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INTERNATIONAL MONETARY FUND

ZAMBIA

Recent Economic Developments

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(Approved by the African and Exchange and
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ZAMBIA - Basic Data

Area and population

Area	290,410 square miles
Population	
Total (1976 estimate)	5.1 million
Growth rate	3 per cent
Density	17.6 persons per square mile

Gross domestic product (GDP)
per capita (1976)

\$405

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u> (Est.)
	(In millions of kwacha)				
<u>GDP at current market prices</u>	<u>1,311.9</u>	<u>1,601.0</u>	<u>1,803.0</u>	<u>1,436.0</u>	<u>1,652.0</u>
Government consumption	283.0	307.0	340.0	410.0	430.0
Private consumption	577.8	596.8	673.0	680.0	682.0
Gross fixed investment	408.8	492.2	500.0	590.0	480.0
Changes in stocks	12.2	--	46.0	27.0	10.0
Net exports of goods and services	30.1	268.0	244.0	-271.0	50.0
<u>GDP at 1965 prices</u>	<u>885.9</u>	<u>879.0</u>	<u>918.0</u>	<u>890.4</u>	<u>898.0</u>
<u>Government finance</u>					
Revenue	298.9	386.9	651.0	462.3	411.8
Mining sector	(55.7)	(110.6)	(339.2)	(59.3)	(5.3)
Other	(243.2)	(276.3)	(311.8)	(403.0)	(406.5)
Current expenditure	330.6	373.3	404.3	531.8	536.1
Current surplus or deficit (-)	-31.7	13.6	246.7	-69.5	-124.3
Capital expenditure and net lending	146.3	292.7	162.3	244.4	159.3
Overall surplus or deficit (-)	-178.0	-279.1	84.4	-313.9	-283.6
Net domestic financing	162.6	140.3	-121.5	229.1	258.9
Banking system	(157.8)	(85.1)	(-161.7)	(211.4)	(249.9)
Other financial institutions	(4.8)	(55.2)	(40.2)	(17.7)	(9.0)
Net foreign financing	15.4	138.8	37.1	84.8	24.7

ZAMBIA - Basic Data (concluded)

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u> (Sept.)
	<u>(In millions of kwacha)</u>				
<u>Monetary survey (end of period)</u>					
Foreign assets (net)	78.6	67.2	76.6	-59.4	-71.8
Foreign liabilities	46.7	62.4	67.2	159.9	201.4
Claims on Government (net)	(147.2)	(205.1)	(78.1)	(317.8)	(481.1)
Claims on private sector	(165.0)	(174.9)	(335.8)	(392.9)	(397.4)
Money and quasi-money	350.0	415.5	440.7	492.9	583.8
Other items (net)	49.6	31.7	49.5	142.8	223.1
	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u> (Est.)
	<u>(In millions of SDRs)</u>				
<u>Balance of payments 1/</u>					
Trade balance	178	497	534	-99	266
Exports (f.o.b.)	(700)	(948)	(1,191)	(669)	(859)
Imports (f.o.b.)	(522)	(452)	(657)	(768)	(593)
Nonfactor services	-151	-171	-256	-245	-188
Factor services	-96	-100	-80	-58	-102
Balance on goods and services	-69	225	198	-401	-24
Transfers (net)	-124	-105	-105	-101	-94
of which: Private	(-126)	(-118)	(-112)	(-105)	(-101)
Current account	-193	121	93	-503	-118
Capital (net) plus errors and omissions	51	-135	-83	193	20
Overall surplus or deficit (-)	-142	-15	10	-310	-98
<u>Gross official foreign reserves</u> (end of year)	152	160	168	127	98
<u>SDR holdings (December 31, 1976)</u>	SDR 19.2 million, or 77.9 per cent of net cumulative allocations				

1/ Data in kwacha have been converted at the average kwacha/SDR rates for the respective periods, i.e., SDR 1 = K 0.77557 for 1972, SDR 1 = K 0.77357 for 1973, SDR 1 = K 0.77375 for 1974, SDR 1 = K 0.78247 for 1975 and SDR 1 = K 0.82338 for 1976.

I Supply and Use of Resources

1 Supply

Real GDP growth slowed down from an annual average rate of 6.9 per cent in 1966-70 to 2.1 per cent in 1971-76, which, with an estimated rate of population growth of about 3 per cent per annum, implies a reduction in per capita income. In 1970 real per capita income (at 1965 prices) was about K 195, but had fallen to an estimated K 184 million in 1975 and K 180 million in 1976.

In the past six years growth has been uneven and inadequate in relation to the objectives of the Second National Development Plan, 1972-76 (SNDP), (Table 1). The plan had envisaged a growth of real output of 7.5 per cent per year, and a reduction in the gap between the living standards of urban and rural populations by increasing agricultural productivity, diversifying the economy, and reducing the dependence on the mining sector.

After an improvement in 1974, output fell by about 3 per cent in 1975 and showed only 1 per cent growth in 1976. The marked deterioration in 1975 was primarily the result of the decline in activity in the mining sector, which stemmed from falling copper prices and rising costs of sales, particularly transportation costs, and shortages of inputs occasioned by transportation bottlenecks, which prevented full utilization of capacity. The volume of copper output fell by nearly 10 per cent, and export receipts from copper declined by 46 per cent. This represented a serious setback for Zambia, where over the past five years copper has contributed on average about 25 per cent of value added in GDP and about 90 per cent of export receipts.

Activity in the manufacturing sector is closely linked to developments in the mining sector, and the decline in mining activity contributed to the poor performance of the manufacturing sector in 1975. Manufacturing was also constrained by the slower pace of investment and input shortages. Agriculture showed little improvement in 1975 over 1974, and the output of the other sectors of the economy either stagnated or declined.

The marginal improvement in output in 1976 stemmed mainly from renewed activity in the mining and manufacturing sectors and a significant improvement in agricultural output as a result of a bumper maize crop. Mining activity was revived somewhat as the price of copper began to increase toward the middle of the year and the transportation situation eased. Further stimulus was given to the mining sector when the kwacha was depreciated in July, which restored profitability and permitted the continuation of investment projects. Provisional estimates suggest an increase in mining output of about 12 per cent over the year. The performance of the manufacturing sector, as measured by the index of industrial production, showed a 7 per cent increase over the first

Table 1. Zambia: Real GDP Growth, 1966-76^{1/}

(In per cent)

	Average annual growth rate		Yearly growth rate					
	1966-70	1971-76	1971	1972	1973	1974	1975 ^{2/}	1976 ^{3/}
Agriculture	0.4	2.0	2.3	5.5	-3.1	3.0	--	4.2
Of which: Subsistence	(-0.3)	0.9	(0.4)	(0.7)	(1.2)	(1.2)	(0.7)	(1.1)
Mining	8.6	0.2	-12.8	12.3	-3.4	2.6	-9.7	12.2
Manufacturing	13.6	5.7	5.6	21.5	6.4	6.8	-2.2	2.1
Electricity, gas, water	24.3	14.3	20.4	41.0	8.0	8.4	5.3	3.2
Construction	7.5	-1.7	-1.5	8.9	-4.7	-0.1	3.0	-16.1
Other services	7.0	0.4	3.4	4.9	-0.7	1.4	-1.7	4.8
Of which: Government	(9.4)	(2.2)	(7.6)	(3.3)	(-0.9)	(0.5)	(1.7)	(0.5)
GDP	6.9	2.1	-0.8	9.6	-0.7	4.4	-3.0	0.9
Contribution to GDP growth ^{4/}								
Agriculture	--	0.3	0.3	0.3	-0.4	0.4	--	0.6
Mining	3.3	-0.1	-3.5	3.0	-0.8	0.6	-2.3	2.7
Manufacturing	1.0	0.8	0.6	2.3	0.8	0.9	0.3	0.3
Electricity, gas, water	0.2	0.4	0.4	1.0	0.2	0.3	0.2	0.1
Construction	0.5	--	-0.1	0.4	0.2	--	0.2	-0.8
Other services	2.0	0.5	1.4	2.2	-0.3	2.3	-0.7	-2.1
Of which: Government	(0.7)	(0.4)	(1.2)	(0.5)	(-0.1)	(0.1)	(0.3)	(0.1)
GDP	6.9	2.1	-0.8	9.6	-0.7	4.4	-3.0	0.9

Sources: Central Statistical Office, Monthly Digest of Statistics; and data provided by the Zambian authorities.

^{1/} Totals may not equal the sum of components because of rounding.

^{2/} Provisional.

^{3/} Estimates.

^{4/} Absolute change in the value added of each sector divided by the GDP of the previous year.

eight months of 1976, but the improvement over the year is estimated to be reduced to about 2 per cent as a result of the intensification of import shortages in the last quarter. In the agricultural sector the main factor behind the 4 per cent increase in real output was the good maize crop which is estimated to be about 746,000 tons compared with 559,000 tons in 1975, an increase of about 30 per cent. The decline in construction activity of nearly 17 per cent reduced the overall performance of the economy. However, construction activity had been abnormally high in 1975 due to work on two large projects, the TANZAM railway and the KARIBA hydroelectric project. These two projects were completed in early 1976.

During the period 1971-74 the structure of the economy remained relatively unchanged, with the mining sector accounting for more than one third of GDP at current prices as a result of high copper prices, the agricultural sector for about 10 per cent, manufacturing for 13 per cent, and construction activities for about 6 per cent (Appendix Table I). Given the weight of mining (mostly copper) in GDP and the wide fluctuation in world market prices for this product, year-to-year variations in the growth of GDP at current prices (and in its composition) are heavily influenced by changes in copper export prices. This is clearly demonstrated by developments in 1974 and 1975. In 1974, when copper prices were high, the value added by the mining sector accounted for 35 per cent of GDP, whereas in 1975, when copper prices fell on average by almost 38 per cent, the contribution of the mining sector was reduced to about 11 per cent and the manufacturing sector contributed about 17 per cent, for the first time a larger share than mining activities. These shares at current prices were maintained in 1976, with manufacturing accounting for 19 per cent of GDP and mining for about 12 per cent.

In Zambia, manufacturing output is small in relation to GDP and the production of copper predominates output. The structure of demand is thus different from the structure of output which has imposed serious constraints on the ability to use demand management policies for maintaining a steady growth in employment and output. As a result, yearly fluctuations in GDP growth (and a fortiori its average rate) are largely dependent upon past investments and supply constraints rather than on domestic demand conditions.

The dominance of copper in the economy, the output of which responds only marginally to changes in price occasioned by increased export demand, means that the growth of the economy in the medium term will depend on Zambia's ability to mobilize resources to finance investment and on adequate imports of raw materials and investment goods. Over the period of the SINDP the average ratio of gross fixed investment to GDP is estimated at 25.9 per cent, which compares unfavorably with the target of 30 per cent established in the SINDP. Furthermore, most of the investment has occurred in the mining sector and has been required solely for the maintenance of current output without adding significantly to capacity. The

incremental capital to output ratio ^{1/} showed a marginal increase in 1973, increased substantially in 1974, but declined in 1975 and 1976, as investment declined more rapidly than output. A further constraint on output growth has been the shortage of skilled manpower, particularly in the mining sector in recent years, and at a managerial level in the parastatal organizations. Productivity has also stagnated in the agricultural sector, and agricultural output has not shown any marked upward trend. Weather conditions, of course, play a dominant role in agriculture, but inappropriate producer pricing policies have reduced the incentive to expand production.

2. Demand

Domestic expenditure and the accumulation of stocks in real terms rose on average at a slower pace than the growth of GDP over the period 1971-75. Consequently, the surplus on the goods and nonfactor services account of the balance of payments remained a relatively constant proportion of GDP at around 20 per cent at constant (1970) exchange rates and prices. In nominal terms yearly variations in this balance have closely followed changes in the terms of trade

The year-to-year behavior of domestic demand and its components has shown wide fluctuations (Table 2). Real demand declined sharply in 1973, mainly as a result of reduced investment and a decumulation of stocks, but private consumption was also cut as import shortages occurred following the imposition of payments restrictions and the deterioration of the transport situation resulting from the border closure with Rhodesia. The situation was reversed in 1974, when overall domestic demand increased by 3 per cent and all components contributed to the increase. Investment expenditures increased markedly from the depressed level in 1973, and there was considerable accumulation of stocks, facilitated by rising export receipts as the price of copper picked up. Government current expenditures continued to increase, and, although the Government reduced some of its indebtedness to the banking system, credit to the private sector expanded by 92 per cent and real private consumption increased by nearly 4 per cent.

In 1975, despite a decline in the copper price over the year by about 40 per cent, and therefore reduced government revenues, the authorities continued to stimulate demand by running a substantial budget deficit. Real government consumption increased by 7.6 per cent, and gross investment increased by about 8 per cent. There was, however, an offsetting

^{1/} Measured as the ratio of the absolute change in real gross fixed investments to the absolute change in real GDP, as data for net fixed investments are not available. This measure must be treated with reservation, as a more appropriate indicator would be a comparison of the change in net capital formation with the change in GDP.

Table 2. Zambia: Growth Expenditure, 1966-76

(In per cent)

	Average annual growth rate		Yearly growth rate					
	1966-70	1971-75	1971	1972	1973	1974	1975	1976 ^{1/}
(At current prices)								
Government consumption	12.7	16.2	37.3	3.8	8.5	10.7	20.6	4.9
Private consumption	9.3	9.5	1.6	12.4	3.3	12.8	17.4	--
Gross fixed investment	20.6	11.1	5.5	10.7	5.0	16.5	18.0	-18.6
Final expenditure	12.8	9.8	9.6	9.8	6.0	13.5	11.0	-5.2
Changes in stocks ^{2/}	-0.9	0.5	4.7	-3.0	-0.9	2.9	-1.1	-1.2
Changes in external balance ^{2/3/}	2.6	-6.1	-19.1	0.4	18.1	-1.5	-28.6	22.4
Exports	15.8	5.2	-27.0	16.7	36.1	22.5	-22.1	12.6
Imports	13.2	11.4	11.7	5.4	-4.9	38.5	6.4	-9.7
GDP	11.9	3.8	-6.3	11.3	22.0	12.6	-20.4	15.0
(At 1965 prices)								
Government consumption	9.4	7.5	25.5	0.3	-0.1	4.0	7.6	-7.3
Private consumption	3.8	-1.7	-3.9	2.5	-2.6	3.7	-8.1	-16.6
Gross fixed investment	11.6	1.8	-0.5	8.4	-8.6	2.0	7.7	-32.6
Final expenditure	6.5	1.3	3.1	3.7	-4.0	3.1	0.4	17.6
Changes in stocks ^{2/}	--	0.5	3.6	-3.0	-1.0	2.3	0.7	-0.8
Changes in external balance ^{2/3/}	2.6	--	-6.6	7.0	3.8	0.3	-2.7	17.7
Exports	12.4	1.0	-10.4	16.5	-7.5	14.7	-4.2	3.3
Imports	9.1	1.4	6.0	--	-15.7	15.3	-1.5	-14.4
GDP	6.9	2.1	-0.8	9.6	-0.7	4.4	-3.0	0.9

Sources: Central Statistical Office, Monthly Digest of Statistics; and staff estimates.^{1/} Provisional estimates.^{2/} In per cent of previous year's GDP.^{3/} Goods and services.

decline of about 8 per cent in real private consumption, as prices increased reflecting a decline in the volume of imports. As the terms of trade moved heavily against Zambia, declining by almost 50 per cent from the previous year, the maintenance of high demand pressure was translated into a balance of payments deficit on current account of K 271 million, equivalent to about 15 per cent of the 1974 GDP. Zambia was only able to finance this deficit by drawing down the foreign reserves accumulated during the copper price upswing in 1973 and 1974.

Provisional national accounts for 1976 indicate a decline in all components of real demand. This decline stemmed mainly from the intensification of import restrictions and the consequent shortages of imports, which contributed to domestic price increases and reduced real consumption, the domestic demand deflator is estimated to have increased by about 17 per cent over the year. Although all components of demand declined, real investment expenditures were reduced by a larger proportion in relation to GDP than either private consumption or government consumption. This development is likely to have a detrimental effect on the growth of output in the short and possibly even the medium term.

In nominal terms, total domestic expenditure rose continuously throughout the period 1971-75, although there was some fluctuation in the behavior of stocks, which tend to follow movements in the price of copper quite closely. The continued strong growth in nominal demand confirms that the deceleration in the growth of output in the past few years was a consequence of supply constraints rather than insufficient demand.

Table 3 presents estimates of Zambia's gross domestic savings and the savings ratio. This ratio shows wide yearly fluctuations, but, in the absence of detailed national accounts by main economic sector, it is difficult to analyze the factors underlying its movement. A regression relating the savings ratio to deviations in the price of copper from its trend value and to a time trend, shows that the ratio follows closely changes in export (copper) prices. Current spending by the mining companies is thus not much affected by external demand conditions as reflected in the price of copper. As a result, savings increase considerably during cyclical upswings in copper prices, while the impact on domestic demand of a fall in copper prices is cushioned by a fall in the savings ratio. The negative time trend also indicates that over time there has been a downward trend in the savings ratio. These relationships are clearly important for demand management and resource mobilization policies. The continued reliance on one sector to generate savings, which over time have shown a tendency to decline, points again to a need to diversify the economy.

In addition to the wide fluctuation in the ratio of savings to GDP, it is evident that large external payments for factor services and private transfers have absorbed a sizable proportion of domestic savings

Table 3. Zambia: Savings/GDP Ratio, 1965-1976

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
A. Actual savings/GDP	40.2	43.7	37.6	39.8	51.1	43.9	33.2	34.4	43.5	43.8	24.0	32.7
B. Estimated savings/GDP ^{1/} due to:	43.5	45.5	37.7	38.6	51.1	39.2	32.3	31.1	41.3	44.3	30.6	32.8
a. Constant	41.5	41.5	41.5	41.5	51.2 ^{2/}	41.5	41.5	41.5	41.5	41.5	41.5	41.5
b. Copper prices ^{3/}	2.6	5.2	-2.3	-0.8	2.5	0.8	-5.6	6.3	4.5	8.1	-5.2	-2.5
c. Time	-0.5	-1.0	-1.5	-2.1	-2.6	-3.1	-3.6	-4.1	-4.6	-5.1	-5.6	-6.1
C. Estimation error (A-B)	-3.3	-1.8	-0.1	1.2	--	4.7	0.9	3.3	2.2	-0.5	-6.6	-0.7

Source: Staff estimates.

^{1/} These estimates are based on the following equation:

$$S/GDP = 41.45 + 9.71 DUM + 0.24 PCU - 0.52 T \quad \bar{R}^2 = 0.76 \quad D.W. = 1.43$$

(2.27) (3.75) (0.06) (0.30)

where: DUM is set equal to 1.0 in 1969 and to zero elsewhere

PCU is the percentage deviation from trend of the price of copper

T is a linear time variable equal to 1.0 in 1965 and increasing by 1.0 each year thereafter

Figures in parentheses are standard errors.

^{2/} Includes estimate or dummy for 1969.

^{3/} Deviation from trend.

and have, therefore, reduced the availability of savings for domestic capital accumulation (Table 4). Over the period 1970-75 the average ratio of these payments to gross domestic savings was of the order of 38 per cent.

Table 4. Zambia: Savings and Investment, 1970-76

	1970	1971	1972	1973	1974	1975	1976
Gross fixed investment (in millions of kwacha)	338.4	416.7	421.0	429.2	546.0	617.0	490.0
Net export of goods and nonfactor services (in millions of kwacha)	214.9	-25.1	30.1	268.0	244.0	-271.0	50.0
Domestic savings (in millions of kwacha)	553.3	391.6	451.1	697.2	790.0	346.0	540.0
Gross fixed investment/ GDP (in per cent)	26.9	35.4	32.1	26.8	30.3	43.0	29.7
Domestic savings/GDP (in per cent)	43.9	33.2	34.4	43.5	43.8	24.0	32.7
Payments for factor services and private transfers/domestic savings (in per cent)	35.7	47.4	44.6	28.7	25.1	47.3	..
<u>Memorandum item</u>							
Payments for factor services and private transfers (in millions of kwacha)	179.7	185.5	201.2	199.9	198.1	163.7	...

Source: Staff estimates.

3. Developments by main economic sectors

a. Agriculture

The agricultural sector, including subsistence agriculture, provides the means of livelihood for about 70 per cent of Zambia's population but has contributed on average only about 10 per cent to GDP at current market prices. The volume of agricultural output has shown no marked upward trend since the beginning of the decade in either the subsistence or the commercial sector. In recent years the commercial sector has assumed greater importance and now accounts for about 40 per cent of the total volume of marketed agricultural output. The policy of the Second National Development Plan aimed at encouraging small-scale production to ensure that the small farmer achieved self-sufficiency.

Zambia's main agricultural products are maize, tobacco, sugar cane, groundnuts, cotton, and coffee, which together accounted for about 97 per cent of marketed production in 1975. Agricultural products contributed only 1.2 per cent to export receipts, and imports of agricultural commodities accounted for 60 per cent of imports.

The evolution of the output of major crops is shown in Appendix Table IV. Weather conditions were very favorable for maize production in 1976 and a bumper maize crop of an estimated 8.1 million bags was achieved, compared with 6.2 million bags in 1975, an increase of about 30 per cent. Although producer price increases were announced in February 1976, they were too late to affect the 1975/76 crop but resulted in additional profits for the maize farmers. The output of groundnuts continues to fluctuate, but there seems to have been some response to changes in producer prices, and estimates for the 1975/76 crop show an increase of 42 per cent over the previous year. Cotton output has declined progressively since 1971, despite substantial increases in producer prices; between the 1972/73 season and the 1975/76 season producer prices for cotton were increased by about 122 per cent, while output fell by about 66 per cent. Weather conditions have not, however, been favorable for cotton production in recent years and are probably the main factor behind the deteriorating performance. Although estimates are not yet available for tobacco production in the 1975/76 season, the late rains favor tobacco growing, and it is hoped that the crop will be larger than in 1975, which was also a good crop year.

The output of livestock and dairy products has declined in recent years, and Zambia continues to rely heavily on imports of meat from Botswana. Although fresh beef imports were suspended in 1975, total imports of beef products amounted to K 1.4 million in the first ten months of 1975 compared with K 3.6 million in the first ten months of 1974. Beef producer prices have been raised recently, but they are considered inadequate to increase domestic supply in the short run;

80 per cent of the cattle are reared by traditional farmers. A particularly noticeable downward trend has occurred in the production of milk. The inadequate supply of fresh milk has been a direct result of low producer prices and has resulted in producers selling directly to consumers and retailers instead of to the Dairy Produce Board. The milk price has recently been raised, but it is too early to gauge the effect on output.

Maize is by far the most important agricultural product in Zambia and the main determinant of economic performance in this sector. The effort to achieve self-sufficiency in food has thus been directed largely to maize production. To encourage output, the authorities have preferred to concentrate on the subsidization of inputs into the production process, especially fertilizer. Some success has been achieved, particularly in the commercial sector, but maize production has largely fluctuated with weather conditions.

In the last two years, however, greater attention has been given to the use of price incentives. The Ministry of Rural Development reviews producer prices annually and attempts to announce any price increases before the planting season, which usually begins sometime in September. As shown in Appendix Table V, producer prices have remained relatively constant throughout the period under review, and for the major crops it was only during the 1975/76 season that any sizable increases were made. This policy has, of course, been aimed at preventing food price rises for the urban consumer. It has, however, produced a number of undesirable economic repercussions and has been a contributing factor in the failure to achieve a sustained rise in agricultural output. Appendix Table IV provides an indication of the relationship between prevailing producer prices and estimated costs of production for the 1976/77 season. The subsidized costs per unit of output for most of the crops are below the prevailing producer prices, permitting the farmers some profit margin. Calculations show, however, that if subsidy payments were eliminated, especially for maize and wheat, the two most heavily subsidized commodities, the resulting cost per unit would be significantly higher than the prevailing producer price.

