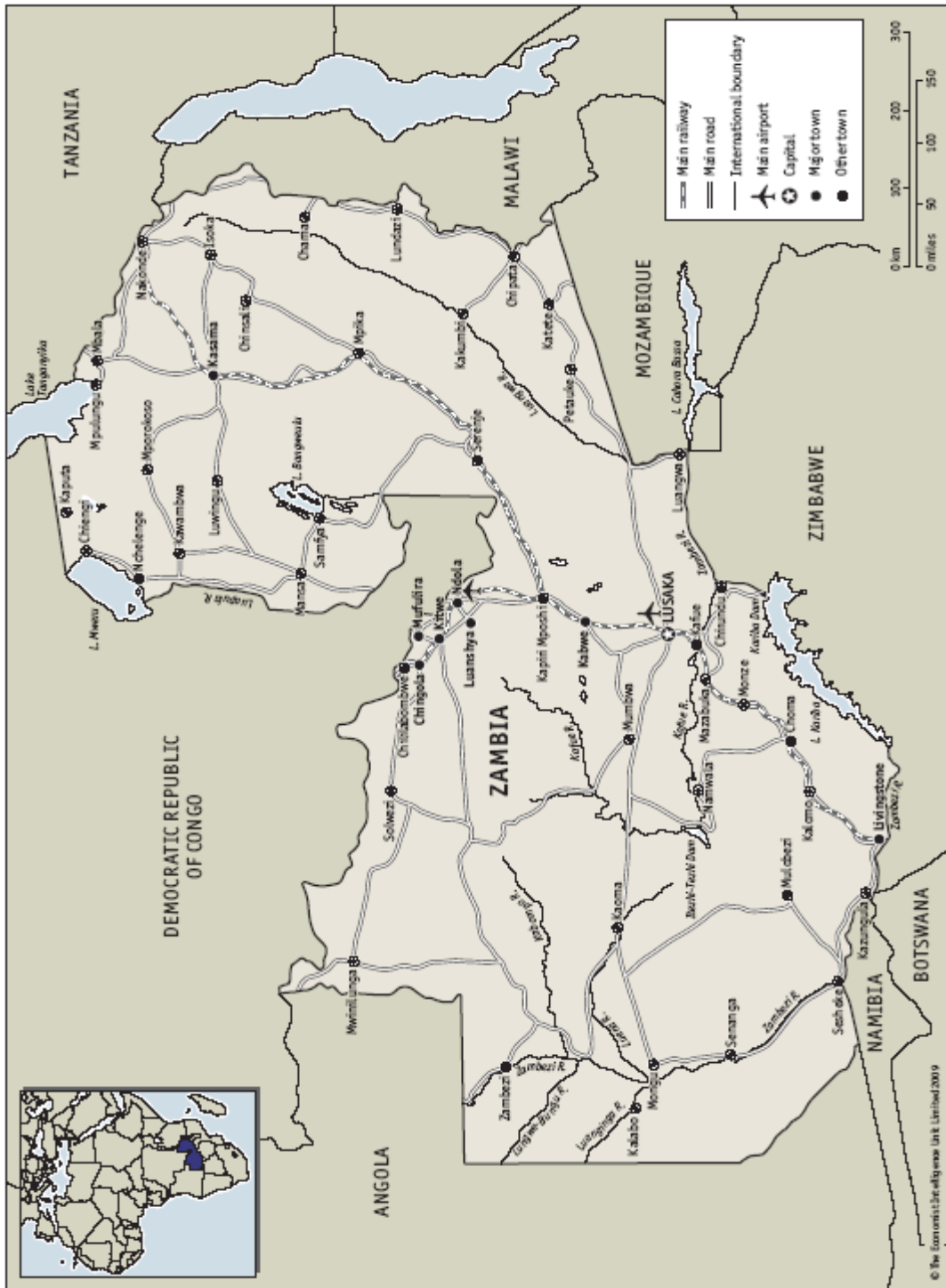


Brief Profile: Zambia
August 2009

Country Map – Zambia



Basic Information - Zambia

- ⇒ **Location:** South Africa, east of Angola
- ⇒ **Land area:** 752,612 sq km
- ⇒ **Population:** 11.7 mn (2006, IMF mid-year estimate)
- ⇒ **Main towns:** Population in '000 (2000 census)
 - Lusaka (capital): 1,432
 - Ndola: 536
 - Kabwe: 512
 - Kitwe: 373
 - Chingola: 173
 - Mufulira: 156
 - Luanshya: 152
 - Livingstone: 103
- ⇒ **Climate:** Tropical, cool on high plateaux
- ⇒ **Weather in Lusaka (altitude 1,277 metres):** Hottest month, October, 18-31°C; coldest month, July, 9-23°C (average daily minimum and maximum); driest month, August, 0 mm average rainfall; wettest month, December, 231 mm average rainfall
- ⇒ **Languages:** English (official), Nyanja, Bemba, Tonga, Lozi and other local languages
- ⇒ **Currency:** Kwacha (ZK) = 100 ngwee. Average exchange rate in 2008: ZK 3,746: US\$ 1
- ⇒ **Time:** 2 hours ahead of GMT

Political Structure - Zambia

Official name: Republic of Zambia

Form of state: Unitary republic

National legislature: National Assembly; 150 members elected by universal suffrage, serving a five-year term; the president can appoint eight further members

Head of state: President, elected by universal suffrage for a term of five years

National government: The president and his appointed cabinet

President: Rupiah Banda

Vice-president & justice minister: George Kunda

Key ministers

Agriculture & co-operatives: Brian Chituwo & Bradford Machila

Commerce, trade & industry: Felix Mutati

Defence: George Mpombo

Education: Dora Siliya

Energy & water development: Kenneth Konga

Finance & national planning: Situmbeko Musokotwane

Foreign affairs: Kabinga Pande

Home affairs: Kalombo Mwansa

Science, technology & vocational training: Peter Daka

Central bank governor: Caleb Fundanga

Source: EIU

Domestic Economy

- The real GDP growth rate of Zambia slowed down to an estimated 6.0% in 2008 as compared to 6.2% registered in the previous year, primarily as a result of poor performance of mining sector.
- In absolute terms, real GDP of Zambia increased to an estimated US\$ 13.9 bn in 2008 from US\$ 11.2 bn in the previous year. GDP per capita stood at an estimated US\$ 1,112 in 2008.
