



2024 ECONOMIC PERFORMANCE AND 2025 OUTLOOK

EXECUTIVE SUMMARY

The ZIPAR 2024 Economic Performance brief provides an analysis of Zambia’s economic performance amid significant challenges, including a severe drought and rising inflation. Despite initial GDP growth projections of 4.8 percent, economic activity has been revised downward to 1.2 percent due to disruptions in agriculture, energy, and mining sectors. Key highlights include Zambia’s progress in debt restructuring, a rebound in mining operations like KCM and Mopani, and increased investments in infrastructure and social sectors to mitigate vulnerability. However, persistent energy deficits, currency depreciation, and inflation (16.5 percent as of November 2024) underscore the need for resilient fiscal management and structural reforms. Looking forward to 2025, projected GDP growth of 6.6 percent hinges on favourable weather, strategic investments, and policy implementation to drive recovery, while prioritizing food security, energy stability, and inclusive social protection programs.



INTRODUCTION



1. This brief by the Zambia Institute for Policy Analysis and Research (ZIPAR) provides an analysis of Zambia's economic performance in 2024 and presents a forecast for 2025. It examines macroeconomic and fiscal developments during the first three quarters of 2024. The report also evaluates progress in key real sectors, including mining, agriculture, energy, and transport.
2. Additionally, the brief assesses the attainment of major policy targets in social sectors, with a particular focus on education, health, and social protection. It compares actual outcomes with targets across various indicators, highlighting achievements in these areas during 2024. Looking ahead, the brief offers a 2025 outlook on selected indicators and addresses key issues expected to influence Zambia's economic and social landscape.

MACROECONOMIC PERFORMANCE



3. To set the context, in 2023, Zambia's real Gross Domestic Product (GDP) grew by 5.4 percent, driven primarily by the Information and Communication Technology (ICT), Education and Financial and insurance services and construction sectors. Building on this strong performance, the Government initially projected a 4.8 percent growth for 2024. However, the economy faced significant setbacks, initially due to a cholera outbreak and a severe drought. Consequently, the GDP growth forecast was revised downward twice, first to 2.3 percent and eventually to 1.2 percent.

4. Despite recent economic challenges, the Government projects a 6.6% GDP growth in 2025, as outlined in the 2025 National Budget. This optimistic forecast hinges on a recovery in the mining sector, driven by resolutions to disputes surrounding Konkola Copper Mines (KCM) and Mopani Mines, with significant investments committed to revitalizing operations. Additionally, the Government anticipated favourable weather conditions to boost agricultural output and electricity generation, strengthening economic performance. However, persistent energy deficits remain a critical concern that could hinder achieving this ambitious growth target.
5. Inflation in 2024 has continued on an upward trajectory clear of the target range of 6–8 percent, reaching 16.5 percent in November, up from 13.2 percent in January. The increase has been driven by higher prices for staple foods, increased demand for forest fuels due to load management, and the continued depreciation of the Kwacha. The Kwacha has significantly depreciated (by 10.3 percent) against major tradable currencies including the US dollar, from K24.77/US\$ in December 2023 to K27.33/US\$ in November 2024. This depreciation has been on account of high demand for foreign currency to pay for critical imports like fuel, electricity and agricultural inputs, combined with falling copper prices and declining production. However, it is worth mentioning that the Central Bank interventions in the foreign exchange market have cushioned volatility of the kwacha. In 2025, the Kwacha is expected to remain vulnerable to further depreciation, with the less than normal rainfall outcomes in the October-December period. This could put further strain on the demand for foreign exchange to further support food and energy imports.
6. In 2024, the Balance of Payment (BoP) has been shaped by a challenging economic environment with the current account recording a deficit in first quarter due to subdued export performance and high import demand. However, in second quarter, the BoP improved significantly, transitioning to a surplus driven by a rebound in exports, particularly from the mining sector, alongside moderated imports. The surplus highlights an improved trade balance, although portfolio investments, such as declining foreign investment inflows, continue to pose challenges for Zambia.
7. Looking ahead, real sector investments will play a pivotal role in addressing exchange rate volatility in Zambia. For instance, the realization of upcoming investments totalling US\$2.5 billion in mining, manufacturing, and energy, alongside the formalization of gold trading, as highlighted in the ZIPAR 2025 National Budget Analysis will be essential for boosting foreign exchange inflows and improving the country's balance of payments.