Unfortunately, estimates of border prices for comparative products are not readily available, but generally prices paid to producers have been lower than prices prevailing for similar products on Zambia's borders. ^{1/} A pricing policy which reflects border prices in local currency terms would provide a guide to the correct set of relative prices for crops. This is particularly important for products which are produced locally as well as imported. For goods in which Zambia is self-sufficient, such as maize, border prices could be used as a guide to

^{1/} See Volume II, Annex 8, of World Bank Report No. 841a-Za, Republic of Zambia, Agricultural and Rural Sector Survey, Table 8.15, for a historical comparison of Zambian and foreign prices for selected agricultural products.

ensure that the price structure is sufficient for continued production at adequate levels. If such a policy were adopted, the need to subsidize agricultural inputs, such as fertilizer, would be reduced and would effect a further foreign exchange saving and also contribute to easing pressure on the budget. This would be a substantial saving, as the budgeted fertilizer subsidy in 1976 amounted to K 22.6 million, the landed cost of fertilizer was K 206 per ton, while the farmer paid only K 133 per ton.

Producer prices have not been adjusted to reflect the change in the exchange rate in July 1976. However, producer prices need not be adjusted to compensate fully for the depreciation as in Zambia the foreign exchange component in the costs of production is very high, ranging from between about 80 per cent in the commercial production of maize to about 30 per cent in the production of coffee, and higher import costs would contribute toward changing the techniques of production away from the dependence on imported inputs.

The importance of developing Zambia's agricultural potential has recently been emphasized by the economy's vulnerability to changes in the price of copper. Accordingly, the Government launched a major project in 1975 called the Rural Reconstruction Program (RRP). The program is designed to provide rural employment, mainly to young people, and to slow down the rural-urban exodus. The authorities plan to establish about 250 Rural Reconstruction Centers (five in each of the country's districts), where about 800 youths per center will settle and clear the land for crop, poultry, and livestock production on a communal basis.

b. Mining

Mining activities account for about 25-30 per cent of GDP and consist mainly of copper mining and smelting, with zinc, lead, and cobalt as by-products. Copper output has stagnated in recent years (from the peak level of 748,000 tons attained in 1969) at around 690,000 tons, considerably less than the target of 900,000 tons established in the Second National Development Plan (Appendix Table VII). Several factors have been responsible for this stagnation. The most important have been rising costs of production in relation to copper price developments (which have prevented the implementation of investment programs), the shortage of skilled labor in the mines, and increasing difficulties in mining the ore. As much as 70 per cent of the copper in Zambia is mined from underground deposits, a high proportion in comparison with other copper-producing countries.

Between 1972 and 1975, years at the same phase of the copper price cycle, unit costs of sales increased by 45 per cent, mainly as a result of increased overhead costs but also because of an increase in labor costs and transport charges, while the average kwacha price of copper increased by only about 4 per cent. As a consequence, profitability was

impaired and planned investments suffered. At the same time, productivity per man has been declining. The impact of these developments was emphasized between 1974 and 1975 when the kwacha price of copper declined by 40 per cent while unit sales costs increased by 24 per cent. This resulted in serious financial losses for the mining companies. To meet these losses and finance their working capital requirements, the mining companies borrowed heavily from the Eurocurrency market and the domestic banking system. It was clear that at the prevailing exchange rate and cost price structure the mining companies would continue to suffer losses even at the average copper price over the full price cycle. Partly in recognition of these adverse developments the authorities depreciated the kwacha by 20 per cent in July 1976 and linked it to the SDR. Since the exchange rate change the mining companies' sales values have been boosted, and there has been some repayment of indebtedness to the banking system. The mining companies now expect to be able to finance most of their investment requirements from current revenues. Present prospects for output suggest that over the medium term Zambia should be able to sustain an average of about 690,000 tons of copper per year.

The major factor continuing to prevent the expansion of output will be the shortage of skilled labor and a high turnover of expatriate personnel. In awareness of these problems further incentives have been provided to retain expatriate skilled workers. In addition, a new school of mining has been opened in the University of Zambia to train local workers in mining skills. Local workers will assume greater importance in the near future, and in about five years most workers in the mines are expected to be Zambian.

In recent years transportation difficulties, commencing with the closure of the Rhodesian border in 1973, have resulted in delays in the supply of imported inputs and lengthened the pipeline for copper exports. The transportation situation deteriorated again in 1975 following the closure of the Benguela railway to Lobito in Angola, with many Zambian imports still in the pipeline. The problem became so acute in September that the mining companies had to declare force majeure on 30 to 40 per cent of their shipments. This was subsequently lifted in December, when the situation eased as the Governments of Zambia and Tanzania decided to make partial use of the Tanzania-Zambia railway (TAZARA) before its official opening. Initially there were some congestion problems at the port of Dar es Salaam, but by March 1976 Zambia had acquired two berths, and copper exports and essential imports began to move more freely. As a result of the completion of the TAZARA, stocks of copper and essential imports have moved freely throughout 1976.

c Manufacturing

The manufacturing sector has performed relatively well over the period 1971-76, with an average rate of growth of 6.7 per cent. It now accounts for about 18 per cent of GDP at current prices compared with

10 per cent in 1970. The index of manufacturing production is shown in Appendix Table VIII. After showing an increase of 9 per cent in 1974, the index declined by 8 per cent in 1975, but there was some improvement in the first eight months of 1976 compared with the same period in 1975. The reduced performance of the manufacturing sector in 1975 was largely a consequence of a decline in mining sector activities during that year. Unlike mining output, the manufacturing sector responds in the short term to changing demand conditions, which are generated mostly by developments in the mining sector. As local industry relies heavily on imported inputs and is geared toward assembling many products, import shortages also affect manufacturing activity. In 1976 the mining sector performance was revived and had a beneficial effect on manufacturing output. However, for the year as a whole the index of manufacturing is not expected to show a significant increase over 1975, as input shortages (which have become more pronounced in the fourth quarter) and a continued shortage of skilled managerial staff continue to prevent the full utilization of capacity.

Most of the manufacturing industries are directly or indirectly controlled by the Government through INDECO (Industrial Development Corporation). INDECO has continually expanded its investment operations but has required substantial government support through subsidies to maintain production at an adequate level. These subsidies have been required primarily to cushion the organization against the effect of low (government regulated) prices in relation to costs. Unit production costs have been increasing as a result of wage increases and rising costs of imported inputs. In the financial year ended March 31, 1976, as a consequence of reduced demand and input shortages, INDECO's profits before tax declined dramatically to K 339,000 compared with K 87 million for the previous financial year. After providing for taxation and extraordinary expenditures, INDECO incurred a loss of K 6.52 million. The depreciation of the kwacha is expected to stimulate exports, and already the list of products being exported is increasing.

d. Energy

The three main sources of energy in Zambia are hydroelectricity, coal, and oil (Appendix Table IX). The mining sector accounted for just over 60 per cent of the demand for energy in 1974 and 1975. Until 1974 Zambia was partially dependent upon Rhodesia for the supply of hydroelectricity, but in that year domestic production was sufficient to satisfy domestic demand and a small surplus was exported. A further increase in output was achieved in 1975 by the completion of the Kafue Gorge Power Station and in 1976 by the completion of the Kariba North Power Station complex.

Table 5 shows Zambia's petroleum import bill over the period 1972-76, together with a forecast for 1977. Following a decision under the Second National Development Plan to build an oil refining plant at Ndola, many

mines started to substitute oil for coal-based energy sources. This has proved to be a costly move following the oil price rise. As a result of the switch to oil, coal production declined in 1974 to 809,000 tons from 940,100 tons in 1973 but picked up again in 1975 to 898,000 tons, in part as a reaction to the higher oil prices. Continued increases in coal output are expected in the future, and emphasis is being given to the exploitation of coal deposits in formulating the Third National Development Plan.

Table 5. Zambia: Petroleum Import Bill, 1972-77 (f.o.b.)

	Volume (In thousands)		Value (In millions of SDRs)
	<u>Barrels</u>	<u>Tons</u>	
1972	3,614	479	14.7
1973	6,458	852 <u>1/</u>	21.4
1974	6,179	809	58.1
1975	6,938	852	62.9
1976 <u>2/</u>	7,038	864	70.0
1977 <u>3/</u>	6,686	821	72.0

Sources. Bank of Zambia, Annual Report, 1975, and staff estimates.

1/ Figure for 1973 includes imports of refined products as well as crude.

2/ Estimate.

3/ Forecast.

In addition, to encourage a more economical use of petroleum in other sectors, the Government has progressively increased the excise duties on gasoline and diesel fuel. Gasoline prices were raised by 4 ngwee per liter in 1974 and 1975 and by 3 ngwee per liter in 1976, and diesel prices by 1.1 ngwee per liter in 1974 and 1975 and by 1 ngwee per liter in 1976.

e. Transportation

Transportation with the outside world has been one of the main bottlenecks in the Zambian economy, especially since the closure of the Rhodesian border in 1973. After that the port of Lobito, which accounted for about 50 per cent of total foreign trade in 1973 and 1974, had become the main outlet for Zambia's external trade. The closure of Lobito in 1975 meant that Zambia had to direct all traffic destined for that port to either Dar es Salaam or Beria. As a result, Dar es Salaam became Zambia's direct outlet, and its share of total external trade increased to 46.6 per cent in 1975 compared with 31.9 per cent in 1974 and 28.9 per cent in 1973 (Appendix Table X). The increased activity at this port led to congestion, which was a source of concern throughout 1975.

The situation eased in 1976, as Zambia acquired two berths at Dar es Salaam in March and was able to clear the backlog of imports and exports by the end of June. The shipment of goods to Dar es Salaam was facilitated toward the end of 1975 by the use of TAZARA. TAZARA's carrying capacity when fully operational is about 46,000 tons of copper per month. Greater use of TAZARA is expected to reduce the cost of transportation, as it will reduce recourse to the more costly road transport.

II. Prices, Wages, and Employment

1. Prices

The increase in the domestic demand deflator has been relatively stable during the period 1971-75, averaging about 8.8 per cent, while the rate of increase for both low-income and high-income consumer prices has been about 7 per cent. The behavior of the GDP deflator has been very erratic, due mainly to the predominance of copper prices.

In kwacha terms, the import price index rose by about 30 per cent in 1974 and by nearly 20 per cent in 1975, while consumer prices rose by about 9 per cent in each year. The sizable increase in the import price index in 1974 resulted from the impact of higher oil prices and higher prices for food and manufactured goods. Although these developments continued into 1975, their effect on Zambia's import prices in local currency was mitigated as the kwacha appreciated in relation to the currencies of Zambia's major trading partners. For 1976, import prices are estimated to have risen by about 14 per cent over the year, partly as a result of the kwacha depreciation in July.

As indicated in Table 6, since 1973 consumer prices have not shown a tendency to rise as rapidly as import prices, despite a high import content in the consumer price index, which is estimated to be about 40 per cent in the high-income consumer price index and about 30 per cent for the

low-income consumer price index. The increases in import prices have not been fully passed on to the consumer as a result of government policy to subsidize directly and indirectly the prices of consumer goods. Prices for essential consumer goods are fixed by the Government, while in other cases the Government has enforced price controls by limiting the mark-ups for producers, wholesalers, and retailers. In addition, the subsidies on fertilizer and other inputs into agricultural production and subsidies to the milling companies have kept down consumer prices because of the cost plus method of pricing agricultural products. Total subsidy payments amounted to K 82.8 million in 1975 but are estimated to have been reduced to K 59 million in 1976; of the latter amount, the maize consumer price differential subsidy accounted for K 22.4 million and the fertilizer subsidy for K 22.6 million.

Table 6. Zambia Price Developments, 1971-76

(Annual percentage change)

	1971-75 <u>1/</u>	1971	1972	1973	1974	1975	1976
GDP deflator	7.16	-5.8	2.1	22.9	7.7	-18.9	14.3
Domestic demand deflator	8.8	8.5	6.5	9.5	10.5	9.2	16.8
High-income consumer prices	7.4	5.6	7.0	6.5	9.3	8.5	11.0 <u>2/</u>
Low-income consumer prices	7.2	6.0	5.3	6.4	8.4	10.1	11.1 <u>2/</u>
Wholesale manufacturing	5.2	4.1	7.6	3.1	5.9	...	...
Import prices <u>3/</u>	14.8	5.9	5.7	12.8	30.1	19.7	14.2

Sources Staff estimates based on data from Central Statistical Office, Monthly Digest of Statistics, and data provided by the Zambian authorities.

1/ Arithmetic average.

2/ First six months.

3/ Unit value indices in terms of kwacha.

Price developments in 1976 have been more pronounced than in the previous two years. Over the first six months of the year both the low-income and the high-income consumer price indices showed increases of about 11 per cent. The increases in taxes, and consumer and producer prices announced in the 1976 budget are estimated to have had a direct impact of about 4 per cent on the combined CPI. The July depreciation of the kwacha is estimated to raise the combined CPI by about 10 per cent on an annual basis, primarily through its influence on the high-income group. For the year as a whole, the CPI is estimated to show an increase of between 20 and 25 per cent. Pressure on prices, however, has stemmed mainly from the excess demand situation generated in the budget and the emerging shortages of goods as a result of import restrictions.

2. Wages

Data on earnings are available through 1974 only. Large differences exist between the average earnings of Zambians and non-Zambians as well as between different sectors of the economy. For example, in 1974 the average annual earnings of Zambians in the mining sector were K 1,695, four times the average earnings in agriculture, while the average earnings for non-Zambians were K 5,619.

The mining sector leads wage developments for skilled workers, followed by the manufacturing sector, especially in those industries near the copper belt, which have to pay wages comparable to those prevailing in the mining sector. Government and service sector wages are next in line, followed finally by wages in the agricultural sector

Average annual earnings in Zambia are estimated to have increased by 20.8 per cent from 1970 to 1974 compared with an increase of 34 per cent in the consumption deflator. Comparing the estimates of average earnings with price movements (Table 7), it appears that real earnings have not demonstrated any consistent behavior, showing increases in 1970, 1971, and 1973 but declining in 1972 and 1974.

No data on earnings are available for 1975 and 1976, but in 1975 government wage increases were announced following the report of the Mwanakatwe Commission, which examined salaries in the civil service, the parastatal institutions, and the military services. The commission recommended an increase in salaries from 1.5 per cent at the permanent secretary level to 36 per cent at the lowest level, which gave an average salary increase of about 20 per cent. As consumer prices increased by about 10 per cent, real earnings have increased in 1975. In 1976 the mining workers were granted wage increases of an average of 12 per cent, with a provision for further increases of 5 per cent in 1977 and 1978. For expatriate workers, wages had not been adjusted since December 1975. This adjustment was the result of a study by a group of consultants, which compared wage rates in mining companies in other countries and

recommended wage increases in Zambia. The mining sector wage adjustment will probably stimulate some increase in the rest of the economy, but overall real incomes are likely to have fallen in 1976 as a result of the higher rate of inflation.

Table 7. Zambia: Average Annual Earnings, 1970-74 1/
(In kwacha and in per cent)

	1970	1971	1972	1973	1974
Nominal earnings	1,205	1,303	1,353	1,456	1,456
Percentage change	17.1	8.1	3.8	7.6	--
Real earnings <u>2/</u>	941	958	909	922	847
Percentage change	15.1	1.8	-5.1	1.4	-8.1

Source: Staff calculations based on data from Central Statistical Office, Monthly Digest of Statistics.

1/ Cash earnings only, excluding earnings in kind. Weighted average of earnings for Africans and other until 1972 and Zambians and non-Zambians thereafter.

2/ At 1965 prices, deflated by the consumption deflator.

3. Employment

The analysis of employment trends in Zambia continues to be hindered by the lack of a timely statistical series, the most recent data on total employment and its distribution by sector relate to 1974. There are indications that both unemployment and underemployment have been increasing in recent years, especially in the rural areas. Some of the rural unemployment, however, was reduced in 1974 and 1975 as construction work on the TAZARA project absorbed many rural workers. This project has now been completed and requires far less manpower to operate.

In the industrial sector some additional jobs have been created, while the mining companies have provided increased employment opportunities for Zambian workers. The number of Zambians employed by the mines increased from about 45,000 to 53,000 between 1971 and 1975.

III. Government Finance 1/

1. Overall budgetary developments

The budgetary developments in recent years have been characterized by three features: first, wide fluctuations in government revenues, primarily from mining, have led to a strong cyclical pattern of overall budget balance, often accompanied by heavy dependence on bank financing. Second, the authorities have introduced a series of significant revenue measures, particularly in the field of indirect taxation, to diversify the tax structure and to improve its elasticity. Third, government expenditures have shown little downward flexibility in years of lower mining revenues; current expenditures have, in fact, been growing very rapidly, while capital expenditures have been curtailed. Table 8 highlights these trends. It shows the extreme volatility of mining revenues, which have fluctuated between less than 1 per cent of GDP (in 1976) and 20 per cent (in 1970), and the substantial achievements in the field of nonmining revenues, which have been raised from about 26 per cent of nonmining GDP (excluding subsistence agriculture) in 1970 to about 35 per cent in 1975. It also reveals the rapid increase of government expenditures as a per cent of GDP, particularly current expenditures, which have risen consistently while capital expenditures and net lending have remained more or less static. Government expenditures, particularly current expenditures, have not kept in step with the fluctuating revenue availability or moderated in years of declining revenues, and the availability of external resources to finance capital expenditures has also been relatively small. As a result, since 1970 the budgetary policy in Zambia has been generally expansionary and, except in 1974, characterized by large overall deficits and heavy reliance on the banking system.

During the last six years budgetary developments have been largely determined by two cycles in copper prices, one during 1970-74 and a second which began in late 1974 and is still in progress.

In 1972, 2/ which represented the bottom of the first cycle, mining revenues were only 4 per cent of GDP as against 20 per cent two years earlier. Government expenditure and budget financing policies which

1/ Government refers to the Central Government only. Published accounts for local authorities are available only after a long delay. The latest year for which published data are available is 1971. In that year there were 3 city councils, 3 municipal councils, 17 township councils, and 34 rural councils, and their revenues and expenditures were 7 per cent and 10 per cent, respectively, of the revenues and expenditures of the Central Government and local authorities combined. See Financial Statistics of Government Sector, 1971 (Lusaka: Central Statistical Office, August 1975).

2/ The fiscal year runs from January to December.

Table 8. Zambia: Central Government Finance, 1970-76

	1970	1971	1972	1973	1974	1975	1976 (Revised budget)	1976 (Revised estimate)
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Sources: Ministry of Finance, Financial Reports (Annual), 1970-75, data provided by the Zambian authorities, and staff estimates.^{1/} Excludes ZIMCO bond redemption of K 149.8 million.^{2/} Excludes Eurodollar loans of K 97 million used for ZIMCO bond redemption.^{3/} GDP figures are provisional estimates.^{4/} Including net lending to parastatals and local authorities.

accompanied this severe decline had a strong expansionary effect on aggregate demand. Total expenditures increased by 15 per cent; capital expenditures and net lending declined, but current expenditures grew by 30 per cent, with constitutional and statutory expenditures, emergency expenditures, and subsidies accounting for most of the increase. The Government endeavored to develop new revenue sources from nonmining sectors, but the effective rate of nonmining taxation, i.e., the share of nonmining GDP (excluding subsistence agriculture) absorbed in nonmining revenues, was raised from 26 per cent in 1970 to only 27 per cent in 1972. Thus the overall budget deficit grew substantially between 1970 and 1972, with small net foreign borrowings in the latter year giving way to heavy domestic borrowing, mainly from the banking system, equivalent to 33 per cent of total expenditures. Fiscal 1973 saw the beginning of a recovery of mining revenues. Government revenues increased by 29 per cent and government expenditures by only 8 per cent. As a result the overall budget deficit declined to K 129 million, but net external borrowing rose and reliance on domestic borrowing was significantly reduced.

Mining revenues reached a peak in 1974, amounting to K 339 million, and no large effort was made to increase the taxation of the nonmining sectors. As the growth of government expenditure was contained in 1974, there was an overall budget surplus but only of about 13 per cent of the very large revenues. A new budget cycle was initiated in late 1974, with mining revenues declining from a peak of 19 per cent of GDP in the previous year to only 4 per cent of GDP. In 1976 the ratio is tentatively estimated at 0.3 per cent. The current copper price cycle has, therefore, been more severe in its revenue impact than in 1970-72, yet the discretionary fiscal policies remained expansionary during 1975 and 1976.

The authorities were unable to moderate the growth of expenditures, which rose by 37 per cent in 1975, current expenditures in particular increased by about 30 per cent, while capital expenditure and net lending rose by 50 per cent. A large part of the increase in net lending in 1975 went to parastatal organizations like Zambia Railways, Zambia Airways, Zambia Electricity Supply Corporation, and the Zambia National Energy Corporation, and was financed by foreign borrowings. To counter the contraction in mining revenues the Government introduced a number of further tax measures affecting the nonmining sectors. As a result, revenues from this source increased by 29 per cent in 1975, making these revenues 35 per cent of nonmining GDP (excluding subsistence agriculture). This achievement substantially offset the sharp decline in mining revenues, so that total revenues as a proportion of GDP declined only modestly--from 36 per cent in 1974 to 32 per cent in 1975. But, due to the large expenditure increase, fiscal 1975 ended with an overall budget deficit of K 314 million, equivalent to 40 per cent of total expenditures, with the banking system financing almost three quarters of it.

In view of the continuing decline in revenues from the mining sector, the revised budget for 1976 was formulated so as to reduce the overall budgetary gap. It provided for a large growth in nonmining revenues, a substantial reduction in government expenditures, and a significant reduction in the overall deficit and bank financing.

Preliminary data indicate that these objectives have not been fully attained. Nonmining revenues have been static, and, while total expenditures have been reduced, they have exceeded the estimates by 10 per cent. Although the growth of current expenditures has been checked, they have remained high, accounting for more than 75 per cent of total expenditures, while capital expenditures have declined only slightly. The budget deficit in 1976 has consequently been only moderately lower than in 1975. Net domestic borrowing from the banking system, estimated at K 250 million, would actually be larger than in the preceding year, financing almost 36 per cent of total government expenditures. The overall budgetary performance for 1976 has, therefore, shown no improvement over that of 1975.

2. Revenue

Given the instability of mining revenues, the authorities have made sustained efforts to develop the elasticity and productivity of revenues principally from the nonmining sectors by means of new measures relating to taxes on domestic consumption and incomes. Receipts of taxes on domestic goods and services have increased from K 55 million in 1972 to K 165 million in 1976, an increase of about 200 per cent, absorbing a third of the incremental GDP over four years, while the revenues from taxes on income have increased by 70 per cent during the same period (Appendix Table XIII).

Major revenue measures undertaken by the authorities during the early seventies included the introduction of a sales tax, whose base has continually been expanded over the years, several increases in the rates of excise duties, particularly on beer, tobacco, and motor spirits; the rationalization of income and company tax structures, and the levy of a 5 per cent customs duty on selected capital goods, and a 10 per cent customs duty surcharge on all imports.

