

AFRICA RISK CONSULTING

Zambia Monthly Briefing June 2023

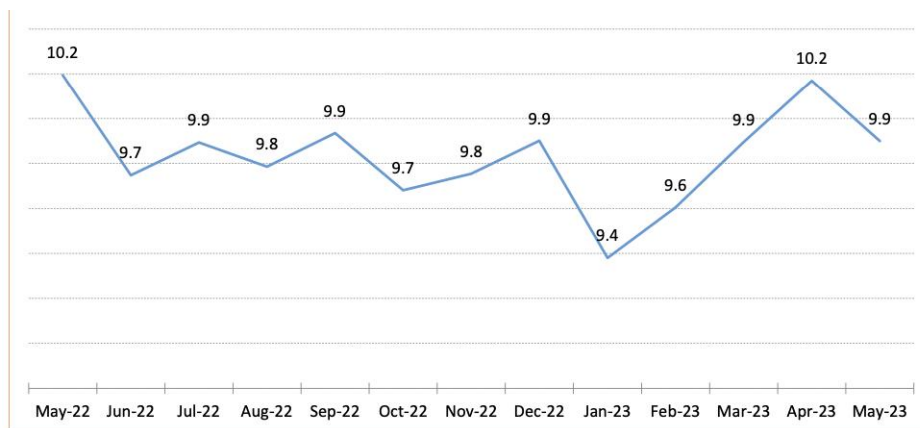
Zambia Summary 13 June 2023

Zambia Statistics Agency confirms on 24 May that annual inflation slowed to 9.9% in May from 10.2% in April. Inflationary pressures are expected to continue in 2023. Government is still struggling to secure a deal with the country’s creditors and the International Monetary Fund (IMF) for an Extended Credit Facility arrangement, meeting with creditors on 25 May and again on 8 June. The ruling United Party for National Development has a tense exchange with the Catholic church, a risk in a nation where religious leaders have considerable sway over citizens. Zambia hosts the 22nd Common Market for Eastern and Southern Africa (COMESA) Heads of State Summit on 8 June as president Hakainde Hichilema (2021- present) assumes the COMESA chairmanship. Developments for the aviation industry abound as the government launches its aviation sector strategy set to run to 2026.

Inflation decelerates slightly

The **Zambia Statistics Agency (ZamStats)** announced on 24 May that annual inflation slowed to 9.9% in May down from 10.2% in April, but the **Bank of Zambia** (central bank) has warned that inflationary pressures are to continue throughout 2023, with inflation expected to remain above the target band of between 6% and 8%.¹ For the period, prices for non-food items decreased from 8.3% to 7.6, with items including building materials, household appliances, and airfare driving a slight decline.² Despite this slight decline, the **Bank of Zambia** (central bank) expects inflationary pressures to continue during 2023, with the rate remaining above the target range of between 6% and 8% over the coming quarters.³ **Denny Kalyalya**, the central bank governor, has also reportedly projected a slowdown in economic growth for the country in 2023, cautioning that Zambia is in debt distress.⁴

Annual inflation rate, April 2022- April 2023



Source: ZamStats
Note: 2009=100

As the country’s economic challenges persist, the government is still struggling to secure a deal with its creditors and the **International Monetary Fund (IMF)** for an **Extended Credit Facility**

¹ Zambia Statistics Agency, 4 May 2023
² Zambia Statistics Agency, 24 May 2023
³ Bloomberg, 17 May 2023
⁴ News Diggers, 18 May 2023

arrangement. Zambia's external debt load stood at \$14.9 billion at the end of 2022, with creditors including **China** and **France**. Struggling under the weight of this debt, the government has not yet been able to bring about an economic turnaround to the benefit of the majority of the country's citizens, a key campaign promise in the 2021 general election.

IMF's communication director **Julie Kozack** divulged on 8 June that the Zambian government met with its official creditor committee on 25 May with another meeting taking place on 8 June to discuss modalities for Zambia's debt treatment.⁵ However, negotiations have been ongoing since November 2021, and the protracted process has significantly dented citizens' perception of the **United Party for National Development (UPND)**.

