ZAMBIA

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COUNTRY REPORT

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ZAMBIA
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MAP

Lake
Tanganyika
Tanzania
Congo, DR
Lake
Mweru
Mpulungu
Kasama
Lake
Bangweulu
MUCHINGA MTS.
Angola
Solwezi
Chingola
Kitwe
Ndola
Luanshya
Kapiri Mposhi
Kabwe
Chipata
Malawi
Lake
Malawi
Zambezi
River
ZAMBIA
Mongu
Lusaka
Zambezi R.
Zambezi R.
Livingstone
Lake
Kariba
Mozambique
Namibia
Botswana
Zimbabwe

KEY TAKEAWAYS

MOST LIKELY REGIMES & THEIR PROBABILITIES	
18-MONTH	UPND 70%
FIVE-YEAR	UPND 50%

FORECASTS OF RISK TO INTERNATIONAL BUSINESS				
	TURMOIL	**FINANCIAL TRANSFER**	**DIRECT INVESTMENT**	**EXPORT MARKET**
18-MONTH	High	C-	B	C (C+)
FIVE-YEAR	Moderate	C+	B-	C+

( ) Indicates change in rating
* Indicates forecast of a new regime

KEY ECONOMIC FORECASTS			
	REAL GDP GROWTH (%)	**INFLATION (%)**	**CURRENT ACCOUNT ($bn)**
2018-2022(AVG)	2.4	13.1	1.14
2023(F)	3.8	10.7	1.20
2024-2028(F)	4.3	7.5	2.00

DEBT SETBACK CLOUDS OUTLOOK

The incumbent UPND government headed by President Hakainde Hichilema has worked assiduously to achieve the debt restructuring agreements required to end a crisis it inherited from the previous PF-led administration. Officials finally managed to reach a deal with bilateral lenders in June 2023 and the government cleared another hurdle in late October by concluding an agreement with the holders of $3 billion of Eurobonds.

Unfortunately, China and France have objected to the terms of the arrangement with private bondholders, on the grounds that it does not adhere to the principle of comparability of treatment. The government is outwardly optimistic that the setback will be temporary, but the path forward is unclear. Bondholders have given no indication of a willingness to make additional concessions, and the alternative of offering comparably favorable terms to bilateral creditors could undermine the credibility of the broader restructuring effort.

For its part, the IMF remains confident in Zambia’s commitment to taking the necessary steps to exit default, as indicated by the recent completion of the second review under the ECF, which clears the way for the release of an additional $184 million in financial support. However, renewed currency volatility has reinforced the inflationary impact of higher fuel prices, pushing increases in the consumer price index back into double digits in the second half of 2023.

In addition to higher inflation, average Zambians are also grappling with chronic power outages attributable to inadequate rainfall that has adversely affected the output of hydroelectric facilities. Despite the negative implications for the government's popularity, political risk remains mostly in check. No elections are required until 2026, which leaves plenty of time for Hichilema and his allies to produce the improvements they promised.

Hichilema and the UPND have pinned their future electoral hopes on an economic development strategy that leans heavily on increasing annual copper production to 3 million tonnes by 2030, up from just 760,000 tonnes last year. However, there is serious cause to doubt that actual mining production will come anywhere near the target. Positively, the government successfully resolved a dispute between KCM and India's Vedanta Resources, which has agreed to fulfill an obligation to invest $1 billion in the mine after regaining controlling ownership of the operation. Otherwise, the government will need to move quickly to improve the business climate if it hopes to attract new players into the sector.

Persuading reluctant investors to pour capital into Zambia will necessarily entail concrete progress in efforts to root out corruption. Although there have been numerous arrests of former PF administration figures, prosecutions have largely stalled, the result of understaffing within the judiciary and suspected political interference by partisan judges. The April 2023 appointment of Margaret Mulela Munalula as president of the Constitutional Court represents an attempt to overcome the latter hurdle, but the positive effect has yet to become apparent.

Successful debt restructuring would create room to employ fiscal levers to stimulate growth and ease pressure on the kwacha, creating the potential for a relaxation of monetary constraints. Under that scenario, real GDP growth would accelerate to 4.5%-5% next year, from less than 4% in 2023. Alternatively, a further prolonged delay in reaching a settlement with creditors would reinforce the negative pressures are contributing to weaker growth and higher inflation in the second half of 2023, increasing the risk of fiscal slippage that could sour relations with the IMF.

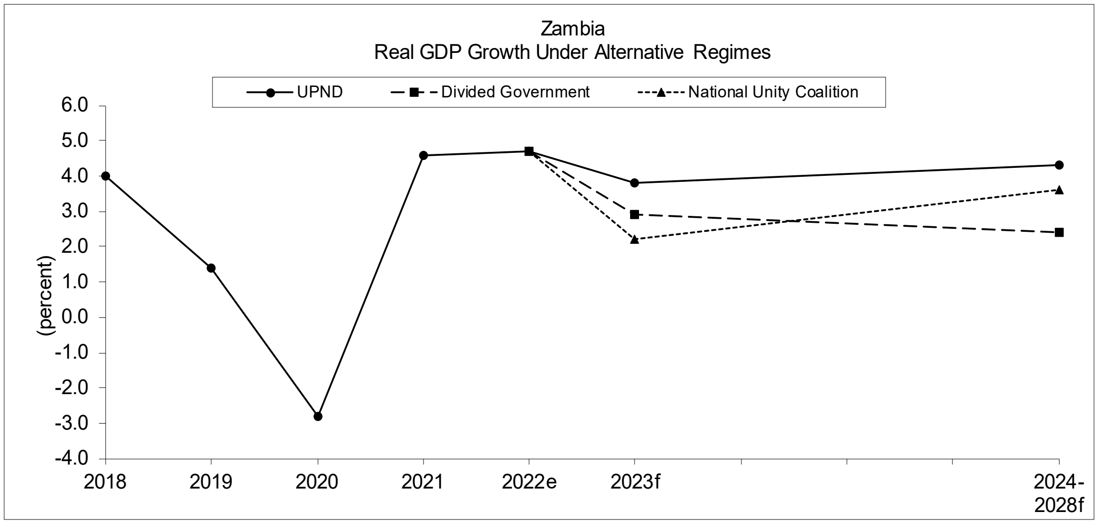
ECONOMIC FORECASTS FOR THE THREE ALTERNATIVE REGIMES									
	UPND			Divided Government			National Unity Coalition		
	GROWTH (%)	INFLATION (%)	CACC ($bn)	GROWTH (%)	INFLATION (%)	CACC ($bn)	GROWTH (%)	INFLATION (%)	CACC ($bn)
2023	3.8	10.7	1.20	2.9	12.2	0.90	2.2	13.0	0.80
2024-2028	4.3	7.5	2.00	2.4	15.3	1.10	3.6	7.3	1.60