These measures were successful in raising the buoyancy of nonmining revenues. Total nonmining revenues increased from 25 per cent of nonmining GDP (excluding subsistence agriculture) in 1971 to 29 per cent in 1974 (see Table 8). Taxes on domestic goods and services and import duties both did particularly well during those years. The average rate of these two groups together as a proportion of private consumption rose from 14 per cent in 1970 to 21 per cent in 1974 (Appendix Table XIII). Taxes on imports as a percentage of the imports of goods also rose, from 7 per cent in 1970 to 9 per cent in 1974. Government efforts, however, were less productive in the field of income taxation; income tax receipts

as a percentage of domestic factor incomes, after rising until 1973, declined slightly in 1974, due to the income tax relief given to taxpayers, costing the Government K 8 million (budget estimate).

The year 1975 saw the introduction of a 5 per cent selective employment tax, levy of a 10 per cent mineral tax on nickel and uranium, increases in the rates of all excise duties, the introduction of differential rates of sales taxation (i.e., higher rates on luxury items), the extension of sales tax to additional commodities (including a flat 10 per cent sales tax on all dutiable imports in place of the existing import surcharge), the rationalization of rates of customs duties and license fees, and an overhaul of the structure of income taxation. At the time the 1975 budget was announced, these measures were estimated to yield an additional K 20 million in revenues, but these estimates were exceeded, and total nonmining revenues increased by K 90 million.

In the 1976 budget the Government took further steps to raise nonmining revenues. Its revenue proposals consisted of upgrading the rates of the personal income tax and the selective employment tax, the extension and further rate differentials of sales tax, and increases in the rates of excise duties and customs duties. In all these measures were estimated to net K 42 million, an increase of 13 per cent over 1975 nonmining revenues.

According to revised estimates the actual revenue increase in 1976 is not expected to exceed K 18 million. While receipts from personal income tax have exceeded the budget estimates due to the 1975 boom in the construction and trade sectors, they have not been enough to offset the large shortfall in revenues from customs duties, sales tax, and excise duties, which has come about primarily due to the lack of foreign exchange availability in 1976. Consumer imports subject to customs duties have been severely curtailed and so have the imports of manufacturing inputs and raw materials, in turn resulting in a contraction of domestic output subject to sales tax and excise duties. In 1976, therefore, the effective rate of commodity taxation has not risen in trend with the past. At a time when mining revenues are practically nonexistent, the shortfall in nonmining revenue has meant a large overall budget deficit, with serious consequences for demand management.

3. Expenditures

As was stressed earlier, government expenditure continued to rise notwithstanding wide fluctuations in revenues. This is especially true of current expenditures, which have grown at an average annual rate of 13 per cent between 1970-76 and 15 per cent during the last two years. Since 1970, current expenditures have consistently exceeded the rapidly growing nonmining revenues. The share of government consumption in total consumption has also risen, from 28 per cent in 1970 to 38 per cent in 1976 (Appendix Table XIV).

The growth of subsidies is one main factor responsible for the increase in expenditures. Government expenditure on subsidies grew from K 22 million, or about 5 per cent of the total in 1970, to K 83 million, or about 11 per cent in 1975, before declining to K 59 million in 1976 (Appendix Table XV). Consumer subsidies on maize and producer subsidies on fertilizers have absorbed the bulk of these outlays. Constitutional and statutory expenditures have also been a high proportion of total expenditures.

Government capital expenditure, excluding net lending, as a proportion of gross fixed capital formation, rose only in 1971 and has been declining since then. Even including net lending, capital expenditures declined almost without interruption from 38 per cent of total government expenditure in 1970 to only 23 per cent in 1976.

Supplementary budget expenditures have been a consistent feature of fiscal management in Zambia. 1/ In 1969 they were as high as 44 per cent of the approved estimates, and in 1975 they were still 22 per cent (Appendix Table XVI). In 1976 they are estimated to total about K 80 million, equivalent to about 13 per cent of revised estimates. The Ministries of Trade, Industry, and Mines, as well as constitutional and statutory expenditures, have been responsible for the bulk of the budget-supplementaries in more recent years.

In 1973 the authorities attempted to control the overspending by opening separate accounts for each ministry and by creating revolving funds for below-the-line expenditures. Appendix Table XVI shows that the situation has not improved materially since then. Supplementary provisions were 11 per cent of the authorized budget estimates in 1973, 12 per cent in 1974, and 22 per cent in 1975. Major causes of the supplementaries in 1974 were the rising prices of petroleum products and the rise in fertilizer prices, which led to an increase in the fertilizer subsidy from K 8 million in 1974 to K 33 million in 1975. Supplementary expenditure of K 112 million in 1975 also reflects the substantial salary and allowance increases granted by the Mwanakatwe Commission, effective July 1, 1975. The total annual cost of this measure for the civil service of the Central Government alone was estimated to be K 24 million, which was about 20 per cent of the civilian wage bill of K 120 million in 1975. The central government budget has also borne an estimated additional K 15 million of the burden of salary increases for the teaching service and local authorities.

1/ All recent reports of the Public Accounts Committee of the National Assembly have highlighted the problem as resulting from "the failure by Ministries and Departments to exercise a strict control over their expenditures." Report of the Public Accounts Committee, 1973, p. 5.

In an attempt to contain the deficit, the Government presented revised budget estimates for 1976 which provided for a reduction of K 147 million in total expenditures from 1975 levels; of this, K 90 million were to be from capital expenditures and net lending and the remainder from current expenditures. The policy in respect of the former was to carry on only the ongoing projects and not to initiate any new project unless foreign financing was forthcoming. In respect of the current expenditures, the cuts were to be brought about by raising the prices of maize, fertilizer, and other subsidized items. In addition, a containment of the wage bill was to be achieved by freezing the number of government jobs as well as the structure of salaries and allowances. Measures were also to be taken to put a stop to the requests for supplementaries beyond the authorized budgets.

Despite these efforts, expenditures have not been reduced. Current expenditures have, in fact, risen slightly, subsidies and constitutional and statutory expenditures have been contained as planned, but there has been a sharp rise in expenditures on goods and services, and in compensation of employees and debt service payments. The price inflation of 20 per cent to 25 per cent in 1976 has been responsible for the growth of expenditure on goods and services, which, instead of declining as projected in the revised budget, grew by almost 10 per cent. The wage bill of the Central Government has also risen by about 18 per cent, far beyond expectations, largely due to the payment of arrears under the 1975 general salary increase. The policy of freezing government jobs has also not been strictly adhered to by specialized ministries such as Agriculture, Education, Health, and Finance.

Interest payments have risen from 5 per cent of total expenditures in 1975 to 9 per cent in 1976. The large growth of both internal, particularly short term, and external public debt is the major reason for the growing debt service burden on the budget (Appendix Table XVII). In addition, in the case of external debt service payments, local currency costs have risen due to the depreciation of the kwacha, while, in the case of domestic debt, the interest costs have been influenced by the revisions of the treasury bill rate from 4 per cent to 4.25 per cent, effective January 31, 1976, and to 4.375 per cent, effective July 13, 1976 and the large increase in domestic borrowing.

4. Public debt

The growth of central government indebtedness (Appendix Table XVII) shows that the external indebtedness has more than tripled during the five years 1970-75, growing at an annual rate of 25 per cent, and this has resulted in an almost fourfold increase in external interest payments. The level of internal indebtedness, on the other hand, has fluctuated somewhat due to treasury bill financing, which has been high in years of low copper revenues and low in years of high copper revenues. The amount of internal indebtedness of medium-term to long-term maturity has, however, continuously risen, by about 12 per cent per annum during 1970-75.

The holdings of domestic debt by parastatal entities has declined over the years, while the holdings of the banking system, particularly the Bank of Zambia, have increased (Appendix Table XVIII). The banking system held 98 per cent of treasury bills in 1975 against 70 per cent in 1970, and its holdings of the domestic debt rose from 31 per cent to 58 per cent between 1970 and 1975.

Amortization payments and interest payments on public debt have increased significantly over 1970-76. Debt service payments (including amortization) accounted for almost 16 per cent of total expenditures and about 7 per cent of GDP in 1976, against 8 per cent and 3 per cent, respectively, in 1970 (Appendix Table XIX).

IV. Money and Banking

1. Introduction

The banking system in Zambia comprises the central bank (Bank of Zambia) and four commercial banks. Three of the commercial banks (Barclays Bank of Zambia, Limited, Standard Bank of Zambia, Limited; and Grindlays Bank International, Zambia, Limited) are subsidiaries of foreign banks, while the National Commercial Bank, Limited, is government-owned. Outside the banking system, there are a number of other financial institutions specializing in particular areas of finance, such as insurance, housing finance, and agricultural credit.

The Bank of Zambia is responsible for the formulation and implementation of monetary policy. It prescribes the minimum liquidity and reserve requirements for the commercial banks and may call for special deposits from the commercial banks and set up ceilings on their loans and advances. It may also use the discount rate as an instrument of monetary policy in accordance with its capacity as lender of last resort.

2. Overall monetary developments

Monetary policy in Zambia is dependent upon the external position of the economy, as affected by the price of copper. Deteriorations in the export price of copper coincide with balance of payments and budgetary difficulties, and the Bank of Zambia provides the required financing to the Government. The main instruments of monetary policy used by the Bank of Zambia have been moral suasion, changes in required reserve and liquidity ratios, the rediscount policy, and advances from the Bank of Zambia to the commercial banks. Borrowings of the commercial banks from the Bank of Zambia are netted from the liquidity ratio, but can be used to satisfy reserve requirements. Interest rate policy has not been actively pursued, since, in the view of the authorities, credit expansion is determined more by its availability than by its cost.

Each year, after the presentation of the budget in January, the Bank of Zambia determines its monetary policy for the year, based on expectations concerning the export price of copper. Changes in the money supply arising from a favorable balance of payments position are viewed with little concern, whereas an expansion in domestic credit in a period of low copper prices is carefully reviewed. The increase in holdings of real cash balances by the public is higher in periods of high export earnings. Given the thinness of the financial market, especially as a result of the accumulation of deposits by the mining sector, money is the most important financial asset in Zambia. Table 9 shows that the ratios of cash balances to GDP were high in 1969-70, fell subsequently, and increased again in 1973-74, in parallel with the evolution of copper prices. The figures for 1975-76 are not consistent with previous behavior, since copper prices fell significantly in 1975 and have seriously affected the financial position of the mining companies and the Government, the large credit expansion in 1975 and 1976, combined with restrictions on external transactions and a decline in real GDP, may also be an explanatory factor.

Table 9. Zambia. Ratios of Cash Balances to GDP, 1969-76 1/

(In per cent)

	1969	1970	1971	1972	1973	1974	1975	1976 <u>2/</u>
Money	11.9	13.8	13.4	11.6	12.6	15.2	16.1	17.0
Money and quasi-money	18.5	26.5	23.7	20.0	21.8	28.9	25.5	26.4

Sources: IMF, International Financial Statistics; and data provided by the Zambian authorities.

1/ The annual money and quasi-money stock are the average of the amount outstanding at the end of each quarter.

2/ Estimated.

Money and quasi-money, as well as credit, exhibits sharp fluctuations, mainly related to the position of the government budget and the balance of payments. This can be elaborated by referring to the observed relationships between various monetary aggregates. There is a strong influence of copper

prices on the monetary aggregates which can be shown by estimating a lagged cross-correlation function for several pairs of the monetary aggregates and copper prices; the variables are expressed in terms of changes. ^{1/}

It has been found that a change in the price of copper leads to a change in net foreign assets of the banking system (ΔNFA) in the same direction one quarter later, and changes in these assets are contemporaneously correlated in the opposite direction with changes in net domestic assets of the banking system (ΔNDA) (see Charts Ia and Ib). Changes in net foreign assets are coincident with changes in credit to the Government, in an almost completely offsetting way, while credit to the private sector does not fluctuate very much (see Chart II).

Finally, it was found that changes in the money supply (broadly defined) were contemporaneously correlated with changes in net foreign assets, in the same direction and of a similar magnitude. The deposits of the mining companies (both with the commercial banks and with the monetary authorities) lag copper prices by three quarters. This may be due to the timing of export receipts and repayments related to previous borrowing (Chart III). The above analysis shows clearly the strong influence of copper prices on the monetary aggregates in Zambia.

3. Monetary developments and policies, 1974-76

The high copper prices in 1974 strongly influenced the evolution of credit and broad money. The Government's budgetary position improved and its recourse to the banking system was reduced. Initially the monetary authorities pursued an expansionary credit policy with respect to the private sector, and, in an attempt to reduce the cost of import financing, issued a directive to the commercial banks to provide domestic finance for imports. Credit to the private sector almost doubled in 1974, but total domestic credit increased by only 9 per cent (Table 10), since net credit to the Government declined significantly. Accompanied by an

^{1/} The lagged cross-correlation function is given by.

$$C_{t, T} = \frac{\sum_{t=T}^N (X_t - \bar{X}) (Y_t - \bar{Y})}{\left[\sum_{t=T}^N (X_t - \bar{X})^2 \sum_{t=T}^N (Y_t - \bar{Y})^2 \right]^{1/2}}$$

and gives the lag between X and Y which yields their maximum correlation.

CHART 1a
ZAMBIA
CHANGES IN THE PRICE OF COPPER, 1966-76
(In U.S. cents per pound)

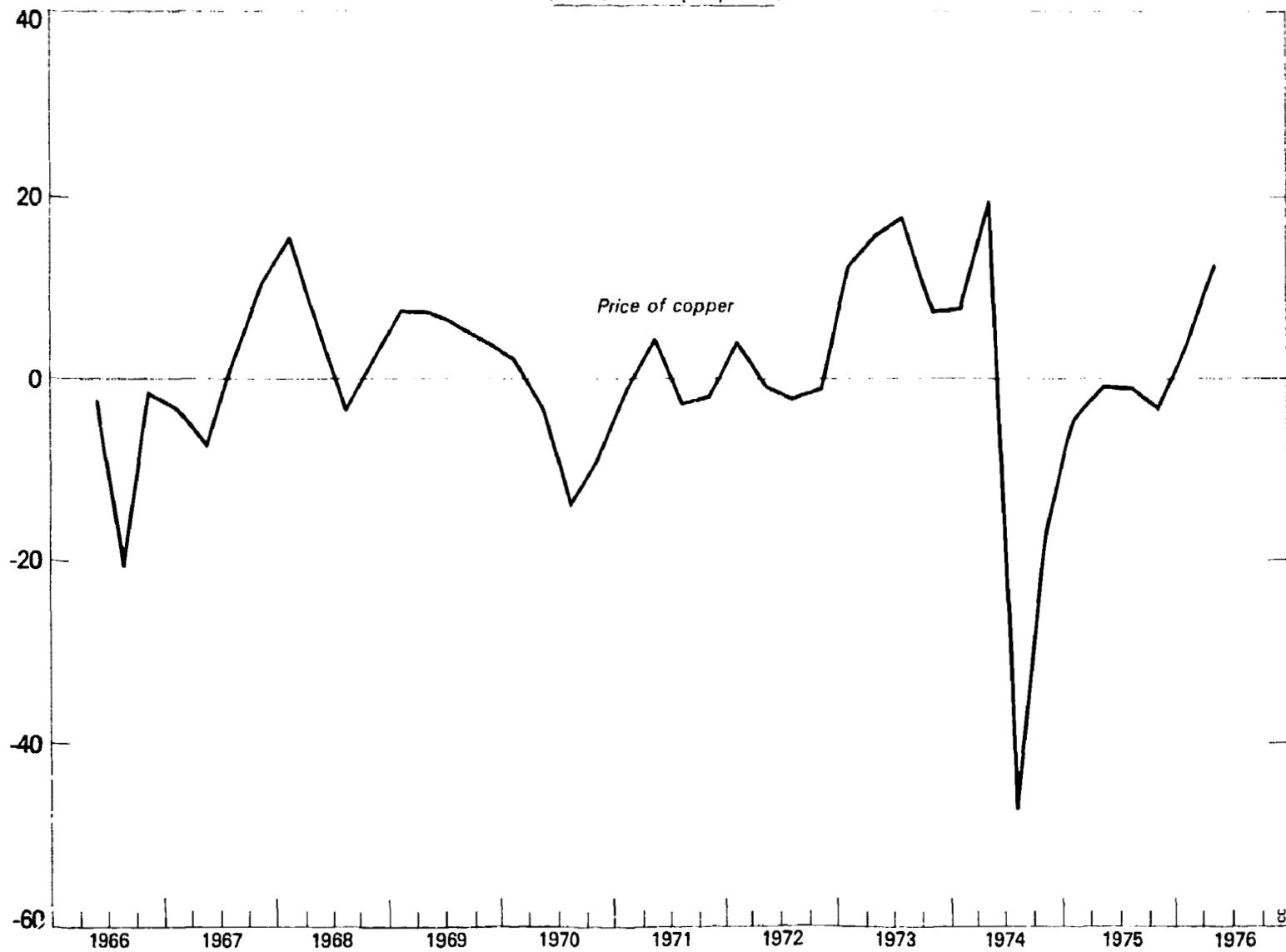


CHART 1b

ZAMBIA

CHANGES IN NET FOREIGN ASSETS AND NET DOMESTIC ASSETS, 1966-76

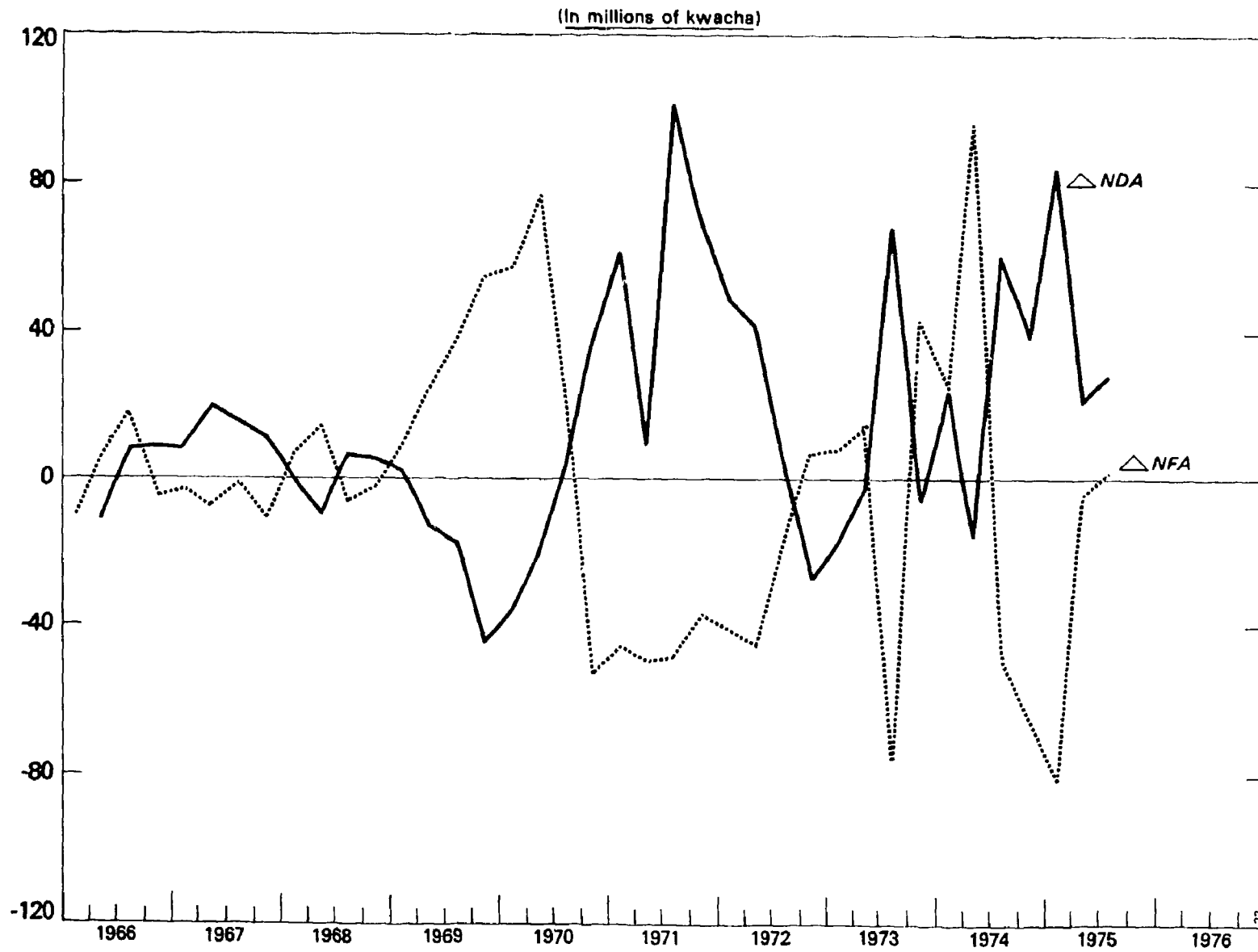


CHART II
ZAMBIA
CHANGES IN THE NET FOREIGN ASSETS, CREDIT TO
GOVERNMENT AND CREDIT TO PRIVATE SECTOR, 1966-76

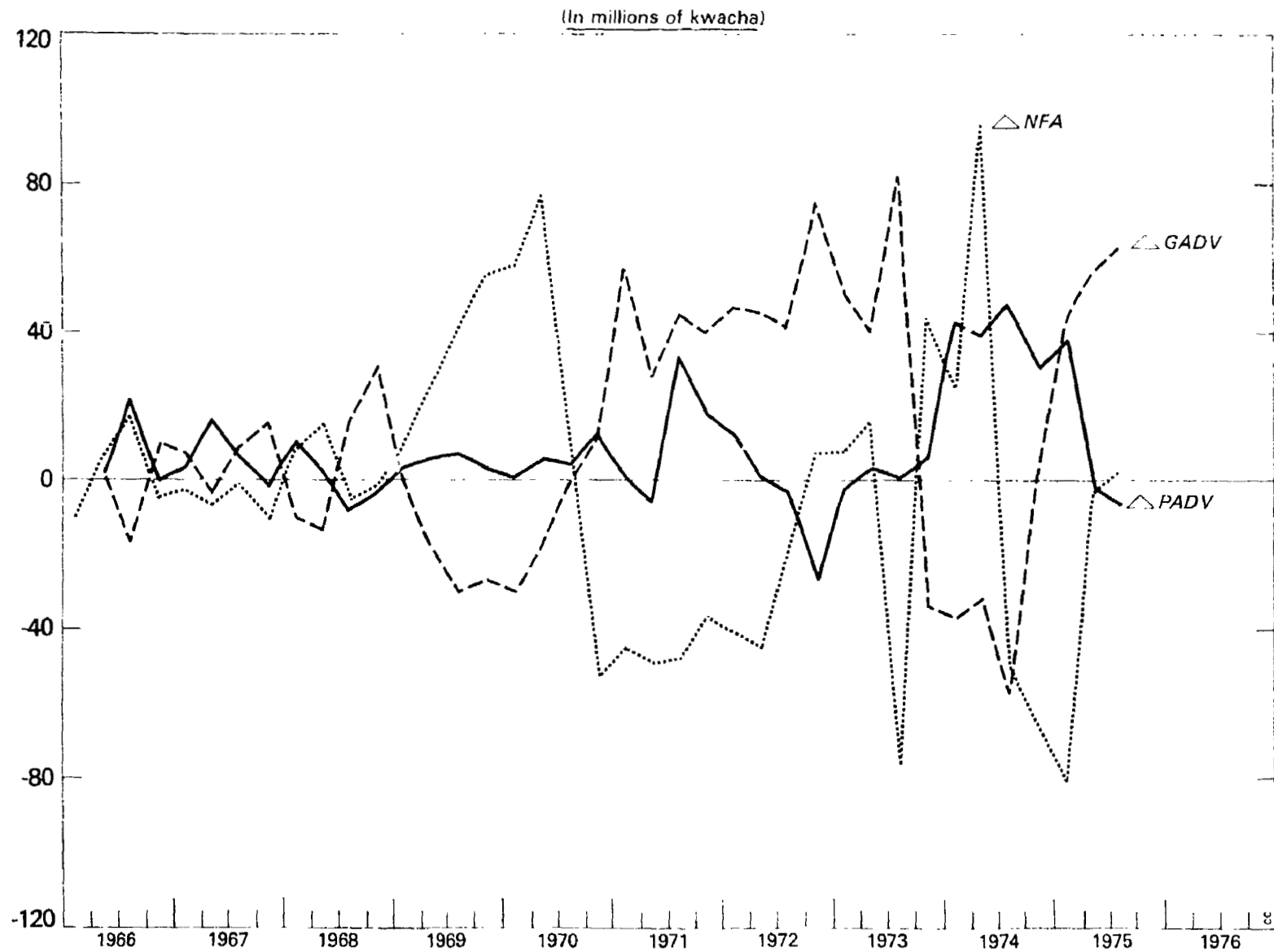


CHART III

ZAMBIA

CHANGES IN MINING COMPANIES DEPOSITS AND TOTAL DEMAND DEPOSITS, 1967-74

(In millions of kwacha)