DEBT RESTRUCTURING



8. The government has made notable progress in resolving Zambia's protracted debt restructuring process in 2024. Key milestones include reaching an agreement with Eurobond holders, exchanging outstanding bonds for new ones, and executing agreements with non-bonded commercial creditors such as Paramount and Huawei Technologies. Additionally, agreements in principle were signed with the Industrial and Commercial Bank of China and the China Development Bank. On December 8, 2024, Zambia achieved a significant milestone by signing its first bilateral debt restructuring agreement with France. This marks a critical step toward achieving debt sustainability and reducing the risk of debt distress.
9. With 2025 on the horizon, the government's priorities should include securing restructuring agreements with remaining official bilateral creditors and concluding negotiations with non-bonded private creditors to solidify progress in debt management. Additionally, the government must take proactive measures to prevent errors in debt servicing payments, such as the recent incident involving ZESCO's erroneous payment to China of US\$80 million, which occurred amidst ongoing debt restructuring negotiations. This is crucial for Zambia as it lays the foundation for restoring fiscal sustainability and rebuilding investor confidence.



FISCAL PERFORMANCE

10. During the period January to September 2024, collection of total revenue and grants stood at K111.0 billion against a target of K113.6, representing a shortfall of K2.6 billion or 2.3 percent. The lower than planned collections, was on account of lower than planned revenue collection from mining Corporate Income Tax (CIT), which recorded an underperformance of 48.9 percent while non-mining CIT recorded a 10.3 percent underperformance, as the mining houses and businesses have been faced with higher operational costs, and reduced profits due to reduced electricity supply. Value Added Tax (VAT) was nearly 5.0 percent above the target of K27.6 billion in the first three quarters of the year. The overachievement was driven by the depreciation kwacha, leading to higher collections of import VAT.
11. Government expenditure, including principal payments on public debt, amounted to K141.7 billion in the first three quarters of the year, lower than the targeted K155.8 billion by 9.1 percent. This shortfall reflects constrained domestic financing and spending compression. Consequently, the primary balance (on cash basis) stood at 3.1 percent of GDP for January to September, significantly exceeding the projected surplus of 0.9 percent of GDP.
12. Notwithstanding the fiscal challenges, the government has prioritized and upscaled social spending to support vulnerable populations, worst hit by the drought disaster.

REAL SECTOR

Zambia's Agriculture, Forestry, and Fishing Industry Performance

13. The Agriculture, Forestry, and Fishing sector has on average contributed 2.9 percent to GDP and employs around 721,349 individuals, making it the second largest employment sector. However, in the 2023/24 farming season, the sector declined by 0.6 percent due to an El Niño-induced drought disaster. This severe weather event disrupted crop and livestock production, resulting in overreliance on strategic reserves and imports, for food during the first half of 2024.
14. A favourable rainfall performance combined with reforms through the Comprehensive Agricultural Transformation Support Program (CATSP) and the Sustainable Agricultural Financing Facility (SAFF) were expected to drive sectoral recovery, alleviate trade balance pressures, and reduce government spending on relief food. Enhanced agricultural performance was envisioned to quickly improve household food security, particularly for communities hit hardest by the drought.
15. Although the weather forecast for the 2024/25 season indicated normal to above normal rainfall induced by the La Niña induced event, the rainfall performance in most regions of the country, particularly the Southern Province is concerning. The need to keep the vulnerable communities on the Government relief programme may last longer than anticipated.
16. Persistent drought into 2025 could undermine recovery efforts, affecting GDP growth and sectors like energy, which depend on hydrological conditions. Prolonged adverse weather may necessitate further government fiscal measures to ensure food security and address broader economic challenges.

Mining Sector Performance

17. The mining sector plays a crucial role in the national economy, significantly contributing to GDP, employment, and foreign exchange earnings. During 2021-2023, the sector contributed a substantial 15.3 percent to the country's GDP. In 2024, the sector has continued to score positive achievements, spurred by government-led reforms aimed at addressing operational challenges and fostering growth. The revival of Konkola Copper Mines (KCM) and Mopani Copper Mines has marked significant progress, with KCM projected to exceed an annual output of 300,000 tonnes of copper once fully operational.
18. Copper output increased by 14.91 percent, in the first quarter of 2024, compared to the same period in 2023, reaching 165,984 tonnes, largely driven by improved performance at First Quantum Minerals' Trident and Kansanshi mines. Despite these gains, the sector fell short of fully capitalizing on favourable market conditions, as copper prices averaged US\$9,390 per metric tonne by mid-2024, compared to US\$8,490 in 2023. Nonetheless, improved production, rising prices, and ongoing reforms have set a solid foundation for future growth.
19. Looking ahead into 2025, the outlook for the mining sector is optimistic, with increased production expected from KCM, Mopani, and newly reopened mines like Kalengwa and Kansenseli, as well as expansions at major operations. Rising global demand for copper and critical minerals is anticipated to sustain favourable prices, enhancing the sector's growth potential. However, systemic challenges such as energy supply constraints and delays in passing the Minerals Regulation Commission Bill persist, hindering operational efficiency and regulatory effectiveness. Addressing these challenges through operationalizing the Minerals Regulation Commission (MRC) and maintaining the reform momentum will be vital for unlocking the sector's full potential, cementing its role as a cornerstone of Zambia's economic recovery and growth.

