

AFRICA RISK CONSULTING

Zambia Monthly Briefing November 2024

Zambia Summary 18 November 2024

The Bank of Zambia (central bank) on 13 November increase the benchmark policy rate by 50 basis points to 14% in a bid to contain inflationary pressures caused by ongoing drought and exacerbated by a weakening kwacha. The International Monetary Fund's board expects to meet by mid-December to conclude the fourth review of Zambia's Extended Credit Facility which could lead to the disbursement of \$195m. President Hakainde Hichilema's (2021-present) finance and investments advisor Jito Kayumba says the government is looking for investors to partner with in the development of over 40 mining licences as part of the country's plans to quadruple copper output to three million tonnes by 2031.

Central bank hikes policy rate on price pressures

The **Bank of Zambia (BoZ)** (central bank) on 13 November increased the benchmark policy rate by 50 basis points to 14% in a bid to contain inflationary pressures caused by drought and exacerbated by a weakening kwacha. Except for its last sitting in August where it maintained the policy rate at 13.5%, the **Monetary Policy Committee (MPC)** has been hiking interest rates for the past two years with the latest increase taking the key interest rate to the highest level since 2017.

Central bank governor **Denny Kalyalya** said the decision to raise the policy rate was aimed at steering inflation back towards the target band of between 6% and 8% and anchoring inflation expectations. Annual inflation, which stood at 15.7% in October, has been above the central bank's target since April 2019.

Food inflation continues to anchor inflationary pressures which are being driven by the low supply of corn, fish and vegetables, and increased demand for fuel to make up for the shortage of electricity. Zambia gets 80% of its power from hydroelectricity and supply has been heavily impacted by low water levels due to the drought. This has resulted in power outages of as long as 21 hours a day for households while mines are now importing electricity for themselves to sustain production.

Annual inflation is now forecast to average around 15% in 2024, but the MPC raised its outer year forecasts and now projects inflation to average 13.9% in 2025 compared with 12.7% forecast in August. The elevated inflation profile for 2025 is largely due to the continued depreciation of the exchange rate and the recent emergency increase in electricity tariffs. In 2026, the central bank sees annual average inflation declining to 9% which will still be outside the target band. As such, monetary easing is not expected to begin until the end of 2025 when inflation is projected to start moderating.

Kalyalya added that the policy rate move also took account of what was happening in the foreign exchange market.¹ The kwacha has lost almost 3% of its value against the **United States (US)** dollar since 24 October, further fuelling inflation.² Zambia's worst drought in over a

¹ Reuters, 13 Nov 2024

² Bloomberg, 13 Nov 2024

century is driving the kwacha toward record lows with the currency weakening for the past 13 sessions against the US dollar, its longest slide in six months.

Finance and national planning minister **Situmbeko Musokotwane**, presented an ambitious expansionary 2025 national budget to the national assembly on 27 September as he sought to revive an economy battered by low agricultural output and the energy crisis.³ The agricultural sector, a key driver of the economy, has seen output more than halved for most crops, leading to a 2.1 million tonne maize deficit. To revive the economy, which government forecast to grow by 1.2% this year from 5.4% in 2023, Musokotwane targets a rebound in mining and agriculture and has proposed a significant increase in spending next year to support growth.

IMF reaches agreement with Zambia for \$185m facility

The **International Monetary Fund's (IMF)** executive board expects to meet by mid-December to conclude the fourth review of Zambia's 38-month **Extended Credit Facility (ECF)** arrangement after the IMF reached a staff-level agreement authorities in November. In a statement on 11 November, the IMF announced that the conclusion of the fourth review will pave the way for the disbursement of \$185.5m.⁴ An IMF mission was in Zambia between 2 and 15 October, which was followed by discussions at the IMF and **World Bank** annual meetings in **Washington (US)**.

In June, the IMF completed a third review of Zambia's ECF and approved an immediate disbursement of approximately \$569.6m. At the time, the IMF's executive board also approved Zambia's a request to increase its financial support from \$1.3 billion to \$1.7 billion to help the country respond to its ongoing drought.

Zambia pulled itself out of default in June after a debt restructuring process that took more than three-and-a-half years with the protracted debt rework deterring investment and constraining economic growth. At the start of the debt restructuring process, \$13.1 billion was to be subject to renegotiation and so far, \$11.69 billion has been restructured, representing 89% of the original debt that was to be subjected to treatment. **United Kingdom**-headquartered accounting firm **PwC** estimates that the total amount payable for external debt service in 2025 is K16.7 billion (\$634m), representing 7.7% of the total expenditure for the year and 9.6% of projected domestic revenues.⁵

In October, the IMF revised down Zambia's 2024 growth projections from 2.3% projected in June to 1.2%, as extensive electricity shortfalls have impacted economic activity significantly. Contractions in agriculture (20.6 % y/y) and electricity (9.6 % y/y) and a deceleration in non-mining non-agriculture activity (from 7.7 % y/y in the first half of 2023 to 3.5 % y/y in the first half of 2024) amid intensifying power shortages dragged growth to 1.9 % (y/y) in the first half of 2024.

