

Zambia Business Forecast Report Q1 2015

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Abstracts

Core Views:

Zambian ruling party the Patriotic Front (PF) is set for a fractious succession process in the lead-up to an election that will be held within 90 days of President Michael Sata's death on October 28. Domestic demand will be the engine of the Zambian economy in 2015 as low copper prices and policy uncertainty weigh on the external sector. The presidential bi-election in January 2015 will be a key determinant of policy until the next full election in 2016 and this presents risks – predominantly to the downside – for our 2015 real GDP growth forecast of 7.0%.

The kwacha will trade in a largely sideways fashion at around ZMW6.400/USD over both short and long term as declining oil prices offset the impact that lower copper prices will have on the external accounts. Cautious monetary policy will also provide support for the currency. The risks are weighted to the downside.

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Post-Sata PF Facing Leadership Questions

Zambian ruling party the Patriotic Front (PF) is set for a fractious succession process in the lead-up to an election that will be held within 90 days of President Michael Sata's death on October 28.

Long-Term Political Outlook

A Question Of Policy, Not Politics

Zambia boasts a competitive political environment that has been characterised by closely contested and increasingly freer and fairer elections (according to observers). However, issues such as corruption and income inequality will require redress over the coming decade, in order to keep Zambia on a progressive political and economic growth trajectory.

CHAPTER 2: ECONOMIC OUTLOOK

SWOT Analysis

BMI Economic Risk Index

Economic Activity

Domestic Demand To Drive Headline Growth In 2015

Domestic demand will be the engine of the Zambian economy in 2015 as low copper prices and policy uncertainty weigh on the external sector. The presidential bi-election in January 2015 will be a key determinant of policy until the next full election in 2016 and this presents risks – predominantly to the downside – for our 2015 real GDP growth forecast of 7.0%.

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The kwacha will trade in a largely sideways fashion at around ZMW6.400/USD over both short and long term as declining oil prices offset the impact that lower copper

prices will have on the external accounts. Cautious monetary policy will also provide support for the currency. The risks are weighted to the downside.

Table: BMI CURRENCY FORECAST

Banking Sector

Looser Monetary Policy Will Boost Asset Growth

The Bank of Zambia has begun loosening monetary policy and this appears to have already given a boost to banking sector asset growth, which we forecast reach ing 20.0% in 2014.

Regional Article

Oil At USD60/bbl Would Be Negative For Region

Oil prices at USD60/bbl would have a harmful impact on Sub-Saharan Africa's economic growth outlook as the negative shock to the region's net oil exporters would be greater than the boost received by net oil importers. Exporters would face deteriorating fiscal and external positions with Sudan particularly at risk.

CHAPTER 3: 10-YEAR FORECAST

The Zambian Economy To 2023

Mines Both A Driver Of And Risk To Growth

On the back of an improving regional outlook and good prospects for the mining sector, we are projecting average annual growth of 6.9% over our forecast period to 2023. Buoying this strong performance will be a strengthening private sector, as well as ongoing investment in mining, agriculture and infrastructure, aided by a favourable business environment.

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