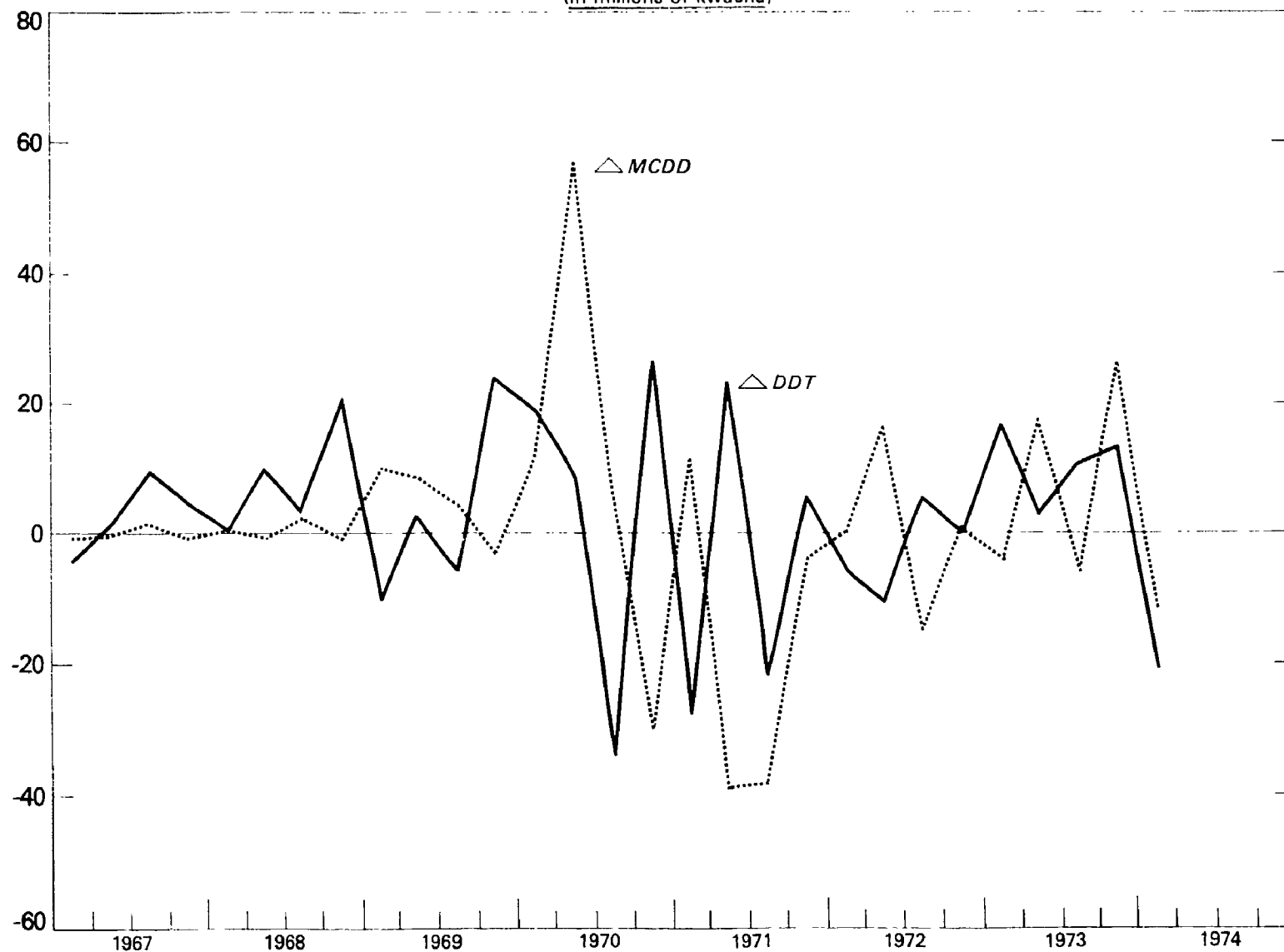


Table 10. Zambia: Monetary Survey, 1973-September 1976

(In millions of kwacha)

	1973 Dec.	1974 March	June	Sept.	Dec.	1975 March	June	Sept.	Dec.	1976 March	June	July	Aug.	Sept.
Foreign assets (net)	<u>67.21</u>	<u>97.00</u>	<u>197.77</u>	<u>140.56</u>	<u>76.59</u>	<u>-12.71</u>	<u>-19.67</u>	<u>-29.75</u>	<u>-59.37</u>	<u>-99.88</u>	<u>-42.64</u>	<u>-38.19</u>	<u>-80.36</u>	<u>-76.81</u>
Foreign assets	129.60	156.74	261.30	206.83	143.78	65.92	88.75	51.69	100.54	43.67	69.53	136.56	105.64	124.63
Foreign liabilities	-62.39	-59.74	-63.53	-66.27	-67.19	-78.63	-108.42	-81.43	-159.91	-143.55	-112.17	-174.75	-186.00	-201.44
of which IMF Counterpart Fund:														
First credit tranche drawing	(14.74)	(14.74)	(14.74)	(14.74)	(14.74)	(14.74)	(14.75)	(---)	(14.74)	(14.74)	(14.74)	(17.51)	1/ (25.35)	(25.35)
Compensatory drawings	(29.46)	(29.46)	(29.46)	(29.46)	(29.46)	(14.73)	(14.73)	(14.73)	(29.46)	(29.46)	(29.46)	(35.03)	1/ (35.03)	(35.03)
Oil facility	(---)	(---)	(---)	(---)	(---)	(---)	(---)	(---)	(14.53)	(14.53)	(22.47)	(27.38)	1/ (27.38)	(27.38)
Domestic credit	<u>379.90</u>	<u>385.41</u>	<u>392.21</u>	<u>381.99</u>	<u>413.90</u>	<u>494.96</u>	<u>548.56</u>	<u>604.42</u>	<u>710.70</u>	<u>794.70</u>	<u>802.30</u>	<u>833.40</u>	<u>861.00</u>	<u>878.48</u>
To the Government (net)	205.05	167.90	135.63	77.62	78.07	120.49	176.56	239.35	317.80	366.30	412.00	441.30	451.40	481.13
To the private sector	174.85	217.51	256.58	304.37	335.83	374.47	372.00	365.07	392.90	428.40	390.30	392.10	409.60	397.35
of which:														
Credit to the mining companies	(---)	(---)	(---)	(---)	(---)	(54.11)	(52.36)	(53.36)	(87.05)	(131.24)	(102.50)	(115.70)	(115.70)	(107.70)
From the Bank of Zambia	(---)	(---)	(---)	(---)	(---)	(---)	(---)	(---)	(47.19)	(76.13)	(62.60)	(60.60)	(60.60)	(52.60)
From the commercial banks	(---)	(---)	(---)	(---)	(---)	(54.11)	(52.36)	(53.36)	(39.88)	(55.11)	(39.90)	(55.10)	(55.10)	(55.10)
Other statutory bodies	(82.11)	(92.65)	(110.60)	(128.60)	(130.84)	(102.59)	(149.14)	(156.94)	(114.58)	(68.62)	(74.23)	(82.55)	(96.90)	(106.42)
Net interbank deposits ^{2/}	<u>29.27</u>	<u>27.90</u>	<u>37.53</u>	<u>35.87</u>	<u>30.37</u>	<u>41.36</u>	<u>21.78</u>	<u>24.23</u>	<u>48.48</u>	<u>28.36</u>	<u>27.20</u>	<u>33.40</u>	<u>38.50</u>	<u>34.10</u>
Net claims on Bank of Zambia (BOZ) ^{2/}	<u>-0.87</u>	<u>-0.57</u>	<u>0.32</u>	<u>1.19</u>	<u>7.88</u>	<u>0.22</u>	<u>-0.18</u>	<u>1.85</u>	<u>-14.54</u>	<u>-0.60</u>	<u>-1.10</u>	<u>4.56</u>	<u>2.69</u>	<u>-0.86</u>
Other assets	<u>95.57</u>	<u>74.50</u>	<u>79.24</u>	<u>85.92</u>	<u>110.96</u>	<u>104.40</u>	<u>93.43</u>	<u>95.06</u>	<u>97.10</u>	<u>101.37</u>	<u>110.70</u>	<u>123.90</u>	<u>101.30</u>	<u>104.78</u>
Assets = Liabilities	<u>571.08</u>	<u>584.24</u>	<u>707.07</u>	<u>645.43</u>	<u>639.70</u>	<u>628.23</u>	<u>643.92</u>	<u>696.22</u>	<u>728.50</u>	<u>823.44</u>	<u>896.46</u>	<u>957.07</u>	<u>923.13</u>	<u>939.69</u>
Money	<u>242.89</u>	<u>223.18</u>	<u>259.49</u>	<u>252.21</u>	<u>265.67</u>	<u>264.45</u>	<u>265.43</u>	<u>279.73</u>	<u>322.09</u>	<u>310.51</u>	<u>334.60</u>	<u>351.10</u>	<u>339.50</u>	<u>370.67</u>
Currency	69.40	70.30	75.24	78.71	79.64	78.98	79.87	92.37	102.25	96.44	99.50	104.50	108.60	114.58
Demand deposits	173.49	152.88	184.25	173.50	186.03	185.47	185.56	187.36	219.73	214.07	235.10	246.60	230.90	256.09
Quasi-money	<u>172.57</u>	<u>209.86</u>	<u>285.90</u>	<u>227.56</u>	<u>174.98</u>	<u>154.56</u>	<u>166.99</u>	<u>164.75</u>	<u>170.82</u>	<u>188.80</u>	<u>196.10</u>	<u>208.20</u>	<u>206.30</u>	<u>213.09</u>
Bills payable	<u>5.96</u>	<u>6.45</u>	<u>3.43</u>	<u>3.47</u>	<u>3.52</u>	<u>5.35</u>	<u>7.71</u>	<u>3.91</u>	<u>4.59</u>	<u>3.04</u>	<u>7.30</u>	<u>5.60</u>	<u>4.00</u>	<u>3.79</u>
Capital and reserves (BOZ)	<u>18.18</u>	<u>19.98</u>	<u>19.98</u>	<u>19.98</u>	<u>19.98</u>	<u>25.98</u>	<u>25.98</u>	<u>25.98</u>	<u>25.98</u>	<u>25.98</u>	<u>28.21</u>	<u>28.21</u>	<u>28.21</u>	<u>28.21</u>
SDR allocation	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>
Other liabilities	<u>112.40</u>	<u>105.80</u>	<u>119.40</u>	<u>123.45</u>	<u>155.48</u>	<u>158.44</u>	<u>158.66</u>	<u>202.78</u>	<u>239.95</u>	<u>276.04</u>	<u>311.06</u>	<u>344.91</u>	<u>326.04</u>	<u>304.80</u>
of which:														
Deposits for payments arrears	(---)	(---)	(---)	(---)	(---)	(---)	(43.60)	(56.20)	(102.20)	(152.20)	(183.60)	(241.90)	(208.90)	(173.97)

Sources: Bank of Zambia, Quarterly Statistical Review; and data provided by the Zambian authorities.

1/ Adjustment made for kwacha devaluation in July.

2/ Mainly items in transit.

increase in net foreign assets, broad money grew by 15 per cent during the first three quarters of 1974 but, as copper prices started to decline in the third quarter, net foreign assets were reduced and broad money started to decline in the fourth quarter. Over the year as a whole, broad money grew by only 6 per cent.

With the continuing decline in copper prices and the unfavorable outlook for 1975 presaged by this decline, the Bank of Zambia reversed in part its credit policy by adopting a more restrictive stance; it also lifted the requirement that importers finance imports domestically. These measures were undertaken in an attempt to restrain domestic credit expansion and to induce an inflow of short-term capital to help offset the deterioration in the current account of the balance of payments. The situation was complicated by the over-issuance of import licenses in late 1974, which resulted in an accelerated demand for credit for imports in the first half of 1975.

As a result of the decline in copper prices, the mining companies, in particular, and parastatal organizations, in general, were faced with liquidity problems and increased their demand for bank credit. Throughout 1975 the Bank of Zambia extended credit to the commercial banks to enable them to lend to the mining companies; the commercial banks' credit to the mining companies amounted to K 40 million at the end of 1975. In November 1975 the Bank of Zambia began to extend credit directly to the mining companies, and by the end of December 1975 their total indebtedness to the Bank of Zambia was K 47 million. Credit to the nonmining private sector declined throughout 1975; although credit to the private sector, including the mining sector, expanded by 17 per cent. Total domestic credit increased by 72 per cent, reflecting mainly the large increase in credit to government. Although money and quasi-money declined over the first three quarters of 1975, a large increase in the fourth quarter resulted in an increase of 12 per cent for the year as a whole. Net foreign assets declined by K 151 million.

Data for the first nine months of 1976 indicate that domestic credit has continued to expand. At the end of September total domestic credit was K 878 million, an increase of K 167 million over December 1975 (23.5 per cent), practically all of which was to the Government. Credit to the Government reached K 481 million in September, an increase of K 163 million (51 per cent) over end-1975. The primary source of this expansion was credit from the commercial banks, represented by the purchases of Treasury bills. Between December 1975 and September 1976 credit to Government from the commercial banks increased from K 107 million to K 261 million, or 144 per cent. Holdings of Treasury bills increased by K 139 million by end-September, of which K 72 million related to payments arrears. Net credit to the Government from the monetary authorities increased only marginally, mainly due to a reduction in government deposits.

Credit to the private sector increased only marginally, by K 5 million, between December 1975 and September 1976. The monetary authorities

continued to extend credit directly to the mining companies. During the first half of 1976 credit from this source increased by K 16 million; however, after the July depreciation of the kwacha, the mining companies' liquidity position improved, and such credit showed only a nominal increase over the entire nine-month period. Credit to the private sector from the commercial banks registered a marginal increase during this period, although there was a change in the components of this increase. Credit to the nonmining parastatal organizations increased significantly, especially in the third quarter, due mainly to their liquidity problems, and additional deposits related to existing payments arrears resulting from the depreciation of the kwacha. Throughout 1976 the losses of the parastatals have been increasingly covered by credit from the commercial banks. Credit to the remainder of the private sector and statutory bodies declined in 1976, mainly because of a reduced level of imports and the reluctance of the commercial banks to extend credit to this subsector. As shown in Table 10, net domestic credit was the primary source for the increase in the money supply. Net foreign assets declined by K 8.5 million over the first three quarters of 1976.

Money and quasi-money increased between December 1975 and September 1976 by K 9 million, or 18 per cent. Currency showed only a nominal increase, while demand deposits increased by 17 per cent and quasi-money increased by 25 per cent, mainly because of the large increase in time and savings deposits (Tables 10 and 11).

Table 11. Zambia Factors Affecting Money Supply, 1972-76 1/

(In per cent)

	1972	1973	1974	1975	1976 <u>2/</u>
Changes in NFA	-32.2	-2.1	2.3	-30.9	-3.5
Changes in NDA	45.5	19.9	8.2	67.4	34.0
Net claims on Government	57.1	17.0	-30.6	54.4	33.1
Claims on private sector	-5.6	2.9	38.4	13.0	0.9
Changes in money supply	4.1	28.3	6.1	11.9	18.4

Source. Data provided by the Zambian authorities.

1/ In per cent of the money supply (money and broad money) outstanding at the end of the previous year. Due to the omission of "other items (net)" explanatory factors do not account for the total variation in the money supply.

2/ September.

To reduce the excess liquidity of the commercial banks, the authorities announced increases in the liquidity ratio by 2 percentage points to 30 per cent, and in the minimum reserve requirement on demand deposits of the commercial banks by 3 percentage points, to 15 per cent, in February 1976. The increase in the minimum reserve requirement absorbed about K 8 million of excess reserves. The Bank of Zambia also issued a directive to the commercial banks that excess liquidity should be held in the form of government paper, this was partly responsible for the increase in treasury bills of K 67 million, which was not related to payments arrears.

The structure of interest rates was revised twice in 1976, in January and July (Appendix Table XXII). The increases in the interest rates on fixed-term deposits were the largest, ranging between 1.75 and 2.25 percentage points. Interest rate policy has not been vigorously pursued, as much of the domestic public sector investment is primarily in infrastructure projects and is foreign-financed, private sector investment is believed to respond more to the general economic climate than to domestic interest rates. However, interest rates do have an effect on financial savings.

Throughout 1976 the commercial banks have generally had excess liquidity. In December 1975 the authorities directed the commercial banks to hold the local currency deposits related to payments arrears in treasury bills. Excluding treasury bills held against arrears, three of the four commercial banks met the prescribed liquidity ratio, with a substantial margin, in September 1976, but the National Commercial Bank was, and has been for some time, well below the minimum. Treasury bills held against arrears can be freely discounted with the Bank of Zambia.

4. The relationship between the Bank of Zambia and commercial banks

Over 1975 and 1976, the commercial banks have operated very close to the minimum reserve requirement, generally with marginal excess reserves, but have maintained liquidity ratios substantially above the required minimum. This was the result of Bank of Zambia instructions to the commercial banks to hold the deposits relating to payments arrears, as well as excess reserves, in the form of treasury-bills. Treasury-bill holdings by the commercial banks increased from K 2.4 million at end December 1974 to K 99.5 million by December 1975 and to K 238 4 million by September 1976. Of the increase in 1976, K 72 million was related to deposits for payments arrears, and K 67 million to excess liquidity. The increases in the rate on treasury-bills announced in January 1976 and July 1976 and the reluctance of the commercial banks to extend credit to the private sector and nonmining parastatal sector may explain the prevailing excess liquidity of the commercial banks. The outcome of these developments was that commercial bank credit to the Government increased by 140 per cent between December 1975 and September 1976. At the same

time, the Bank of Zambia provided counter finance to the commercial banks to help finance the needs of the mining companies. In 1976, commercial bank borrowing from the Bank of Zambia to provide finance to the nonmining parastatal organizations was not significant.

The above developments have led to the creation of the actual liquidity ratio, net of payments arrears obligations, which increased from 32 per cent in December 1975 to 38 per cent in September 1976, while the required liquidity ratios were 28 and 30 per cent, respectively. Excluding the National Commercial Bank, the actual liquidity ratios of the commercial banks were 39 per cent in December 1975 and 45 per cent in September 1976, or 15 percentage points above the current required ratio.

5. Other financial institutions

The size of other financial institutions in Zambia (building societies and the National Savings and Credit Bank of Zambia) is relatively small, their assets were equivalent to about 15 per cent of the assets of the banking system in 1975. Time and savings deposits, mainly those of the building societies, constitute the major portion of their liabilities. These deposits rose by 54 per cent between 1974 and 1975.

The Development Bank of Zambia (DBZ) was established in 1972 and commenced operations in January 1974. In 1974/75, the first year of operation, it approved loans amounting to K 7 million, of which K 4 million was disbursed. By the end of January 1976 the approvals amounted to K 15 million, of which K 8 million had been disbursed. In 1975 a special fund was established by the Bank of Zambia for financing projects in rural areas, which are not normally eligible for DBZ finance. The fund will be financed by aid agencies, with the lending rates, the maturity periods, and other terms softer than those offered under the Bank of Zambia's normal lending program.

V. External Sector

1. Balance of payments developments

Developments in Zambia's balance of payments for the period 1973 to 1976 are shown in Table 12 and in Appendix Table XXIII. In 1974 the balance of payments registered an overall surplus of SDR 10.4 million, about the same result as that achieved in 1973, although the price of copper (which accounts for over 90 per cent of export receipts) continued to increase. The LME copper price averaged US\$0.81 per pound in 1973 and US\$0.93 in 1974, a significant increase over the average price prevailing in 1971 and 1972 of US\$0.49 per pound (Appendix Table XXIV). However, gross official reserves increased by only SDR 16 million in the two years ended in 1974, while net foreign assets were reduced by SDR 4 million.

Table 12. Zambia: Balance of Payments, 1973-76

(In millions of SDRs) 1/

	1973	1974	1975	1976 2/
I. <u>Goods, services, and transfers (net)</u>	<u>120.7</u>	<u>93.1</u>	<u>-503.0</u>	<u>-118.4</u>
<u>Merchandise trade, f.o.b.</u>	<u>496.5</u>	<u>533.9</u>	<u>-98.6</u>	<u>265.6</u>
Exports	948.2	1,191.2	669.4	858.6
Copper	(904.6)	(1,113.8)	(603.0)	(791.9)
Other	(43.6)	(77.4)	(66.4)	(66.8)
Imports	-451.7	-657.3	-768.0	-593.1
<u>Services (net)</u>	<u>-271.3</u>	<u>-335.9</u>	<u>-303.4</u>	<u>-289.9</u>
Freight and insurance	-81.8	-135.3	-139.5	-93.4
Travel and other transport	-37.1	-39.7	-33.3	-30.4
Other services	-52.5	-80.5	-73.0	-64.1
Investment income	-99.9	-80.4	-57.6	-102.1
<u>Transfers (net)</u>	<u>-104.5</u>	<u>-104.9</u>	<u>-101.1</u>	<u>-94.1</u>
Government	14.0	6.8	3.8	6.7
Private	-118.4	-111.8	-105.0	-100.8
II. <u>Capital account (net)</u>	<u>-55.7</u>	<u>94.9</u>	<u>331.5</u>	<u>55.5</u>
<u>Private</u>	<u>-232.8</u>	<u>47.3</u>	<u>225.3</u>	<u>28.0</u>
Mining companies	...	24.0	195.8	33.0
Other	...	23.3	29.4	-5.0
<u>Government</u>	<u>177.1</u>	<u>47.6</u>	<u>106.2</u>	<u>27.5</u>
III. <u>Net errors and omissions</u>	<u>-79.6</u>	<u>-177.6</u>	<u>-138.2</u>	<u>-35.1</u>
IV. <u>Overall balance</u>	<u>-14.6</u>	<u>10.4</u>	<u>-309.7</u>	<u>-98.0</u>
V. <u>Financing (increase -)</u>	<u>14.6</u>	<u>-10.4</u>	<u>309.7</u>	<u>98.0</u>
Monetary authorities	11.9	-8.6	163.5	...
Commercial banks	2.7	-1.8	10.7	...
Payments arrears	--	--	135.5	...

Sources: Central Statistical Office, Monthly Digest of Statistics, September/October, 1976; and data provided by the Zambian authorities.