The IMF sees the medium-term outlook for Zambia as favourable, but with significant downside risks. Growth in 2025 is projected at 6.2%, revised down from 6.6%, as electricity output is not expected to fully recover. The IMF expects a recovery in the agricultural and mining sectors and says the growth outlook is bolstered by Zambia's completed debt restructuring. The IMF also forecasts that inflation will near the central bank's target band by end-2025, bolstering the idea that interest rate cuts may only begin then. The IMF is also expecting higher exports and increased foreign direct investment (FDI) to help strengthen the external position.⁶ Zambia's

³ Lusaka Times, 27 Sep 2024

⁴ Bloomberg, 12 Nov 2024

⁵ PWC, 28 Sep 2024

⁶ IMF, 11 Nov 2024

continued work with the IMF bolster's investor confidence and indicates that its reform programme remains on track.

Zambia seeks investors for over 40 mining licences

President **Hakainde Hichilema's** (2021-present) finance and investments advisor **Jito Kayumba** says the government is looking for investment partners for over 40 mining licences it currently holds as the country plans to develop the licenses together with investors to boost mining output. The mining permits, currently reserved by the mines ministry, will be transferred to a state company, which will then negotiate agreements with partners. The state company will be owned by the states investment company - **Industrial Development Corporation (IDC)** – and the government will hold significant minority but non-operational stakes in the ventures. Kayumba did not reveal the minerals for the licences.⁷

Kayumba revealed that **Canada's Barrick Gold Mining** has already expressed interest in partnering with the government. Subsidiaries of miners **Canada's First Quantum Minerals (FQM)** and Barrick Gold accounted for about two-thirds of mining output last year and are already working on increasing production in the years ahead. Units of **Abu Dhabi's International Resources Holding**, UK-based **Vedanta Resources** and **China Nonferrous Mining Corp.** also operate mines in the country.⁸ Kayumba also said that the country was also urging investors seeking minority interests in mining assets, such as **Saudi Arabia's Manara Minerals Investment**, to team up with an operating partner and the state to develop the available greenfield projects.

The announcement of the available mining licences comes at a time when diversified UK-based miner **Anglo American** is planning to return to Zambia since exiting the country about 20 years ago. On 11 November, **Hichilema** welcomed a delegation from Anglo American, led by the company's CEO, **Duncan Wanblad** at his offices.⁹ Hichilema noted that partnerships with major mining firms like Anglo American are essential to helping achieve the government's goal of quadrupling copper production to three million tonnes by 2031. Hichilema also expressed optimism about the Anglo American's renewed commitment.

Anglo American is currently restructuring its business with the company looking to divest from coal, platinum and diamonds to focus on green metals such as copper.¹⁰

While Anglo American is looking at coming back to Zambia, copper giant **FQM**, the country's largest, miner, is in the process of shedding its operations in the country with reports indicating that Manara Minerals is closing in on a deal to buy a minority stake in FQM's Zambian copper and nickel assets.¹¹ Manara Minerals, which is a joint venture between Saudi state-owned **Ma'aden** and Saudi Arabia's \$925 billion **Public Investment Fund**, is reportedly in advanced talks to acquire between 15% and 20% equity in FQM's operations for between \$1.5 billion and \$2 billion as FQM seeks to build cash reserves since its **Panama** mining operations have been closed. Manara Mineral's is performing well financially which would be good for any expansion projects it might want to undertake in Zambia that FQM has been unable to.

Planner

18-20 Nov 2024 **Victoria Falls (Zimbabwe) Zimbabwe-Zambia Energy Projects Summit**

⁷ Diggers, 28 Oct 2024

⁸ Bloomberg, 21 Oct 2024

⁹ Lusaka Times, 12 Nov 2024

¹⁰ Reuters, 25 Oct 2024

¹¹ Reuters, 30 Oct 2024

3-6 Feb 2025 **Cape Town (South Africa)** Mining Indaba 2025

Feb 2025 **Lusaka (Zambia)** Bank of Zambia (central bank) **Monetary Policy Committee (MPC)** meeting

Chronology

15 Nov 2024 **Lusaka (Zambia)** *Zambian Monitor*. **World Bank** country manager **Achim Fock**, says the **World Bank Group** has pledged approximately \$3 billion to Zambia under the new **Country Partnership Framework (CPF)** for 2025-2029, with nearly half of the funds already disbursed.

