



Republic of Zambia

**MINISTERIAL STATEMENT ON THE STATE OF THE
ECONOMY BY HONOURABLE ALEXANDER B. CHIKWANDA,
MP, MINISTER OF FINANCE**

MINISTRY OF FINANCE

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A. INTRODUCTION

1. **Mr. Speaker, Honourable members of the house**, it is my inescapable duty that as Minister of Finance, I appraise the nation through this August House on the performance of our economy in 2015 including the outlook of the economy in 2016 and over the medium term. In my statement this afternoon, I highlight our assessment of economic growth as well as developments in the fiscal, monetary and external sectors.

B. Macroeconomic Performance

2. **Distinguished members**, you will recall that when I presented the 2015 budget, the broad specific socio-economic policy objectives included, achieving a real GDP growth rate of above 7.0 percent; end year inflation rate of no more than 7.0 percent and containing the fiscal deficit within sustainable levels. These objectives were premised on a favorable global and domestic economic environment.
3. You will further recall that in my June, 2015 address to this house, these prospects were downcast with growth expected at around 5 percent owing to concerns emanating from external and domestic developments.
4. **Mr. Speaker Sir**, may I now proceed with the specific economic highlights.

Real GDP Growth

5. **Sir**, preliminary estimates indicate that the economy grew by 3.5 percent in 2015. This reflects the generally slow global growth which has dampened demand and indeed prices of many commodities including copper. In addition, adverse weather conditions and the electricity deficits affected output across the different sectors. The agriculture sector contracted by about 8.3 percent while mining sector output substantially slowed down growing only by 1.5 percent. However, positive growth was registered in the construction, transport and communications; and the Manufacturing sectors.
6. In 2016, the economy is expected to grow at around 3.7 percent against the budget projection of around 7 percent. The lower than expected outturn is on account of the expected continuation of adverse weather conditions, persistent electricity deficit and the challenges associated with the mining sector, which have their origins in depressed commodity prices, itself a consequence of a porous global economy.
7. **Mr. Speaker**, the Government has taken stock of the economic challenges that we have faced as a country in 2015 as well as in 2016. In this regard, government has this year

taken measures to increase the resilience of the economy to both external and domestic shocks.

8. In the agriculture sector, efforts have been stepped up in developing irrigation facilities and diversifying the sector away from maize production through the introduction of the e-voucher.
9. In the mining sector, the mineral royalty regime has been redesigned in order to ensure that operations of the mining companies are sustained and jobs are secured, while at the same time minimizing the impact on the fiscal position.
10. Government will also continue rolling out economic infrastructure particularly, in the transport and energy sectors to underpin growth and employment creation this year and beyond. In the energy sector, the coming on stream of additional power from greenfield projects is expected to support higher growth prospects.
11. As a result, **Honourable members**, over the medium term, growth is expected to improve to an average of 5 percent. This is further premised on a more stable macroeconomic environment, improvement in the weather conditions, stabilisation of commodity prices on the international market and increased electricity generation.

12. **Distinguished members**, it is the resolve of Government to continue with policies and strategies that will further consolidate the diversification of our economy, and in the process ensure resilience to any adverse external developments, such as those experienced in 2015.

C. Fiscal Developments

13. **Mr. Speaker**, budget implementation in 2015 was faced with challenges attributed to shortfalls in both revenues and grants coupled with expenditure pressures. Government raised a total of K34.1 billion in revenues and grants. Against the budget target of K35.4 billion, this represents a 4.0 percent underperformance on account of lower collections under customs duty as well as mineral royalties.
14. Customs and excise duty was below target by 26 percent due to reduced import volumes whilst mineral royalty collections underperformed by 37.0 percent due to the reduction in the rates.
15. Total expenditure amounted to K51.26 billion and was 10 percent above the target of K46.6 billion. This outturn was on account of unforeseen expenditures related to importation of emergency power, higher expenditures on farm inputs and grain purchase by the food Reserve Agency (FRA) beyond