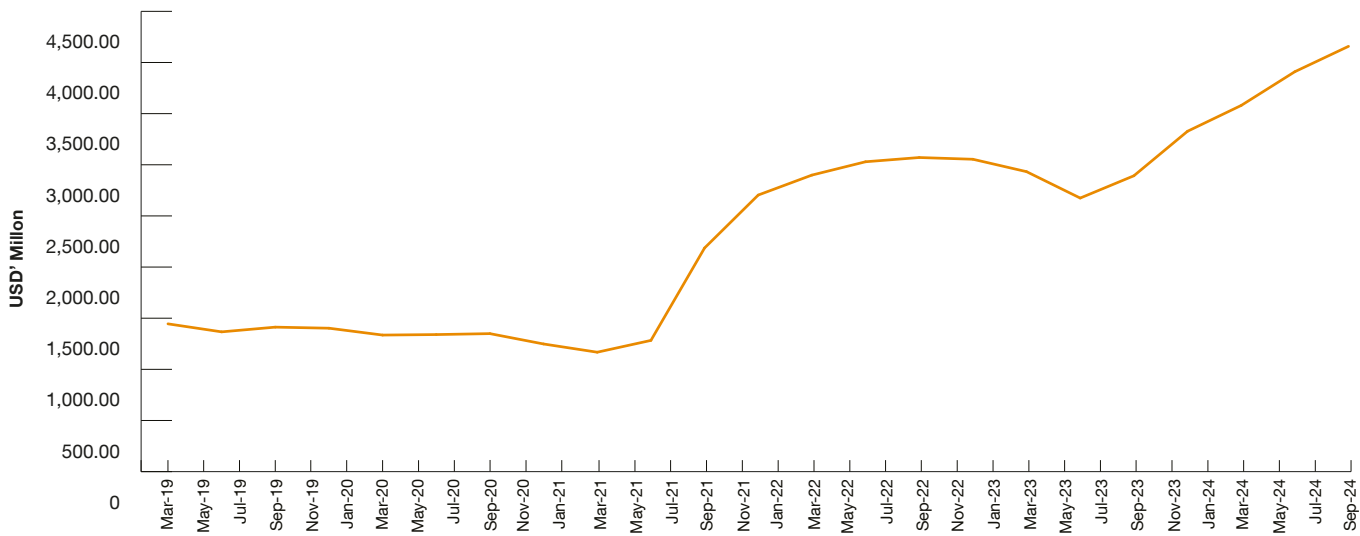
Figure 8: Exports and imports



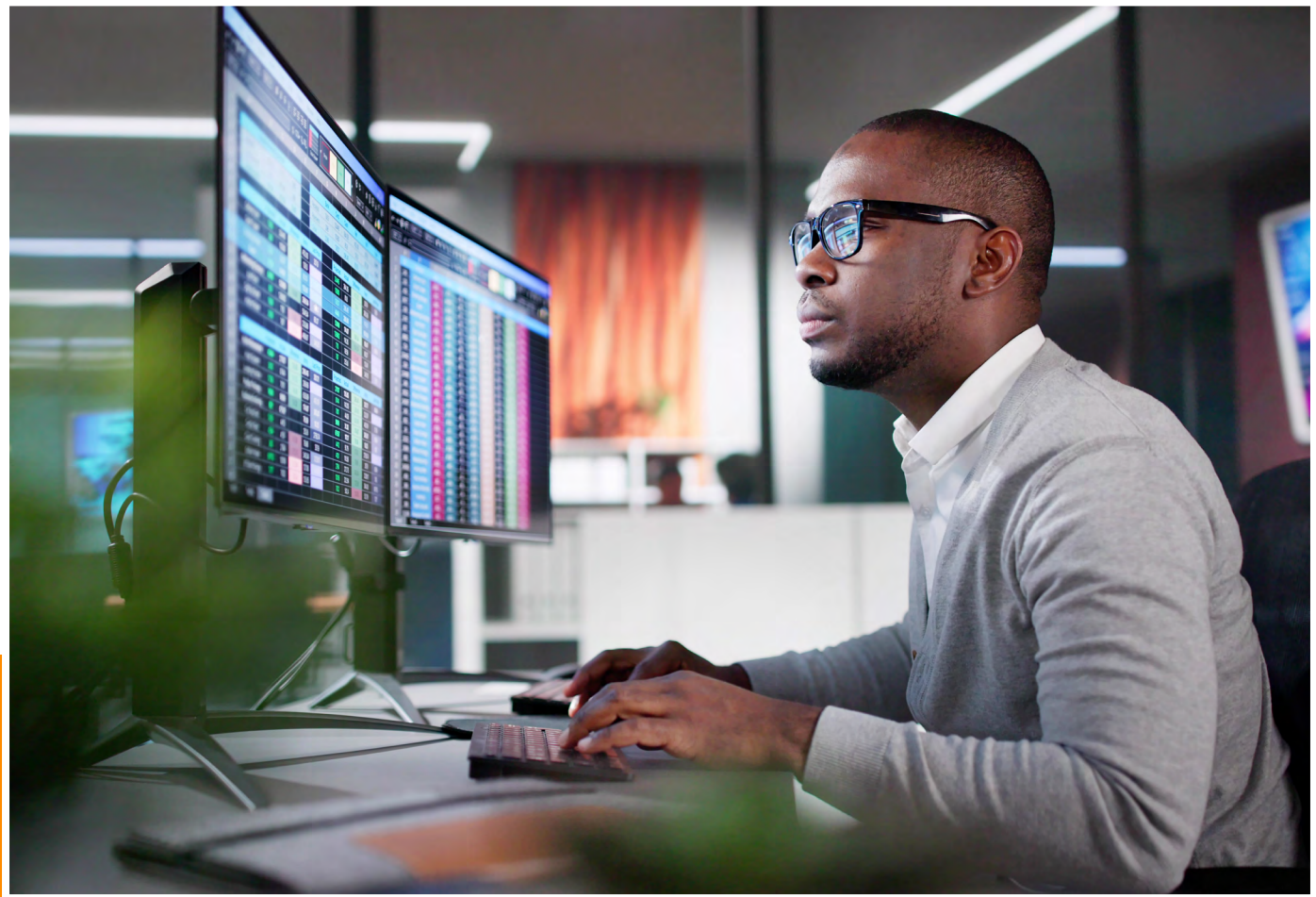
Source: The Bank of Zambia

Regarding gross international reserves, Zambia has seen a notable improvement recently. As of September 2024, the country's foreign exchange reserves were measured at US\$4.1 billion, the highest level recorded. This increase in reserves is crucial for maintaining economic stability, supporting the local currency and ensuring the country can meet its international financial obligations. In addition, funding received from the International Monetary Fund has improved reserves. Zambia's reserves equate to approximately 4.4 months of import cover, which is a healthy buffer against external shocks.

Figure 9: Gross international reserves



Source: The Bank of Zambia



4. Fiscal performance

4.1 Revenue

Zambia's government demonstrated solid fiscal performance in 2024, with preliminary estimates showing that total revenues and grants collections reached K151.2 billion, surpassing the target of K149.8 billion for the year by 4.8%. This achievement underscores the effectiveness of the government's revenue collection strategies and its ability to exceed fiscal targets despite challenging economic conditions.

Tax revenue

Tax revenue amounted to K118.8 billion, exceeding the target of K114.8 billion by 3.5%. This overperformance was primarily driven by higher-than-expected collections in customs and duties and value added tax (VAT). The robust performance in these areas highlights government's success in improving tax compliance and efficiency in tax administration. Factors contributing to this success include:

- **Customs and duties:** Improved enforcement and monitoring at border points, coupled with strategic adjustments in tariff rates, has contributed to higher collections.
- **VAT:** The implementation of the Smart Invoice System and other technological advancements has facilitated better tracking and collection of VAT, leading to increased revenue.

Non-tax revenue

Non-tax revenue was K29.5 billion in 2024, which was 12.1% above the K26.3 billion target. This notable overperformance can be attributed to several factors, including:

- **Enhanced collection mechanisms:** Government has implemented more efficient collection mechanisms for fees, fines and other non-tax revenues.
- **Increased compliance:** Efforts to improve compliance among non-tax revenue sources, such as licensing and regulatory fees, have also contributed to the higher collections.

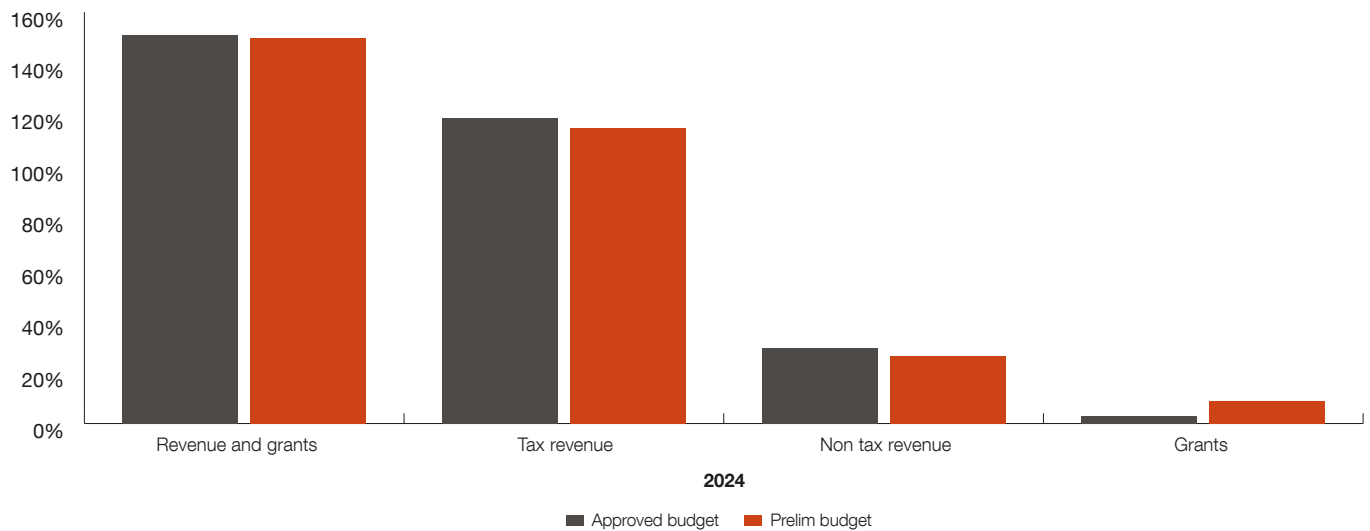
Grants

Despite the overall positive revenue performance, grants were 4.6% below target.¹⁵ This shortfall indicates challenges in securing expected external financial support, which may have been influenced by global economic conditions and donor priorities.