- Consumer price inflation increased to 12.4% in 2008 from 10.7% during the previous year, owing to higher global food and oil prices during the first half of 2008.
- Services sector is the dominant sector in Zambia's economy accounting for 49% of GDP in 2007 (as per latest data available), followed by Industry (29% of GDP) and Agricultural (22% of GDP) sectors.

Trade and External Sector

- Zambia's exports increased by 4.3% in 2008 to stand at an estimated US\$ 4.8 bn from US\$ 4.6 bn in the previous year, mainly owing to higher copper earnings due to high global copper price and an increase in non-metal exports during the first half of 2008.
- Imports increased by 30.6% to an estimated US\$ 4.7 bn in 2008 from US\$ 3.6 bn in 2007, primarily due to higher imports of machineries & transport equipments, and fuels.
- Zambia's trade surplus, thus, narrowed to US\$ 124 mn in 2008 from US\$ 983 mn in the previous year.

- Major items in Zambia's export basket in 2006 (as per latest data available) were manufactures goods (US\$ 2.8 bn), crude materials (US\$ 536.8 mn), and food & live animals (US\$ 139.4 mn).
- Zambia's main items of import in 2006 (as per latest data available) were machinery & transport equipments (US\$ 1.2 bn), fuels (US\$ 453.2 mn), chemicals (US\$ 446.1 mn) and manufactured goods (US\$ 429.1 mn).
- The major destinations of Zambia's exports in 2008 were Switzerland (36.5%), South Africa (10.6%), China (8.2%), and Saudi Arabia (4.9%).
- Major origins of Zambia's imports in 2008 were South Africa (49.1%), China (8.2%), United Arab Emirates (7.8%) and India (4.4%).
- Zambia's current account deficit of US\$ 303 mn in 2007 widened to US\$ 979 mn in 2008, mainly due to narrowing of trade surplus and deficit in services and income balance.

Currency, Foreign Exchange Reserves and External Debt

- The local currency is the Kwacha (ZK). The average exchange rate in 2008 was estimated at ZK 3,746: US\$ 1, appreciating by 6.4% from ZK 4,003: US\$ 1 in 2007.
- Zambia's foreign exchange reserves increased marginally to US\$ 1,096 mn in 2008 from US\$ 1,090 mn in 2007, representing 2.8 months of import cover.
- Total external debt increased to US\$ 2.9 bn in 2008 from US\$ 2.6 bn in 2007.