1/ The conversion rates used are as follows. 1973, K 1 = SDR 1.2927, 1974, K 1 = SDR 1.2924; 1975, K 1 = SDR 1.2800; 1976, K 1 = SDR 1.2145.

2/ Estimates.

Balance of payments developments in 1975 resulted in an overall deficit of SDR 310 million. The trade balance deteriorated by SDR 633 million and the current account by SDR 596 million. Exports were reduced by 44 per cent to SDR 669 million, owing to a reduction in LME copper prices of 40 per cent to an average over the year of US\$0.56 per pound, and a 5 per cent reduction in the volume of copper exports. Import payments increased by 18 per cent as a result of an increase in average import unit values of 19 per cent, although there was a reduction in volume of 4 per cent (Table 13). Payments for services and transfers of SDR 405 million, although less than in 1974, continued to represent a large proportion of total payments. Net capital inflow increased to SDR 332 million, of which the mining companies raised

Table 13. Zambia: Export and Import Volumes, Unit Value Indices, and Terms of Trade, 1971-76

(1970 = 100)

	1971	1972	1973	1974	1975	1976 ^{1/}
<u>Volume indices</u>						
Exports	92.5	104.4	98.2	100.5	95.3	105.7
Copper	(92.8)	(103.9)	(98.0)	(98.5)	(93.7)	(103.9)
Imports	112.1	107.0	82.8	95.8	91.6	68.7
<u>Unit value indices</u>						
Exports, in terms of kwacha	75.9	76.6	114.2	137.7	83.3	103.1
SDRs	75.7	70.5	105.5	127.1	76.2	89.4
Imports, in terms of kwacha	105.0	111.0	125.2	163.0	195.2	223.0
SDRs	104.7	102.2	115.6	150.5	178.5	193.3
<u>Terms of trade</u>	72.3	69.0	91.2	84.5	42.7	46.2
Percentage change over previous year	-27.7	-4.6	32.2	-7.3	-49.5	8.2

Source: Central Statistical Office, Monthly Digest of Statistics, September/October, 1976.

^{1/} Staff estimates.

SDR 146 million on the Eurodollar market. This was not sufficient to finance the current account deficit, and the overall balance of payments showed a large deficit of SDR 310 million. This was financed by a reduction in gross official reserves of SDR 41 million, use of Fund resources of SDR 19 million, use of short-term bridging finance by the Bank of Zambia of SDR 99 million, the accumulation of commercial payments arrears of SDR 136 million, the use of official borrowing of SDR 5 million from other sources and a reduction in net foreign assets of the commercial banks by SDR 10 million.

In the first three months of 1975 gross official reserves declined by SDR 97 million, and as the availability of foreign exchange was reduced payments arrears began accumulating in April. The Government reacted to the deteriorating external position by announcing in June that imports in 1975 would not be allowed to exceed SDR 647 million, and in July that import licenses were not to be issued for luxury goods and for goods produced locally. These announcements were followed in September by a number of measures to restrict external service payments on account of travel allowances and remittances of rents, profits, dividends, and expatriate salaries. However, imports were SDR 120 million more than the announced limit, and payments arrears of SDR 136 million were accumulated by the end of the year.

The 1976 budget position was little different from that of 1975, and demand pressure on imports was sustained. However, imports were severely restricted because of the shortage of foreign exchange. The restrictions were effected through a system of allocating foreign exchange according to a priority list, with highest priority being given to servicing loans, essential imports (and associated freight and insurance payments) such as food, medicine, and raw materials and spare parts for the mining industry, agriculture, and manufacturing. In addition, a quarterly allocation of import licenses was undertaken by a committee comprising representatives of the Ministry of Commerce, the Bank of Zambia, and the Ministry of Finance. The import volume has been reduced by 25 per cent in 1976.

Export earnings improved in 1976, owing to increased shipments of copper and an average LME price of US\$0.635 per pound, 13 per cent higher than the 1975 price. The trade balance, which is estimated to be in surplus by SDR 266 million, represented a significant improvement over 1975. This surplus was not large enough to offset the usual large deficit on account of services (SDR 290 million) and transfers (SDR 94 million), with the result that the current account is expected to be in deficit by SDR 118 million. However, this represented an improvement in the current account balance of SDR 385 million over the 1975 outcome.

Net capital inflow is estimated at SDR 56 million, a significant reduction from the 1975 level. The authorities were reluctant to contract additional short-term foreign debt because of increases in external debt service payments projected for 1977 and 1978. These increases are principally the result of a bunching of loan repayments due to the short-term Eurodollar borrowings of the mining companies undertaken in 1975.

The balance of payments deficit of SDR 98 million in 1976 is expected to be financed by a rundown of foreign reserves and by a further accumulation of payments arrears, which increased by SDR 53 million in the first ten months of 1976. The increase in payments arrears occurred despite the raising of US\$60 million of short-term foreign borrowings by the Bank of Zambia in July and August of 1976, the proceeds of which were used to reduce arrears. Foreign exporters are requiring Zambian importers to pay penalty interest charges on account of the outstanding amount of arrears.

In 1977 the balance of payments is projected to register some improvement. Export volume is expected to be lower than in 1976, but the average price of copper may increase. Assuming a continued reluctance by the Government to borrow further abroad, apart from receiving disbursements out of loans already committed, the capital account should experience a net inflow like that of 1976. The volume of imports that can be financed in 1977 after allowing for the usual large service and transfer payments will be determined by the availability of foreign exchange. Present prospects would indicate that the volume of imports will be further reduced in 1977.

2. Merchandise trade

Fluctuations in the overall balance of payments position for Zambia have been primarily induced by changes in the trade balance. Service and transfer payments abroad have remained relatively large but stable, and the capital account has usually recorded a net inflow. Table 14 indicates the influence of changes in the terms of trade and volume changes on the trade balance over the period 1970-76; movements in the terms of trade and in export and import prices and volumes over the same period are shown in Table 13.

The value of exports at 1970 exchange rates and prices has not changed since 1970. However, imports have declined in volume terms and were reduced in 1976 to a level at which output was affected. Fluctuations in the trade balance at current prices have been caused mainly by fluctuations in export receipts. In the period 1971-76 the average annual change in the trade balance has been SDR 295 million, or 35 per cent of average export earnings. Fluctuations in world prices for Zambia's exports have explained about 86 per cent of the average annual change in the trade balance. The effect of import prices has generally been small, except in 1974 and 1975, when import prices increased by 30 per cent and 19 per cent, respectively, in terms of SDRs. The total terms of trade effect has explained 78 per cent of the fluctuations in the trade balance.

a. Exports

The composition of Zambia's exports by volume and value for 1971-76 is shown in Appendix Table XXV. Copper continues to account for over 90 per cent of export earnings, with the remainder accounted for by zinc,

Table 14. Zambia Trade Balance 1/
(In millions of SDRs)

	1970	1971	1972	1973	1974	1975	1976 <u>2/</u>
<hr/>							
A. At current exchange rate and prices							
Exports (f.o.b.)	942	669	700	948	1,191	669	859
Imports (f.o.b.)	487	560	521	452	657	768	593
Trade balance	455	109	179	497	534	-99	266
<hr/>							
B. At 1970 exchange rates and prices							
Exports (f.o.b.)	942	884	993	899	937	878	961
Imports (f.o.b.)	487	535	510	391	436	430	307
Trade balance	455	349	483	508	501	448	654
<hr/>							
C. Terms of trade effect on (A-B) <u>3/</u>							
Exports	--	-215	-293	49	254	-209	-102
Imports	--	25	11	61	221	338	286
Trade balance	--	-240	-304	-12	33	-547	-388
<hr/>							
D. Change in trade balance in current SDRs due to.	...	-346	70	318	37	-633	365
1. Volume	...	-106	134	25	-7	-53	206
Exports	...	-58	109	-94	38	-59	83
Imports	...	48	-25	-119	45	-6	-123
2. Terms of trade <u>3/</u>	...	-240	-64	-292	45	-580	159
Exports	...	-215	-78	-342	205	-580	107
Imports	..	25	-14	50	160	117	-52

Sources: Central Statistical Office, Monthly Digest of Statistics, September/October 1976, data provided by the Zambian authorities, and staff estimates.

1/ Customs data.

2/ Estimates.

3/ Calculated as a residual.

lead, cobalt, tobacco, and maize. Export volume was not significantly greater in 1976 than in 1971, even though there was an increase in copper exports in 1976 compared with 1975 as the result of clearing of stocks accumulated in 1975 after the closure of the Benguela railway in Angola and congestion at the port of Dar es Salaam.

The LME copper price, which peaked in May 1974 at US\$1.37 per pound and averaged US\$0.93 per pound in 1974, fell to an average of US\$0.56 in 1975. The reduction was induced by the downturn in world economic activity and by the prevailing level of stocks. With the economic recovery in industrial countries in the early part of 1976, the copper price recovered to average US\$0.69 per pound in the second and third quarters compared with US\$0.57 per pound in the first quarter. In the fourth quarter, the average LME price was reduced to US\$0.58 per pound, resulting in an average price over the year of US\$0.635 per pound.

Exports other than copper are small, with zinc, lead, cobalt, and tobacco being the most important. Export volume of these commodities is stagnant, with export earnings being determined by world prices. Other agricultural exports are small, apart from some maize exported in 1974 following a harvest that produced a surplus.

The direction of Zambia's exports is shown in Appendix Table XXVI. The United Kingdom and Japan are the principal markets which, together, accounted for 38 per cent of total exports in 1975. In 1975, the seven most important export markets accounted for 80 per cent of total exports.

b. Imports

The composition of Zambia's imports in value terms is shown in Appendix Table XXVII. Machinery and transport equipment continue to account for over one third and manufactured goods for 20 per cent of total imports. Imports of petroleum and chemical products have more than doubled since 1973. Nearly all petroleum is now imported in crude form and is refined at Ndola in the copper belt. The import of foodstuffs accounted for 6 per cent of total imports in 1975 and 4 per cent in the first half of 1976. The volume of imports in 1976 is estimated to be 31 per cent lower than in 1970. Since 1971, the volume of imports primarily of machinery and transport equipment has declined every year except in 1974.

The origin of Zambia's imports is shown in Appendix Table XXVIII. The United Kingdom remains the largest source of supply, followed by the United States, Germany, and South Africa.

3. Services and transfers

Zambia traditionally incurs a large deficit on account of services and transfers. Payments for nonfactor services in 1976 amounted to SDR 188 million, of which SDR 93 million represented payments for freight

and insurance on imports. This represented a significant reduction from 1975, when nonfactor service payments were SDR 246 million, of which freight and insurance payments were SDR 140 million. Payments for factor services, comprising profit, dividend, and interest payments abroad, principally represent returns to foreign ownership of the mining companies and interest on external debt. In 1975, these amounted to SDR 58 million and in 1976, are expected to increase to SDR 102 million.

Net transfer payments abroad were SDR 101 million in 1975 and are estimated at SDR 94 million in 1976. The Government is customarily a net recipient of transfers; however, this is more than offset by private transfer payments, of which the major element is contract workers' remittances. For those workers recruited after December 4, 1971, a third of annual earnings is allowed to be remitted; however, persons availing themselves of this arrangement are not entitled to any allowance for such things as travel or education. Private contract remittances have not increased significantly in the last five years, owing to a reduction in the number of expatriate workers.

4 Capital

In 1975, the two mining companies borrowed SDR 146 million on the Eurodollar market in an effort to cover heavy losses. In addition, they borrowed another SDR 50 million abroad to carry on their investment program. Total capital inflow in 1975 amounted to SDR 332 million. In 1976, net borrowings by the mining companies are estimated at SDR 33 million. Government borrowing abroad was also reduced to a net inflow of SDR 28 million. Most of this inflow came from disbursements out of loans committed.

5. Foreign reserves

Movements in Zambia's international reserves since 1970 are shown in Table 15. From a cyclical peak at the end of 1970, when gross official reserves were equal to 11 months of imports, they declined over the next two years by SDR 362 million to a level equivalent to 3 months of imports. During 1973 and 1974, when the LME copper price averaged 33 per cent higher than in 1969 and 1970 (two similar periods in the copper price cycle), the level of gross official reserves increased by SDR 16 million, and at the end of 1974, were equivalent to 2 1/2 months of imports. Gross official reserves were reduced in the first 3 months of 1975 by SDR 97 million and since then have remained roughly equivalent to 1 month of imports. The end of October 1976 level of gross official reserves stood at SDR 80 million, equivalent to about 5 weeks of estimated 1976 imports.

Since the end of 1974, the monetary authorities have accumulated SDR 106 million of official liabilities. Net purchases from the Fund have amounted to SDR 38 million, and short-term borrowings by the Bank

Table 1. Zambia International Reserves, 1970-71

(In millions of SDRs, end of period)

	1970	1971	1972	1973	1974	1975				1976			
						March	June	Sept.	Dec.	March	June	Sept.	Oct. 1/
<u>Gross official reserves</u>	<u>513.8</u>	<u>261.1</u>	<u>151.7</u>	<u>159.5</u>	<u>101.1</u>	<u>71.2</u>	<u>70.2</u>	<u>52.5</u>	<u>127.1</u>	<u>55.2</u>	<u>70.8</u>	<u>98.2</u>	<u>80.4</u>
Gold	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9
SDRs	8.3	18.9	0.2	--	11.7	2.4	8.5	3.5	15.7	15.0	11.1	17.5	20.4
Reserve position in the Fund	19.0	19.0	--	--	--	--	--	--	--	--	--	--	--
Foreign exchange	460.1	217.3	145.6	153.6	150.2	55.9	64.5	38.1	105.5	34.3	53.3	74.8	54.1
Bank of Zambia	370.0	210.3	142.0	152.0	146.4	53.2	62.7	34.2	102.5	30.9	50.4	72.3	51.3
Government	110.0	7.0	3.6	1.5	3.8	2.7	2.8	2.8	3.1	3.4	2.9	2.5	2.8
<u>Official liabilities</u>	<u>0.3</u>	<u>19.2</u>	<u>38.1</u>	<u>57.9</u>	<u>57.6</u>	<u>64.4</u>	<u>105.0</u>	<u>56.1</u>	<u>140.4</u>	<u>149.3</u>	<u>116.0</u>	<u>190.9</u>	<u>163.7</u>
Use of Fund resources	--	19.0	38.0	57.0	57.0	59.0	59.0	19.0	75.9	75.9	66.7	95.2	95.2
Bridging finance	--	--	--	--	--	--	30.9	34.3	93.8	60.1	23.9	65.4	65.4
Other	0.3	0.3	0.1	0.9	0.6	21.4	35.1	4.0	5.1	13.3	5.4	30.3	3.1
<u>Net official reserves</u>	<u>513.5</u>	<u>241.9</u>	<u>113.6</u>	<u>101.6</u>	<u>110.2</u>	<u>6.8</u>	<u>-34.8</u>	<u>-3.6</u>	<u>-13.3</u>	<u>-94.1</u>	<u>-45.2</u>	<u>-92.7</u>	<u>-83.3</u>
<u>Commercial banks (net)</u>	<u>20.7</u>	<u>-0.3</u>	<u>-13.8</u>	<u>-10.5</u>	<u>-14.7</u>	<u>-24.3</u>	<u>-20.1</u>	<u>-11.8</u>	<u>-25.4</u>	<u>-23.5</u>	<u>-12.3</u>	<u>9.5</u>	<u>9.0</u>
Assets	24.9	12.6	3.0	7.0	15.2	11.7	17.0	14.1	6.7	3.4	23.3	37.1	30.9
Liabilities	4.2	12.9	25.6	24.6	20.0	36.0	37.1	31.8	31.9	32.2	36.6	27.6	21.9
<u>Net foreign assets</u>	<u>534.2</u>	<u>241.6</u>	<u>99.8</u>	<u>85.1</u>	<u>95.5</u>	<u>-17.5</u>	<u>-57.1</u>	<u>-15.4</u>	<u>-39.7</u>	<u>-127.6</u>	<u>-58.0</u>	<u>-83.2</u>	<u>-74.3</u>
<u>Memorandum items</u>													
Payments arrears	--	--	--	--	--	--	54.1	75.4	50.5	21.1	43.0	146.3	133.8
SDRs per kwacha	1.4000	1.2635	1.2503	1.2333	1.2033	1.1545	1.1560	1.1342	1.1225	1.1440	1.1560	1.1440	1.0340
Gross official reserves in terms of months of imports, c.i.f.	10.8	5.2	2.2	2.5	1.5	0.8	0.7	0.7	1.6	0.7	1.1	1.6	1.1

Sources Bank of Zambia, 1975 Annual Report, and data provided by the Zambian authorities

1/ Preliminary

of Zambia to SDR 65 million. Bridging finance was raised from four banks and involves payments terms of from 6 months to 3 years. The effect of the increase in official liabilities has been to reduce net official reserves by SDR 194 million from the end of 1974 to the end of October 1976. At the end of October 1976, net official reserves were SDR -83 million. If payments arrears are included, then the net foreign exchange position of the banking system deteriorated by SDR 358 million from the end of 1974 to the end of October 1976.

6. External public debt

The total disbursed public debt of Zambia at the end of 1975 stood at SDR 813 million (Table 16). ^{1/} This represented an increase of SDR 259 million over the year, of which SDR 198 million (76 per cent) was government-guaranteed debt of public corporations. SDR 146 million of this was borrowed on the Eurodollar market by the mining companies. The total of public debt outstanding held by the Government was SDR 462 million, or 57 per cent of the total. This represented an increase of SDR 61 million over the year. At the end of 1975, debt committed but not disbursed amounted to SDR 436 million.

Of the disbursed public debt, 36 per cent is held by private banks, 35 per cent by foreign governments, and 21 per cent by international organizations (principally the IERD). The share held by private banks increased from 9 per cent of the total at the end of 1970 (SDR 49 million) to 41 per cent at the end of 1973 (SDR 226 million). This sharp increase reflected the refinancing of the ZIMCO bonds in 1973 through Eurodollar borrowings. Although the proportion of total debt held by private banks declined at the end of 1975, the amount disbursed increased to SDR 296 million. Lending by international organizations increased from SDR 60 million at the end of 1970 (11 per cent of the total disbursed) to SDR 167 million at the end of 1975 (21 per cent of the total disbursed). Lending by Governments increased from SDR 63 million at the end of 1970 to SDR 283 million at the end of 1975.

Zambia's debt service ratio increased in 1975 to 8.7 per cent from 5.2 per cent in 1974 (Table 17). In 1975, principal repayments were SDR 26 million, and interest payments of SDR 33 million. In 1976, the debt service ratio is estimated to have risen to 9.5 per cent. Principal repayments were SDR 41 million, with interest payments of SDR 41 million. The projected debt service in 1977 is SDR 151 million, resulting from a bunching of repayments due on the short-term Eurodollar borrowings of the mining companies in 1975. In 1978, it is projected that debt service will amount to SDR 171 million.

^{1/} The public debt covers debt of the Government and government-guaranteed debt of public corporations with an original maturity of more than one year.

Table 16. Zambia: External Public Debt Outstanding^{1/}
as of December 31, 1975
(In millions of SDRs)^{2/}

	Disbursed	Undisbursed	Total
<u>Suppliers' credits</u>	<u>49.2</u>	<u>64.2</u>	<u>112.4</u>
Germany, Federal Republic of	33.0	45.6	78.6
Japan	8.5	--	8.5
Switzerland	0.1	--	0.1
United Kingdom	6.6	15.7	22.3
Italy	--	2.9	2.9
<u>Private banks</u>	<u>295.6</u>	<u>52.2</u>	<u>347.8</u>
Multiple lenders	213.7	51.3	269.9
France	2.7	--	2.7
Italy	29.3	--	29.3
United Kingdom	2.7	0.3	3.1
United States	20.2	0.6	20.8
Netherlands	21.4	--	21.4
<u>Publicly issued bonds</u>	<u>3.1</u>	<u>--</u>	<u>3.1</u>
United Kingdom	3.1	--	3.1
<u>Other private debt</u>	<u>11.1</u>	<u>--</u>	<u>11.1</u>
Rhodesia	11.1	--	11.1
<u>Loans from governments</u>	<u>282.7</u>	<u>161.4</u>	<u>444.1</u>
Austria	0.9	--	0.9
Canada	22.0	19.2	41.3
China, People's Republic of	156.6	111.3	267.9
Czechoslovakia	0.3	1.1	1.4
Denmark	2.4	0.2	2.6
Finland	2.2	6.7	8.9
Germany, Federal Republic of	9.7	16.2	25.9
Japan	16.6	--	16.6
United Kingdom	38.5	1.3	39.8
United States	17.9	5.4	23.2
U.S.S.R.	4.6	--	4.6
Yugoslavia	7.9	--	7.9
Sweden	3.2	--	3.2
<u>Loans from international organizations</u>	<u>167.3</u>	<u>158.0</u>	<u>325.3</u>
IBRD	156.2	157.6	313.8
ADB	0.3	0.4	0.7
Arab Fund for Economic and Social Development	10.8	--	10.8
<u>Total</u>	<u>813.0</u>	<u>435.3</u>	<u>1,248.9</u>
Central Government	462.0	192.2	654.2
Public corporations	351.1	243.6	594.7

Source: IBRD, Economic and Social Data Division, July 1976.

^{1/} Debt of the Government and government-guaranteed debt of public corporations with original or extended maturity of over one year.

^{2/} Amounts were converted from U.S. dollars at the rate of SDR 1 = US\$1.17066.

Table 17. Zambia: External Public Debt Service, 1971-1980^{1/}

(In millions of SDRs)

	Debt outstanding at beginning of period		Service payments			Export receipts ^{2/}	Service payments as a percentage of export receipts
	Disbursed	Total	Principal	Interest	Total		
1971	547.9	852.2	41.7	29.9	71.6	669.0	10.7
1972	490.2	745.0	50.8	27.7	78.6	700.0	11.3
1973	526.6	765.8	218.6	72.0	290.6	948.2	30.6
1974	469.8	817.1	28.8	33.3	62.1	1,191.2	5.2
1975	554.0	953.1	25.8	32.5	58.2	669.4	8.7
1976	813.0	1,248.9	40.8	40.9	81.7	858.6 ^{3/}	9.5
1977	1,000.5	1,217.1	96.7	54.5	151.2	...	...
1978	1,015.2	1,120.4	115.3	55.6	170.9	...	...
1979	952.3	1,005.1	117.8	47.7	165.5	...	...
1980	863.2	887.3	94.5	39.2	133.7	...	...

Source: IBRD, Economic and Social Data Division.

^{1/} Based on Government and government-guaranteed debt outstanding as at December 31, 1975 (see Table 16).^{2/} Export of goods.^{3/} Estimated.