15 2024 Budget Performance and Economic Developments Town Hall Forum

Figure 10: Revenue performance



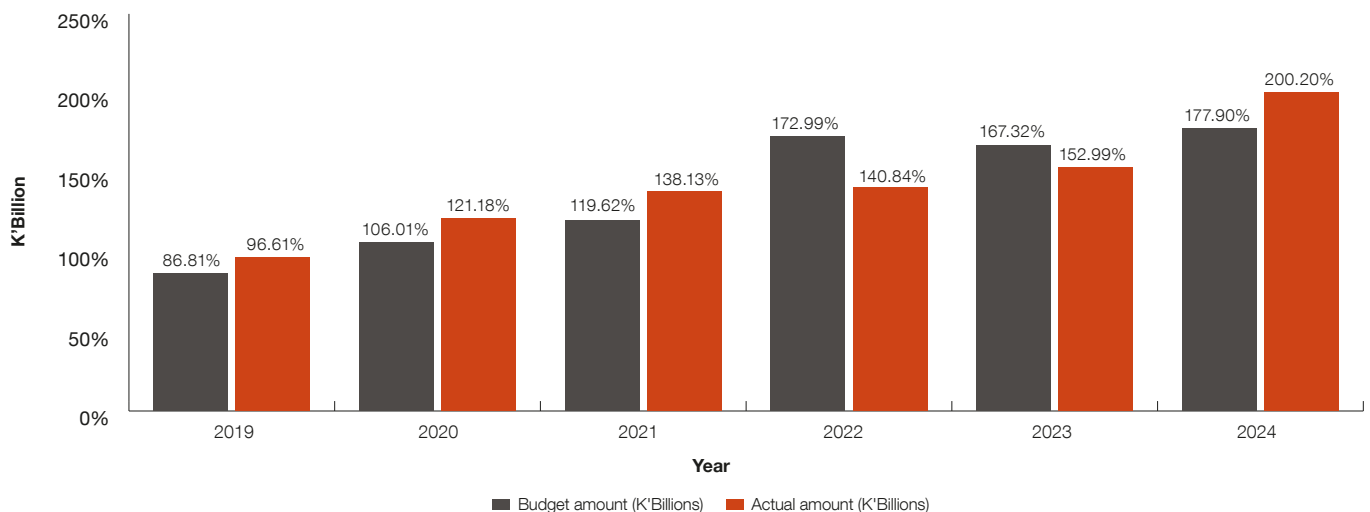
Source: Ministry of Finance and National Planning

4.2 Expenditure

In 2024, government spent K200.2 billion, which exceeded the projected spending target of K177.9 billion by 12.5%. Overspending was notable in several areas. Expenditure on social benefits, including the social cash transfer programme, surpassed the target by 23.6%, amounting to K10.4 billion. Interest payments were also significantly higher, reaching K65.99 billion, which is 28.1% above the anticipated K51.5 billion. Personal emoluments were slightly above the target, amounting to K53.3 billion, which is 0.9% higher than projected.

Conversely, government underspent in some areas. Spending on goods and services was K11.4 billion, which is 36% below the 2024 target, leading to the accumulation of arrears. Meanwhile, transfers and subsidies were K23.6 billion, falling short of the target of K27.8 billion by 15.2%. Preliminary estimates indicate that the budget deficit for 2024 stands at 2.7% of GDP against a target of 4.8%.

Figure 11: Expenditure budget vs actual



Source: Ministry of Finance and National Planning

4.3 Financing

Zambia's 2024 National Budget, which was presented by Finance Minister Situmbeko Musokotwane in September 2023, focuses on promoting economic growth through private sector investment, increased production and improved public service delivery. The budget emphasises strategic investments in infrastructure and agriculture to boost productivity, while also prioritising health, education and social protection to enhance public service delivery.

To finance these strategic investments, the *2024 Annual Borrowing Plan* outlines a mix of domestic and foreign borrowing, with a significant portion sourced domestically to manage exchange rate risks and reduce reliance on external debt. The plan also targets concessional loans and grants from international financial institutions to secure favourable borrowing terms and ensure fiscal sustainability.

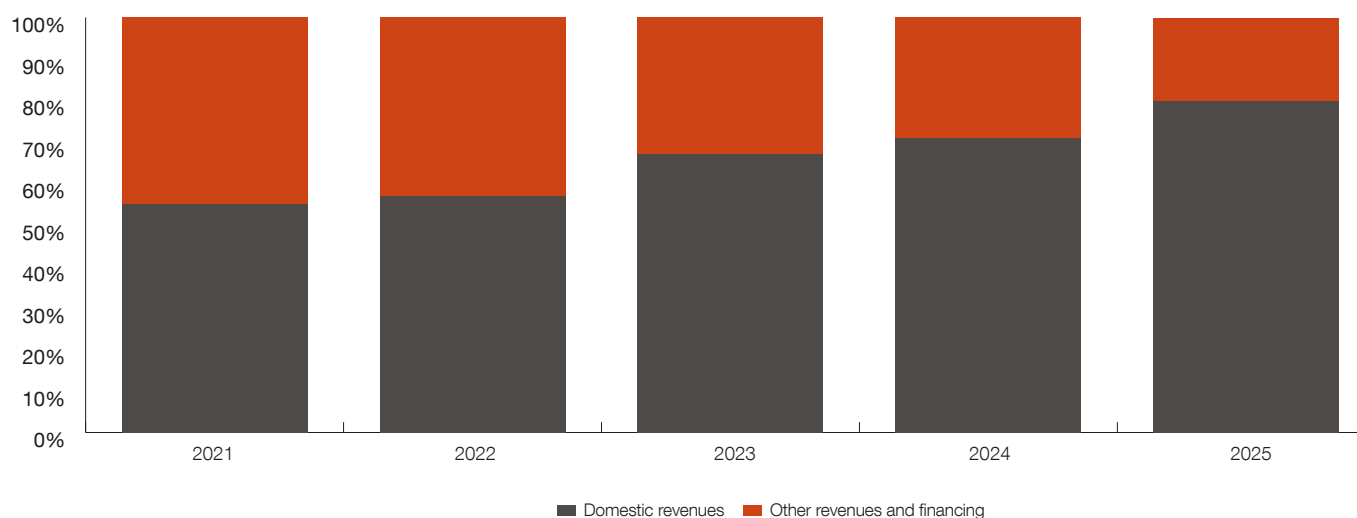
The focus on domestic borrowing aims to reduce reliance on external debt and manage exchange rate risks. For the 2024 financial year, gross domestic financing was estimated at K83.2 billion¹⁶. Of this amount, K16.3 billion allocated as net domestic financing to support the 2024 National Budget, while the rest was used to refinance maturing debts throughout the year. The funds for this were to be raised by issuing Treasury bills and government bonds through public auctions.

4.4 The outlook for 2025

The 2025 National Budget targets a GDP growth rate of 6.6% and aims to reduce the fiscal deficit to 3.1% of GDP. These objectives are ambitious given the backdrop of severe drought and economic challenges, but they reflect government's commitment to economic recovery and growth. The viability of these targets hinges on the successful implementation of revenue-generating measures and effective expenditure management.

The budget emphasises a shift towards greater reliance on domestic revenues, with plans to mobilise K174.2 billion through domestic sources and K8.2 billion from grants, while the remaining K34.7 billion will be raised through borrowing. This approach aims to reduce dependency on external financing and enhance fiscal sustainability.

Proportion of the budget financed using Domestic Resources vs Other revenues and borrowings



Source: PwC Zambia Analytics

In 2021, 55% of the budget was financed through domestic revenues, with the remaining 45% sourced from other revenues and financing. This trend continued in 2022, with domestic revenues accounting for 57% and other financing for 43%. By 2023, the reliance on domestic revenue had increased to 67%, while other revenues constituted 33%. In 2024, 71% of the budget was financed through domestic revenues and 29% through other revenues. The 2025 budget underscores the ongoing shift towards greater dependence on domestic revenues, with 80% of the budget expected to be financed domestically and only 20% coming from other sources such as grants and external financing. This progression shows clearly government's efforts to reduce external debt.

16 2024 Annual borrowing Plan, Ministry of Finance and National Planning

New proposed tax measures introduced in the 2025 budget include an advance income tax on remittances exceeding US\$2,000, an increase in the corporate income tax rate for non-traditional exports, and higher excise duties on betting and non-alcoholic beverages. The private sector has expressed concerns over these tax hikes, warning that they could negatively impact businesses and the broader economy. The Zambia Chamber of Commerce and Industry has emphasised the need for policies that widen the tax base rather than overburdening existing taxpayers.

Since the UPND government took power, there have been significant tax changes aimed at fostering economic growth and improving livelihoods. However, the recent tax increases contrast with earlier reductions, highlighting the government's shifting fiscal strategy in response to evolving economic conditions. The effects of actual debt service, which commenced in 2024, have further strained the budget, with a significant portion allocated to debt servicing. This has raised concerns about the sustainability of Zambia's fiscal position and the potential impact on public services and development projects.

The outlook for donor support is also uncertain, with potential declines or changes in funding from major donors posing risks to Zambia's economic stability. The United States' suspension of foreign aid to Zambia's health sector, for instance, underscores the vulnerability of the country's reliance on external assistance. The effect of this has been reduced access to health services as the suspension led to concerns of availability of medicines and other health commodities. The cut also increases pressure on other NGOs as organisations like Cecily's Fund have had to step in to fill the void left by the absence of USAID funding, highlighting the reliance on external support for maintaining health and education services.¹⁷ Overall, the 2025 budget reflects a delicate balancing act between ambitious growth targets, fiscal consolidation and the need to address immediate economic challenges.