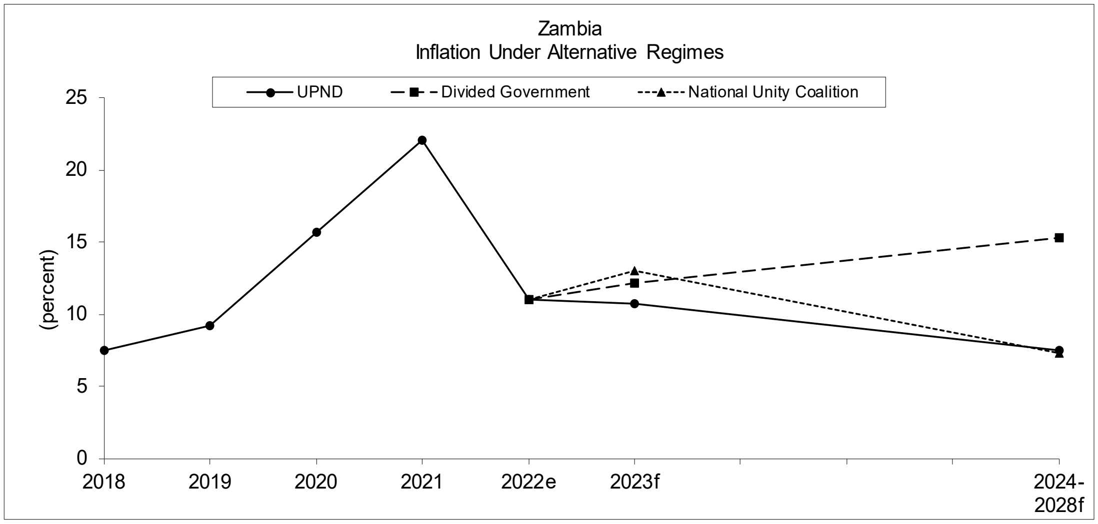
REGIME, BUSINESS & INVESTMENT FORECASTS

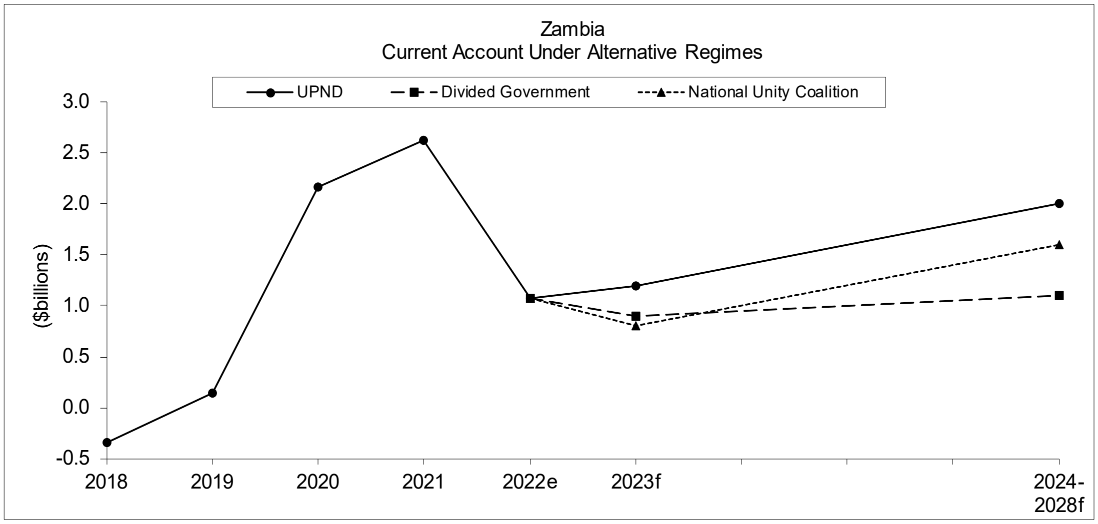
SUMMARY OF 18-MONTH FORECAST				
REGIMES & PROBABILITIES		UPND 70%	Divided Government 20%	National Unity Coalition 10%
RISK FACTORS	**CURRENT**			
Turmoil	Moderate	SLIGHTLY MORE	MORE	MORE
Investment				
Equity	Moderate	SLIGHTLY LESS	Same	Same
Operations	High	SLIGHTLY LESS	SLIGHTLY MORE	Same
Taxation	Moderate	SLIGHTLY MORE	Same	Same
Repatriation	Low	Same	SLIGHTLY MORE	SLIGHTLY MORE
Exchange	Moderate	Same	SLIGHTLY MORE	SLIGHTLY MORE
Trade				
Tariffs	Moderate	Same	Same	Same
Other Barriers	High	SLIGHTLY LESS	Same	Same
Payment Delays	High	Same	SLIGHTLY MORE	SLIGHTLY MORE
Economic Policy				
Expansion	Very High	SLIGHTLY LESS	Same	SLIGHTLY LESS
Labor Costs	Moderate	SLIGHTLY MORE	SLIGHTLY MORE	SLIGHTLY MORE
Foreign Debt	Very High	Same	SLIGHTLY MORE	Same

SUMMARY OF FIVE-YEAR FORECAST				
REGIMES & PROBABILITIES		UPND 50%	Divided Government 40%	National Unity Coalition 10%
RISK FACTORS	**BASE**			
Turmoil	Moderate	Same	SLIGHTLY MORE	SLIGHTLY MORE
Restrictions				
Investment	Moderate	SLIGHTLY LESS	Same	Same
Trade	Moderate	SLIGHTLY LESS	Same	Same
Economic Problems				
Domestic	High	Same	SLIGHTLY MORE	Same
International	High	SLIGHTLY LESS	Same	Same

* When present, indicates forecast of a new regime


Zambia
Real GDP Growth Under Alternative Regimes
UPND
Divided Government
National Unity Coalition
(percent)
6.0
5.0
4.0
3.0
2.0
1.0
0.0
-1.0
-2.0
-3.0
-4.0
2018
2019
2020
2021
2022e
2023f
2024-2028f


Zambia
Inflation Under Alternative Regimes
UPND
Divided Government
National Unity Coalition
(percent)
25
20
15
10
5
0
2018
2019
2020
2021
2022e
2023f
2024-2028f


Zambia
Current Account Under Alternative Regimes
UPND
Divided Government
National Unity Coalition
($billions)
3.0
2.5
2.0
1.5
1.0
0.5
0.0
-0.5
2018
2019
2020
2021
2022e
2023f
2024-2028f