7. Exchange and trade system

A full description of Zambia's exchange and trade system as of the end of 1975 is given in the Fund's Report on Exchange Restrictions, 1976. A summary description of the system as of the end of October 1976 is given below, while changes introduced since the last Article XIV consultation discussions are described in Appendix I.

a. Exchange rate system

The par value is 1.14592 grams of fine gold per Zambian kwacha. Since July 9, 1976, the central rate for the kwacha has been maintained in terms of the SDR at a rate of $K = 1.08479$, and Zambia continues to avail itself of wider margins. The U.S. dollar is the intervention currency, and the Bank of Zambia rates for the U.S. dollar are based on the Fund's daily calculation of the U.S. dollar/SDR rate. The Bank of Zambia normally deals with the Government and with the authorized banks in U.S. dollars and sterling. Authorized banks are free to deal in other currencies at rates based on daily rates with the U.S. dollar and the rates for other currencies prevailing in the international foreign exchange markets. In its dealings with the commercial banks, the Bank of Zambia applies a margin of a quarter of one per cent for purchase of foreign exchange and one half of one per cent for its sales from the dollar/kwacha rate determined by the SDR basket. The authorized banks normally charge a margin of one per cent

b. Allocation of foreign exchange

Foreign exchange is allocated according to priorities. The highest priority is given to payments related to the servicing of foreign debt, essential imports (plus associated freight and insurance costs) such as food, medicines, raw materials and spare parts for the mining industry, agriculture, and manufacturing, as well as payments for education allowances and medical expenses. Payments for other transactions are treated on a first-in first-out basis and may result in payments arrears. Payments arrears of SDR 136 million accumulated in 1975, with a further accumulation of SDR 53 million in the first ten months of 1976. Of the payments arrears outstanding at the end of October, 67 per cent were on account of import payments due after February 1976.

There is a quarterly allocation of import licenses, decided on by a ministerial committee in consultation with the Bank of Zambia and the Ministry of Finance. Within this overall amount licenses are allocated by a committee to the different sectors of the economy, and the import licenses are then issued by the Ministry of Commerce. At the end of October 1976, it was estimated that outstanding import licenses amounted to K 650 million. Of this amount, K 316 million were issued in 1976, K 299 million in 1975, and K 35 million in 1974. As the validity of an import license is only 15 months, the total amount of licenses outstanding would be less than K 650 million. Once an importer obtains an import

license, he can arrange the form and means of payment. However, before the commercial banks open letters of credit, they generally require a guarantee from the Bank of Zambia that foreign exchange will be made available on the due date.

c. Remittances of profits, dividends, rents, contractual salaries, and payments for other invisibles

In September 1975, a number of measures were introduced to restrict external service payments on account of travel allowances and remittances of rent, profits, dividends, and expatriate salaries. These restrictions still remain (see Appendix I). There is no travel allowance for tourists, and business travel allowances are limited to K 40 per day for up to 15 days per calendar year. Exchange is also provided up to certain limits for purposes such as education and medical treatment. Foreign exchange to meet the above payments plus payments for invisibles related to imports is normally provided by the commercial banks according to the availability of foreign exchange without reference to the exchange control authorities. The authorities may, under special circumstances, approve amounts in excess of the limits.

Applications for remittances abroad of part or all of payments for advertising, management, accounting, administrative engineering, and consulting services rendered to residents by nonresidents are subject to individual approval by the Bank of Zambia, which generally grants the required permission, provided that the fees charged are reasonable, that they relate to existing contracts, and that these services cannot be provided domestically. 1/ Profits and dividends of subsidiaries and branches of companies whose head offices are situated outside Zambia may be transferred abroad up to 10 per cent of the nonresidents' share of the equity capital or 30 per cent of net profits accruing to the non-resident owners of incorporated companies, whichever is smaller. 2/ Foreign companies operating in Zambia may remit declared profits and dividends once a year after the end of the accounting year. The remittance of depreciation allowances is not permitted.

Foreign nationals employed in Zambia on a contract basis and recruited after December 4, 1971, are allowed to remit to their country of domicile a third of their annual earnings. Foreign nationals recruited before December 4, 1971, and still employed on a contract entered into prior to that date are allowed to remit to their country

1/ Services rendered by a parent company abroad to its branch or wholly owned subsidiary in Zambia are not generally approved.

2/ An auditor's certificate must be submitted to the effect that the amount sought to be transferred represents bona fide realized profits derived from the year's operations after full provision has been made for local taxation. The profit and loss account and balance sheet for the year in respect of which application is being made must also be submitted.

of domicile one half of their annual earnings. Foreign nationals availing themselves of these arrangements are not entitled to the regular allowances for travel, education, maintenance, etc., only one third of their leave pay is transferable. To facilitate payments of small amounts, individuals are freely permitted to remit abroad up to K 10 a month for purposes normally approved by the exchange control authorities (including family maintenance).

d. Exports and export proceeds

All exports valued at over K 50 require a license, minerals, however, are exported under general agreements with the mining companies. Most exports to Rhodesia are prohibited. Certain commodities are subject to licensing, mainly to ensure domestic supplies of needed goods and of certain strategic materials, such as implements of war, lead in any form, certain minerals, petroleum products, certain rough and uncut precious stones, scrap and old metals, and jute bags. For most goods, however, export licenses are issued freely, and some goods are covered by an open general license. Export proceeds in foreign currency appropriate to the country of destination must be offered for sale to an authorized bank within six months of the date of the shipment, the foreign exchange proceeds of copper exports, however, must be credited to a Bank of Zambia account in London upon receipt.

e. Capital

Inward transfers of capital are not restricted, but with the exception of overseas short-term financing of imports other than certain capital goods, all borrowing outside Zambia requires the approval of the exchange control authorities. Outward transfers of capital are controlled, but nonresidents are normally permitted to repatriate their investments when they have satisfied the authorities that the original investment was made with funds brought into the country from sources outside Zambia. Local borrowing by companies controlled either directly or indirectly from outside Zambia is restricted to a debt/equity ratio of 1 to 2. However, the Bank of Zambia permits borrowings in excess of this limit for certain priority sectors of the economy, provided the borrowings secure higher employment opportunities and/or savings of foreign exchange.

In general, residents are not permitted to transfer capital abroad and, with certain exceptions, are required to offer for sale to an authorized bank any foreign exchange which accrues to them. As a special measure, however, residents may purchase Zambian securities quoted on recognized stock exchanges abroad, provided that the securities so acquired are registered in the names of specified nominees and that in the event of subsequent disposal of these securities the sales proceeds are repatriated. All income earned from these investments must be repatriated.

Recent Changes in the Exchange and Trade System

The following changes have been made in the exchange and trade system since the previous Article XIV consultation discussions in November 1974.

January 2, 1975. The external financing of consumer goods and unclassified goods with a repayment period of up to 180 days was generally permitted. External financing for capital goods for the agricultural, industrial, transport, and construction sectors could be arranged with the specific approval of the Bank of Zambia.

January 16. All unutilized import licenses issued since January 1, 1974, were withdrawn for re-examination and revalidation. The central bank began endorsing import licenses. New licenses were issued restrictively.

January 31. Import duties on alcoholic beverages, soft drinks, cigarettes, gasoline, and diesel fuel were increased, those on motor vehicles were reduced.

January 31. Expatriate farmers not remitting abroad under a personal remittance quota were allowed to transfer abroad 10 per cent per annum of the audited net profits after taxation. On September 22 it was provided that expatriate farmers could have another 10 per cent of audited net profits after taxation held to their credit every year, and that the entire accumulated amount could be remitted on emigration from Zambia, together with the normal emigration allowance.

April 1. The customs surcharge of 10 per cent ad valorem was revoked.

April 1. Imports became subject to a sales tax of 25 per cent payable on customs clearance and calculated on the customs value of the goods plus 20 per cent of the customs value plus the applicable import duty.

April 14. The capitalization of free reserves was stopped. Only funds qualifying under the dividend formula could be capitalized.

June 30 The President announced that imports in 1975 would not be allowed to exceed US\$800 million. Import licenses would no longer be issued for luxury goods.

July 1. The remittance of rent for any premises in terms of Section 37(4) was suspended.

July 7. The Minister of Commerce announced that the import of goods produced locally would no longer be permitted. The goods concerned were specified on October 2. They included radios, television sets, and finished clothing.

August 18. All Rhodesian blocked balances were paid over the Bank of Zambia.

September 16. The tourist travel allowance was withdrawn. However, expatriates working on a contract basis could use their remittable funds for holiday travel. The business travel allowance of K 40 a day was limited to 15 days per annum, instead of 21 days previously.

September 16. Permission to remit profits and dividends was restricted to 10 per cent (previously 30 per cent) of paid-up capital, and provided that this 10 per cent did not exceed 30 per cent (previously 50 per cent) of the net profit accruing to the nonresident owners of incorporated companies.

September 16. The export and import of Zambian currency, previously permitted up to K 10 a traveler, was prohibited.

September 16. The restriction limiting the issue of travelers checks to 50 per cent at the point of embarkation was withdrawn. Travelers checks could be provided up to the full amount of any allocation of travel exchange.

September 16. Hotels and travel agents were prohibited from buying or selling travelers checks and foreign currency notes.

September 16. The Bank of Zambia would no longer consider exchange applications for purchases, takeovers, and participation agreements of any kind. All purchases, takeovers, and participation agreements already in force had to be resubmitted to the Bank for review, and no remittance abroad of funds in respect of dividends, consultancy, and management service agreements becoming due under the arrangements already in force could be allowed without specific and prior exchange control approval.

September 19. Remittances of leave pay by expatriates working on a contract basis henceforth were included in their personal remittance quota and were reduced to one third of the sum paid. Similar treatment was extended to commuted payments forming part of the entitlement.

September 22. Authorized dealers were prohibited from remitting funds on account of travel agents or airline companies in respect of package tours arranged by them for residents.

October 2 The Minister of Commerce announced that import restrictions would be intensified. Priority would be given to mining equipment, medical supplies, raw materials for industry, and general consumer goods. Among the prohibited items were watches, record players, and cosmetics. In addition, importers would not be allowed to bring in goods which were a monopoly of the National Import and Export Corporation or other specified agencies.

October 2. Under the fourth quarter import quotas, only one model of ten listed makes of passenger cars could be imported.

October 7 Authorized dealers were instructed to discontinue payments for mail order purchases overseas on a c.o.d. basis, except for goods already ordered.

October 21. The blocking of accounts of various airlines operating in Zambia was lifted except for transactions in foreign exchange which were to continue receiving prior approval from the Bank of Zambia.

March 26, 1976. The requirement to have import licenses endorsed by Bank of Zambia officials for payment purposes was discontinued.

March 30. All proceeds in foreign currencies realized from exports and retained in correspondent accounts of commercial banks were to be surrendered to the central bank. This measure was not implemented, as it was overtaken by another measure introduced on July 21.

June 9 Capitalization of free reserves in excess of the remittable portion as under the formula 10 per cent of equity or 30 per cent of profits, whichever was lower, was allowed provided (a) the amount sought to be capitalized represented bona fide realized profits derived from the year's operations of the applicant company after full provision for local taxation had been made and subject to a maximum accumulated undistributed profits for the period of three years, (b) no element of revaluation of properties for whatever purpose was involved

July 9. The kwacha was depreciated by 20 per cent in terms of the SDR

July 21. All export receipts of Zambian companies were to be received via irrevocable letters of credit. Stamping of C.D. forms by the commercial banks was to be done only after sighting evidence regarding the establishment of such credits

July 24 All UNDP and UN personnel holding diplomatic passports were to be allowed, on departure from the country, to convert the balances in their external accounts into convertible currencies.

August 15. Collect charges for cargo by airlines involving payments directly or indirectly in foreign exchange were banned,

Table I. Zambia: Gross Domestic Product by Industrial Origin, 1971-76
(At current prices)

	1971	1972	1973 ^{1/}	1974 ^{1/}	1975 ^{1/}	1976 ^{2/}	1971	1972	1973	1974	1975	1976
	(In millions of kwacha)						(In per cent of total)					
Agriculture, forestry, and fishing	157.3	158.4	157.0	171.0	191.0	240.0	12.8	12.1	9.8	9.8	13.6	14.5
of which: Subsistence sector	(101.3)	(103.0)	(106.0)	(115.0)	(127.0)	(150.0)	(8.1)	(7.9)	(6.6)	(6.4)	(8.8)	(9.1)
Mining and quarrying	300.3	324.0	518.0	722.0	151.0	202.0	25.5	24.7	35.5	34.5	10.5	12.2
Manufacturing	142.0	182.0	191.7	225.0	244.0	310.0	12.1	13.9	12.3	12.5	17.0	18.8
Electricity, gas, and water	18.2	25.7	27.2	32.7	34.5	37.0	1.5	2.0	1.7	1.8	2.4	2.2
Construction	89.4	93.3	94.1	98.0	111.0	104.0	7.1	7.1	5.9	5.4	7.7	6.3
Commerce	141.4	154.5	155.0	193.5	209.0	228.0	12.0	11.8	10.2	10.7	14.6	13.8
Transport, communications, and storage	6.1	74.3	82.5	98.9	71.5	100.0	5.6	5.7	5.2	5.5	6.4	6.1
Financial services ^{4/}	79.9	72.2	103.5	118.0	125.0	129.0	5.8	7.3	6.5	6.5	8.7	7.8
Community, social, and personal services	174.3	183.4	194.0	211.5	241.0	271.0	14.8	14.0	12.1	11.7	16.8	16.4
Import duties	36.7	41.8	38.0	55.4	2.0	10.0	3.1	3.2	2.4	3.1	4.3	3.6
Less: Imputed bank service charges	20.4	22.3	23.0	28.0	29.0	29.0	1.7	1.7	2.4	1.6	2.0	1.8
GDP	1,178.2	1,511.9	1,601.0	1,803.0	1,436.0	1,652.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Statistical Office, Monthly Digest of Statistics.

^{1/} Provisional.

^{2/} Estimates.

^{3/} Including hotels and restaurants and business services.

^{4/} Including insurance and real estate.

Table II. Zambia: Gross Domestic Product by Industrial Origin, 1971-76

(In millions of kwacha; at constant 1965 prices)

	1971	1972	1973 ^{1/}	1974 ^{1/}	1975 ^{1/}	1976 ^{2/}
Agriculture, forestry, and fishing	112.0	118.2	114.5	117.9	118.0	123.0
Mining and quarrying	195.1	219.1	211.6	217.2	196.0	220.0
Manufacturing	85.6	104.0	110.7	118.2	115.6	118.0
Electricity, gas, and water	19.5	27.5	29.7	32.2	33.9	35.0
Construction	39.5	43.0	41.0	40.5	41.7	35.0
Commerce ^{3/}	106.9	106.6	103.5	111.6	112.7	98.5
Transport, communications, and storage	50.2	51.7	57.8	65.9	58.6	57.7
Financial services ^{4/}	49.2	57.0	61.1	62.1	60.8	60.2
Community, social, and personal services	134.0	138.4	137.2	138.0	140.3	141.0
Import duties	23.0	26.6	19.4	22.8	21.6	18.1
Less: Imputed bank service charge	6.7	6.2	7.5	8.4	8.8	8.5
GDP	808.3	885.9	879.0	918.0	890.4	898.0
<u>Memorandum item:</u>						
GDP adjusted for terms of trade ^{5/}	848.3	908.4	1,023.3	1,016.3	752.4	745.0

Source: Central Statistical Office, Monthly Digest of Statistics.^{1/} Provisional.^{2/} Estimates.^{3/} Includes hotels and restaurants and business services.^{4/} Includes insurance and real estate.^{5/} I.e. when exports are deflated by the import price index rather than by export prices.

Table III. Zambia: Expenditure on Gross Domestic Product, 1971-76

	1971	1972	1973	1974	1975	1976	1971	1972	1973	1974	1975	1976
	(In millions of kwacha at current prices)						(In per cent of total)					
Government consumption	272.6	283.0	307.0	340.0	410.0	430.0	23.1	21.6	19.2	18.9	28.6	26.0
Private consumption	514.0	577.8	596.8	673.0	780.0	782.0	43.6	44.0	37.3	37.3	55.0	41.3
Gross fixed investment	369.3	408.8	429.2	500.0	590.0	480.0	31.3	31.2	26.8	27.7	34.5	29.1
Final expenditure	1,155.9	1,269.6	1,333.0	1,513.0	1,780.0	1,592.0	98.1	96.8	83.3	83.9	118.0	96.4
Changes in stocks	47.4	12.2	--	40.0	27.0	10.0	4.0	1.0	--	2.6	1.9	0.6
Net export of goods and services	-25.1	30.1	268.0	244.0	-271.0	50.0	-2.1	2.2	16.7	13.5	-19.9	3.0
Exports	500.6	584.0	795.0	974.0	575.0	756.0	42.5	44.5	49.7	54.0	39.3	45.8
Less: Imports	525.7	553.9	527.0	730.0	846.0	706.0	44.6	42.2	32.9	40.5	59.2	42.7
GDP	1,178.2	1,311.9	1,601.0	1,803.0	1,436.0	1,452.0	100.0	100.0	100.0	100.0	100.0	100.0
	(In millions of kwacha at constant prices)											
Government consumption	204.6	205.2	202.5	210.5	221.5	210.0	25.3	23.2	23.0	22.9	25.1	23.4
Private consumption	378.9	388.4	378.2	392.2	310.5	300.7	46.9	43.8	43.0	42.7	46.2	33.5
Gross fixed investment	245.5	266.0	243.2	248.0	267.0	180.0	30.4	30.0	27.7	27.0	24.4	20.0
Final expenditure	829.0	859.6	825.1	850.7	894.0	690.7	85.5	97.0	93.9	92.7	95.7	73.9
Changes in stocks	34.5	9.2	--	20.0	13.0	1.0	4.3	1.0	--	2.2	1.7	0.7
Net export of goods and services	-59.8	0.1	34.2	37.1	12.0	171.4	-7.4	--	3.2	4.0	-0.5	19.1
Exports	358.5	417.5	380.0	442.7	404.9	433.0	44.4	47.1	43.9	48.2	44.9	48.2
Less: Imports	418.3	417.4	351.8	405.6	392.0	261.6	51.2	47.1	40.0	44.2	45.4	29.1
Statistical discrepancy	4.6	17.0	19.7	10.2	11.4	28.0	0.4	1.9	2.2	1.1	3.1	3.1
GDP	808.3	885.9	879.0	918.0	890.4	898.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Monthly Digest of Statistics; and data provided by the Zambian authorities.

Table IV. Zambia: Marketed Agricultural Production, 1969/70-1975-76

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75 ^{1/}	1975/76 ^{2/}
<u>Agricultural products (in metric tons)</u>							
Maize	135,200	399,950	616,554	460,480	495,000	558,865	746,370
Tobacco	5,055	6,300	5,917	6,701	6,631	6,950	...
Sugar cane	322,000	331,000	397,400	488,000	570,243	768,153	...
Groundnuts	3,270	5,970	6,480	2,960	3,435	6,418	9,155
Sunflower seed	--	16	163	1,050	3,519	9,713	13,079
Cotton	5,606	11,919	8,453	8,368	3,864	3,129	2,840
Sorghum	545	90	212	34	350	92	23
Wheat	--	--	--	--	--	934	...
Paddy rice	--	--	293	506	726	1,472	2,472
Coffee	22,500	22,300	16,300	24,600	21,100	23,750	...
Fruit	4,800	5,600	5,900	5,000	5,700	6,500	...
Vegetables	21,000	24,100	27,700	20,000	25,000	27,400	...
<u>Livestock products</u>							
Cattle (heads)	68,000	68,000	72,443	90,000	80,654	66,617	...
Milk (1,000 liters)	14,930	15,185	15,865	15,734	13,227	12,230	...
Pigs (heads)	35,000	34,000	32,000	35,700	44,280	50,800	...
Chickens (heads)	4,000	4,425	5,500	6,100	9,673	12,000	..
Eggs (millions)	99	108	115	123	140	156	...

Source: Data provided by the Zambian authorities.

^{1/} Provisional.

^{2/} Estimate.

Table V. Zambia: Producer Prices of Main Agricultural Products, 1970/71-1976/77

(In kwacha)

Commodity	Unit	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77
Maize	90 kg bag	4.00	4.30	4.30	4.30	5.00	6.30	6.30
Groundnuts	80 kg bag	10.20	10.20	12.60	17.00	17.00	25.00	25.00
Sunflower seed	50 kg bag	4.62	4.62	6.64	8.95	9.40	10.00	10.00
Soya beans	90 kg bag	8.40	8.40	13.20	13.20	13.20	17.00	17.00
Wheat	90 kg bag	--	--	7.50	7.50	12.00	16.00	16.00
Milk	Liter	0.09	0.10	0.11	0.11	0.11	0.15	0.15
Paddy rice	Kg	0.11	0.11	0.15	0.15	0.15	0.18	0.18
Coffee	Kg	--	--	0.66	0.66	0.66	0.90	0.90
Seed cotton	Kg	0.18	0.18	0.18	0.25	0.30	0.40	0.40
Tobacco: Virginia ^{1/}	Kg	0.81	0.89	0.89	0.89	0.89	1.04	1.04
Burley	Kg	0.56	0.57	0.62	0.62	0.61	0.61	0.61
Sorghum	90 kg bag	4.70	4.70	4.70	5.00	6.00	6.00	6.00

Source: Planning Unit, Ministry of Rural Development.

^{1/} Including subsidy.

Table VI. Zambia: Estimated Cost of Production, Foreign Exchange Components,
and Producer Prices for Selected Crops, 1976/77 Season

	Unit	Estimated cost K/Ha ^{1/}	Yield/ Ha	Per cent foreign exchange cost/Ha	Cost ^{2/} unit	Real cost K/Ha ^{3/}	Real cost/ unit	Prevailing producer price
Maize - large-scale	90 kg	293	60 bags	84	5.95	458	7.63	6.30
small-scale	90 kg	264	35 bags	52	7.54	...		6.30
Groundnuts	80 kg							
Wheat	90 kg	607 ^{4/}	33 bags	77 ^{4/}	18.39 ^{5/}	686	20.79	16.00
Soya beans	90 kg	(293) ^{4/}	17 bags	(65) ^{4/}	(17.23) ^{5/}	...		17.00
Sunflower	50 kg	(212) ^{4/}	13 bags	(81) ^{4/}	(16.31) ^{5/}	...		10.00
Cotton - small-scale	kg	325	900 kg	43	0.36	358	0.40	0.42
Rice	kg							
Coffee (good quality)								
Irrigated	kg	636	1,000 kg	26	0.64	636	0.64	0.90
Nonirrigated	kg	561	600 kg	30	0.94	...		0.90
Virginia tobacco - commercial farmers	kg	1,205	950 kg	37	1.27	1,263	1.33	1.04 ^{6/}
Milk	lt.							0.15

Sources: Data provided by the Zambian authorities; and staff estimates.

^{1/} Includes labor costs.

^{2/} Taking account of fertilizer price differential subsidy, handling cost subsidy, and other subsidies.

^{3/} After elimination of subsidy payments.

^{4/} Staff estimates subject to revision.

^{5/} Preliminary estimates based on 1975/76 costs.

^{6/} Minimum guaranteed price.

Table VII. Zambia: Copper Production, 1970-7

	1970	1971	1972	1973	1974	1975	1976
Value (in millions of kwaches)	648.0	641.7	672.7	730.1	770.7	666.6	640.0
Per cent change	-12.2	-11.0	2.6	56.0	13.6	-47.9	10.0
Volume (in thousands of tons)	683.3	683.4	683.0	681.2	702.1	681.7	715.0
Per cent change	-3.6	-7.4	17.2	-1.4	3.1	-2.9	10.0
Unit price per ton (in kwaches)	948	697	698	1,084	1,042	711	900
Average production costs per ton (in kwaches)	466	520	557	553	486	417	400
Labor costs	(137)	(161)	(160)	(130)	(123)	(119)	(110)
Transport costs	(63)	(64)	(67)	(60)	(75)	(67)	(60)
Other costs	(266)	(295)	(330)	(363)	(376)	(341)	(330)
Average output per employee ^{2/} (1971 = 100)	...	100	107.9	101.5	98.2	83.1	97.0
Total capital employed (at current prices; in millions of kwaches)	430	551	637	643	713	835	800
Total capital employed (at constant 1965 prices; in millions of kwaches)	332	365	414	368	355	370	380

Sources: Data provided by the Zambian authorities; and staff estimates.