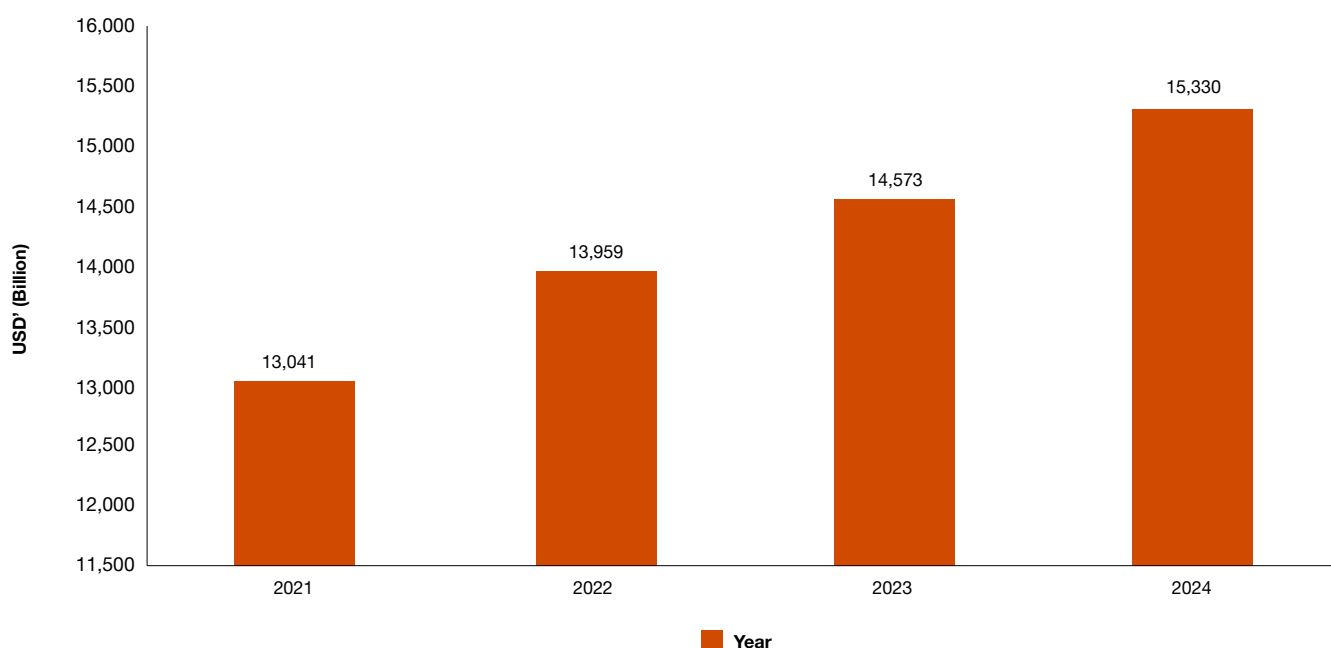
17 Addressing the Impact of US Aid Withdrawal on Vulnerable Communities in Zambia | Cecily's Fund

5. Debt

5.1 External debt

As of the end of September 2024, Zambia's public and publicly guaranteed debt stock stood at an impressive US\$25.3 billion, according to the Ministry of Finance. Government's external debt increased by 7% during the year, rising to US\$15.33 billion from US\$14.27 billion at the end of September 2023. This uptick was primarily fuelled by disbursements from multilateral creditors. In contrast, the publicly guaranteed state-owned enterprises external debt experienced a decline of 2%, decreasing to US\$1.38 billion from US\$1.41 billion over the same period. This reduction was attributed to debt service payments made by the guaranteed institutions. Meanwhile, the stock of government securities (domestic debt) saw a modest increase of 2%, reaching K225.3 billion by the end of September 2024, up from K221.7 billion at the end of September 2023. These securities were issued to bridge budget implementation deficits, ensuring the smooth functioning of government operations.

Figure 12: External debt



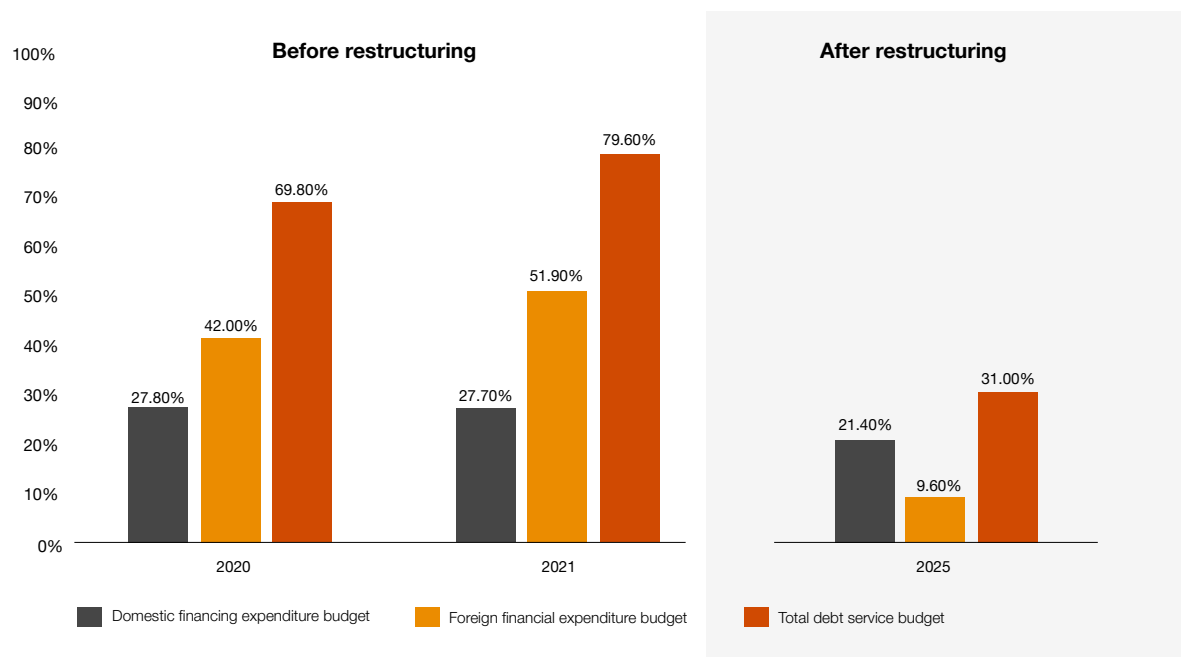
Source: Ministry of Finance and National Planning

Zambia made significant strides in its debt restructuring efforts throughout 2024. In February, a memorandum of understanding was signed with members of the country's Official Creditor Committee. By March, an agreement in principle was reached with the ad hoc committee of Eurobond holders. In May, a successful consent solicitation memorandum was signed. June saw the IMF staff-level agreement for the third review, which included disbursements for drought response and the commencement of Eurobond debt service payments. In September, another agreement in principle was secured with several commercial creditors. The IMF staff-level agreement for the fourth review was completed in November, followed by bilateral agreements with France in November and Saudi Arabia in December. Overall, Zambia has achieved substantial progress, securing 90% agreement in principle with its creditors.

A previous deal with official bilateral creditors in 2023 was essential for meeting the comparability of treatment requirements. The restructuring aims to restore debt sustainability and involves negotiations with other commercial creditors to finalise the process. The World Bank has been a key supporter, providing over US\$2.1 billion in development financing since 2021, with all new financing since July 2023¹⁸ being provided as grants. This restructuring is expected to help Zambia attract new investments, accelerate growth, generate jobs and address urgent priorities such as the ongoing drought. The successful completion of these negotiations will be crucial for Zambia's economic recovery and long-term stability.

When Zambia was classified as being in debt distress in 2017, multilateral development banks ceased offering non-concessional financing. The situation was potentially exacerbated by major credit rating agencies, which may have overestimated the sovereign risks involved. Consequently, Zambia's debt restructuring experience highlights the critical need for reforms and transformation within the global financial architecture.

Figure 13: The evolution of Zambia's debt service budget



Source: PwC Zambia Analytics

The evolution of Zambia's debt service budget reveals significant changes over the years. In 2020, prior to restructuring, the domestic financing expenditure budget stood at 27.8%, while the foreign financing expenditure budget was 42%, culminating in a total debt service budget of 69.8%. By 2021, the domestic financing expenditure budget decreased slightly to 27.7%, whereas the foreign financing expenditure budget increased to 51.2%, resulting in a total debt service budget of 79.6%. Following the restructuring in 2025, the domestic financing expenditure budget is projected to be 21.4%, with the foreign financing expenditure budget significantly reduced to 9.6%, bringing the total debt service budget down to 31%.

The changes in Zambia's debt service budget from 2020 to 2025 have several significant impacts:

- Reduction in debt service burden:** The restructuring has substantially reduced the total debt service budget from 79.6% in 2021 to a projected 31% in 2025.¹⁹ This reduction alleviates the financial strain on government, allowing more resources to be allocated to other critical areas such as healthcare, education and infrastructure development.
- Improved fiscal discipline:** The shift towards a lower debt service budget indicates improved fiscal discipline and strategic financial management. By reducing reliance on foreign financing, Zambia can better manage its financial obligations and avoid the pitfalls of excessive external debt.
- Enhanced economic stability:** Lower debt servicing costs contribute to greater economic stability. With less pressure to meet high debt repayments, government can focus on stimulating economic growth and addressing domestic arrears, which remain a challenge.
- Increased investor confidence:** Successful debt restructuring and a clear plan for managing future debt obligations can enhance investor confidence. This can lead to increased foreign direct investment and economic opportunities, further supporting Zambia's economic recovery and growth.
- Potential risks:** Despite these positive outcomes, there are potential risks. The need to address domestic arrears is urgent to stimulate economic activity and support suppliers affected by delayed payments. Additionally, managing significant domestic debt maturities in the coming years will be crucial to avoid liquidity pressures and ensure the benefits of restructuring are sustained.

