

SM/85/273
Correction 1

CONTAINS CONFIDENTIAL
INFORMATION

November 6, 1985

To: Members of the Executive Board
From: The Secretary
Subject: Zambia - Staff Report for the 1985 Article IV Consultation

The following corrections have been made in SM/85/273 (10/1/85):

Page 21, penultimate line: for "SDR 240 million" read "SDR 220 million"

last line: for "4 percent to SDR 0.77"
read "6 percent to SDR 0.83"

Pages 35-37, Basic Data: Add "APPENDIX IV"

Corrected pages are attached.

Att: (4)

Other Distribution:
Department Heads

resources. The debt service ratio before debt relief 1/ is expected to remain at very high levels during the entire projection period, but to decline somewhat from 83 percent in 1985 to 61 percent in 1989, largely reflecting the expected recovery of exports (Table 5).

Even assuming that the economy will respond so favorably to the adjustment measures currently under consideration, Zambia will still be faced with very large, though diminishing, financing gaps over the medium term. The gap would amount to SDR 421 million in 1986 and SDR 389 million in 1989. The sustainability of these external payments gaps will depend on continued debt relief and exceptional assistance on concessional terms. The projected financing gaps, however, are very sensitive to economic assumptions, particularly assumed developments in copper prices. For instance, at the projected volumes of copper exports and levels of other transactions, the resource gap at the outer years could widen to as much as SDR 520 million by 1989, if the average copper price were to remain unchanged at SDR 0.66 per pound; it would decline to SDR 220 million by 1989 assuming the copper price were to rise steadily at an annual rate of 6 percent to SDR 0.83 by 1989.

1/ Including debt service on the projected financing gaps.

Table 5. Zambia: Debt Service Payments, 1982-89

	1982	1983	1984			1985	1986	1987	1988	1989
			Original prog.	Revised prog.	Revised est.			Projections		
(In millions of SDRs)										
Scheduled debt service	527	577	693	675	623	818	822	853	735	688
Interest	226	236	290	302	253	350	358	377	400	422
Amortization	301	341	403	373	370	468	463	477	335	267
Rescheduled commercial arrears	--	--	--	--	--	--	--	39	39	124
Interest	--	--	--	--	--	--	--	39	39	36
Amortization	--	--	--	--	--	--	--	--	--	88
Total	527	577	693	675	623	818	822	792	774	812
Actual debt service										
After debt relief	527	481	326	358	379	...	...	...	...	...
After debt relief and arrears	320	282	364	396	310	...	...	...	...	...
(In percent of exports of goods and services)										
Scheduled debt service	56.4	59.3	81.6	83.5	68.7	88.1	71.6	69.1	57.9	51.2
Interest	24.2	24.2	34.2	37.4	27.9	35.5	31.2	30.5	31.5	31.4
Amortization	32.2	35.0	47.5	46.2	40.8	47.6	40.4	38.6	26.4	19.8
Rescheduled commercial arrears	--	--	--	--	--	--	--	3.1	3.0	9.2
Interest	--	--	--	--	--	--	--	3.1	3.0	2.7
Amortization	--	--	--	--	--	--	--	--	--	6.5
Total	--	--	--	--	--	83.1	71.6	72.2	61.0	60.5
Actual debt service										
After debt relief	56.4	49.4	38.4	44.3	41.8	...	...	...	...	...
After debt relief and arrears	34.3	29.0	42.9	49.0	34.2	...	...	...	...	...
Memorandum:										
Exports of goods and services	934	973	849	808	906	984	1,148	1,235	1,269	1,343

Sources: Bank of Zambia; Central Statistical Office; EBS/84/135 and EBS/84/229; and staff estimates.