^{1/} Estimates.

^{2/} Staff estimates.

Table VIII. Zambia: Index of Manufacturing Production, 1970-76

(1969 = 100)

	Weight	1970	1971	1972	1973	1974	1975	Jan.-Aug.	
								1975	1976
Food, beverages, and tobacco	32.3	114.9	121.8	125.3	126.2	131.8	121.3	122.7	137.7
Textiles and clothing	10.8	116.6	113.5	154.5	138.0	155.9	153.2	153.3	163.2
Wood and wood products	6.0	96.2	90.7	84.7	89.1	112.6	78.5	82.2	84.6
Paper and paper products	6.0	118.5	158.1	169.3	168.2	166.6	147.1	162.3	155.3
Chemicals, rubber and plastic products	14.4	115.9	118.2	127.8	129.5	152.9	137.5	139.6	132.6
Nonmetallic mineral products	9.0	120.8	128.0	133.5	124.3	136.5	149.5	150.7	126.5
Basic metal industries ^{1/}	3.0	101.9	100.6	93.6	99.4	131.3	95.6	103.6	102.7
Metal products and other industries	18.6	103.5	119.2	128.7	130.3	135.8	122.8	122.5	127.1
General index	100.0	112.3	120.0	129.4	127.8	139.5	128.5	130.9	133.6

Sources: Central Statistical Office, Monthly Digest of Statistics; and data provided by the Zambian authorities.

^{1/} Excluding copper refining.

Table IX. Zambia Energy Supply and Demand, 1974-75

(In per cent)

	1974	1975
<u>Supply</u>		
Hydroelectricity	55.3	53.8
Coal	16.3	17.5
Oil	26.4	26.5
Coke	1.8	2.0
Other	0.2	0.2
<u>Demand</u>		
Agriculture	0.9	0.9
Mining	61.5	61.4
Manufacturing and construction	16.7	17.0
Transport	3.6	3.6
Commerce and services	17.3	17.1

Source. Bank of Zambia.

Table A. Zambia Exports and Imports by Various Routes, 1973-75

(In metric tons)^{1/}

Main product	1973					1974					1975				
	Percentage of total foreign trade	Exports	Per-cent	Imports	Per-cent	Percentage of total foreign trade	Exports	Per-cent	Imports	Per-cent	Percentage of total foreign trade	Exports	Per-cent	Imports	Per-cent
Coffee	51.2	429,000	52.0	418,000	48.7	42.7	509,136	55.1	438,369	44.6	34.1	309,427	30.6	217,117	21.4
Other minerals	29.0	294,000	34.9	300,000	23.3	31.9	218,744	24.1	98,745	29.4	46.1	294,506	40.4	378,237	43.1
Others	19.8	16,000	2.0	68,000	7.9	25.4	86,430	9.4	96,435	9.8	19.4	1,600	0.2	11,725	1.2
Food	0.0	41,000	5.0	199,000	12.7	7.1	9,819	1.1	14,084	12.7	11.1	66,460	9.1	119,984	14.7
Other	2.4	5,000	0.6	31,000	1.1	--	--	--	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--	--	--	--	--	10,174	1.3	20,077	2.4
Other	0.2	--	--	4,000	0.4	0.8	--	--	15,066	1.5	2.5	--	--	41,417	4.7
Freight	1.1	--	--	15,000	2.9	1.1	--	--	28,954	2.9	1.2	--	--	10,801	1.2
Total	100.0	819,000	100.0	819,000 ^{2/}	100.0	100.0	914,181	100.0	914,182 ^{2/}	100.0	100.0	782,191	100.0	970,141 ^{2/}	100.0

Source: Data provided by the Zambian authorities and the Bank of Zambia.

^{1/} In some cases percentages may not add up to 100 per cent due to rounding.^{2/} General cargo excluding petroleum products.

Table XI. Zambia: Index Numbers of Low Income Consumer Prices, 1970-76

(1969 = 100)

	All items	Food, beverages, and tobacco	Clothing, footwear, and accessories	Rent and rates, fuel, and lighting	Furnishings and furniture, household equipment and operations	All other goods and services
Weight	1,000	647	136	111	65	41
1970	102.6	102.1	102.7	102.7	106.7	104.8
1971	108.8	108.8	108.7	105.9	114.2	111.1
1972	114.6	113.9	117.6	108.8	123.3	117.1
1973	121.9	121.5	126.2	113.0	132.4	122.6
1974	132.1	132.6	137.1	117.3	140.9	134.0
1975 January	135.9	135.8	142.3	122.0	145.9	138.1
February	139.6	140.9	143.9	123.3	146.2	138.2
March	140.5	141.9	145.2	123.3	147.1	138.4
April	141.9	143.9	145.7	123.3	148.0	138.4
May	142.8	145.0	146.2	123.3	149.1	139.5
June	144.9	147.1	147.2	123.3	150.6	150.8
July	145.5	147.6	148.8	123.3	151.5	151.2
August	149.7	153.7	150.2	123.3	152.9	151.4
September	150.8	154.8	151.4	123.6	154.7	153.2
October	149.6	152.2	153.0	123.6	157.0	154.7
November	150.6	153.3	155.0	123.6	157.5	156.3
December	152.7	155.4	159.7	123.6	158.9	156.2
Revised weights	1,000	680	99	106	44	71
1976 January	154.9	159.7	153.8	124.3	158.3	154.3
February	162.9	170.6	157.0	124.3	163.4	154.8
March	163.2	170.0	162.2	124.3	164.4	156.2
April	165.6	172.9	162.2	124.3	169.9	158.9
May	166.7	174.1	161.6	124.3	173.6	161.9
June	169.7	178.1	163.6	124.3	176.2	162.2

Sources: Central Statistical Office, Monthly Digest of Statistics; and data provided by the Zambian authorities.

Table XII. Zambia: Index Numbers of High Income Consumer Prices, 1970-74

(1969 = 100)

	All items	Food, beverages, and tobacco	Clothing, footwear, and accessories	Gross rent, fuel, and light	Furniture, furnishings, and household	Medical care and health services	Transport and communications	Recreation, entertainment, and education	Other goods and services
Weight	1,000	309	79	194	130	15	153	79	58
1970	105.0	103.0	103.5	111.3	104.7	100.1	101.3	103.3	102.2
1971	110.9	109.7	109.4	119.7	109.1	100.0	107.3	110.3	104.2
1972	118.7	119.9	120.0	121.7	113.5	103.4	113.4	113.0	107.7
1973	126.5	128.8	121.9	125.0	128.6	113.0	127.1	119.1	111.4
1974	138.1	144.3	140.1	135.3	139.7	122.7	140.3	129.3	115.7
1975 January	142.3	148.7	152.2	151.5	144.5	121.5	154.4	132.5	120.5
February	140.1	154.0	154.4	155.0	145.7	120.4	150.4	132.5	120.5
March	146.5	154.7	155.8	153.3	146.0	123.1	150.3	132.5	121.1
April	147.2	155.8	155.5	155.5	146.5	123.3	150.9	132.5	121.1
May	147.9	156.5	157.3	155.5	147.3	124.2	157.0	132.6	121.3
June	149.6	159.5	158.0	155.5	148.2	125.5	160.9	134.8	121.3
July	150.4	161.3	159.2	155.5	149.1	127.1	160.9	135.0	121.7
August	151.5	160.5	161.1	155.5	150.4	127.9	161.2	135.7	121.3
September	152.9	167.1	161.7	155.5	150.4	129.3	161.4	137.5	121.3
October	153.5	167.5	164.7	155.5	151.4	128.9	161.7	138.2	121.3
November	154.1	168.3	165.7	155.5	152.5	129.3	161.7	139.7	121.8
December	154.9	169.0	169.1	155.5	153.5	128.8	161.7	141.7	122.4
Revised weights	1,000	300	80	195	79	15	157	63	53
1976 January	160.8	176.9	166.2	140.7	155.5	128.9	174.5	141.7	122.4
February	165.4	185.8	169.1	140.7	159.0	129.7	178.8	142.1	122.4
March	166.6	186.3	174.3	140.7	160.9	135.3	179.2	144.7	124.3
April	168.5	188.9	173.9	140.7	164.1	135.6	181.5	144.8	129.9
May	170.1	190.6	179.0	140.7	167.4	136.8	181.6	147.5	133.6
June	171.9	194.1	181.0	140.7	169.1	137.3	181.6	149.7	133.9

Sources: Central Statistical Office, Monthly Digest of Statistics; and data provided by the Zambian authorities.

Table III. Zambia: Central Government Revenue, 1970-76

	1970	1971	1972	1973	1974	1975	1976 (Revised budget)	1976 ^{1/}
(In millions of kwacha)								
Mineral revenues	251.1	114.1	55.7	110.6	339.2	59.3	5.0	5.3
Mineral tax	56.4	27.2	27.7	91.3	203.2	-9.3	--	1.0
Company income tax	79.6	86.9	28.0	16.3	60.5	61.0	--	4.3
Withholding tax	--	--	--	3.0	24.5)	7.6	--	--
Dividends	--	--	--	--	51.0)	--	--	--
Other	115.1	--	--	--	--	--	--	--
Taxes on incomes	69.9	79.8	91.2	113.0	110.5	142.6	146.0	155.3
Company income tax	32.9	38.5	39.4	44.3	46.2	64.7	--	60.0
Personal income tax	37.0	41.2	48.7	59.4	61.3	64.8	--	33.0
Other	--	0.1	3.1	9.3	3.0	13.1	--	12.8
Taxes on domestic goods and services	38.1	40.7	55.5	67.3	86.0	145.2	196.7	165.0
Tobacco	9.4	8.5	10.0	11.5	12.2	17.9	--	16.0
Beer	25.0	27.4	37.7	31.5	39.8	51.5	--	47.5
Liquor	0.6	0.9	1.0	1.1	0.9	1.0	--	1.1
Soft drinks	--	--	2.8	3.7	3.4	4.6	--	5.0
Petroleum products	--	--	--	5.1	16.4	24.1	--	34.0
Other	3.1	3.9	4.0	8.4	13.3	46.1	--	61.4
Other tax	(--)	(--)	(--)	(3.5)	(10.0)	(34.3)	(--)	(47.0)
Taxes on international trade	32.5	36.7	41.9	46.0	60.9	43.2	51.1	29.0
Import duties	32.5	36.7	41.9	32.7	37.8	36.8	--	29.0
Import surtax	--	--	--	13.3	23.1	6.4	--	--
Other tax revenue	0.2	0.2	4.1	---	---	---	---	---
Total tax revenue	391.8	271.5	248.4	336.9	596.6	390.4	398.8	355.1
Nontax revenue	45.3	40.9	50.5	50.0	54.4	71.9	61.7	56.7
Total revenue	437.1	312.4	298.9	386.9	651.0	462.3	466.5	411.8
(In per cent)								
Memorandum items								
Taxes on incomes as per cent of domestic factor incomes	7.5	8.7	8.7	9.6	8.5	--	--	--
Indirect taxes as per cent of private consumption expenditure	14.0	15.0	17.0	18.3	21.4	27.7 ^{2/}	--	27.3 ^{2/}
Taxes on international trade as per cent of imports of goods	6.8	6.6	7.4	10.1	9.3	7.2	--	5.9

Sources: Ministry of Finance, Financial Reports (Annual), 1970-75, and the data provided by the Ministry of Finance.^{1/} Revised estimate^{2/} Figures of private consumption expenditure for 1975 and 1976 are provisional

	1970	1971	1972	1973	1974	1975	1976 ^{1/} (revised budget)	1976 ^{1/}
(In millions of kwacha)								
<u>Current expenditures</u>	<u>255.8</u>	<u>327.2</u>	<u>330.6</u>	<u>373.3</u>	<u>404.3</u>	<u>531.9</u>	<u>474.5</u>	<u>536.1</u>
Compensation of employees	78.1	91.6	98.0	95.7	100.8	120.5	134.7	142.0
Purchases of goods and services	92.2	98.5	87.5	88.5	96.5	112.3	108.9	123.0
Subsidies	22.5	38.4	33.3	37.0	47.4	82.8	51.2	59.0
Grants	27.0	29.2	20.2	19.9	17.2	27.6	26.0	25.8
Interest payments	15.8	18.4	25.2	29.2	35.7	39.7	43.4	62.2
Unallocated current expenditure	20.2	51.1	68.4	103.0	106.7	148.9	110.3	134.1
<u>Capital expenditure</u>	<u>100.4</u>	<u>120.9</u>	<u>103.2</u>	<u>97.7</u>	<u>112.8</u>	<u>143.6</u>	<u>112.3</u>	<u>117.3</u>
<u>Net lending</u>	<u>55.7</u>	<u>24.3</u>	<u>43.1</u>	<u>45.2</u>	<u>49.5</u>	<u>100.8</u>	<u>42.4</u>	<u>42.0</u>
Total expenditure	411.9	472.4	476.9	516.2	566.6	776.2	629.2	695.4
(In per cent)								
<u>Memorandum items</u>								
Current expenditures as per cent of total expenditures	62.1	69.3	69.3	72.3	71.4	68.5	--	77.1
of which								
Constitutional and statutory and emergency expenditure	(18.1)	(23.5)	(27.2)	(22.6)	(22.1)	(21.8)	(--)	(21.3)
Subsidies	(5.5)	(9.1)	(7.0)	(7.2)	(8.4)	(20.7)	(--)	(8.5)
Government (final) consumption as per cent of total consumption	28.3	35.0	33.2	33.2	33.1	37.6 ^{2/}	--	37.7 ^{2/}
Capital expenditures (excluding net lending) as per cent of gross fixed capital formation	23.6	32.8	24.8	22.5	21.7	24.3 ^{2/}	--	24.4 ^{2/}

Sources: Ministry of Finance, Financial Reports (Annual) 1970-75 and data provided by the Zambian authorities

1/ Revised estimates

2/ National account figures for 1975 and 1976 are provisional

Table XV. Zambia: Budgetary Subsidies, 1970-76

(In millions of kwacha)

	1970	1971	1972	1973	1974	1975	1976	
							(Revised budget)	(Revised estimate)
Total subsidies	22.5	38.4	33.3	37.0	47.4	82.8	51.2	59.0
Maize consumer subsidy	7.3	14.2	8.4	10.1	12.3	17.6	21.7	22.0
Fertilizer subsidy	1.6	0.5	3.7	2.7	8.4	32.9	20.4	22.0
Other ^{1/}	13.6	23.7 ^{2/}	21.2	24.2	26.7	32.3	9.1	15.0
Of which:								
Mining companies	(0.4)	(--)	(0.4)	(1.1)	(--)	(9.0)	(--)	(--)
Tobacco	(2.0)	(1.9)	(1.6)	(1.0)	(3.0)	(3.4)	(2.2)	(2.0)
Refined oil products	(--)	(--)	(--)	(--)	(--)	(4.0)	(--)	(4.0)
National Agricultural Marketing Board	(1.0)	(1.1)	(9.9)	(13.0)	(2.5)	(3.0)	(--)	(--)
Cold Storage Board	(0.2)	(0.1)	(--)	(1.6)	(0.3)	(2.4)	(1.0)	(1.0)
Zambia Railways	(4.0)	(3.0)	(1.0)	(1.0)	(3.0)	(--)	(--)	(--)
Zambia Airways	(2.3)	(0.9)	(0.4)	(0.1)	(0.1)	(--)	(--)	(--)
Memorandum item:								
Total subsidies as per cent of nominal g revenue	12.1	19.4	13.7	13.4	15.2	20.5	11.1	14.0

Sources: Ministry of Finance, Financial Reports (Annual), 1970-75; and data provided by Zambian authorities.

^{1/} In some cases subsidies relate to payments for losses in the previous year.

^{2/} Includes K 14.6 million subsidy to the Credit Organization of Zambia by the Ministry of Rural Development.

Table XVI. Zambia: Budget Supplementaries, 1969-75

(In millions of kwacha)

	1969	1970	1971	1972	1973	1974	1975
Supplementary budget provision ^{1/} of which:	<u>37.6</u>	<u>46.9</u>	<u>22.0</u>	<u>56.7</u>	<u>39.4</u>	<u>54.6</u>	<u>112.0</u>
Ministry of Rural Development	15.3	10.2	14.6	12.9	0.8	3.5	0.1
Ministry of Finance	3.8	3.7	1.4	7.3	30.0	1.6	15.1
Constitutional and statutory expenditures	3.1	13.1	0.4	15.0	--	20.6	75.2
Ministry of Education	--	--	5.2	9.4	2.3	3.5	1.6
Ministry of Health	2.1	1.0	2.3	3.9	1.8	2.8	--
Ministry of Power, Transport, and Works	4.4	5.4	0.9	2.9	1.0	2.3	1.0
Cabinet Office	0.2	0.8	0.5	4.1	1.5	5.5	0.4
Ministries of Trade, Industry, and Mines	2.2	--	--	1.8	--	10.4	13.1
Zambia Police	0.8	0.1	1.5	--	0.2	1.9	0.4
Ministry of Provincial and Local Government	--	6.4	0.3	3.5	1.0	--	3.0
<u>Memorandum item:</u>							
Supplementary budget provisions as per cent of approved budget estimates (per cent)	43.9	22.5	5.4	19.1	11.0	12.5	21.7

Source: Ministry of Finance, Financial Reports (Annual), 1969-75.^{1/} Excluding supplementary provision for "appropriations from revenue."

Table XVII. Zambia: Outstanding Central Government Debt, 1970-75

(In millions of kwacha; end of year)

	1970	1971	1972	1973	1974	1975
<u>Internal</u>	<u>198.3</u>	<u>208.1</u>	<u>279.2</u>	<u>357.6</u>	<u>280.4</u>	<u>385.5</u>
Treasury bills	36.3	30.0	69.4	115.9	22.0	170.0
Local registered stocks and other loans	177.7	195.5	230.4	264.3	282.1	306.0
Less: Sinking fund balance	-15.7	-17.4	-20.6	-22.6	-23.7	-27.5
<u>External 1/</u>	<u>124.6</u>	<u>154.0</u>	<u>163.2</u>	<u>286.5</u>	<u>321.7</u>	<u>398.0</u>
Outstanding balance	132.2	163.2	167.3	291.6	328.8	406.4
Less: Sinking fund balance	-7.6	-9.2	-4.1	-5.1	-7.1	-8.4
<u>Total internal and external debt</u>	<u>322.9</u>	<u>362.1</u>	<u>442.4</u>	<u>644.1</u>	<u>602.1</u>	<u>783.5</u>

Sources: Ministry of Finance, Financial Reports (Annual), 1970-75; and data provided by the Zambian authorities.

1/ Excludes drawings from the IMF.

Table XVIII. Zambia: Outstanding Internal Debt
by Principal Holders, 1970-75

(In per cent)

	1970	1971	1972	1973	1974	1975
<u>Treasury bills</u>						
Bank of Zambia	22.9	47.3	21.3	10.3	65.4	39.2
Commercial banks	58.1	38.0	76.9	67.7	10.9	58.5
Parastatal entities	<u>19.0</u>	<u>14.7</u>	<u>1.8</u>	<u>22.0</u>	<u>23.7</u>	<u>2.3</u>
	100.0	100.0	100.0	100.0	100.0	100.0
<u>Local registered stocks</u>						
Bank of Zambia	0.2	11.0	21.1	19.2	19.2	19.3
Commercial banks	19.5	16.5	14.5	17.8	14.7	13.3
Parastatal entities	74.2	65.7	57.7	55.2	57.3	57.6
Sinking funds	<u>6.1</u>	<u>6.8</u>	<u>6.7</u>	<u>7.8</u>	<u>8.8</u>	<u>9.8</u>
	100.0	100.0	100.0	100.0	100.0	100.0
<u>Total</u>						
Bank of Zambia	4.7	16.5	21.1	16.3	23.0	27.1
Commercial banks	26.9	19.8	30.2	34.3	14.4	31.2
Parastatal entities	63.3	57.9	43.5	44.1	54.5	35.8
Sinking funds	<u>5.1</u>	<u>5.8</u>	<u>5.1</u>	<u>5.3</u>	<u>8.1</u>	<u>5.9</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bank of Zambia Annual Reports, 1970-75.

Table XIX. Zambia: Central Government Debt Service Payments, 1970-76

(In millions of kwacha)

	1970	1971	1972	1973	1974	1975	1976 (Revised estimate)
<u>Principal repayments</u>	<u>15.6</u>	<u>19.8</u>	<u>31.2</u>	<u>20.8</u>	<u>31.6</u>	<u>24.8</u> ^{1/}	<u>48.4</u> ^{1/}
Domestic	5.1	12.4	5.3	10.9	10.5	8.8	21.0
Foreign	10.4	7.3	25.9	9.9	21.1	16.0	27.4
<u>Sinking fund contributions</u>	<u>3.3</u>	<u>3.3</u>	<u>3.5</u>	<u>3.2</u>	<u>3.6</u>	--	--
Domestic	2.5	2.5	2.8	2.7	2.3	--	--
Foreign	0.9	0.8	0.7	0.5	1.3	--	--
Total amortization payments	18.9	23.1	34.7	24.0	35.2	24.8	48.4
<u>Interest payments</u>	<u>15.8</u>	<u>18.4</u>	<u>23.2</u>	<u>29.2</u>	<u>35.7</u>	<u>39.7</u> ^{2/}	<u>62.2</u> ^{2/}
Domestic	10.3	11.2	14.8	18.3	16.4	21.6	32.1
Foreign	5.5	7.2	8.4	10.9	19.3	18.1	30.1
<u>Management costs</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>1.6</u>	<u>0.4</u>	--	--
<u>Total servicing</u>	<u>35.0</u>	<u>41.8</u>	<u>58.2</u>	<u>54.8</u>	<u>71.3</u>	<u>64.5</u>	<u>110.6</u>
(In per cent of GDP)							
Amortization payments	1.5	2.0	2.6	1.5	1.9	1.7	2.9
Interest payments	1.3	1.5	1.8	1.8	2.0	2.8	3.8
<u>Total servicing</u>	<u>2.8</u>	<u>3.5</u>	<u>4.4</u>	<u>3.3</u>	<u>3.9</u>	<u>4.5</u>	<u>6.7</u>
(In per cent of total expenditure)							
Amortization payments	3.8	4.2	6.5	4.0	5.6	3.2	7.0
Interest payments	3.8	3.9	4.9	5.7	6.3	5.1	8.9
<u>Total service payments</u>	<u>8.5</u>	<u>8.8</u>	<u>12.2</u>	<u>10.6</u>	<u>12.6</u>	<u>8.3</u>	<u>15.9</u>

Sources: Ministry of Finance, Financial Reports (Annual), 1970-75; and data provided by the Zambian authorities.^{1/} Includes sinking fund contributions.^{2/} Includes management costs.