It is positive, the IMF has noted that Zambia has met '*all structural benchmarks and quantitative performance criteria*' including the implementation of wide-ranging tax reforms such as the increase of excise duty taxes effective from January 2023, the introduction of mine tax concessions, strengthening public sector-related corporate governance and transparency mechanisms, and a focus on lowering public spending.⁶ With this critical hurdle achieved, the institution has clarified that the main stumbling block to the deal stems from the lack of consensus on a debt restructuring from within the country's creditor pool.⁷ The government continues to appeal for patience and has sought to reassure the country that the economic recovery remains underway with it focusing on fiscal prudence. The information ministry's spokesperson **Thabo Kawana** told citizens:

*"We are now living within our means so that the generation that comes after us does not find a huge mountain of debt as we found ourselves."*⁸

Hichilema and Catholic Church clash

The relationship between state and church has come under strain following an exchange of words between president **Hakainde Hichilema** (2021- present) and Catholic priest Father **Anthony Salangeta**. The conflict emerged when Salangeta, at a mass attended by former president **Edgar Lungu** (2016-2021) on 21 May, commented on the ruling UPND government's use of technical jargon and graphs to illustrate the country's economic progress to the populace. Salangeta argued that this approach is not relatable or relevant for the vast majority of Zambians who are financially troubled. He also commented that the people do not need graphs, instead, they need "*nshima*", the staple maize meal.⁹ In response, Hakainde labelled Salangeta "*a joker*", eliciting fierce public outcry as well as censure from the **Lusaka** archbishop **Alick Banda** who rejected this characterisation of Salangeta.

Africa Risk Consulting Briefing (ARC Briefing) has previously noted the risks of growing unrest amongst religious organisations regarding the country's socio-economic condition, which has seen these organisations become increasingly vocal in recent months (*see ARC Briefing Zambia May 2023*). A rift with the Catholic church in a country where 95% of the population identified as Christian religious leaders hold sway over the populace would not be beneficial to the government.¹⁰ Aware of these factors, the government has moved to de-escalate the situation. Hichilema dispatched a contingent of high-ranking officials including communications minister **Felix Mutati**, local government minister **Gary Nkombo**, **Doreen Mwamba**, and the health and infrastructure ministers **Sylvia Masebo** and **Charles Milupi**, on 11 June to pay a courtesy call on the president of the **Zambia Conference of Catholic Bishops**, Bishop **Ignacious Chama**.¹¹ The situation is not likely to have near-term implications for social unrest, however, as the government looks ahead to general elections in 2026, a good relationship with religious leaders will be crucial as it seeks re-election.

⁵ International Monetary Fund, 8 Jun 2023

⁶ News Diggers, 5 June 2023

⁷ Reuters, 30 May 2023

⁸ Lusaka Times, 5 Jun 2023

⁹ News Diggers 22 May 2023

¹⁰ 2021 Report on International Religious Freedom: Zambia, 2 June 2022

¹¹ Lusaka Times, 11 Jun 2023

Trade in focus at COMESA Summit

Zambia hosted the **22nd Common Market for Eastern and Southern Africa (COMESA) Heads of State Summit** on 8 June under the theme ‘Economic Integration for a Thriving COMESA Anchored on Green Investment, Value Addition and Tourism’. The summit was attended by four additional heads of state including **Egypt’s** president **Abdel Fattah El- Sisi** (2014-present), **Kenya’s** president **William Ruto** (2022-present), **Malawi’s** president **Lazarus Chakwera** (2020-present), and **Burundi’s** president **Évariste Ndayishimiye** (2020-president).¹² Hakainde assumed the chairmanship of COMESA, taking over from Sisi. In taking on the role, Hichilema called on African leaders to “*combine our resources to promote trade and investment*”, to drive employment and sustainable growth, conceding:

“We have a mammoth task ahead to take stock of where we are and define growth paths that are resilient to exogenous forces”¹³