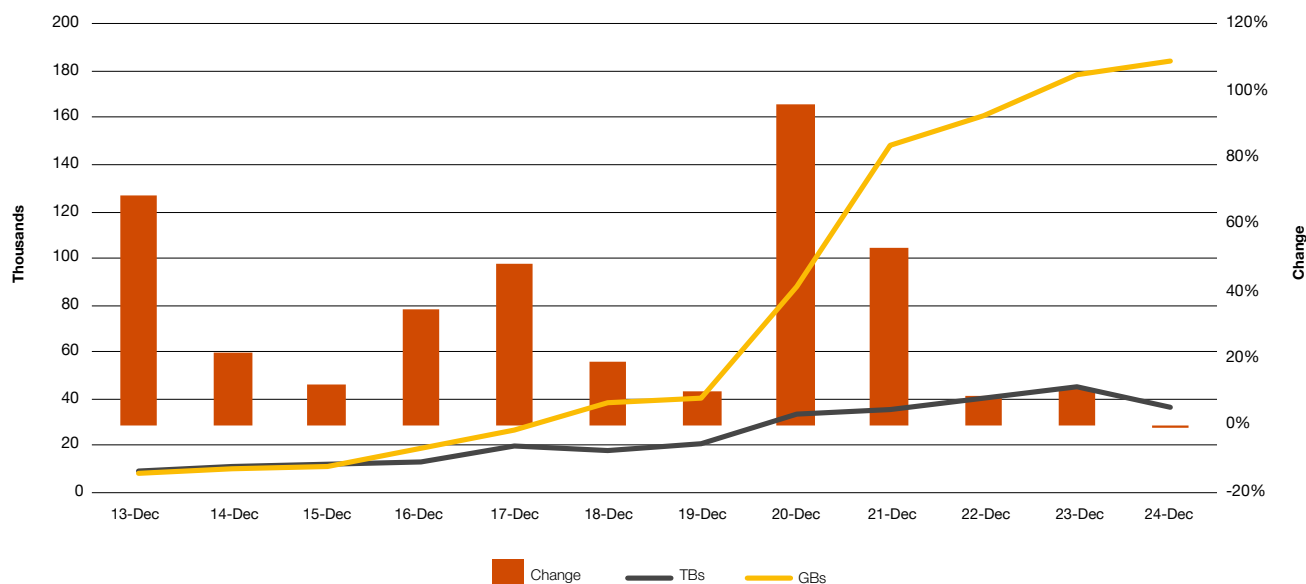
Overall, the restructuring of Zambia's debt service budget represents a strategic move towards financial stability and sustainable economic growth. However, continued commitment to fiscal discipline and proactive debt management will be essential to maintain these gains.

19 <https://www.zambiamonitor.com/pwc-report-reveals-progress-in-zambias-debt-restructuring-admits-domestic-arrears-remain-a-challenge/>

5.2 Domestic debt

By the end of September 2024, the stock of domestic government securities had increased by 2% since the start of the year to K225.3 billion due primarily to securities being issued to address budget deficits. This compares to the end of September 2023, when domestic securities stood at K221.7 billion. The December 2024 bond auction revealed various yields on these securities: two-year bonds at 16.5%, three-year bonds at 20%, five-year bonds at 20.8%, seven-year bonds at 21.5%, ten-year bonds at 22.5% and 15-year bonds at 23.5%. The high yield on Zambia's ten-year government bond was 22.14%.

Figure 14: Government securities

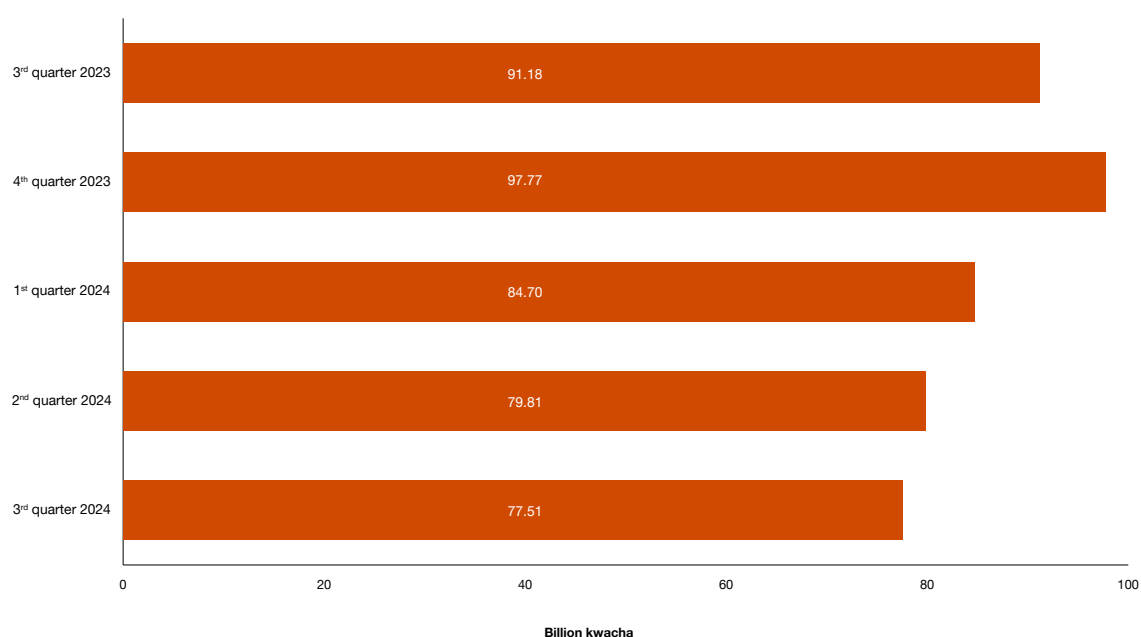


Source: Bank of Zambia

5.3 Other domestic debt

Domestic arrears continue to decline, with the audited and verified stock of domestic arrears decreasing to K77.5 billion by the end of September 2024, down from K79.8 billion at the end of June 2024. This reduction aligns with the commitment to dismantle expenditure arrears as outlined in the Revised Arrears Clearance Strategy. Consequently, domestic arrears are anticipated to progressively diminish in the coming years.

Figure 15: Domestic arrears

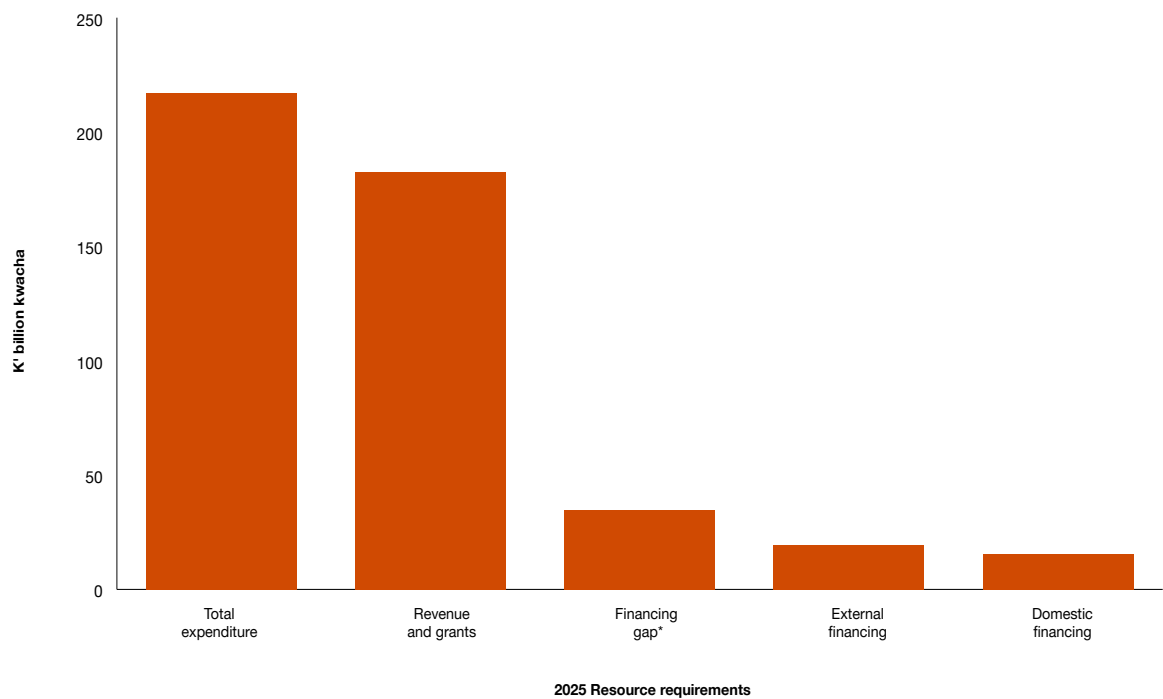


Source: Ministry of Finance and National Planning

5.4 The Outlook for 2025

In 2025, government intends to spend K217.1 billion, which will be financed through tax and non-tax revenues, grants and debt. Revenue and grants are projected at K182.4 billion, leaving a deficit of K34.7 billion. This will be financed through domestic and external borrowing of K15.4 billion and K19.3 billion respectively. The external borrowing of K19.3 billion includes projected disbursements on already contracted loans, which were previously approved by the National Assembly, while domestic financing of K15.4 billion relates to new debt that will be raised from the domestic market by issuing government securities in 2025. The maximum limit on net domestic financing for the 2025 financial year is K15.4 billion.

Figure 16: Resource requirements



Source: Ministry of Finance and National Planning

Government plans to raise domestic funds by issuing securities through public auctions, managed by the Bank of Zambia as the government’s fiscal agent. Government bonds will be auctioned monthly, while Treasury bills will be auctioned every two weeks. Tender invitations will detail the auction size, instrument tenors, amounts per instrument, issue numbers and auction dates. Government bonds will be issued at face value with market-driven coupon rates and Treasury bills will be issued at a discount based on market yield rates. These securities will be available in the local currency through both competitive and non-competitive bidding at a single price allotment.

Government has not planned for the contraction of new loans from external sources in 2025. Therefore, external financing will be entirely met through drawdowns on already contracted external loans. The government projects to draw down US\$697.4 million from already contracted external loans (US\$509.5 million) and the IMF’s Extended Credit Facility (US\$187.9 million)²⁰. These funds will be used to implement ongoing projects in various sectors of the economy, as well as general budget support.

Assuming full subscriptions on government securities auctions, total issuances in 2025 are projected to raise K78.6 billion, with maturities on domestic debt projected at K63.2 billion, resulting in a net increase in the domestic debt stock of K15.4 billion. Disbursements on external loans are projected at US\$697.4 million while principal loan repayments are projected at US\$340.6 million, resulting in a net increase in external debt stock of US\$356.8 million. The total projected net increase of government borrowing in 2025 (domestic and external) is US\$909.4 million.



20 2025 Annual Borrowing Plan

6. Major sector performance

6.1 Energy

Energy sector dynamics

Zambia's energy sector faces significant challenges and opportunities. The country has been grappling with a generation deficit, primarily due to its heavy reliance on hydroelectric power, which accounts for about 85% of the country's installed capacity.

Demand for electricity is growing driven by the mining, manufacturing and agriculture sectors. Short-term measures to meet this growing demand include importing power and restarting the Ndola Energy Power Plant, while long-term strategies focus on renewable energy expansion and infrastructure upgrades.