Tourism

20. The tourism sector has continued showing signs of recovery in 2024, with international arrivals increasing by 21 percent, reaching 732,732 in the first half of the year compared to the same period in 2023 which stood at 605,650. In addition to increased arrivals, there has been a notable rise in demand for international conference and events in 2024, highlighting the country's growing appeal as a business and leisure destination. However, to enhance its visibility and secure its position as a premier tourism destination, it is crucial to fast-track the development of the Meetings, Incentives, Conventions, and Exhibitions (MICE) National Strategy, which is currently under development by the Ministry of Tourism. This strategy will be essential in boosting Zambia's profile in the global tourism market and potentially increasing the overall contribution of the tourism sector to Zambia's economic growth.

Energy

21. The energy sector is a critical driver of industrial activity and socioeconomic development. For instance the electricity sub sector contributes on average 1.3 percent to GDP annually. In 2024, the sector faced significant challenges stemming from the 2023/2024 drought, impacting hydropower generation and overall energy availability.
22. Hydropower continues to dominate Zambia's electricity generation, accounting for 85% of total capacity. However, due to reduced water levels at key reservoirs such as Lake Kariba, hydropower output has fallen significantly, with generation at approximately 2,100 MW against an installed capacity of 3,811 MW. This shortfall has forced the government to rely on power imports and encourage alternative solutions, including off-grid systems and renewable energy technologies. Notably, ZESCO has recently launched a net-metering program, empowering consumers to generate their electricity and feed surplus power back into the grid, promoting sustainability and energy security. Additionally, measures such as VAT exemptions for solar equipment and streamlined licensing processes through a one-stop shop has helped reduce barriers for households and investors, promoting diversification and resilience in Zambia's energy sector.
23. To attract investment and stabilize the sector, the government must adhere to cost-reflective tariffs under the multi-year adjustment framework and accelerate infrastructure

projects to integrate regional power markets. The recent approval of emergency tariff adjustments has improved the utility's financial stability, allowing for extended power availability hours. To enhance trust as the industry courts the multi-year adjustment framework, ZESCO should stick to its end of the bargain.

24. The petroleum subsector has been faced with challenges and progress in 2024. By the end of June 2024, outstanding government bills to suppliers decreased by 18.3 percent from K97.7 billion in December 2023 to K79.8 billion, with further reductions anticipated as arrears are addressed. Despite these efforts, fuel pricing remains problematic, prompting the Government to freeze a 25 percent customs duty on fuel at the start of 2024. According to the 2025-2027 Medium-Term Budget Plan (MTBP), the Government aims to enhance fuel supply management by improving private sector participation in petroleum importation and procurement. Investments will focus on infrastructure, including expanding and rehabilitating the TAZAMA pipeline to further lower transportation costs. To manage fuel prices, the Government plans to implement a Uniform Petroleum Pricing (UPP) mechanism to support affordable retailing in both rural and urban areas. The Government will also continue using the Import Parity Pricing (IPP) model to ensure supply chain efficiency and to align domestic prices with international market trends.



Transport

25. Transport infrastructure remains a cornerstone of Zambia's economic transformation strategy under the 8th National Development Plan (8NDP). The 2024 Budget allocated K8.3 billion to this sector, a 60 percent increase from K5.2 billion in 2023, focusing on constructing and upgrading trade routes like Chinsali-Mpika, Serenje-Mpika, and Monze-Niko. These efforts aim to position Zambia as a regional transport and logistics hub. Support from partners including a USD 458 million grant from the Millennium Challenge Corporation and USD 270 million from the World Bank's TRACER Project is notable. Additionally, progress was made with a Memorandum of Understanding (MOU) to revitalize TAZARA, though final agreements with Chinese counterparts remain pending.
26. Transport sector performance in 2024 showed mixed results. Road freight volumes rose by 4.5 percent to nearly 16 million metric tons, driven by mining activity in the Democratic Republic of Congo. However, rail freight declined by 20.3 percent to 357,369 metric tons, and rail passenger numbers dropped by 16.3 percent to 211,678 due to disruptions on the TAZARA line. In contrast, the aviation sector grew significantly, with passenger numbers increasing by 17 percent to 1,052,058, supported by higher flight frequencies and a recovering tourism market. Moving forward, the government is encouraged to prioritize economically viable transport projects, leveraging public-private partnerships to ensure value for money and sustainable development. Robust public investment management frameworks will be key to achieving these goals.





