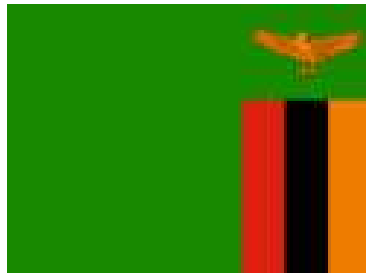


Zambia



Overview

Zambia is a large, landlocked, resource-rich country, with sparsely populated land, in the center of Southern Africa. It shares its border with eight countries (Angola, Botswana, the Democratic Republic of Congo, Malawi, Mozambique, Namibia, Tanzania, and Zimbabwe) that serve as an expanded market for its goods.

Zambia is experiencing a sharp demographic shift and is one of the world's youngest countries by median age. Its population, much of it urban, is estimated at about 18.9 million (2021), and is growing rapidly at 2.9% per year, resulting in the likelihood of it doubling close to every 25 years. This trend is expected to continue as its large population of youth enters reproductive age, putting even more pressure on the demand for jobs, health care, and other social services.

Economic Outlook

The Zambian economy rebounded in 2021, with GDP growing at 4.6%, from a contraction of 2.8% during the pandemic in 2020. Its recovery was driven by high copper prices, post-election market confidence, and continued recovery in agriculture. Economic activity has remained positive in the first half of 2022. GDP grew by 2.4% y-o-y in 2022Q1, supported by a pick-up in services that offset declines in agriculture, mining, and industry. A strong trade surplus in the first half of the year has continued to support a healthy current account surplus. Similarly, the kwacha exchange rate has maintained relative stability after a sharp appreciation in the post-election period, buoyed by favorable market sentiment and copper earnings. GDP is projected to grow by 3.8% over 2022–24, buoyed by an improved macroeconomic environment; a positive copper price outlook and stable and predictable mining policy environment; and improved electricity supply. This outlook is anchored in the government's implementation of macro-fiscal reforms it outlined in its 2023–25 medium-term budget, which is aimed at restoring fiscal sustainability and credibility, re-orienting expenditure (away from inefficient subsidies to more social spending) and bringing public services closer to the communities. The implementation of structural reforms aimed at removing market distortions and bringing financial sustainability to the energy sector (electricity and petroleum), improving transparency, and fighting corruption, will also be critical to achieving this growth path. It also assumes timely and comprehensive debt restructuring under the G-20 Common Framework for Debt Treatment.

Agriculture

The Zambian agriculture sector comprises crops, livestock, and fisheries. There are three broad categories of farmers: small-scale, medium, and large-scale. Small-scale farmers represent the vast majority (approximately 90 percent) of Zambia's agricultural producers and are generally subsistence producers of staple foods with occasional

marketable surplus. Medium-scale farmers produce maize and a few other cash crops for the market. Large-scale farmers produce various crops for the local and export markets. Agriculture contributes about 19 percent to GDP and employs three quarters of the population. Domestic production is comprised of crops such as maize, sorghum, millet, and cassava while exports are driven by sugar, soybeans, coffee, groundnuts, rice, and cotton as well as horticultural produce. Zambia covers 75 million hectares (752,000 km²), out of which 58 percent (42 million hectares) is classified as medium-to high-potential for agriculture production. However, only 15 percent of this land is currently under cultivation. Zambia has ample water resources but has done little to exploit them via investments in irrigation systems, and the majority of farms remain dependent on rain-fed growing cycles. While the government has typically opposed importation or use of genetically modified organisms (GMO), the National Biosafety Authority in September 2021 granted import permits to two companies for pet foods made from GMO products, spices, tapioca starch, and soya isolates.

Sub-Sector Best Prospects

The Zambian government seeks to promote agriculture as a way to diversify the economy away from an overreliance on copper. The government is working to develop farm blocks in all ten provinces for large and medium commercial farming, **fish farming**, and livestock production. Private equity and other investors are active in this sector.

Opportunities

Agricultural cultivation in Zambia is mostly non-mechanized, and the sector is overwhelmingly rain-fed. Opportunities include large-scale farming, farm inputs and equipment supply, irrigation systems, agro-processing, and commodity trading. The sector would benefit from investment in mechanization.

Tourism

Zambia has significant potential for tourism and offers a wealth of natural tourism assets. Attractions include Victoria Falls - one of the Seven Natural Wonders of the World and a UNESCO Heritage site – abundant lakes and rivers, and wildlife-protected areas in the form of 20 national parks and 34 game management areas that together occupy some 10 percent of the country's total land area. Zambia is also endowed with a rich and diverse culture that enjoys more than 30 colorful traditional ceremonies annually. However, this sector continues to underperform and remains underutilized, and thus creating opportunities for improvement. Ecotourism is still under-exploited in Zambia, but with its abundant nature and wilderness, it offers potential investment opportunities. The COVID-19 global pandemic significantly disrupted international tourism arrivals and has severely impacted the sector, though there will be opportunities for re-investment when widespread international travel resumes.

Opportunities

There are opportunities in tourism services and infrastructure. Zambia lacks adequate hotel room capacity in key tourist destinations and in copper-producing regions. Other opportunities include safaris, canoeing, game drives, nature walks, bungee jumping, microlight flights, sport fishing, rock climbing, and orienteering.

Local tourism associations estimate that the COVID-19 pandemic reduced sector revenue by some \$300 million in 2020. International visitors in 2019 spent \$849 million, representing ten percent of the country's total exports. During the same period, the sector contributed seven percent of gross domestic product (\$1.7 billion) and 7.2 percent of total employment. Businesses in this sector have identified creative ways to stay open and reduced prices to entice domestic tourists during the pandemic, but many have expressed concerns that they may have to sell assets if the environment does not improve. As such, additional investment opportunities may be available before regular travel resumes.



Sources:

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