Government has embarked on the implementation of an Integrated Resource Plan (IRP) to revitalize Zambia's power sector. This ambitious initiative, led by the Ministry of Energy, seeks to make Zambia's energy sector more cost-effective and sustainable. The plan is a direct response to the urgent need for a resilient and diversified energy mix and is designed to stimulate investment, inviting both domestic and international players to contribute to the development of Zambia's energy infrastructure. The plan's vision extends to 2050 and includes both on-grid and off-grid solutions.²¹ Key components of the IRP include:

- A diversified energy mix with hydropower, solar power, wind energy and thermal power.
- Infrastructure upgrades for transmission and distribution.
- Mini-grids and off-grid solutions.
- Energy security and sustainability through domestic resource development and environmental responsibility.
- Private sector participation through independent power producers and public-private partnerships.

ZESCO has outlined several strategic priorities for 2025 that focus on stabilising power supply, expanding renewable energy and enhancing regional connectivity. Key projects include the Kafue Gorge Lower Hydro Power Station (750MW) which is ongoing and scheduled for completion this year and the Chisamba Solar Project (100MW) scheduled for completion this year. The Kalungwishi Hydropower Project (244MW) and the Zambia-Tanzania Interconnector Project (500MW) are ongoing projects. These initiatives, along with the IRP, are designed to address the current power deficit and ensure a sustainable and resilient energy future for Zambia.

The outlook for 2025

1. **Energy constraints:** Zambia's energy sector is expected to remain constrained due to ongoing challenges with hydropower dependency and climate variability. The country has faced significant power deficits, with low water levels in major reservoirs like the Kariba Dam.
2. **High tariffs:** Energy tariffs are likely to remain high. The Energy Regulation Board (ERB) has extended emergency electricity tariffs due to ZESCO's inability to meet national demand. Additionally, net metering tariffs for 2025 have been set at K1.67/kWh.
3. **Policy reforms:** Efforts to reform energy policies, such as open access and easier power generation, are crucial. These reforms aim to allow independent power producers to sell directly to off takers using ZESCO's infrastructure, which could improve the overall energy supply and reduce constraints.

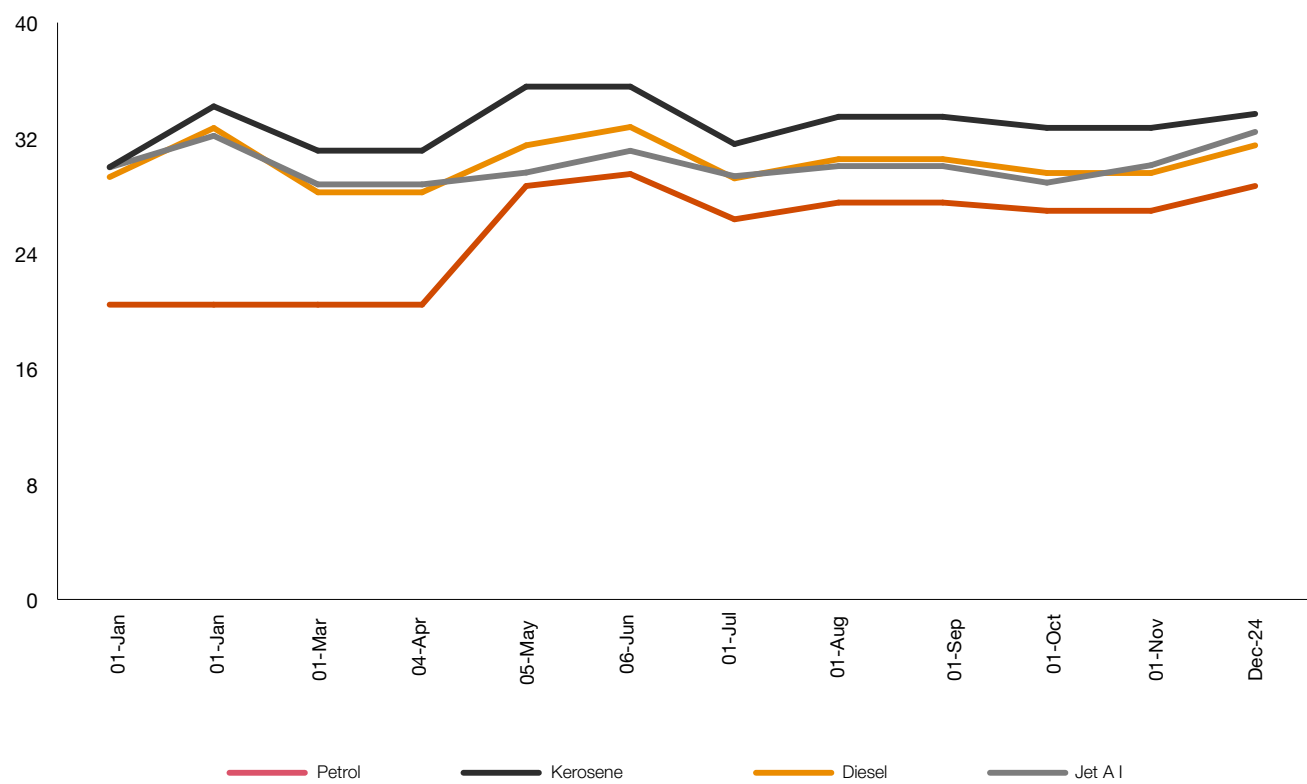


21 The Ministry of Energy's Home - Ministry of Energy Integrated Resource Plan

Fuel prices

In the petroleum sector, Zambia has seen significant volatility in pump prices due to fluctuations in global oil prices and the exchange rate of the kwacha. For instance, petrol prices increased from K32.70 to K33.67 per litre in 2024. Below is a chart showing the trend of fuel prices over 2024:

Figure 17: ERB petroleum pump prices



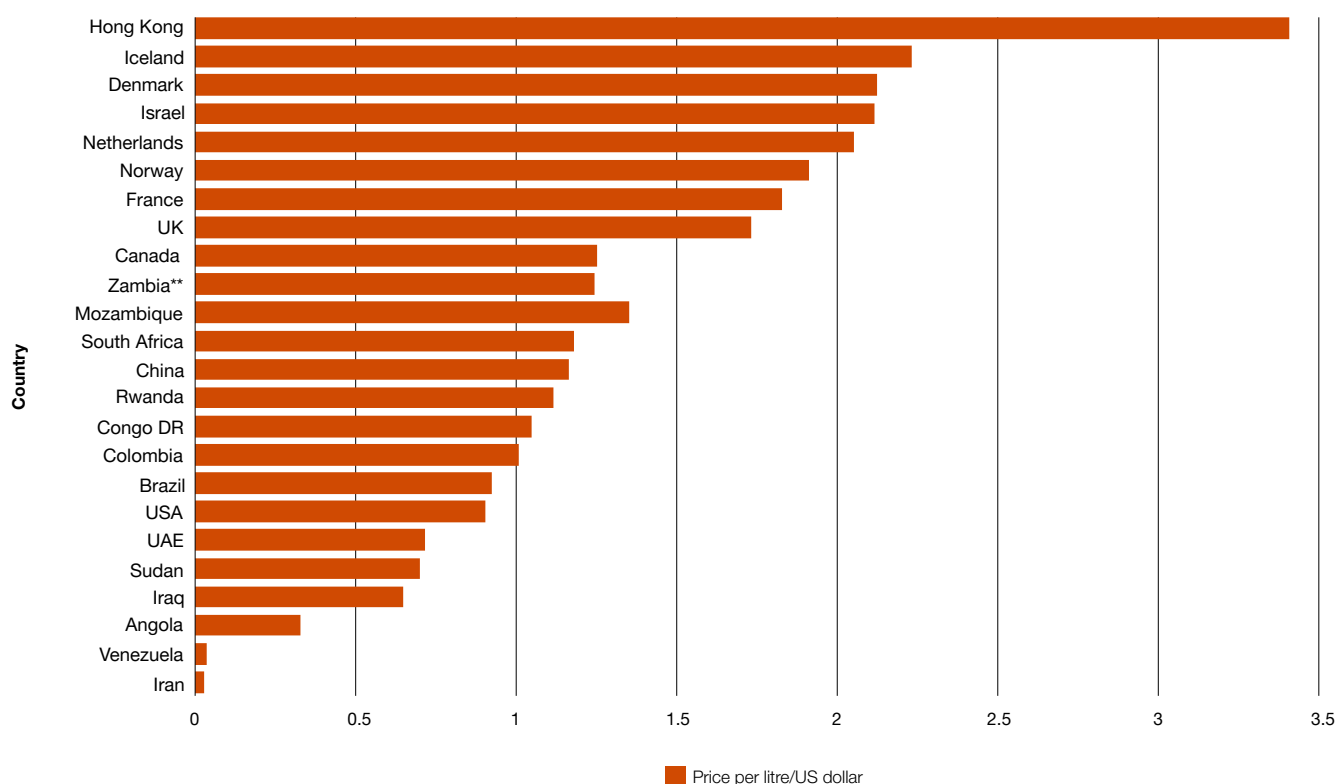
Source: Energy Regulation Board



Global fuel prices

As of 3 February 2025, the global average price for Octane-95 fuel was US\$1.25 per litre²². However, fuel prices vary significantly between countries. Generally, wealthier nations have higher prices, while poorer countries and oil-producing/exporting nations have much lower prices. The US is an exception, being economically advanced yet having low fuel prices. These price differences are mainly due to varying taxes and subsidies on fuel. Although all countries purchase petroleum at the same international market prices, they impose different taxes, leading to diverse retail prices.

Figure 18: Global fuel prices



Source: Global Petrol Prices

The outlook for 2025

- Crude oil prices likely to fluctuate:** According to the US Energy Information Administration, the average price of Brent crude oil is forecasted to fall from US\$81 per barrel in 2024 to around US\$74 per barrel in 2025.²³ This decline is attributed to strong global growth in oil production and slower demand growth. Uncertainties in the market remain, however, including geopolitical risks and production decisions by OPEC members, which could cause price fluctuations.
- Elevated petroleum prices:** Petroleum prices are expected to remain high in Zambia. Recent reviews show an increase in petrol prices, with petrol now selling at K34.98 per litre. The international price of petrol has also seen a slight increase.
- Impact of US production:** Increased petroleum production in the US driven by policies under President Trump may dampen global oil prices. The Energy Information Administration projects that US crude oil production will reach an all-time high in 2025, averaging 13.5 million barrels per day. If the exchange rate remains stable, this could cushion Zambia from some of the price pressures. Recent reviews of petroleum pump prices in Zambia show that fluctuations in the exchange rate and international oil prices directly affect domestic fuel prices. In February 2025, the price of petrol increased to K34.98 per litre, while diesel rose to K32.54 per litre. Therefore, while the expected decline in global crude oil prices might provide some relief, the overall impact on Zambia's fuel prices will also depend on the exchange rate and other local economic factors.