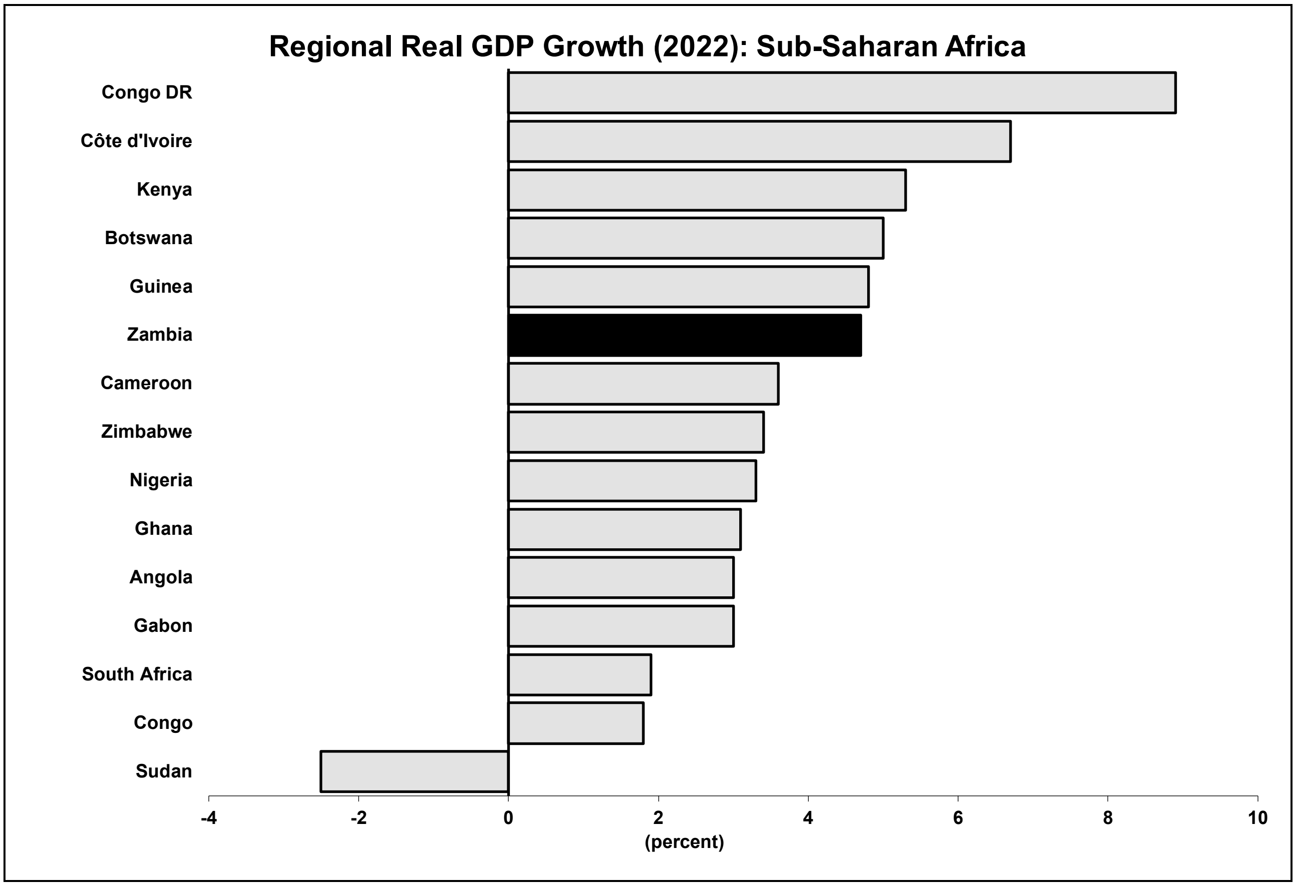
Zambia
Econometric Data

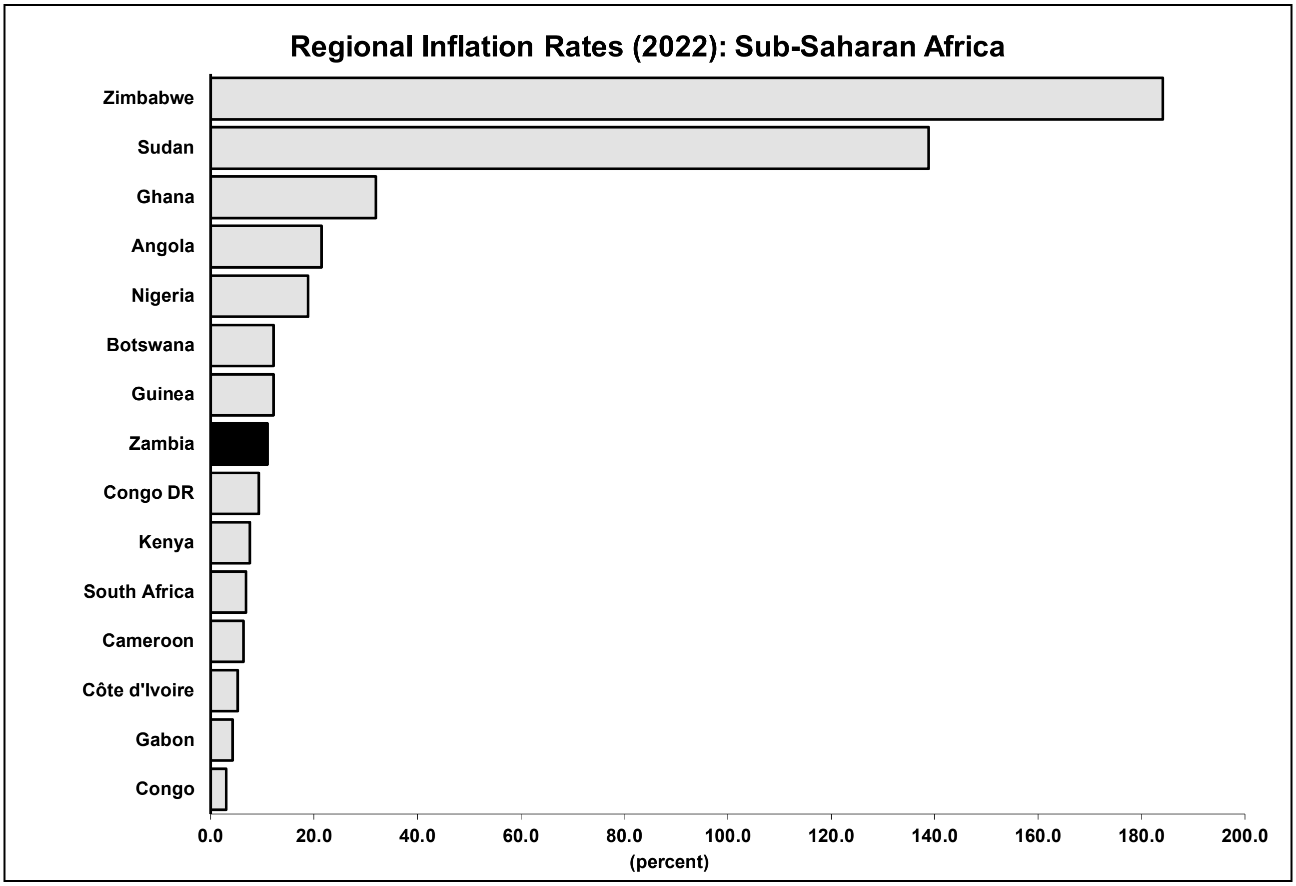
	2013-2017 Average	2018-2022 Average	2013	2014	2015	2016	2017
Domestic Economic Indicators							
GDP (Nominal, $bn)	24.51	24.04	27.61	26.53	21.43	21.02	25.94
Per Capita GDP ($)	1589	1334	1894	1766	1385	1320	1581
Real GDP Growth Rate (%)	4.0	2.4	5.1	4.7	2.9	3.8	3.5
Inflation Rate (%)	9.9	13.1	7.0	7.8	10.1	17.9	6.6
Capital Investment ($bn)	8.28	7.34	7.19	8.23	8.24	7.66	10.07
Capital Investment/GDP (%)	34.1	30.7	26.0	31.0	38.5	36.4	38.8
Budget Revenues ($bn)	4.48	4.91	4.94	5.13	3.99	3.84	4.50
Budget Revenues/GDP (%)	18.3	20.6	17.9	19.3	18.6	18.3	17.4
Budget Expenditures ($bn)	6.17	7.12	6.68	6.70	6.01	5.04	6.43
Budget Expenditures/GDP (%)	25.3	30.1	24.2	25.3	28.0	24.0	24.8
Budget Balance ($bn)	-1.69	-2.21	-1.74	-1.57	-2.02	-1.20	-1.93
Budget Balance/GDP (%)	-6.9	-9.6	-6.3	-5.9	-9.4	-5.7	-7.4
Money Supply (M1, $bn)	2.25	2.13	2.45	2.62	2.68	1.52	1.96
Change in Real Wages (%)	-0.2	-10.8	1.6	1.8	-2.3	-3.4	1.5
Unemployment Rate (%)	8.5	13.0	7.8	7.4	7.5	7.4	12.6
International Economic Indicators							
Foreign Direct Investment ($bn)	1.33	0.38	2.10	1.49	1.30	0.66	1.11
Forex Reserves ($bn)	2.19	1.25	2.09	2.56	2.53	1.99	1.77
Gross Reserves (ex gold, $bn)	2.63	1.99	2.68	3.08	2.97	2.35	2.08
Gold Reserves ($bn)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross reserves (inc gold, $bn)	2.63	1.99	2.68	3.08	2.97	2.35	2.08
Total Foreign Debt ($bn)	13.09	29.20	6.29	9.19	11.78	15.22	22.95
Total Foreign Debt/GDP (%)	54.7	125.2	22.8	34.6	55.0	72.4	88.5
Debt Service ($bn)	0.50	0.76	0.25	0.30	0.44	0.70	0.83