SOCIAL SECTOR PERFORMANCE

27. The social sector continues to play a pivotal role in supporting Zambia's development trajectory. In 2024, notable progress has been made in health, education, and social protection, driven by policy reforms and targeted interventions aimed at improving service delivery and enhancing the well-being of all Zambians. However, challenges persist, and addressing these will require sustained commitment and innovation.

Education Sector Performance

28. In 2024, the education sector achieved key milestones, including the 2024 Annual School Census launch and the continued success of the free education policy. In terms of financing, a total of K23.7 billion was allocated to various programmes in the education sector in 2024, this allocation included K561.4 million for the drought response. In the year under review, funding to the sector remained constituent and timely. The budget outturn was 101.6%, reaffirming the government's commitment to ensuring access to quality and inclusive education, especially amidst crises such as the drought. The school feeding program also registered a 99.9% budget outturn in the same year, reaffirming the government's commitments to ensuring that children do not drop out of school due to hunger.

Health Sector Performance

29. The government has made significant progress in improving access to quality healthcare, including the planned recruitment of 4,029 health workers, prioritizing volunteers from cholera response efforts and midwives, alongside advancements in maternal and child health as highlighted by the 2024 Demographic Health Survey. Despite these strides, the rising burden of Non-Communicable Diseases (NCDs) such as cancer and diabetes remain on the rise.
30. Overall financing to the health sector as of November 2024 stood at 73.7% against envisioned budget release with expenditure for drugs, medical supplies and medical equipment remaining low and below target at 42.8%. While it is essential to acknowledge the significant strides made by the Government to improve the stock of medicines and medical supplies through the Zambia Medicines and Medical Supplies Agency (ZAMMSA), drug shortages did persist. Addressing revelations of corruptions where individuals have profited illicitly from drugs as highlighted by the preliminary findings of a forensic audit on ZAMMSA is crucial to enhancing healthcare service delivery.

Social Protection Sector Performance

31. In response to the 2024 drought, the government increased its commitment to social protection by allocating additional funds to the Emergency Social Cash Transfer (ECT) program, benefiting 726,516 households in 84 drought-affected districts, alongside 1,311,101 households receiving Social Cash Transfers nationwide. Programs like the Cash Plus Agenda and the Cash for Work initiative have enhanced community resilience, while consistent payments for social protection, including K5.1 billion disbursed in September 2024, underscore the government's focus on timely support. To ensure sustainability and impact, it is recommended that robust monitoring mechanisms, expanded capacity-building for beneficiaries, and sustainable financing solutions be prioritized, particularly given growing environmental uncertainties.
32. The drought crisis undoubtedly caused significant vulnerability and increased already existing vulnerability in the country, threatening the government's effort of reversing the poverty trap. The SCT allocation was adjusted with the supplementary budget to cushion vulnerability for beneficiaries from the drought. In the year under review, spending towards the program was 77.8% against the total planned budget. Reasons attributed could be the delayed allocation particularly in Q1 when the drought appeal was made

by the republican president to address the impact of the drought. The unchanging Food Security Pack (FSP) allocation remains a concern especially given the emerging environment crises the country is facing. The FSP programme budget disbursement of in Q4 was higher than the previous quarters, this could be attributed to the upcoming planting season to support the vulnerable vet viable farmers.

CONCLUSION

33. There is an ancient tale of a farmer who, after a season of drought, stood at the edge of his barren field. Though his harvest was meagre, he did not despair. Instead, he prepared the soil, planted seeds for the next season, and prayed for rain, knowing that seasons of adversity often precede periods of abundance. In 2024, Zambia is in a similar position. Zambia's 2024 economic challenges have laid the groundwork for recovery. Strategic investments and policy reforms represent the seeds of progress, but their success depends on collective effort and addressing structural challenges. The farmer's lesson teaches us that perseverance and preparation are key to turning adversity into abundance, a truth that underscores Zambia's path toward economic transformation.



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