It was also revealed that intra-COMESA exports grew from \$2.5 billion in 2000, when the COMESA Free Trade Agreement was implemented, to \$13 billion in 2021. The agenda for discussion at the summit largely centred on the promotion of economic integration for economic growth of the region across three areas of investment, value-added manufacturing, and tourism. This intra-regional trade agenda resonates strongly with the ruling New Dawn government which has sought to increase Zambia’s share in regional and international trade. In this vein, commerce and trade minister **Chipoka Mulenga** attended the **COMESA Business Forum** in Lusaka on 7 June. He stated that the government is gearing up to enhance its participation in intra-African trade through regional trade agreements such as COMESA and, more recently, the **African Continental Free Trade Area**.

In addition to boosting its regional trade prospects, deepening bilateral trade relations is also a focus area for the government. The **Zambian** and **Tanzanian** governments participated in a **Bilateral Road Transport Meeting** on 7 June where they signed a communique to address transport sector challenges hampering trade on the **Dar-Es-Salaam Corridor** on the route between **Kapiri-Mposhi** (Zambia) and **Dar-Es-Salaam** (Tanzania). Under the agreement, the parties will implement projects such as Zambia’s **Chinsali-Nakonde Rehabilitation Project** while Tanzania will upgrade the **Tunduma-Igawa Road** into a dual carriageway to address movement constraints.

Investments in improving road infrastructure quality and expanding road networks will be a vital part of Zambia’s trade growth ambitions as roads will be the dominant mode of transport over the long term. ZamStats reports that the total value of exports between January and April 2023 was K68.2 billion (\$3.4m) with road transport accounting for 51.9% of this trade, followed by rail transport at 2.8% and then air transport at 1.9%. Multimodal transport means accounted for the remainder.¹⁴

Positive developments for the aviation industry

The aviation industry is set to benefit from increased investment from existing players as well as an improving policy environment, prompting the government to launch a dedicated strategy on 1 June to guide the growth of the aviation sector through to 2026. Transport minister **Frank Tayali** expressed the government’s intention for the strategy to “*contribute significantly to Zambia’s economic growth*”.¹⁵ He also confirmed on 8 June that the government is already carrying out several projects to help improve the sector.

The issues the strategy aims to address include improving the country’s safety and security standards, establishing a regulatory framework to promote efficiency within the sector, improving competition and raising Zambia’s prospects to be an aviation hub in Southern Africa.¹⁶ Under the **Upgrading Plan**

¹² Lusaka Times, 8 Jun 2023

¹³ COMESA, 9 Jun 2023

¹⁴ Zamstats, 24 May 2023

¹⁵ Xinhua, 1 Jun 2023

¹⁶ Ministry of Transport and Logistics 1 Jun 2023

for **Provincial Airport Infrastructure**, the government aims to roll out an expansion of passenger terminals and cargo handling facilities aimed at attracting high-value exports through the country's airports over three years. The government also wants to reduce costs of aviation fuel and has called on the **World Bank** and the **International Civil Aviation Organisation** to assist in its quest to produce aviation fuel domestically through the **Sustainable Aviation Fuel (SAF)** project.¹⁷

This positive sentiment in the sector has filtered down and seen **Zambian Airways** continue with its expansion programme. Since launching its first international flight, to **Zimbabwe** in March, the national carrier has gone on to launch a route from Lusaka to **Johannesburg (South Africa)** on 16 May. Local airline **Proflight** will also launch a Lusaka to **Durban** (South Africa) route from 1 July. These developments provide a boon for consumer choice which has long been hampered by a lack of competition for airlines and routes.¹⁸

Planner

13 Jun - 15 Jun 2023 **Livingstone (Zambia)** Copper Cobalt Africa Base Metals Conference
 27 Jun - 28 Jun 2023 **Livingstone (Zambia)** Africa Rail
 28 Jun - 4 Jul 2023 **Ndola (Zambia)** Zambia International Trade Fair, Ndola