Debt Service/XGS (%)	5.5	8.0	2.1	2.6	5.2	9.0	8.6
Current Account ($bn)	-0.27	1.14	-0.23	0.58	-0.58	-0.68	-0.44
Current Account/GDP (%)	-1.2	5.4	-0.8	2.2	-2.7	-3.2	-1.7
Current Account/XGS (%)	-3.4	10.6	-1.9	5.1	-6.8	-8.8	-4.6
Exports ($bn)	8.64	9.40	10.85	10.22	7.36	6.53	8.22
Imports ($bn)	7.71	6.87	9.20	8.59	7.20	6.30	7.26
Trade Balance ($bn)	0.93	2.53	1.65	1.63	0.16	0.23	0.96
Exports of Services ($bn)	0.84	0.80	0.76	0.85	0.86	0.89	0.86
Income, credit ($bn)	0.03	0.03	0.01	0.01	0.01	0.07	0.07
Transfers, credit ($bn)	0.35	0.37	0.42	0.35	0.27	0.25	0.45
Exports G&S ($bn)	9.86	10.60	12.04	11.43	8.50	7.74	9.60
Liabilities ($bn)	0.99	1.31	1.13	1.03	1.18	0.79	0.84
Net Reserves ($bn)	1.64	0.68	1.55	2.05	1.79	1.56	1.24
Liquidity (months import cover)	2.6	1.2	2.0	2.9	3.0	3.0	2.0
Currency Exchange Rate	8.022	15.715	5.481	6.297	8.558	10.279	9.494
Currency Change (%)	-11.1	-9.6	-7.6	-13.0	-26.4	-16.7	8.3
Social Indicators							
Population (million)	15.48	18.03	14.58	15.02	15.47	15.93	16.41
Population Growth (%)	2.7	3.6	1.5	3.0	3.0	3.0	3.0
Infant Deaths/1000	46	41	48	47	47	46	44
Persons under Age 15 (%)	46	44	46	46	46	45	45
Urban Population (%)	41	44	40	41	41	41	42
Urban Growth (%)	3.7	4.8	1.5	5.6	3.0	3.0	5.5
Literacy % pop.	77	86	71	71	71	85	85
Agricultural Work Force (%)	61	59	63	62	61	60	59
Industry-Commerce Work Force (%)	11	9	10	11	11	12	12
Services Work Force (%)	28	32	27	27	28	28	29
Unionized Work Force (%)	10	10	10	10	10	10	10
Energy - total consumption (10^{15} Btu)	0.17	0.18	0.17	0.18	0.17	0.16	0.17
Energy - consumption/head (10^{9} Btu)	0.01	0.01	0.01	0.01	0.01	0.01	0.01

