



Key Indicators	
Population (2014)	15.7 million
GDP per capita (current USD, 2014)	\$1,722
Average population growth rate (2010–2014)	3.2%
Government revenue as % of GDP (2014)	16.8%
Country income classification	Lower-middle

Sources: World Bank, 2015b; IMF, 2015.

Country Policy and Institutional Assessment Ratings (1 = low, 6 = high), 2014	National	SSA Mean
Efficiency of revenue mobilization	3.5	3.5
Equity of public resource use	3.5	3.3
Fiscal policy	3	3.1
Macroeconomic management	3.5	3.5
Quality of budgetary and financial management	3.5	3.1

Source: World Bank, 2015a.

Macroeconomic Forecasts					
Indicator	2013	2014 (est.)	2015 (proj.)	2016 (proj.)	
Real GDP growth	6.7%	5.6%	5.6%	6.2%	6.8%
GDP per capita growth	3.5%	2.5%	3.3%	3.3%	-

Sources: IMF, 2015; AEO, 2015.

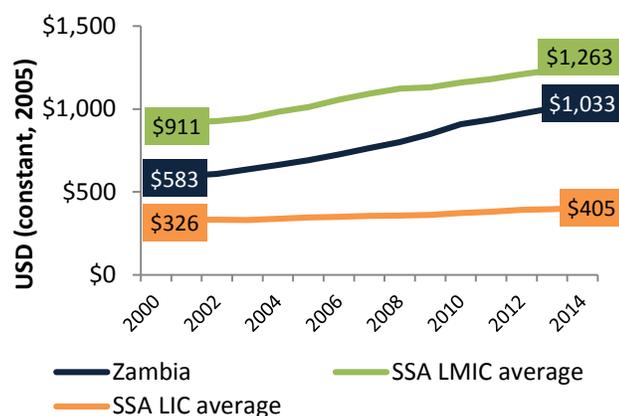
## Overview

Since 2000, Zambia has enjoyed a prolonged period of economic growth, bolstered by copper production and political stability. However, weak infrastructure and recent declines in the price of copper, Zambia's main export, threaten to dampen economic growth and limit government fiscal space. Exports were projected to account for 38% of Zambia's economic output in 2015. The fiscal deficit declined to 6% of gross domestic product (GDP) in 2014, but with continued expansionary fiscal policy, the deficit is estimated to exceed 8% of GDP in 2015. Further, the Zambian kwacha depreciated by 50% against the U.S. dollar in 2015, making imported goods more expensive. Tight monetary policy has kept inflation in check at less than 8%. The national debt is high, at about 35% of GDP. Recent investment in infrastructure and an easing of taxes on mining will contribute to economic growth, which is expected to remain between 5.5% and 7% over the next five years (AEO, 2015; IMF, 2015; OEC, 2015).

## Political Economy

Zambia receives moderate scores for policy response and governance efficiency from the World Bank's Country Policy and Institutional Assessment. It makes only sporadic, inconsistent, and partial attempts to address fiscal and macroeconomic imbalances and price instability. Macroeconomic policy is somewhat more consistent in tackling shocks and limiting crowding out. Policies and priorities are explicit, but not often linked to the budget; government executives control significant funds outside of the budget. Significant delays occur in the preparation of public accounts (World Bank, 2015a).

Figure 1: GDP per Capita Growth



Source: World Bank, 2015b.

## GDP and Economic Growth

Zambia's average annual GDP growth rate exceeds 7%. Since 2000, per capita GDP in constant U.S. dollars has increased by an average of 4.1% annually, from US\$583 to US\$1,033, outpacing the regional average growth rates among both low-income countries (LICs) and lower middle-income countries (LMICs)—1.8% and 2.4%, respectively (Figure 1). As a result, in 2011 Zambia was reclassified by the International Monetary Fund (IMF) from an LIC to an LMIC.

Economic growth slowed in 2014, due largely to lower prices for copper, which accounts for 10% of Zambia’s GDP and 70% of its export earnings (Figure 2). A resumption of strong economic growth is expected in 2016. Gains in per capita GDP may be dampened by Zambia’s population growth rate of 3.2% (2013)—among the highest in Africa—which has been climbing steadily over the past 20 years (AEO, 2015; World Bank, 2015b).

### Government Revenue and Expenditure

Public revenues (including grants) have declined from 19% of GDP in 2012 to 18% in 2015. Zambia is relatively dependent on natural resources, with resource rents accounting for 19% of GDP. Tax revenues are diversified, with income tax making up the largest share, at 35% of total revenue (Figure 4). Since Zambia’s IMF reclassification, grants have declined as a percentage of revenue, from 9% in 2012 to less than 5% in 2015. Although Zambia’s stock of external debt remains below the average for LMICs in sub-Saharan Africa (SSA), large recent budget deficits have rapidly increased its debt stock. Strong popular opposition to further borrowing poses a significant political barrier to such a course.