²² https://www.globalpetrolprices.com/gasoline_prices/

²³ US Energy Information Administration

6.2 Mining

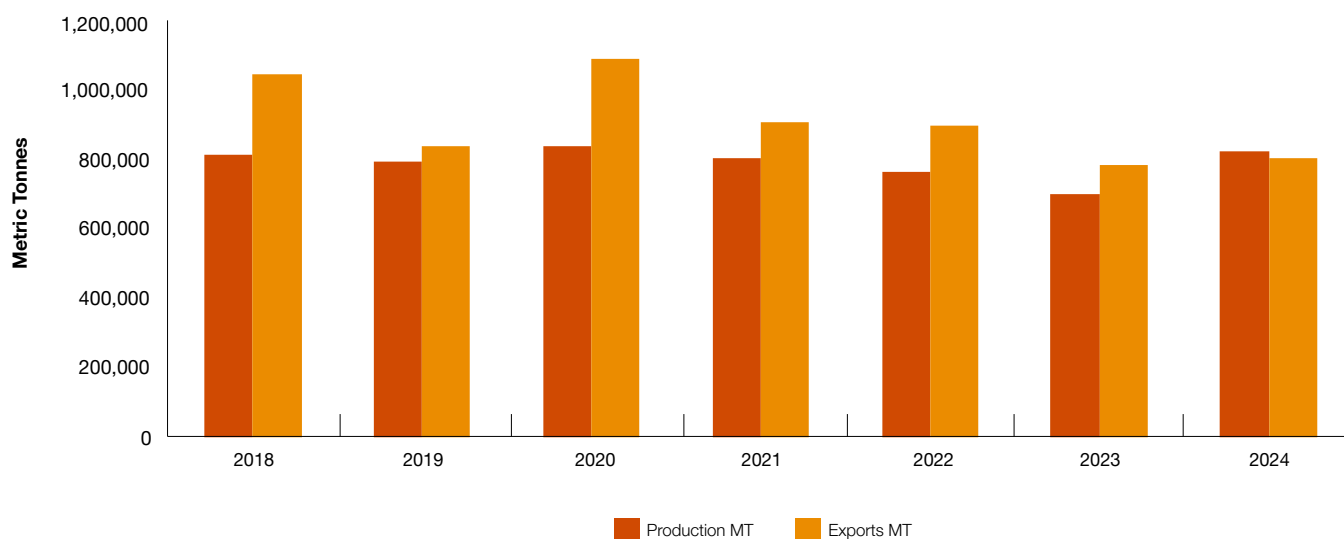
In 2024, Zambia's mining sector experienced significant growth and development, with record-level investments. Copper production increased by 12% to reach 820,670 tonnes, driven by the recovery of major mines like Mopani Copper Mines, Konkola Copper Mines, Lumwana and Kansanshi, despite electricity shortages caused by the drought.

Zambia hosted the inaugural Mining and Investment Insaka, which focused on sustainable growth and advanced technologies, attracting over 2,500 delegates. Policy reforms and investments designed to boost copper production to three million tonnes by 2031 are ongoing, and over 500 licenses were issued to small-scale miners. Efforts are also underway to power the mining sector with renewable energy from hydropower projects in northern Angola. Additionally, GoviEx Uranium announced feasibility results for the Muntanga project, with production expected to start in 2028.

In March 2024, the ownership dynamics of Mopani Copper Mines experienced a transformative change. ZCCM-IH acquired a 49% share, while International Resources Holding, through Delta Mining Limited, took on a 51% share, heralding a fresh start for the enterprise.

With the resurgence of mining companies like Konkola Copper Mines and Mopani, forecasts suggest that Zambia's copper output is on course to reach approximately one million metric tonnes by 2025. Major mining projects remain on track, with the S3 project, which is an expansion initiative at the Kansanshi Mine, operated by First Quantum Minerals. The project, which was announced in May 2022, involves a US\$1.25 billion investment to extend the life of the mine by 20 years, and the project is expected to come online in 2025. Intensified efforts are currently in motion to boost production at these sites. In a strategic endeavour, the Ministry of Mines and Mineral Development has allocated K198²⁴ million for 2024 to conduct a comprehensive high-resolution geophysical survey across the southern, northwestern, western and central provinces of Zambia. This ambitious project is set to extend nationwide over the following two years.

Figure 19: Copper production and exports Zambia



Source: Ministry of Mines and Mineral Development



24 <https://www.mmmd.gov.zm/?p=2670#:~:text=GOING%20FORWARD%20IN%202024%2C%20THE,SOUTHERN%2C%20WESTERN%20AND%20CENTRAL%20PROVINCES.>

The outlook for 2025

Government has set a goal to boost annual copper production from the current 800,000 metric tonnes per annum to three million metric tonnes by 2031. To achieve this, the Ministry of Mines and Mineral Development has introduced the Three Million Tonnes Copper Production Strategy, which aims to enhance Zambia's economic growth by increasing copper output, encouraging innovation and creating jobs, all while maintaining environmental protection standards. On 26 August 2024, the Ministry signed a memorandum of understanding²⁵ with Ivanhoe Mining Limited. This memorandum of understanding focuses on the exploration and production of copper, with the goal of co-developing projects that ensure the long-term sustainable development of Zambia's mineral resources. This initiative is crucial for reaching the target of three million tonnes of copper production by 2031, contributing sustainably to the national economy and benefiting host communities.

In 2025, Zambia hopes to exceed one million metric tonnes of copper production. Significant investments by companies like Barrick Gold (Lumwana mine), Kobold Metals (Mingomba project) and First Quantum Minerals (Trident and Kansanshi's S3 expansion project) are expected to support increased copper production. For example, Barrick Gold's Lumwana Super Pit expansion is projected to double its annual copper output to 240,000 tonnes by 2028. These investments will not only increase output but also introduce more sustainable and environmentally friendly mining practices. Barrick Gold plans to use renewable energy sources, advanced water management systems and biodiversity conservation initiatives.²⁶

Kobold metals will employ cutting edge technology, invest in local infrastructure and commit to responsible mining practices.²⁷ First Quantum minerals aims to use 100% renewable power, produce green nickel and collaborate on renewable energy projects. These efforts align with the industry's commitment to decarbonisation and community development.²⁸

Government is also looking to diversify the mining sector by exploring other minerals such as cobalt, gold and gemstones. This diversification is crucial for reducing the economy's over-reliance on copper and ensuring long-term stability. For example, Zambia's Export Diversification Strategy for Gold and Gemstones aims to formalise mining activities and boost job creation.

Furthermore, efforts are being made to improve the regulatory framework and attract more foreign direct investment. This will bring in advanced technologies and expertise to the sector, fostering innovation and supporting the energy transition. The adoption of modern mining legislation and an enabling environment are key to attracting private sector investment.



25 The Ministry of Mines and Mineral Development.

26 Barrick – Barrick Focuses on Future Growth and Sustainable Value Creation

27 Mingomba Mine Project Takes Shape – Presidential Delivery Unit Zambia

28 First Quantum Minerals Ltd. – First Quantum Announces Board Approval of the Kansanshi S3 Expansion and Enterprise Nickel Project

6.3 Agriculture

Zambia's agriculture sector is undergoing a transformation, invigorated by government interventions to strengthen the sector's backbone, its farmers. The government has introduced a number of initiatives recently that aim to make Zambian farmers more resilient in the face of climate change.

On 2 November 2022, government launched the Sustainable Agriculture Financing Facility to support sustainable agriculture and empower small to medium scale farmers. The facility distributed a K257 million to 10,348 small and medium-scale farmers in December 2024. The funds were not given as cash handouts but via loans provided by the Sustainable Agriculture Financing Facility through partnerships with banks such as NATSAVE Bank, ZANACO and Indo Zambia Bank. This injection of funds is a deliberate move to empower farmers, whose role is essential in ensuring food security.

In a move to counter the droughts that have plagued the land, the Ministry of Agriculture has rolled out the Early Maize Programme. The programme, which was launched by President Hakainde Hichilema on 18 March 2024, is a strategic initiative developed by the Ministry of Agriculture to counter droughts and reinforce national strategic reserves. Engaging 48 farmers across four provinces, the programme aims to cultivate 14,188 hectares of land to produce 146,000 metric tons of maize. Farmers planted maize by 15 June 2024 and harvested by 30 November 2024, delivering the produce to the Food Reserve Agency (FRA) for storage. Support is provided through loans and resources such as seeds, fertilisers and irrigation equipment, rather than cash handouts. It is hoped the programme will improve productivity and food security in the face of adverse weather conditions.

The government-funded farm blocks are also gathering momentum. The Luena Farm Block in northern Zambia has expanded its avocado production, with an additional 275 hectares now under cultivation by NAVA Avocado Limited. Concurrently, the Green 2000 initiative is supporting the cultivation of 1,000 hectares of winter maize within the same farm block. These agricultural endeavours are being complemented by the rehabilitation of a 26-kilometre stretch of road, which should improve the transport network and efficiency within the region.

Farm blocks like Luena are designated areas set aside by the government for agricultural development, featuring a mix of large-scale commercial farms, smallholder farms and associated infrastructure. The Luena Farm Block, which is bordered by the Kalungwishi River to the east and the Mupoposhi River to the west, is characterised by its high average rainfall and abundant water sources, making it ideal for diverse agricultural activities. The Green 2000 initiative, which includes training and financial empowerment for local farmers, aims to enhance food security and economic growth.

In February 2024, the Ministry of Agriculture unveiled the National Agricultural Mechanisation Strategy. This strategy heralds the establishment of ten mechanisation service centres, which aim to revolutionise Zambia's agricultural landscape.

The outlook for 2025

The risk of extreme weather events persists and therefore developing sustainable agriculture is key. The government has introduced a Stability and Resilience Facility fund worth five billion kwacha aimed at stabilising and supporting the sector, particularly in response to the adverse effects of the 2023/24 drought. This fund is expected to enhance agricultural productivity by providing farmers with access to better seeds, fertilisers and modern farming techniques.