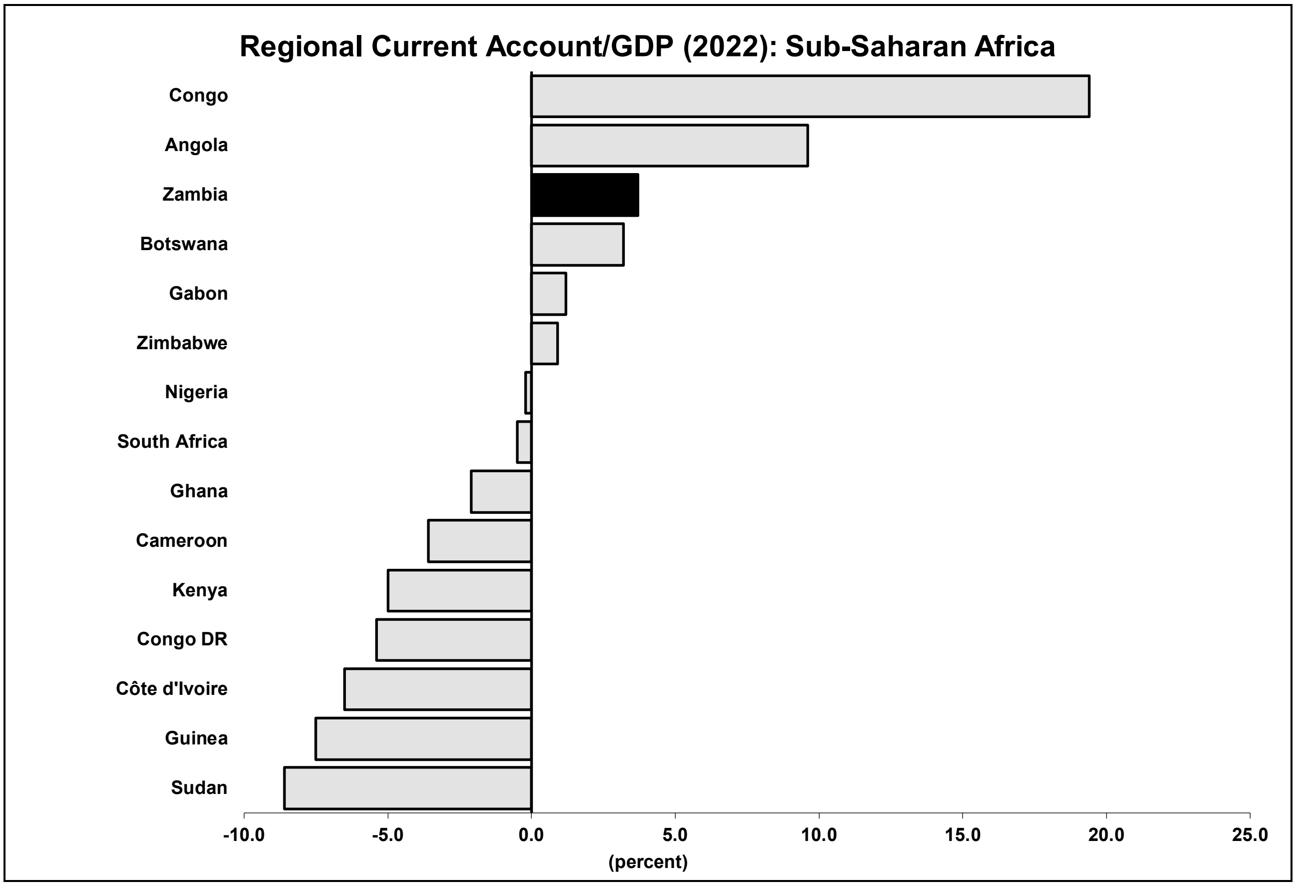
Zambia
Econometric Data

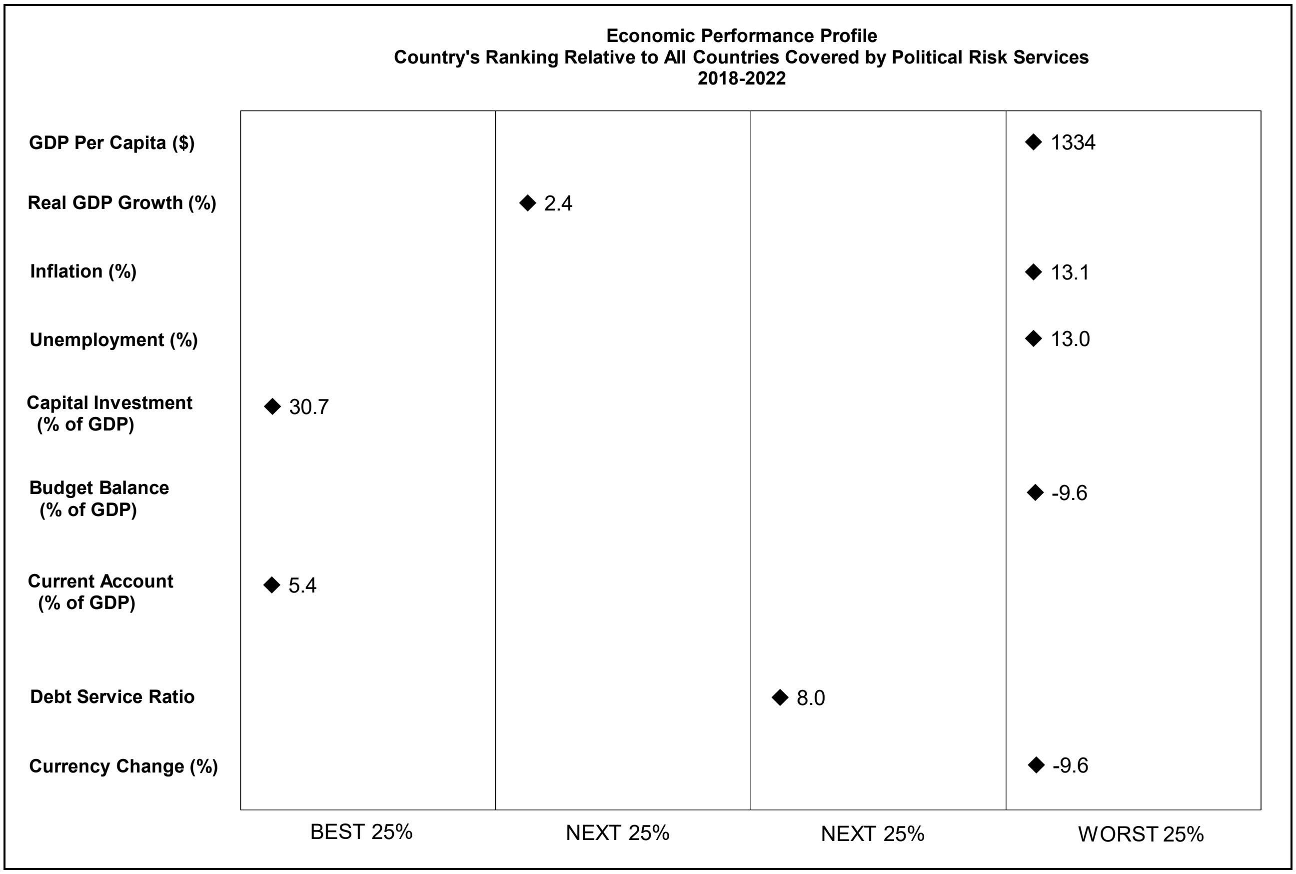
	2013-2017 Average	2018-2022 Average	2018	2019	2020	2021	2022
Domestic Economic Indicators							
GDP (Nominal, $bn)	24.51	24.04	27.30	23.37	18.14	22.20	29.21
Per Capita GDP ($)	1589	1334	1616	1345	1014	1207	1490
Real GDP Growth Rate (%)	4.0	2.4	4.0	1.4	-2.8	4.6	4.7
Inflation Rate (%)	9.9	13.1	7.5	9.2	15.7	22.1	11.0
Capital Investment ($bn)	8.28	7.34	9.23	8.32	5.42	6.42	7.33
Capital Investment/GDP (%)	34.1	30.7	33.8	35.6	29.9	28.9	25.1
Budget Revenues ($bn)	4.48	4.91	5.30	4.77	3.93	4.72	5.84
Budget Revenues/GDP (%)	18.3	20.6	19.4	20.4	21.7	21.3	20.0
Budget Expenditures ($bn)	6.17	7.12	7.56	6.96	6.61	6.43	8.06
Budget Expenditures/GDP (%)	25.3	30.1	27.7	29.8	36.4	29.0	27.6
Budget Balance ($bn)	-1.69	-2.21	-2.26	-2.19	-2.68	-1.71	-2.22
Budget Balance/GDP (%)	-6.9	-9.6	-8.3	-9.4	-14.8	-7.7	-7.6
Money Supply (M1, $bn)	2.25	2.13	2.08	1.76	1.82	2.00	3.01
Change in Real Wages (%)	-0.2	-10.8	-11.4	-10.0	-15.1	-12.4	-5.2
Unemployment Rate (%)	8.5	13.0	11.4	13.2	12.2	14.3	14.0
International Economic Indicators							
Foreign Direct Investment ($bn)	1.33	0.38	0.41	0.86	0.25	0.39	0.01
Forex Reserves ($bn)	2.19	1.25	1.33	1.26	1.02	1.26	1.36
Gross Reserves (ex gold, $bn)	2.63	1.99	1.57	1.45	1.20	2.75	2.97
Gold Reserves ($bn)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross reserves (inc gold, $bn)	2.63	1.99	1.57	1.45	1.20	2.75	2.97
Total Foreign Debt ($bn)	13.09	29.20	23.53	27.73	30.05	31.34	33.37
Total Foreign Debt/GDP (%)	54.7	125.2	86.2	118.7	165.7	141.2	114.2
Debt Service ($bn)	0.50	0.76	1.24	1.44	0.76	0.23	0.14
Debt Service/XGS (%)	5.5	8.0	11.9	16.5	8.6	1.9	1.1
Current Account ($bn)	-0.27	1.14	-0.34	0.15	2.17	2.63	1.07
Current Account/GDP (%)	-1.2	5.4	-1.3	0.6	12.0	11.9	3.7
Current Account/XGS (%)	-3.4	10.6	-3.3	1.7	24.4	21.7	8.3
Exports ($bn)	8.64	9.40	9.03	7.25	8.00	11.20	11.50
Imports ($bn)	7.71	6.87	8.52	6.50	4.79	6.39	8.14
Trade Balance ($bn)	0.93	2.53	0.51	0.75	3.21	4.81	3.36
Exports of Services ($bn)	0.84	0.80	0.95	1.01	0.56	0.53	0.94
Income, credit ($bn)	0.03	0.03	0.03	0.05	0.04	0.01	0.03
Transfers, credit ($bn)	0.35	0.37	0.37	0.39	0.29	0.40	0.40
Exports G&S ($bn)	9.86	10.60	10.38	8.70	8.89	12.14	12.87
Liabilities ($bn)	0.99	1.31	0.82	0.73	0.84	1.75	2.39
Net Reserves ($bn)	1.64	0.68	0.75	0.72	0.36	1.00	0.58
Liquidity (months import cover)	2.6	1.2	1.1	1.3	0.9	1.9	0.9
Currency Exchange Rate	8.022	15.715	10.468	12.919	18.312	19.968	16.910
Currency Change (%)	-11.1	-9.6	-9.3	-19.0	-29.5	-8.3	18.1
Social Indicators							
Population (million)	15.48	18.03	16.89	17.38	17.89	18.40	19.60
Population Growth (%)	2.7	3.6	2.9	2.9	2.9	2.9	6.5
Infant Deaths/1000	46	41	44	42	41	40	40
Persons under Age 15 (%)	46	44	44	44	44	43	43
Urban Population (%)	41	44	43	44	44	45	46
Urban Growth (%)	3.7	4.8	5.4	5.3	2.9	5.2	5.2
Literacy % pop.	77	86	85	86	86	87	87
Agricultural Work Force (%)	61	59	60	57	59	59	59
Industry-Commerce Work Force (%)	11	9	10	9	9	8	8
Services Work Force (%)	28	32	30	34	32	33	33
Unionized Work Force (%)	10	10	10	10	10	10	10
Energy - total consumption (10^{15} Btu)	0.17	0.18	0.17	0.17	0.17	0.17	0.20
Energy - consumption/head (10^{9} Btu)	0.01	0.01	0.01	0.01	0.01	0.01	0.01