14 Nov 2024 **Lusaka (Zambia)** *Zambian Monitor*. The **Zambia Development Agency (ZDA)** and the **Eswatini Investment Promotion Authority (EIPA)** sign an agreement to strengthen business ties and promote mutual investment and trade between Zambia and Eswatini;

13 Nov 2024 **Lusaka (Zambia)** *Xinhua*. Chinese enterprises operating in Zambia's mining industry officially launch, the **Chinese Mining Enterprises Association in Zambia (CMEAZ)**, an association aimed at enhancing the firms' contribution to the mining sector in Zambia;

13 Nov 2024 **Lusaka (Zambia)** *Diggers*. The **International Monetary Fund (IMF)** urges the Zambian government to enhance transparency in the energy sector by fostering competitive open access to the **TAZAMA** pipeline and reduce fuel costs for all;

13 Nov 2024 **Lusaka (Zambia)** *Lusaka Times*. **China Non-Ferrous Metals Company (CNMC)** chairperson **Wen Gang** announces that his company is set to bring in about \$1.5 billion in investment in the mining sector in the country through expansion projects in three mines;

11 Nov 2024 **Lusaka (Zambia)** *Bloomberg*. Zambia's worst drought in over a century is driving the kwacha toward record lows with the currency, which has been weakening for the past 13 sessions against the **United States (US)** dollar, falling 0.1% to 27.2843/\$ by 4pm local time on 11 November, hovering around levels last seen in May, when it hit a record low of 27.4250/\$;

9 Nov 2024 **Lusaka (Zambia)** *Zambian Monitor*. The **Energy Regulation Board (ERB)** announces that Zambia is actively exploring alternative transportation routes for petroleum products to maintain a stable fuel supply chain, following recent logistical issues with fuel deliveries via **Mozambique**;

7 Nov 2024 **Lusaka (Zambia)** *Diggers*. Finance and national planning minister, **Situmbeko Musokotwane** says that from 2025, anyone importing goods worth over \$2,000 will be required to prove that they are tax compliant, or the **Zambia Revenue Authority (ZRA)** will deduct 15% as advance tax;

7 Nov 2024 **Lusaka (Zambia)** *Diggers*. Government announces that President **Hakainde Hichilema** will attend the inauguration ceremony of **Botswana's** president-elect **Duma Boko**;

6 Nov 2024 **Lusaka (Zambia)** *Diggers*. **Zambia Electricity Supply Corporation Limited (ZESCO)** announces that it has introduced a new power rationing schedule to provide a consistent 7-hour daily power supply and increase from the current 3-hour supply;

3 Nov 2024 **Lusaka (Zambia)** *Diggers*. Mines minister **Paul Kabuswe** announces in parliament that operations at the **Kasenseli** gold mine are expected to resume in November

2024 following the closure of the mine by the government in 2021 due to safety and administrative concerns;

2 Nov 2024 **Lusaka (Zambia) Diggers**. The **Food Reserve Agency (FRA)** executive director **Mwansa Chamatete** says they have extended the 2024 crop marketing season by 30 days to 30 November;

1 Nov 2024 **Lusaka (Zambia) Diggers**. **Zambia Statistics Agency (ZamStats)** announces that the annual inflation rate for October has risen to 15.7% from 15.6% in September 2024;

31 Oct 2024 **Lusaka (Zambia) Diggers**. Eight illegal miners have died after some earth collapsed and buried them alive at **Konkola Cooper Mine's (KCM) COP 5** dump site in **Chingola (Copperbelt Province)**. The government has appealed to small-scale miners engaged in illegal mining at various dump sites to refrain from these activities, especially now that the rainy season has commenced;

30 Oct 2024 **Lusaka (Zambia) Diggers**. The **Drug Enforcement Commission (DEC)** arrests and charges former **president Edgar Lungu's** wife, **Esther Lungu**, for being in possession of property worth K4,880,000 (\$180,000) reasonably suspected to be proceeds of crime;

30 Oct 2024 **Lusaka (Zambia) Africa Mining Market**. **The African Development Bank Group's** board of directors approves an \$8m concessional loan to support the construction of a 25MW solar farm in the **Ilute Solar PV Park**;

30 Oct 2024 **Lusaka (Zambia) ZNBC**. **Japan's** ambassador to Zambia, **Takeuchi Kazuyuki** announces that Zambia will receive \$2m from Japan via the **World Food Programme (WFP)** in a response to the drought that has hit the country.

27 Oct 2024 **Lusaka (Zambia) Diggers**. Finance and national planning minister **Situmbeko Musokotwane** discloses that the country is considering a debt-for-nature swap to keep reducing its overseas obligations with work already underway on a framework needed for operations that use funds to protect the environment;

22 Oct 2024 **Lusaka (Zambia) Diggers**. The **Bank of Zambia** (central bank) governor **Dr Denny Kalyalya** is re-appointed as the central bank governor for a term of six years, effective 28 October;

20 Oct 2024 **Lusaka (Zambia) Diggers**. **Zambia Electricity Supply Corporation Limited (ZESCO)** says an unforeseen technical fault has led **Maamba Energy Limited** to undertake corrective maintenance on one of its two generators, resulting in a temporary reduction of available national power generation by 150 megawatts;

21 Sep 2024 **Lusaka (Zambia) Diggers**. **Canada's FIRST Quantum Minerals (FQM)** country director **Anthony Mukutuma** says since July, mining companies have been importing 65% of the power they need to stay productive;

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