Additionally, there are plans to improve irrigation infrastructure, which will help mitigate the impact of erratic rainfall patterns and ensure a more reliable water supply for crops. The focus on agriculture is not only to boost food security but also to increase export earnings from cash crops like tobacco, cotton and sugar. By investing in value addition and agro-processing industries, Zambia aims to create more jobs and increase the sector's contribution to GDP.



6.4 Tourism

The role of tourism in Zambia's economy

Zambia's tourism sector is experiencing a remarkable revival, with forecasts showing a growth rate of 4.7% in 2024. This is projected to increase marginally to 4.8% in 2025.²⁹ This upward trajectory is the result of intentional policy measures, particularly the Tourism Master Plan, which covers the period 2018 to 2038,³⁰ in conjunction with the implementation of the Eighth National Development Plan. Government has invested considerable effort and resources to establish the country as a leading destination for foreign direct investment, with the tourism industry becoming a focal point in this strategy.

The Honourable Minister of Tourism Rodney Sikumba, in a press briefing held on 13 February 2025, highlighted several recent achievements in the tourism sector. International arrivals rose to 2,199,820 in 2024,³¹ a 35.3% increase compared to 2023. Visits to national parks, museums and heritage sites also grew to 530,110, reflecting a 9% increase. The Ministry of Tourism surpassed revenue targets in 2024, generating K319.5 million in non-tax revenue, a 59% increase on the projected K200.9 million.

Zambia's tourism sector is also being supported by investments in hospitality infrastructure. These include a US\$110 million investment by Barrows Hotel to build a luxury hotel in Lusaka.³² These developments are set to bolster the tourism sector, providing an array of accommodation and leisure options to cater to different travellers.

Efforts to rejuvenate Zambia's tourism industry highlight the government's recognition of the sector's potential as a driver of economic development. With these strategic initiatives in place, Zambia is well on its way to establishing itself as a premier tourism destination in Africa.

The outlook for 2025

The Ministry of Tourism aims to increase international arrivals to over 2.4 million and boost domestic tourism by 30% by enhancing air access and visa policies, with Zambia now offering visa-free entry to 167 countries. The visa waiver is designed to encourage more tourists to come to Zambia and position the country as a key player in the global tourism market.³³

Emerging sectors

The information and communications technology (ICT) sector is an emerging sector in Zambia's economy, standing as a bulwark against economic decline. The National Information and Communication Technology policy is a top priority for the government. This initiative was first introduced in 2006 but was further revised and reintroduced in 2023. This updated version of the policy aims to transform Zambia into a digitally enabled society, supporting economic growth and reflecting ICT's pivotal role in stimulating socio-economic advancement.

ICT has emerged as a powerful force, driving efficiency and connectivity in the business sector. Technological advancements have significantly lowered barriers to trade, enabling businesses to operate with greater ease and reach. This transformation is most evident in the burgeoning uptake of ICT tools. Social media platforms, mobile phones and a plethora of internet-related services have become more prevalent and are now woven into the fabric of daily commerce and communication.

In 2024, Zambia continued to experience significant growth in its digital landscape. By mid-2024, internet subscriptions had increased by 10.2%, reaching 12.6 million. This growth reflects the country's ongoing digital transformation and its expanding digital community. Additionally, mobile cellular subscriptions rose by 8.9%, reaching 21.9 million.

The proliferation of internet usage has opened new avenues for innovation, education and entrepreneurship. As more Zambians connect to the internet, the potential for economic growth and development expands exponentially. A fourth mobile network operator, Zed Mobile, commenced operations in August 2024. The ICT sector's contribution to the economy is multifaceted, ranging from creating job opportunities to fostering a competitive business environment that can attract foreign investment. In essence, ICT has not only cushioned the economy from downturns but has also positioned Zambia on a trajectory towards sustainable growth and development.



29 Ministry of Tourism announces a record breaking of over 2 million international tourists' arrivals for 2024 and projects further growth in 2025. – Ministry of Tourism

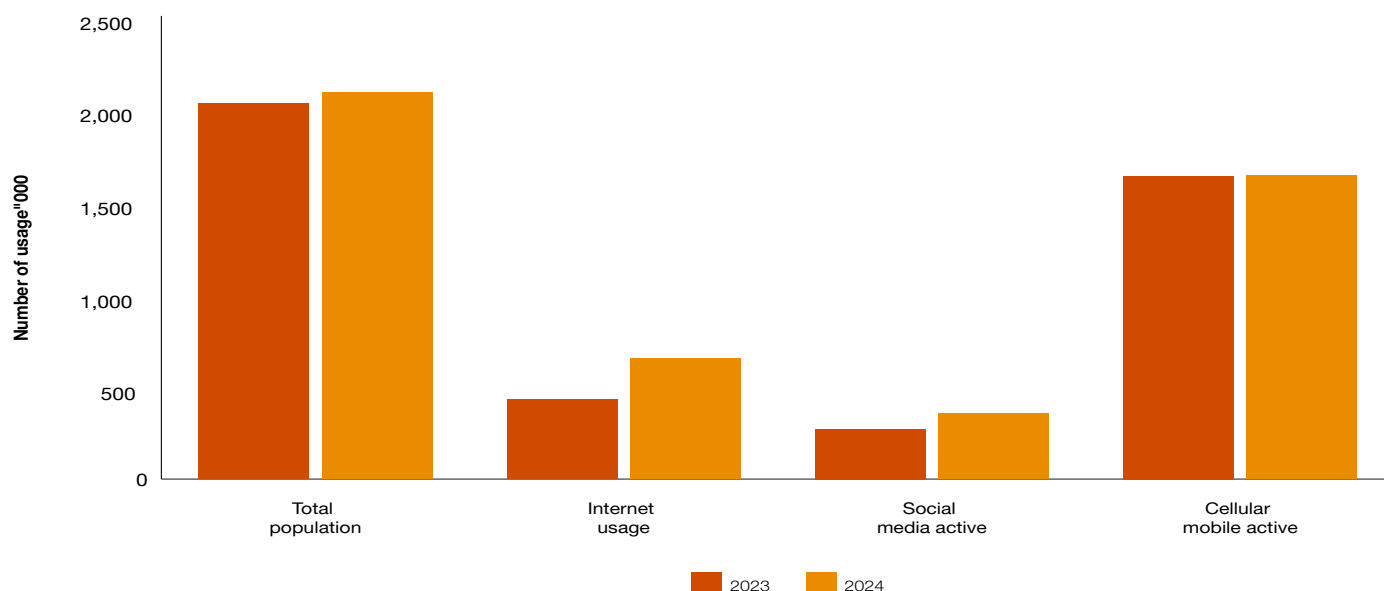
30 Zambia Tourism Master Plan 2018-2038

31 <https://www.mot.gov.zm/?p=3912#:~:text=The%20Minister%20highlighted%20some%20of,%2C%20reflecting%20a%209%25%20increase>

32 New \$100-million Hotel Coming to Lusaka Zambia – APTA

33 Ministry of Tourism announces a record breaking of over 2 million international tourists' arrivals for 2024 and projects further growth in 2025. – Ministry of Tourism

Figure 20: ICT usage



Mobile money services as a catalyst for financial inclusion

Mobile money services have emerged as a pivotal force for financial inclusion in Zambia and uptake of these services has grown sharply. In 2023, the value of mobile transactions soared to K452 billion, up from K295.8 billion in the preceding year. This surge, representing a 52.8% increase in the value of mobile transactions, underscores the burgeoning role of mobile finance in the Zambian economy. In 2024, the value of mobile transactions was at K486 indicating a 7.5% increase from the year prior.

Regulatory advances by ZICTA

The Zambia Information and Communication Authority (ZICTA), the ICT sector's regulator, has been instrumental in creating a competitive environment. In a move to broaden the range of electronic communication services, ZICTA issued 93 electronic communication network and service licences in 2024, which is a 1.1% decrease from 94 licences issued in 2023. In 2022 there were 84 licences issued, this expansion in the year prior included the licensing of three entities dedicated to providing international data connectivity services. Moreover, the introduction of SpaceX's Starlink satellite internet service in Zambia, which was officially launched in October 2023 and facilitated by ZICTA's licensing, marks a significant milestone in enhancing the country's digital connectivity.³⁴

Strategic ICT development and digital transformation

The unveiling of the ICT sector's developmental blueprint by the Honourable Felix C. Mutati, Minister of Technology and Science, marked a significant moment in Zambia's technological evolution. The publication of the ICT Policy and the Digital Transformation Strategy delineates the medium-term priorities for the sector's growth, setting a clear direction. The launch of cutting-edge technologies, such as the introduction of 5G services by two of the three mobile network operators and the adoption of embedded SIM cards, heralds a new era of innovation. These advancements not only enhance customer experiences but also catalyse the digitalisation of various industries, signalling a transformative phase in Zambia's economic development.

The outlook for 2025

In 2025, Zambia's ICT sector is set for significant growth, driven by improvements in digital infrastructure, including the continued rollout of 5G technology and increased internet penetration, which is projected to reach 50.1%. Consumer spending on ICT equipment is expected to rise, reflecting growing demand for digital devices. Meanwhile, government is enhancing e-government services and implementing cybersecurity measures to ensure secure digital transactions. Additionally, the rise of tech startups and innovation hubs is fostering local solutions across various sectors, contributing to a more connected and digitally inclusive society. These advancements aim to drive economic growth and improve the quality of life for Zambians.