INTRA-REGIONAL COMPARISONS






Regional Current Account/GDP (2022): Sub-Saharan Africa
Congo
Angola
Zambia
Botswana
Gabon
Zimbabwe
Nigeria
South Africa
Ghana
Cameroon
Kenya
Congo DR
Côte d'Ivoire
Guinea
Sudan
-10.0
-5.0
0.0
5.0
10.0
15.0
20.0
25.0
(percent)


Economic Performance Profile
Country's Ranking Relative to All Countries Covered by Political Risk Services
2018-2022
GDP Per Capita ($)
1334
Real GDP Growth (%)
2.4
Inflation (%)
13.1
Unemployment (%)
13.0
Capital Investment (% of GDP)
30.7
Budget Balance (% of GDP)
-9.6
Current Account (% of GDP)
5.4
Debt Service Ratio
8.0
Currency Change (%)
-9.6
BEST 25%
NEXT 25%
NEXT 25%
WORST 25%

GEOPOLITICAL & ECONOMIC ANALYSIS

DEBT NEGOTIATIONS HIT MAJOR SNAG

Zambia's sovereign debt burden soared from 20.8% of GDP in 2011 to 117.8% of GDP in 2020, by which point the cost the servicing the debt amounted to more than 30% of total state expenditure. Amid a pandemic-driven economic downturn, the Patriotic Front (PF) administration headed by President Edgar Lungu defaulted on a $42.5 million Eurobond payment in November 2020, bequeathing a debt crisis to the incumbent United Party for National Development (UPND) government headed by President Hakainde Hichilema, which took office in August 2021.

The incumbent administration has worked assiduously to achieve the debt restructuring agreements required to end the crisis. However, progress has been hampered by the unwillingness of China, in particular, to take a substantial haircut on more than $6.6 billion of loans (including arrears) extended to the Zambian government.

Benefiting from the support of the IMF, which agreed to a 38-month, $1.3 billion extended credit facility (ECF) arrangement in August 2022, officials finally managed to reach a deal with the official creditor committee (OCC) of bilateral lenders in June 2023. The terms, which were confirmed by a memorandum of understanding signed last month, entail the rescheduling of some $6.3 billion in payments over more than 20 years, following a three-year period during which only interest payments are due.

The government cleared another hurdle in late October by concluding an agreement with the holders of $3 billion of Eurobonds that would waive roughly $700 million in claims that together with reduced interest payments would free up about $2.5 billion in cash through 2025. Unfortunately, China and France have objected to the terms of the arrangement with private bondholders, on the grounds that it does not adhere to the principle of comparability of treatment.

The replacement of three bonds short-term bonds with two longer-term bonds maturing in 2035 and 2053 represented a haircut of roughly 18%, with creditors receiving more favorable terms under an "upside treatment" scenario that will come into effect if medium-term economic performance exceeds projections. Under the base-level scenario, and factoring in the forgiven debt, private bondholders will effectively be repaid 73 cents for each $1 of the original loans, while bilateral lenders will receive just 55 cents. If the conditions for enhanced terms are met, private lenders would receive 97 cents on the dollar, compared to 79 cents for official creditors.

The government is outwardly optimistic that the setback will be temporary, but the path forward is unclear. Bondholders have given no indication of a willingness to make additional concessions, and the alternative of offering comparably favorable terms to bilateral creditors could undermine the credibility of the broader restructuring effort.

IMF REMAINS CONFIDENT

For its part, the IMF remains confident in Zambia's commitment to taking the necessary steps to exit default, as indicated by the recent completion of the second review under the ECF, which clears the way for the release of an additional $184 million in financial support. Fiscal reforms implemented to secure the IMF's support included steep cuts to expenditures on costly subsidies for fuel and agricultural inputs, which have been more closely targeted according to need, and the reinstatement of the value-added tax (VAT) and excise duty on petroleum products. Hichilema's administration has also lowered taxes and introduced free education, which has helped to soothe some of the sting from fiscal reforms, but limited the immediate impact on the deficit, which remained quite large at 7.6% of GDP in 2022.

The delay in concluding debt-restructuring agreements contributed to renewed currency volatility that has reinforced the inflationary impact of higher fuel prices, pushing increases in the consumer price index back into double digits in the second half of 2023. With year-on-year inflation surging to a 19-month high of 12.6% last month, the central bank raised the benchmark interest rate by a full percentage point, to 11%, in late November.

The most recent rate hike, the fourth of the year and the largest since November 2019, has clouded the outlook for sustaining an economic recovery that produced average real GDP growth of more than 4.6% in 2021–2022. In addition to higher inflation, average Zambians are also grappling with chronic power outages attributable to inadequate rainfall that has adversely affected the output of hydroelectric facilities.