Chronology

10 Jun 2023 **Lusaka (Zambia)** *Lusaka Times*. Tourism minister **Rodney Sikumba** launches Zambia's first **Wildlife Protected Area Account** to aid nature-based tourism in the country;

10 Jun 2023 **Lusaka (Zambia)** *Lusaka Times*. **Zambia Information Technology Communication Authority** announces plans to install 980 communication towers across the country before 2025, to ensure 100% nationwide coverage of communications services;

8 Jun 2023 **Copperbelt (Zambia)** *Lusaka Times*. **Canada's First Quantum Minerals** announces plans to consolidate its road and earthworks division, mining divisions and related supporting services, currently conducted by **First Quantum Mining Operations Limited**, to instead be serviced with the operations at **Kansanshi Mining** plant.

8 Jun 2023 **Lusaka (Zambia)** *News Diggers*. Local research agency the **Jesuit Centre for Theological Reflection** releases its **Basic Needs and Nutrition Basket** report which shows that the cost of living for a family of five in **Lusaka** reduced by K34.67 (\$1.76) to K9,077 (\$459.66) for May;

6 Jun 2023 **Lusaka (Zambia)** *Mwebantu*. **Zambia Revenue Authority** divulges that it has secured convictions for four individuals on charges of Value-Added Tax fraud since January 2022;

5 Jun 2023 **Lusaka (Zambia)** *Times of Zambia*. The **Zambia Chamber of Mines** urges the government to invest more in the exploration of minerals for the country to ramp up reserves to support the three-million-tonne copper production target in the next decade;

5 Jun 2023 **Lusaka (Zambia)** *Zambia National Broadcasting Corporation*. Finance ministry refutes allegations that Z65m (\$3.43m) in funds forfeited by **Faith Musonda** as part of a corruption case against her has gone missing;

3 Jun 2023 **New York (United States)** *The Zambian Observer*. **78th Session of the United Nations General Assembly (UNGA)** elects Zambia as one of 21 vice presidents of the UNGA alongside the **Democratic Republic of Congo, Gambia, Morocco, Senegal** and **Uganda**;

¹⁷ Zambia National Broadcasting Corporation, 7 Jun 2023

¹⁸

2 Jun 2023 **Lusaka (Zambia)** *Xinhua*. **Energy Regulation Board (ERB)** condemns the country's petroleum traders for the deliberate hoarding of petroleum products to cause an artificial shortage;

2 Jun 2023 **Lusaka (Zambia)** *Times of Zambia*. Former **Zambia Revenue Authority (ZRA)** commissioner general **Kingsley Chanda** has been detained at the **Woodlands Police Station** in Lusaka after being interrogated at the **Joint Investigations Team** offices;

31 May 2023 **Lusaka (Zambia)** *News Diggers*. **Energy Regulation Board (ERB)** decreases diesel prices by K2.77 (\$0.15) per litre to K21.87 (\$1.15), kerosene prices by K0.73 (\$0.003) to K19.47 (\$1.03) and of petrol by K3.14 per litre (\$0.17) to K24.45 (\$1.29);

31 May 2023 **Lusaka (Zambia)** *Zambia Daily Mail*. Finance minister **Situmbeko Musokotwane** calls on the **Official Creditor Committee** to conclude the country's debt restructuring matter;

22 May 2023 **Lusaka (Zambia)** *Times of Zambia*. The mines and minerals development ministry sends a team of experts to the newly discovered gold mine in **Mpika** to start the process of formalisation;

22 May 2023 **Lusaka (Zambia)** *Xinhua*. Local government and rural development ministry disburses over K922m (\$48.6m) in funds under the **Constituency Development Funds** in 2023;

19 May 2023 **Lusaka (Zambia)** *Lusaka Times*. Energy minister **Peter Kapala** confirms the repair of a section of the **TAZAMA Pipeline** which burst resulting in the loss of 257,000 litres of gas oil;

19 May 2023 **Lusaka (Zambia)** *Times of Zambia*. The preliminary 2022/2023 crop forecast survey indicates an increase in maize production of about 600,000 tonnes despite challenges such as floods and drought this season;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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