34 The Zambia Information and Communication Technology Authority

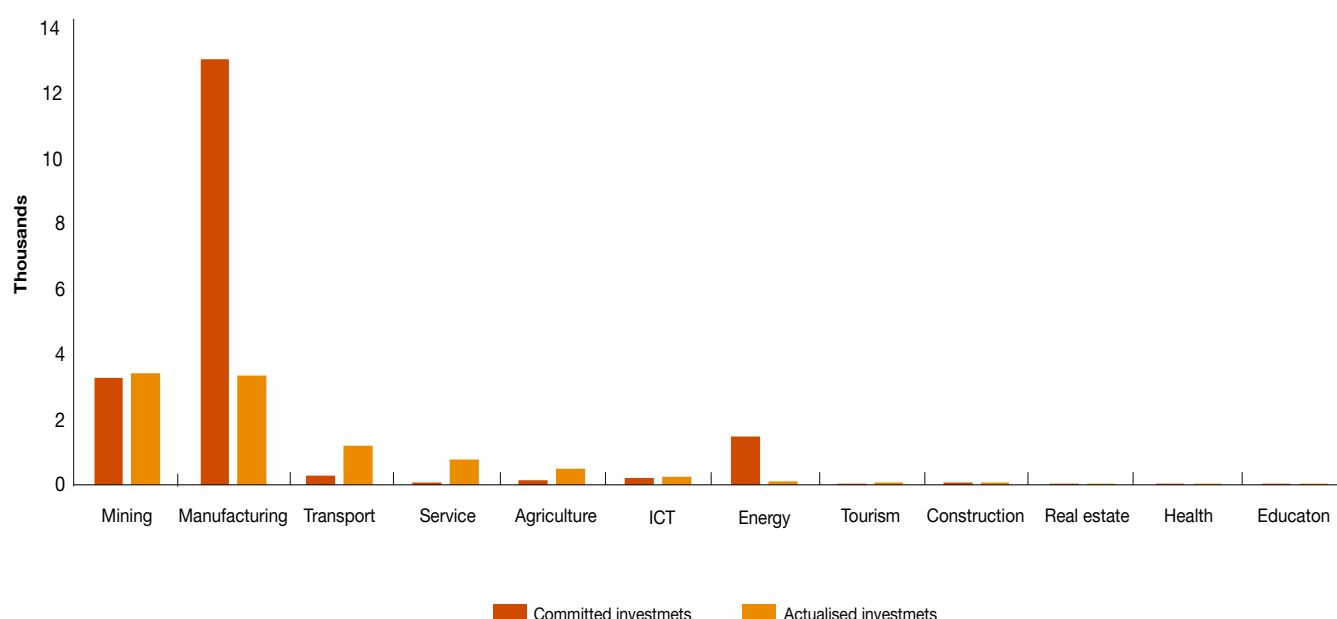
7. Investment trends

From 2021 to 2024, a total of US\$9.83 billion of investment was realised from 479 monitored enterprises compared to committed investments of US\$18.7 billion, resulting in an investment actualisation rate of 52.4%. Of this, US\$6.7 billion was foreign direct investment and US\$3.1 billion was local direct investment.³⁵

The mining, manufacturing, transport, service and agriculture sectors accounted for US\$3.43 billion, US\$3.36 billion, US\$1.19 billion, US\$792.34 million and US\$487 million of investment respectively between 2021 and 2024. Other sectors contributed US\$561.1 million. In terms of actualisation performance by sector, the mining sector accounted for 34.9% of total investments actualised. This was followed by the manufacturing sector, which accounted for 34.2%, and the transport sector, with 12.2% of total actualised investments.

Additionally, 40,395 jobs were created against a committed employment of 38,115, achieving an actualisation rate of 106%. The Zambia Development Agency will continue to prioritise monitoring the performance of registered enterprises as this provides evidence of the economic benefits accruing to the government from both fiscal and non-fiscal facilitation investments.

Figure 21: Committed vs actualised investments by sector



Source: Zambia Development Agency

The outlook for 2025

In 2025, several sectors in Zambia are expected to attract significant investment. These are:

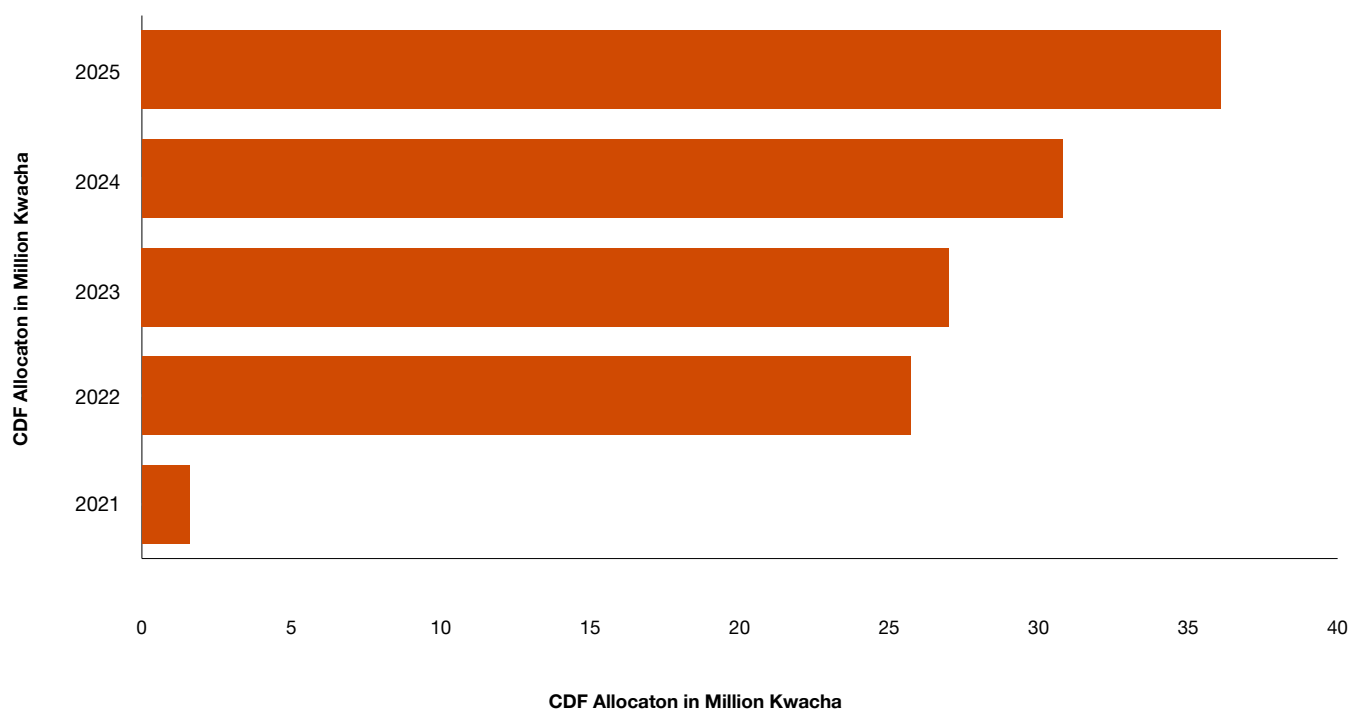
- 1. Mining:** The mining sector, particularly copper mining, continues to be a major attraction for investors. With global copper prices expected to rebound in 2025, this sector is poised for further growth. The mining sector is also likely to see investment in other minerals, which will help diversify the sector away from its dependence on copper.
- 2. Agriculture:** Given Zambia's vast arable land and gradually improving climate conditions, agriculture remains a key sector for investment. The government has been promoting agricultural diversification and value addition, which is likely to attract more investments.
- 3. Manufacturing:** The manufacturing sector is expected to recover and grow, driven by increased demand for locally produced goods and government incentives for industrialisation.
- 4. Services:** The services sector, including finance, tourism and telecommunications, is also expected to see increased investment. The growth in digital services and infrastructure development will play a significant role.
- 5. Renewable energy:** With a focus on sustainable development, investments in renewable energy sources such as solar and hydroelectric power are anticipated to rise.

35 The Zambia Development Agency

8. The Constituency Development Fund

The Constituency Development Fund (CDF) in Zambia is governed by the Constituency Development Fund Act No. 11 of 2018, which aims to support community-driven development projects across the country's constituencies. Allocation of funds to the CDF has increased significantly in recent years, with the 2025 budget raising funding to K36.1 million per constituency from K30.8 million per constituency in 2024. The fund is used for various community projects, including the development of climate-smart infrastructure to enhance resilience and provide resources that are needed for youths, women and people with disabilities in order to foster inclusive growth. The fund is managed by Constituency Development Fund committees and follows a decentralised approach to ensure timely and accountable disbursements that address community needs. The fund's goal is to achieve a minimum utilisation rate of 98% by 2025.

Figure 22: CDF allocation



Source: Transparency International Zambia





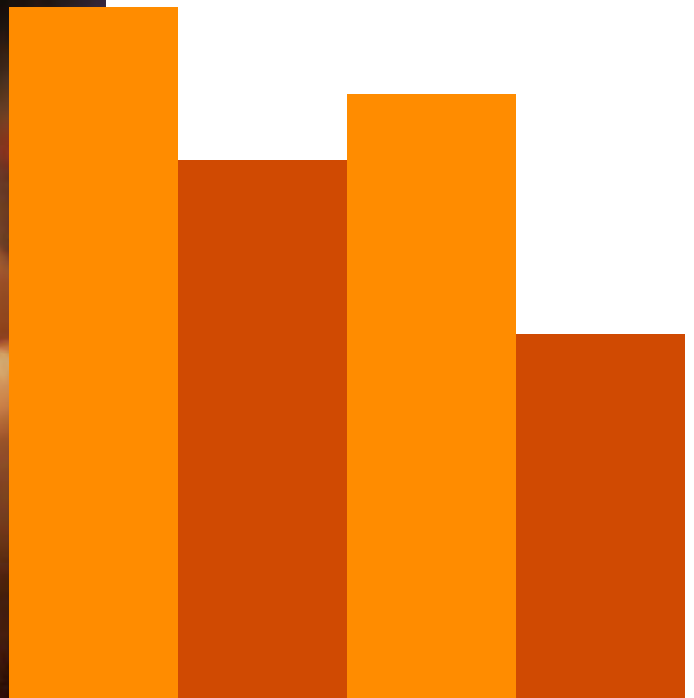
Conclusion

The years leading up to 2024 have been marked by significant economic stress for Zambia, driven by a multitude of factors. From debt default and the lingering effects of the pandemic to geopolitical turmoil, a slump in mining output—the country's most significant industry—and the impact of severe drought, Zambia has faced a series of formidable challenges.

While there are justifiable reasons for the country's economic struggles, particularly in recent years, it is concerning that, 60 years after independence, critical economic reform measures intended to insulate the economy from external shocks—most notably, diversification away from mining, predominantly copper, into sectors such as agriculture—have yet to be fully actualised.

Despite these challenges, Zambia's economic potential remains undeniable. The country is endowed with vast natural resources, strategic positioning as a trade and logistics hub, political stability, and a young and dynamic population. These advantages provide a solid foundation for future growth and development.

The immediate priority must be to realise this potential swiftly for the benefit of all citizens. By implementing necessary reforms and diversifying the economy, Zambia can build resilience against external shocks and pave the way for sustainable growth. The journey ahead may be challenging, but with strategic foresight and collective effort, Zambia can achieve a brighter and more prosperous future.



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