Despite the negative implications for the government's popularity, political risk remains mostly in check. No elections are required until 2026, which leaves plenty of time for Hichilema and his allies to produce the improvements they promised.

Although the UPND won just 82 seats in the 167-member National Assembly, the additional support of nominated and ex officio lawmakers is sufficient to ensure a legislative majority for the administration. The risk of instability is further mitigated by the disarray within the PF, which is headed for an internal power struggle amid signs that Lungu is moving to reclaim control of a party that has failed to reach consensus on a permanent successor more than two years after he stepped down.

ECONOMIC STRATEGY LACKS CREDIBILITY

Hichilema and the UPND have pinned their future electoral hopes on an economic development strategy that leans heavily on increased output of copper, demand for which is expected to surge over the medium-to-long term amid a global transition to green technologies that will require large quantities of the metal. In his 2022 budget speech, Finance Minister Situmbeko Musokotwane announced plans to increase yearly copper production to 3 million tonnes by 2030, up from just 760,000 tonnes last year.

Officials are pitching the strategy as a cure-all for Zambia's economic ills, with a boom in exports generating the income to finance infrastructure investment, industrial diversification, and job creation, and ensuring sufficient currency reserves to facilitate the central bank's efforts to manage inflation. However, there is serious cause to doubt that actual mining production will come anywhere near the target.

The investment plans of companies currently operating in Zambia do not square with projections of 1 million tonnes of increased output from that source by the end of the decade. Indeed, financial troubles at Mopani Copper Mines (MCM) and Konkola Copper Mines (KCM) have left them unable to sustain normal operations, contributing to a decline in production that is expected to push total annual output below 700,000 tonnes this year.

Positively, the government successfully resolved a dispute between KCM and India's Vedanta Resources, which has agreed to fulfil an obligation to invest $1 billion in the mine after regaining controlling ownership of the operation. However, reaching the ambitious production goal will likely depend on a similar injection of fresh investment in MCM, and, even then, it is doubtful that the targeted increase can be achieved in just seven years.

Otherwise, the government will need to move quickly to improve the business climate if it hopes to attract new players into the sector. Steps taken so far include a reduction in direct taxation of mining companies, which are now permitted to deduct royalty payments from their income tax bill. However, the positive response from investors has been restrained to date.

Persuading reluctant investors to pour capital into Zambia will necessarily entail concrete progress in efforts to root out corruption, which spreads both wide and deep within the government apparatus, as was highlighted by the April 2023 arrests of Auditor-General Dick Sichembe and more than a dozen top Treasury officials accused of stealing public funds.

Hichilema's promised war on corruption has made little headway more than two years into his tenure as president. Although there have been numerous arrests of former PF administration figures, prosecutions have largely stalled, the result of understaffing within the judiciary and suspected political interference by partisan judges. The April 2023 appointment of Margaret Mulela Munalula as president of the Constitutional Court represents an attempt to overcome the latter hurdle, but the positive effect has yet to become apparent.

DEBT DOUBTS CLOUD ECONOMIC OUTLOOK

Robust activity in the construction sector contributed to an acceleration of year-on-year real GDP growth to 5% in April-June 2023, following a first-quarter gain of 4.6%. However, monthly indicators point to weaker growth in the July-September quarter, and a combination of steadily rising inflation and increasingly aggressive monetary tightening is likely to have a dampening effect on both household consumption and non-mining investment in the closing months of the year, holding the full-year growth rate below 4% in 2023.

Some 70% of the country's export earnings are derived from shipments of mostly raw copper to Switzerland, China, Namibia, Singapore, and India. Strong demand and high prices for copper helped to replenish reserves that became dangerously depleted during the COVID-19 pandemic, resulting in a firming of the kwacha and an easing of inflation, which was halved to an average of 11% in 2022.

However, a drop in copper production and delays in resolving the debt crisis have contributed to renewed currency volatility in recent months. The kwacha has depreciated by more the 27% against the dollar since late July and hit an all-time low of ZMW23.55 to the dollar in late November. The recent setback for the debt restructuring effort will reinforce downward pressure on the currency in the near term, complicating the central bank's task of taming inflation, which is forecast to top 10% on average in 2023.

The prospects for a stronger economic performance in 2024 depend greatly on developments on the debt front. Successful debt restructuring would create room to employ fiscal levers to stimulate growth and ease pressure on the kwacha, creating the potential for a relaxation of monetary constraints. Assuming a reversal of the decline in copper production and continued strong metals prices, real GDP growth of 4.5%-5% would be likely under that scenario.

Alternatively, a further prolonged delay in reaching a settlement with creditors would reinforce the negative pressures contributing to weaker growth and higher inflation in the second half of 2023. Under those conditions, the risk of fiscal slippage would increase, to the detriment of relations with the IMF.

INTERNATIONAL COUNTRY RISK GUIDE (ICRG) RATINGS

PRS' Country Reports and Economic Forecasts (CREF) and the International Country Risk Guide (ICRG) have been independently back-tested for accuracy and relevance for over 40 years.

In a landmark 2014 study published in the International Journal of Business Studies* – using data on political risk clams and a unique textual-based database of risk realizations – both CREF and ICRG forecasts were found to have "predictive power for both political risk insurance claims as well as political risk events measured by news coverage."

It is therefore instructive to present the scores from Table 1 of the ICRG for a complimentary look at the composite risk scores – calculated by using a combination of the overall political, financial, and economic risk metrics – for the 141+ countries covered each month. Please contact custserv@prsgroup.com for more information.

TABLE 1
COUNTRY RISK, RANKED BY COMPOSITE RISK RATING
NOVEMBER 2023 VERSUS DECEMBER 2022

RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
	Very Low Risk				
1	Norway	86.3	87.0	-0.8	2
2	Switzerland	86.0	87.3	-1.3	1
3	Denmark	85.0	84.8	0.3	6
4	Taiwan	84.8	84.3	0.5	7
5	Singapore	84.3	86.0	-1.8	3
6	Luxembourg	84.0	86.0	-2.0	3
7	Ireland	83.8	82.3	1.5	7
8	Saudi Arabia	82.5	85.5	-3.0	5
9	Brunei	81.5	81.8	-0.3	10
10	Qatar	80.8	80.0	0.8	17
11	Canada	80.5	81.8	-1.3	10
11	Iceland	80.5	80.5	0.0	15

* C Harvey, et al., "Political Risk Spreads," Journal of International Business Studies, (2014), 471-493.