ZAMBIA - Basic Data

Area, population, and GDP per capita

Area	290,410 square miles
Population	
Total (1983 estimate) <u>1/</u>	6.2 million
Growth rate	3.0 percent
GDP per capita (1983)	SDR 523

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984 ^{2/}</u>
<u>Gross domestic product and expenditure (at current market prices)</u>	<u>(In millions of kwacha)</u>				
Gross domestic product	3,063	3,486	3,595	4,181	4,733
Agriculture	(435)	(554)	(492)	(594)	(698)
Mining	(501)	(488)	(397)	(642)	(664)
Manufacturing	(566)	(684)	(740)	(830)	(988)
Government services	(468)	(586)	(665)	(709)	(800)
Other sectors	(1,093)	(1,174)	(1,301)	(1,406)	(1,583)
Gross domestic expenditure	3,207	3,922	3,911	4,240	4,669
Consumption	(2,494)	(3,248)	(3,308)	(3,665)	(4,005)
Investment	(713)	(673)	(603)	(575)	(664)
External resource gap (-) or surplus at market prices	-144	-436	-316	-59	64
	<u>(In percent of GDP)</u>				
Consumption	81.4	93.2	92.0	87.7	84.6
Investment	23.3	19.3	16.8	13.8	14.0
External resource gap (-) or surplus	-4.7	-12.5	-18.8	-1.4	1.4
<u>Prices</u>	<u>(In percent)</u>				
GDP deflator	11.7	7.2	6.1	18.6	14.7
CPI (low-income)	11.7	14.0	12.5	19.6	20.0
CPI (high-income)	11.5	10.4	13.2	17.7	20.8
CPI (composite)	11.6	12.2	12.9	18.7	20.4

1/ Mid-year estimates.

2/ Preliminary estimates.

ZAMBIA - Basic Data (continued)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u> ^{1/}
<u>Government finance</u> (cash basis)	(In millions of kwacha)				
Revenue and grants	791	833	868	1,069	1,161
Expenditure and net lending	1,168	1,278	1,390	1,389	1,507
Current	1,045	1,149	1,162	1,191	1,241
Capital and net lending	123	129	228	198	266
Overall deficit(-)	-344	-463	-675	-310	-346
Financing	344	463	675	310	346
External	142	247	112	101	60
Domestic	275	216	528	196	286
Banking system	(233)	(164)	(489)	(115)	(189)
Other	(42)	(52)	(39)	(81)	(98)
Other	-73	--	35	13	--
Overall deficit (as percentage of GDP)	11	13	19	7	7
<u>Money and credit</u>					
Foreign assets (net)	-860	-1195	-1484	-1745	-2143
Domestic assets (net)	1,515	1,823	2,291	2,933	3,432
Claims on Government (net)	(1,331)	(1,495)	(1,983)	(2,099)	(2,287)
Claims on the private sector (incl. mining)	(500)	(760)	(906)	(1,037)	(1,199)
Money and quasi-money	907	979	1,309	1,444	1,703
Money	509	561	682	787	867
<u>Balance of payments</u>	(In millions of SDRs)				
Exports, f.o.b.	1,023	833	824	877	817
Of which: copper	(865)	(734)	(722)	(778)	(668)
Imports, c.i.f.	1,017	-1,050	-1,049	-785	-706
Trade balance	6	-217	-225	92	111
Services and transfers (net)	-360	-421	-338	-333	-357

^{1/} Preliminary estimates.

ZAMBIA - Basic Data (concluded)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u> <u>1/</u>
<u>Balance of payments (concluded)</u>	<u>(In millions of SDRs)</u>				
Current account					
balance	-354	-638	-609	-258	-244
Capital account (net)	126	249	42	-28	-183
Government	(139)	(242)	(59)	(5)	(-153)
Mining companies	(26)	(111)	(43)	(-62)	(31)
Other (incl. errors and omissions)	(-39)	(-104)	(-60)	(29)	(-61)
SDR allocation	15	15	21	--	--
Valuation adjustment	--	47	--	-8	--
Overall surplus or deficit(-)	-213	-327	-546	-294	-427
Current account balance (as percent of GDP)	-12	-19	-17	-10	-11

1/ Preliminary estimates.

ZAMBIA - Basic Data (concluded)

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