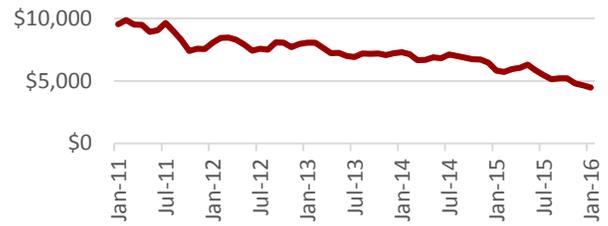
Despite 15 years of strong economic growth, public revenues and expenditure in Zambia have largely stagnated. Total government expenditure (TGE) as a percentage of GDP fell from 28% in the early 2000s to 18% in 2010, driven by weak public revenues. Public expenditure has rebounded somewhat, although recent budget increases have largely been financed through high-interest borrowing. Zambia’s current TGE, at 22% of GDP, remains below the regional average of 29% among LMICs (Figure 3).

Public expenditure is heavily devoted to salaries and benefits for workers, with wage inflation in the public sector putting a significant strain on government resources (Figure 5). A wage freeze was introduced in 2015 and recruiting is limited to education, health and security sectors in order to contain the wage bill. A significant portion of expenditure (23%) is devoted to development; a continued commitment of resources for capital improvement will be needed to address weaknesses in Zambia’s infrastructure, particularly in the energy sector (IMF, 2015). Power shortages have worsened in recent years, in large part due to a heavy reliance on hydroelectric power coupled with growing competition for water resources and shifting weather patterns. Loss of revenue from hydroelectric power sales to customers and distributors has negatively affected business operations in country and the economy.

### References and Works Consulted

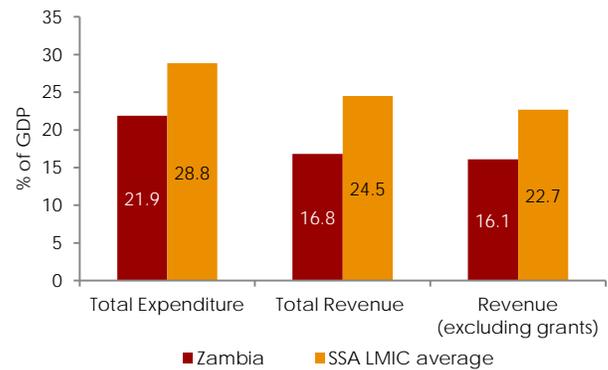
African Economic Outlook (AEO). 2015. “Zambia.” Available at: <http://www.africaneconomicoutlook.org/en/country-notes/southern-africa/zambia/>.  
 IMF. 2015. Zambia Article IV Report. Washington, DC: IMF.  
 IndexMundi. “Copper.” Available at: <http://www.indexmundi.com/commodities/?commodity=copper&months=300>.  
 The Observatory of Economic Complexity (OEC). 2015. “Zambia.” Available at: <http://atlas.media.mit.edu/en/profile/country/zmb/>.  
 World Bank. 2015a. *Country Policy and Institutional Assessment*.  
 World Bank. 2015b. *World Development Indicators*.

Figure 2: Price of Copper per Metric Ton (USD)



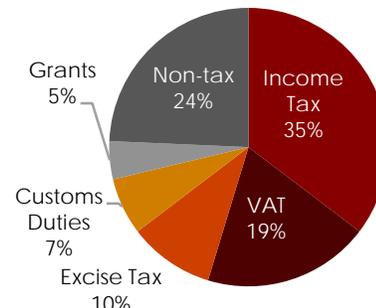
Source: Index Mundi.

Figure 3: Government Revenue and Expenditure (2015)



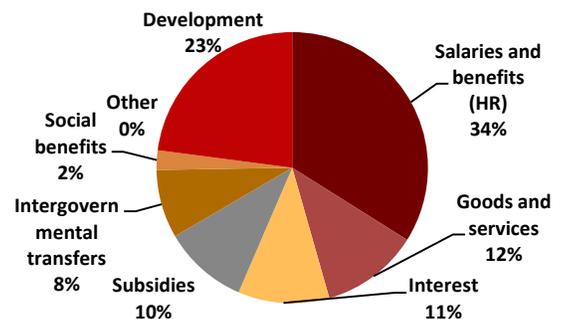
Source: AFO, 2015.

Figure 4: Revenue (2015)



Source: IMF, 2015.

Figure 5: Expenditure (2015)



Source: IMF, 2015

### Contact Us

Health Policy Project  
 1331 Pennsylvania Ave NW, Suite 600  
 Washington, DC 20004

[www.healthpolicyproject.com](http://www.healthpolicyproject.com)  
[policyinfo@futuresgroup.com](mailto:policyinfo@futuresgroup.com)

The Health Policy Project is a five-year cooperative agreement funded by the U.S. Agency for International Development under Agreement No. AID-OAA-A-10-00067, beginning September 30, 2010. The project’s HIV activities are supported by the U.S. President’s Emergency Plan for AIDS Relief (PEPFAR). HPP is implemented by Futures Group, in collaboration with Plan International USA, Avenir Health (formerly Futures Institute), Partners in Population and Development, Africa Regional Office (PPD ARO), Population Reference Bureau (PRB), RTI International, and the White Ribbon Alliance for Safe Motherhood (WRA).

The information provided in this document is not official U.S. Government information and does not necessarily represent the views or positions of the U.S. Agency for International Development.