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING NOVEMBER 2023 VERSUS DECEMBER 2022					
RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
11	United Arab Emirates	80.5	82.3	-1.8	7
14	Netherlands	80.3	80.5	-0.3	15
15	Kuwait	80.0	81.0	-1.0	13
		Low Risk			
16	Australia	79.5	81.8	-2.3	10
17	Botswana	79.3	77.3	2.0	24
17	Japan	79.3	76.5	2.8	26
19	Sweden	79.0	81.0	-2.0	13
20	New Zealand	78.8	76.0	2.8	28
21	Germany	78.5	79.0	-0.5	18
21	Hong Kong	78.5	74.3	4.3	35
21	Korea, Republic	78.5	78.3	0.3	20
24	Finland	77.5	78.3	-0.8	20
25	Bahamas	76.8	74.3	2.5	35
25	Trinidad & Tobago	76.8	77.5	-0.8	23
27	Austria	76.5	78.3	-1.8	20
27	Costa Rica	76.5	72.3	4.3	47
27	Oman	76.5	78.5	-2.0	19
27	Portugal	76.5	75.3	1.3	32
31	Czech Republic	76.0	76.0	0.0	28
32	Guyana	75.5	75.5	0.0	31
32	Kazakhstan	75.5	76.5	-1.0	26
34	Uzbekistan	74.8	73	2.3	43
35	Belgium	74.5	74.5	0.0	34
36	Italy	74.3	73.3	1.0	41
37	Latvia	74.0	71.8	2.3	51
37	Malaysia	74.0	74.0	0.0	39
37	Slovenia	74.0	73.0	1.0	42

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING NOVEMBER 2023 VERSUS DECEMBER 2022					
RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
40	Azerbaijan	73.8	72.5	1.3	43
40	Libya	73.8	70.8	3.0	58
40	Panama	73.8	73.5	0.3	40
40	Uruguay	73.8	75.3	-1.5	32
44	Croatia	73.5	74.3	-0.8	35
44	Israel	73.5	76.0	-2.5	28
44	Malta	73.5	74.3	-0.8	35
44	United Kingdom	73.5	76.8	-3.3	25
48	Jamaica	72.5	72.3	0.3	47
48	Poland	72.5	71.3	1.3	54
48	Spain	72.5	72.5	0.0	43
51	Dominican Republic	72.0	72.3	-0.3	47
52	Chile	71.8	71.5	0.3	52
52	France	71.8	72.5	-0.8	43
52	Philippines	71.8	70.8	1.0	58
55	Brazil	71.5	70.0	1.5	64
55	Vietnam	71.5	71.3	0.3	54
57	India	71.3	70.5	0.8	61
58	Bulgaria	71.0	70.8	0.3	58
58	China, Peoples' Rep.	71.0	69.3	1.8	66
58	Hungary	71.0	71.3	-0.3	54
58	Paraguay	71.0	64.3	6.8	93
58	Thailand	71.0	65.5	5.5	87
63	Guatemala	70.5	71.0	-0.5	57
63	United States	70.5	72.3	-1.8	47
	Moderate Risk				
65	Gabon	69.8	66.8	3.0	82
65	Lithuania	69.8	70.5	-0.8	61

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING NOVEMBER 2023 VERSUS DECEMBER 2022					
RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
67	Cyprus	69.3	70.0	-0.8	64
68	Bahrain	69.0	68.8	0.3	71
68	Indonesia	69.0	68.3	0.8	75
68	Papua New Guinea	69.0	69.3	-0.3	66
71	Greece	68.8	68.5	0.3	73
72	Congo, Republic	68.5	64.3	4.3	93
72	Iraq	68.5	70.5	-2.0	61
72	Mexico	68.5	68.0	0.5	77
72	Peru	68.5	68.0	0.5	77
72	Slovakia	68.5	68.8	-0.3	71
77	Estonia	68.3	71.5	-3.3	52
77	Namibia	68.3	69.3	-1.0	66
79	Algeria	68.0	69.3	-1.3	66
79	Russia	68.0	66.0	2.0	86
81	Ecuador	67.5	68.5	-1.0	73
81	El Salvador	67.5	63.3	4.3	99
81	Romania	67.5	66.8	0.8	82
84	Armenia	66.8	60.0	6.8	111
84	Gambia	66.8	65.3	1.5	88
84	Honduras	66.8	66.8	0.0	82
84	Morocco	66.8	64.5	2.3	90
88	Mongolia	66.5	64.5	2.0	90
88	South Africa	66.5	67.8	-1.3	79
90	Tanzania	66.3	65.0	1.3	89
91	Serbia	65.8	67.0	-1.3	80
92	Guinea-Bissau	65.3	64.0	1.3	95
93	Zambia	65.0	62.8	2.3	100
94	Albania	64.5	63.8	0.8	98

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING NOVEMBER 2023 VERSUS DECEMBER 2022					
RANK IN 11/23	**COUNTRY**	**COMPOSITE RISK RATING 11/23**	**COMPOSITE RISK RATING 12/22**	**11/23 VERSUS 12/22**	**RANK IN 12/22**
95	Iran	64.3	66.8	-2.5	82
96	Bangladesh	64.0	62.5	1.5	102
96	Bolivia	64.0	67.0	-3.0	80
96	Cote d'Ivoire	64.0	62.3	1.8	104
99	Jordan	63.8	64.5	-0.8	90
99	Nicaragua	63.8	62.8	1.0	100
101	Togo	63.5	62.3	1.3	104
102	Colombia	63.3	64.0	-0.8	95
103	Madagascar	63.0	62.5	0.5	102
104	Suriname	62.5	58.5	4.0	116
105	Moldova	62.3	59.0	3.3	114
106	Cuba	61.8	69.0	-7.3	70
107	Cameroon	61.3	61.0	0.3	107
108	Ukraine	61.0	51.8	9.3	132
109	Ghana	60.5	58.5	2.0	116
110	Angola	60.3	68.3	-8.0	75
111	Mozambique	60.0	54.5	5.5	127
111	Uganda	60.0	59.5	0.5	112
	High Risk				
113	Guinea	59.8	57.5	2.3	123
113	Tunisia	59.8	61.0	-1.3	107
115	Liberia	59.5	58.0	1.5	121
115	Sri Lanka	59.5	48.8	10.8	137
117	Belarus	59.3	57.0	2.3	125
118	Mali	58.8	58.8	0.0	115
118	Senegal	58.8	58.3	0.5	120
120	Burkina Faso	58.5	59.5	-1.0	112
121	Myanmar	58.3	56.0	2.3	126

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING NOVEMBER 2023 VERSUS DECEMBER 2022					
RANK IN 11/23	COUNTRY	COMPOSITE RISK RATING 11/23	COMPOSITE RISK RATING 12/22	11/23 VERSUS 12/22	RANK IN 12/22
122	Zimbabwe	58.0	61.5	-3.5	106
123	Argentina	57.5	64.0	-6.5	95
123	Ethiopia	57.5	58.5	-1.0	116
125	Egypt	57.3	57.5	-0.3	123
126	Kenya	57.0	58.5	-1.5	116
127	Haiti	56.8	54.0	2.8	129
127	Sierra Leone	56.8	53.5	3.3	130
129	Congo, Dem. Republic	56.3	60.3	-4.0	109
130	Nigeria	55.8	60.3	-4.5	109
130	Yemen, Republic	55.8	48.3	7.5	138
132	Turkey	55.5	54.3	1.3	128
133	Venezuela	55.0	58.0	-3.0	121
134	Somalia	51.8	52.0	-0.3	131
	Very High Risk				
135	Pakistan	49.8	51.3	-1.5	134
136	Korea, D.P.R.	49.3	51.0	-1.8	135
137	Malawi	49.0	51.0	-2.0	135
138	Niger	47.8	51.8	-4.0	132
139	Syria	44.5	44.0	0.5	139
140	Sudan	43.5	43.3	0.3	140
141	Lebanon	34.5	41.3	-6.8	141