Country Risk Ratings

- *Euromoney*, in its March 2009 risk ranking of 186 countries, placed Zambia at 112, which is a fall of five places compared to the previous ranking of September 2008. India is placed at 78 in the same ranking.
- In the *Institutional Investors* ranking of 177 countries in March 2009, Zambia was placed at 112th position, which was a rise of ten places compared to the previous ranking of September 2008. India is placed at 52 in the same ranking.
- *Export Credit Guarantee Corporation of India Ltd. (ECGC)*, which ranks countries in increasing order of risk in seven groups of A1, A2, B1, B2, C1, C2 and D, placed Zambia in Country Group B2 in June 2009 rankings.

Bilateral Trade Relations with India

- India's exports to Zambia increased by 22.0% to US\$ 132.2 mn in 2007-08 from US\$ 108.3 mn in 2006-07, mainly due to increased exports of machinery and instruments.
- India's imports from Zambia decreased by 13.2% to US\$ 74.8 mn in 2007-08 from US\$ 86.2 mn in 2006-07, primarily as a result of fall in imports of metaliferrous ores & metal scrap.
- Thus, India's trade surplus with Zambia, which amounted to US\$ 22.1 mn in 2006-07, increased to US\$ 57.4 mn in 2007-08.
- Machinery and instruments (40% of total exports), pharmaceutical products (18%), electronic goods (8%), manufactures of metals (7%)

and transport equipments (7%) were the principal commodities in India's export basket to Zambia in 2007-08.

- Metaliferrous ores & metal scraps formed the major item in the Indian import basket from Zambia in 2007-08, accounting for 44.0% of total imports. Pearls, precious & semiprecious stones (36%), and non-ferrous metals (19% of totals imports) were other important commodities, which India imported from Zambia in the same year.
- During 2008-09 (April-February), India's total exports to Zambia decreased by 26.5% to US\$ 90.3 mn as compared to US\$ 122.8 mn during the same period in the previous year.
- During 2008-09 (April-February), India's total imports from Zambia increased by 158.0% to US\$ 190.3 mn as compared to US\$ 73.8 mn during the same period in the previous year.

Macroeconomic Outlook

- Real GDP growth is expected to slow down to 2.5% in 2009 and 3.8% in 2010, as the global economic slowdown hits Zambia. Mining investment and production are expected to badly hit by weaker prices.
- Moderating global food and fuel costs are expected to offset by increased imported inflation and higher utility prices with average inflation increasing slightly to 13.5% in 2009, before coming down moderately to 10.5% in 2010.
- The kwacha lost around 50% of its value in the second half of 2008 as a result of political uncertainties, a stronger US dollar, falling copper prices and a large withdrawal of portfolio investment prompted by growing emerging-market risk aversion among global investors. The

effect would be a large year-on-year currency depreciation in 2009, with the kwacha expected to average ZK 5,297: US\$ 1, compared with ZK 3,746: US\$ 1 in 2008. A more modest depreciation is likely in 2010, as global markets settle, with the kwacha averaging ZK 5,660: US\$ 1.

- An expected increase in copper prices and a rise in donor transfers are expected to lead to a current-account deficit of 4.3% of GDP in 2009 and 5.2% of GDP in 2010.

Zambia: Economic Structure

Economic Indicators	2005	2006	2007	2008^b	2009^c
GDP (US\$ bn)	7.3	10.5	11.2	13.9	11.4
GDP at market prices (ZK bn)	32.5	37.9	44.9	52.1	60.5
Real GDP growth (%)	5.2	6.2	6.2	6.0	2.5
Consumer price inflation (av.,%)	18.3	9.0	10.7	12.4	13.5
Population (mn)	11.7	12.0	12.3	12.5	12.7
Exports fob (US\$ mn)	2,247	3,929	4,594	4,818	3,920
Imports fob (US\$ mn)	2,161	2,636	3,611	4,694	3,943
Current-account balance (US\$ mn)	-332	304	-303	-979	-494
Total International Reserves (US\$ mn)	560	720	1,090	1,096	1,150
Total external debt (US\$ bn)	5.4	2.3	2.6	2.9	2.9
Exchange rate (av., ZK: US\$) Local Currency is Kwacha (ZK)	4,464	3,603	4,003	3,746	5,297

Note: ^b Estimates; ^c Projections.

Source: EIU.