Table IX. Zambia: Summary Accounts of the Monetary Authorities, 1973-76

(In millions of kwacha)

	1973	1974				1975				1976				
	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June	July	Aug.	Sept.
Foreign assets (net)	<u>80.01</u>	<u>106.02</u>	<u>202.2</u>	<u>152.69</u>	<u>85.27</u>	<u>7.32</u>	<u>-3.31</u>	<u>-16.40</u>	<u>-40.22</u>	<u>-77.94</u>	<u>-33.13</u>	<u>-23.80</u>	<u>-77.10</u>	<u>-10.60</u>
Foreign assets	123.79	149.34	245.48	196.59	131.02	56.81	(3.33)	41.11	44.68	41.16	7.32	11.10	7.00	(90.40)
Gold	(4.56)	(4.56)	(4.56)	(4.56)	(4.56)	(4.56)	(4.56)	(4.56)	(4.56)	(4.40)	(4.40)	(5.40)	(5.40)	(5.40)
SDR holdings	(--)	(--)	(9.63)	(9.35)	(9.04)	(7.30)	(1.58)	(1.70)	(1.0)	(11.20)	(1.60)	(17.00)	(17.20)	(16.10)
Foreign exchange	(119.23)	(139.00)	(231.29)	(182.68)	(116.22)	(44.95)	(47.19)	(27.79)	(9.49)	(25.96)	(39.32)	(90.90)	(46.00)	(60.90)
of which:														
Central Government	1.23	1.76	2.10	1.82	2.96	2.20	2.21	2.14	2.20	(2.07)	(2.17)	(2.40)	(2.40)	(2.30)
Foreign liabilities ^{1/}	-43.78	-43.32	-43.20	-43.90	-43.55	-49.49	-51.64	-57.99	-135.90	-119.10	-45.50	-130.90	155.70	-170.00
Domestic credit	<u>130.00</u>	<u>112.81</u>	<u>37.58</u>	<u>67.33</u>	<u>112.69</u>	<u>105.34</u>	<u>109.02</u>	<u>246.30</u>	<u>310.18</u>	<u>331.42</u>	<u>291.02</u>	<u>213.32</u>	<u>331.68</u>	<u>340.68</u>
Claims on government (net)	110.01	111.37	35.71	57.06	61.00	111.44	135.58	174.17	210.47	174.58	174.23	149.87	208.20	220.22
Securities	(58.59)	(76.01)	(74.49)	(74.60)	(61.52)	(85.86)	(72.15)	(64.22)	(117.03)	(146.8)	(60.65)	(59.09)	(64.67)	(91.51)
of which:														
Treasury bills	(12.02)	(29.34)	(25.26)	(24.16)	(14.40)	(31.61)	(19.45)	(20.30)	(66.57)	(96.63)	(10.95)	(10.19)	(20.38)	(38.23)
Deposits	(7.02)	(14.76)	(-33.78)	(-16.54)	(4.08)	(25.50)	(-4.57)	(-7.65)	(-4.36)	(30.07)	(30.50)	(24.98)	(57.61)	(42.71)
Advances	(45.00)	(20.00)	(--)	(--)	(--)	(--)	(68.00)	(98.00)	(90.00)	(--)	(86.00)	(65.00)	(86.00)	(36.00)
Total other claims	19.39	1.50	1.57	9.87	47.09	73.90	64.04	73.73	105.51	146.47	114.39	123.45	123.60	120.66
Claims on mining sector ^{2/}	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(47.69)	(76.63)	(63.13)	(61.13)	(61.13)	(53.13)
Claims on commercial banks	(--)	(--)	(--)	(9.32)	(42.15)	(62.91)	(54.06)	(64.01)	(42.47)	(55.11)	(39.86)	(55.11)	(55.11)	(55.11)
Other assets	(18.89)	(1.00)	(1.37)	(0.05)	(4.44)	(10.49)	(9.48)	(9.22)	(15.34)	(14.73)	(11.40)	(7.21)	(7.36)	(12.42)
Reserve money	<u>122.76</u>	<u>119.21</u>	<u>130.79</u>	<u>131.22</u>	<u>123.22</u>	<u>127.88</u>	<u>131.27</u>	<u>143.70</u>	<u>174.70</u>	<u>163.67</u>	<u>177.50</u>	<u>176.9</u>	<u>161.42</u>	<u>192.50</u>
Currency outside banks	69.40	70.30	75.24	78.71	79.65	77.93	79.90	92.37	102.35	96.38	99.47	104.51	108.65	114.58
Currency in banks	13.77	6.80	8.39	8.73	14.57	11.66	9.13	9.77	14.13	9.82	10.90	9.27	11.53	13.05
Bankers' deposits	39.59	40.11	47.16	43.78	34.00	41.24	42.15	41.46	57.17	57.47	67.13	65.20	61.24	64.87
Quasi-money deposits^{3/}	<u>22.01</u>	<u>21.94</u>	<u>42.18</u>	<u>23.23</u>	<u>--</u>	<u>0.64</u>	<u>15.69</u>	<u>13.12</u>	<u>7.64</u>	<u>7.70</u>	<u>7.30</u>	<u>7.30</u>	<u>7.33</u>	<u>5.50</u>
Capital and reserve	<u>18.18</u>	<u>19.98</u>	<u>19.98</u>	<u>19.98</u>	<u>19.98</u>	<u>25.98</u>	<u>25.98</u>	<u>25.98</u>	<u>25.98</u>	<u>25.98</u>	<u>28.21</u>	<u>28.21</u>	<u>28.21</u>	<u>28.21</u>
SDR allocation	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>	<u>19.07</u>
Other liabilities	<u>28.01</u>	<u>18.72</u>	<u>21.03</u>	<u>22.13</u>	<u>33.74</u>	<u>16.11</u>	<u>4.32</u>	<u>24.99</u>	<u>46.50</u>	<u>31.05</u>	<u>20.36</u>	<u>20.92</u>	<u>19.23</u>	<u>9.93</u>

Sources: Bank of Zambia, Quarterly Statistical Review; and data provided by the Zambian authorities.

^{1/} Includes use of Fund resources.^{2/} Includes K 0.50 million of credit to the mining sector.^{3/} Deposits of the mining companies.

Zambia. Summary Accounts of the Commercial Banks, 1973-6
(In millions of kwacha)

	1973	1974				1975				1976				
	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June	July	Aug.	Sept.
ASSETS														
Reserves	52.51	40.34	22.14	53.10	41.46	50.11	21.21	15.14	21.00	11.11	11.11	13.03	12.46	11.06
Currency holdings	13.79	11.40	2.39	1.73	14.51	0.05	9.23	9.14	14.11	1.12	10.90	1.21	11.53	13.05
Deposits with Bank of Zambia	3.72	39.4	41.41	44.91	41.11	41.41	42.00	41.11	43.11	1.11	11.05	11.11	11.11	11.01
Required reserves	3.47	39.29	41.01	44.92	41.11	40.11	41.11	41.79	41.11	1.11	11.11	11.11	11.11	11.11
Foreign assets (net)	-12.0	-9.02	-4.29	-12.1	-11.09	-20.03	-10.35	-13.50	-19.11	-21.94	-9.41	-14.29	-1.21	7.9
Foreign assets	5.81	7.45	10.01	10.41	11.91	9.11	10.42	10.11	4.11	1.11	11.21	1.41	21.04	34.21
Foreign liabilities	-11.61	-16.51	-20.32	-22.15	-23.05	-29.14	-26.17	-23.14	-24.01	-24.15	-21.11	-35	-30.0	-21.44
Domestic credit	211.0	293.54	355.99	323.43	411.15	373.02	412.34	434.0	452.11	512.11	411.44	421.11	591.11	605.11
Claims on government (net)	94.45	76.53	99.92	19.56	12.43	9.01	40.4	19.71	101.11	111.11	234.31	291.11	241.14	210.91
Loans and advances	(0.01)	(0.11)	(1.03)	(0.04)	(0.06)	(0.05)	(0.04)	(0.02)	(0.04)	(0.12)	(0.46)	(0.42)	(0.40)	(0.05)
Treasury bills	(11.54)	(64.45)	(17.44)	(2.24)	(2.39)	(0.01)	(31.10)	(53.31)	(99.33)	(119.41)	(224.41)	(215.42)	(223.67)	(21.40)
of which: Relating to arrears	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(99.33)	(152.21)	(113.35)	(241.6)	(204.91)	(173.91)
Other securities	(42.73)	(42.09)	(43.45)	(43.45)	(37.30)	(37.34)	(46.21)	(34.24)	(36.12)	(36.41)	(44.26)	(39.11)	(49.41)	(39.41)
Deposits	(-26.83)	(-30.12)	(-31.00)	(-26.72)	(-21.02)	(-20.35)	(-31.51)	(-21.11)	(-28.51)	(-24.10)	(-30.27)	(-24.47)	(-20.51)	(-17.07)
Claims on private sector	114.31	211.01	251.07	303.11	335.33	373.91	371.50	415.02	345.20	351.2	321.12	336.50	341.11	344.22
Loans and advances to public and statutory bodies	(160.19)	(1.11)	(212.91)	(211.25)	(210.55)	(332.34)	(342.35)	(342.16)	(31.39)	(331.11)	(302.51)	(321.11)	(331.11)	(322.09)
Bills of exchange	(13.11)	(2.11)	(41.11)	(11.02)	(61.11)	(41.11)	(29.15)	(22.41)	(16.11)	(14.11)	(24.10)	(1.11)	(1.11)	(12.13)
Deposits with other Zambian banks	43.62	31.21	50.12	19.22	51.11	15.02	15.95	19.41	0.53	50.01	44.91	10.4	11.11	11.03
Other assets	76.61	14.59	11.11	11.11	105.12	93.91	14.11	5.4	1.11	1.11	99.21	10.14	93.97	92.35
LIABILITIES														
Demand deposits	113.49	152.11	144.25	113.50	110.03	105.4	115.56	111.40	219.11	214.12	235.11	241.55	230	211.09
Time and savings deposits	150.50	111.93	211.12	199.21	174.91	154.32	151.31	151.64	163.11	111.10	11.11	200.11	19.94	201.11
Liabilities to the Bank of Zambia	--	--	0.01	9.32	42.15	12.91	54.06	64.01	42.4	55.11	39.11	55.11	55.11	55.11
Bills payable	5.96	6.45	3.43	3.41	3.52	5.35	11	2.91	4.12	1.0	1.2	1.2	4.01	33.19
Liabilities to public	14.35	9.31	13.11	33.35	24.44	13.11	44.11	25.25	22.05	21.11	11.12	11.12	11.01	22.11
Other liabilities	84.39	1.07	91.57	101.32	121.14	140.33	114.05	117.19	191.30	219.30	214.11	324.02	211.30	294.97
of which: Deposits for payments arrears	(--)	(--)	(--)	(--)	(--)	(--)	(43.0)	(46.20)	(102.09)	(112.21)	(113.55)	(241.11)	(20.91)	(111.51)

Sources: Bank of Zambia, Quarterly Statistical Review, and data provided by the Zambian authorities

Table XXII. Zambia: Structure of Interest Rates, 1973-76

(In per cent per annum)

	1973	1974	1975	1976	
				Feb.	July
<u>Bank of Zambia</u>					
Rediscount rate	5.00	5.00	5.00	6.00	6.00
<u>Commercial banks</u>					
Overdrafts (minimum)	7.50	7.50	7.50	8.00	8.25
Bills discounted (up to 120 days) (minimum)	7.50	7.50	7.50	9.00	9.00
Fixed deposits					
Short-term deposits	3.50	3.50	3.50	3.75	4.25
3-6 months	4.00	4.00	4.00	5.25	6.25
6-12 months	4.50	4.50	4.50	5.75	6.75
Over 12 months (minimum)	5.00	5.00	5.00	6.25	7.25
Savings accounts	4.00	4.00	4.00	5.00	6.00
<u>Building Societies</u>					
Savings shares	3.50	3.50	3.50	3.50	3.50
Investment shares	6.00	6.00	6.00	6.00	6.00
Deposits	5.00	5.00	5.00	5.00	5.00
Mortgages					
Residential (minimum)	7.50	7.50	7.50	7.50	7.50
Commercial and industrial (minimum)	9.50	9.00	9.00	9.00	9.00
<u>Other</u>					
Treasury bill rate	3.80	4.00	4.00	4.25	4.375
Post Office savings accounts	3.75	3.75	3.75	3.75	3.75

Sources: Bank of Zambia, Quarterly Statistical Review; and data provided by the
Zambian authorities.

Table XXIII. Zambia: Balance of Payments, 1973-76

(In millions of kwacha)

	1973	1974	1975	1976 ^{1/}
I. <u>Goods, services, and transfers (net)</u>	<u>93.4</u>	<u>72.0</u>	<u>-393.0</u>	<u>-103.0</u>
<u>Merchandise trade, f.o.b.</u>	<u>384.1</u>	<u>413.1</u>	<u>-77.0</u>	<u>215.0</u>
<u>Exports</u>	<u>733.5</u>	<u>921.7</u>	<u>523.0</u>	<u>705.0</u>
Copper	(699.8)	(861.8)	(471.1)	(650.0)
Other	(33.7)	(59.9)	(51.9)	(55.0)
<u>Imports</u>	<u>-349.4</u>	<u>-508.6</u>	<u>-600.0</u>	<u>-490.0</u>
<u>Services (net)</u>	<u>-209.9</u>	<u>-259.9</u>	<u>-237.0</u>	<u>-241.0</u>
<u>Freight and insurance</u>	<u>-63.3</u>	<u>-104.7</u>	<u>-109.0</u>	<u>-77.0</u>
<u>Travel and other transport</u>	<u>-28.7</u>	<u>-30.7</u>	<u>-26.0</u>	<u>-25.0</u>
<u>Other services</u>	<u>-40.6</u>	<u>-62.3</u>	<u>-57.0</u>	<u>-53.0</u>
<u>Investment income</u>	<u>-77.3</u>	<u>-62.2</u>	<u>-45.0</u>	<u>-86.0</u>
<u>Transfers (net)</u>	<u>-80.8</u>	<u>-31.2</u>	<u>-79.0</u>	<u>-77.0</u>
Government	10.8	5.3	3.0	6.0
Private	-91.6	-86.5	-82.0	-83.0
II. <u>Capital account (net)</u>	<u>-43.1</u>	<u>73.4</u>	<u>259.0</u>	<u>48.0</u>
<u>Private</u>	<u>-180.1</u>	<u>36.6</u>	<u>176.0</u>	<u>22.0</u>
Mining companies	...	18.6	153.0	26.0
Other	...	18.0	23.0	-4.0
Government	<u>137.0</u>	<u>36.8</u>	<u>83.0</u>	<u>26.0</u>
III. <u>Net errors and omissions</u>	<u>-68.9</u>	<u>-135.4</u>	<u>-102.6</u>	<u>-14.9</u>
IV. <u>Overall balance</u>	<u>-18.6</u>	<u>10.0</u>	<u>-236.6</u>	<u>-69.9</u>
V. <u>Currency revaluation adjustment</u>	<u>7.2</u>	<u>--</u>	<u>--</u>	<u>-56.6</u>
VI. <u>Financing (increase -)</u>	<u>11.4</u>	<u>-10.0</u>	<u>236.6</u>	<u>126.5</u>
Monetary authorities	9.3	-7.8	126.9	...
Commercial banks	2.1	-1.2	7.5	...
Payments arrears	--	--	102.2	...

Sources: Central Statistical Office, Monthly Digest of Statistics, September/October, 1976; and data provided by the Zambian authorities.

^{1/} Estimates.

Table XXIV. Zambia: Average Copper Prices, 1969-76

	1969	1970	1971	1972	1973	1974	1975	1976 ^{1/}
<u>IME, spot, electrolytic, ex-warehouse</u>								
£ per ton	621.25	587.90	443.43	427.96	726.82	877.00	556 .81	777.00
U.S. dollars per ton	1,461.5	1,408.6	1,086.2	1,070.7	1,782.3	2,051.3	1,237.1	1,400.0
U.S. cents per lb.	66.3	63.9	49.3	48.6	80.8	93.0	56.1	63.5
Kwacha per ton	1,060.7	1,006.1	775.9	764.8	1,156.5	1,319.9	796.0	1,002.1
<u>Memorandum items</u>								
Copper exports from Zambia (in thousands of tons) ^{2/}	730.1	684.0	635.0	711.0	670.0	673.4	641.2	710.5
Kwacha per ton, f.o.b. ^{2/}	992.5	996.2	709.6	690.6	1,043.3	1,245.2	734.7	909
US\$/£	2.3903	2.3960	2.4441	2.5018	2.4522	2.3390	2.2218	1.8018
US\$/kwacha	1.4	1.4	1.4	1.3999	1.5411	1.5541	1.5541	1.3971

Sources: World Metal Statistics; International Financial Statistics; Zambia, Central Statistical Office, Monthly Bulletin of Statistics.

^{1/} Preliminary.

^{2/} Customs data.

Table XIV. Zambia: Principal Exports, 1971-76

(In thousands of tons; millions of kwacha; bracketed figures in per cent)

	1971		1972		1973		1974		1975		1976 ^{1/}	
	Tons	Kwacha	Tons	Kwacha	Tons	Kwacha	Tons	Kwacha	Tons	Kwacha	Tons	Kwacha
Copper	635.0	450.2 (92.8)	711.0	490.9 (90.6)	670.0	698.3 (94.1)	673.4	838.5 (92.6)	641.2	471.1 (90.4)	710.5	643.4 (92.4)
Zinc	49.5	11.5 (2.4)	60.6	16.4 (3.0)	51.1	16.7 (2.3)	50.2	25.2 (2.8)	41.3	20.3 (3.9)	44.7	21.8 (3.1)
Lead	23.9	4.6 (0.9)	26.7	5.6 (1.0)	20.0	5.4 (0.7)	18.8	7.2 (0.8)	19.3	5.7 (1.1)	18.8	5.4 (0.8)
Cobalt	1.2	4.1 (0.8)	2.3	8.6 (1.6)	1.1	4.9 (0.7)	1.9	7.9 (0.9)	1.3	7.1 (1.4)	1.5	9.6 (1.4)
Tobacco	5.2	3.5 (0.7)	4.2	2.7 (0.5)	5.0	4.8 (0.6)	4.9	5.8 (0.6)	5.4	4.9 (0.9)	...	5.0 (0.7)
Maize	8.6	0.2 (...)	1.9	0.1 (...)	50.1	2.6 (0.4)	111.2	7.6 (0.8)	16.6	1.4 (0.3)	...	... (...)
Other	...	5.9 (1.2)	...	11.8 (2.2)	...	5.3 (0.7)	...	8.2 (0.9)	...	7.5 (1.4)	...	10.3 ^{2/} (1.5)
Re-exports	...	5.2 (1.1)	...	5.5 (1.0)	...	4.0 (0.5)	...	4.7 (0.5)	...	3.0 (0.6)	...	... (...)
Total (customs data)	...	485.2 (100.0)	...	541.6 (100.0)	...	742.0 (100.0)	...	905.1 (100.0)	...	521.0 (100.0)	...	696.4 (100.0)
Balance of payments adjustment		-6.0		1.7		-8.5		6.0		2.0		...
Changes in stocks held abroad		-15.2		-8.9		-16.3		--		...		...
Freight and insurance to border		9.2		10.6		7.8		6.0		...		...
Total exports (balance of payments)		479.2		543.3		733.5		911.1		523.0		...

Sources: Central Statistical Office, Monthly Digest of Statistics, September/October, 1976; and data provided by the Zambian authorities.^{1/} Estimates.^{2/} Including re-exports.

Table XXVI. Zambia: Destination of Exports, 1970-76

(In millions of kwacha: bracketed figures in per cent of total)

	1970	1971	1972	1973	1974	1975	1976 ^{1/}
EEC	387.3 (54.2)	227.6 (46.9)	278.6 (51.4)	384.9 (51.9)	519.8 (57.4)	321.0 (61.7)	... (..)
of which							
United Kingdom	160.1 (22.4)	79.2 (16.3)	107.7 (19.9)	148.3 (20.0)	195.8 (21.6)	117.3 (22.6)	39.2 (..)
Italy	78.1 (10.9)	51.2 (10.6)	67.2 (12.4)	93.9 (12.7)	109.3 (12.1)	66.8 (12.8)	30.6 (..)
France	58.4 (8.2)	44.0 (9.1)	49.8 (9.2)	58.5 (7.9)	79.3 (8.8)	43.7 (8.4)	19.5 (..)
West Germany	84.2 (11.8)	45.0 (9.4)	45.5 (8.4)	75.5 (10.2)	114.7 (12.7)	73.7 (14.2)	41.9 (..)
United States	1.4 (0.2)	4.6 (0.9)	2.3 (0.4)	3.9 (0.5)	5.3 (0.6)	0.1 (..)	79.4 (..)
South Africa	8.7 (1.2)	10.4 (2.1)	10.8 (2.0)	2.1 (0.3)	3.4 (0.4)	1.7 (0.3)	0.8 (..)
Japan	166.5 (23.3)	99.7 (20.5)	110.6 (20.4)	178.9 (24.1)	176.3 (19.5)	90.9 (17.5)	42.9 (..)
Yugoslavia	9.9 (1.4)	24.4 (5.0)	9.6 (1.8)	17.3 (2.3)	35.2 (3.9)	22.1 (4.2)	6.4 (..)
Peoples Republic of China	34.1 (4.8)	32.1 (6.6)	12.6 (2.3)	13.5 (1.8)	21.9 (2.4)	13.0 (2.5)	10.5 (..)
India	25.5 (3.6)	19.5 (4.0)	23.5 (4.3)	31.9 (4.3)	25.7 (2.8)	5.5 (1.1)	14.1 (..)
Brazil	7.1 (1.0)	13.4 (2.8)	33.5 (6.2)	37.6 (5.1)	38.6 (4.3)	38.6 (7.4)	... (..)
Other	74.5 (10.4)	53.5 (11.0)	60.1 (11.1)	71.9 (9.7)	78.9 (8.7)	27.2 (5.2)	... (..)
Totals	715.0 (100.0)	485.2 (100.0)	541.6 (100.0)	742.0 (100.0)	905.1 (100.0)	520.1 (100.0)	... (..)

Sources: Central Statistical Office, Annual Statement of External Trade; IMF, Direction of Trade, 1969-75.^{1/} January to June.

Table XXVII. Zambia: Composition of Imports, ^{1/} 1970-76

(In millions of kwacha)

	1970	1971	1972	1973	1974	1975	1976 ^{2/}
Food	30.5	48.2	37.1	24.3	43.8	37.9	9.1
Beverages and tobacco	1.2	1.4	1.3	1.0	1.1	1.0	0.6
Raw materials	5.3	7.6	7.9	5.4	10.4	9.9	2.8
Electricity and fuels	35.2	32.2	26.5	33.3	61.1	84.3	37.3
Oils and fats	4.5	4.5	3.9	4.3	6.8	9.1	4.0
Chemicals	26.0	31.7	33.0	35.1	48.4	77.2	24.1
Manufactures	75.0	84.8	87.9	77.3	130.0	140.2	53.4
Machinery and transport equipment	131.7	160.1	168.0	138.9	165.8	211.2	85.2
Miscellaneous manufactures	30.5	27.3	35.4	25.4	36.4	28.7	10.9
Other	<u>1.1</u>	<u>1.4</u>	<u>1.4</u>	<u>1.8</u>	<u>2.8</u>	<u>3.2</u>	<u>0.7</u>
Total	340.7	399.3	402.5	346.9	506.6	602.9	228.1
Adjustment ^{3/}	<u>7.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>...</u>
Total (Balance of payments)	347.7	401.3	404.5	348.9	508.6	604.9	...

Sources: Central Statistical Office, Monthly Digest of Statistics, September/October 1976; and data provided by the Zambian authorities.

^{1/} Customs data.

^{2/} January-June.

^{3/} Adjustment for unrecorded imports.

Table XXVIII. Zambia: Origin of Imports, 1970-76

(In millions of Kwacha; bracketed figures in per cent of total)

	1970	1971	1972	1973	1974	1975	1976 ^{1/}
EEC	124.4 (36.5)	156.7 (39.2)	156.4 (38.9)	132.4 (38.2)	195.6 (38.6)	227.3 (37.7)	... (...)
of which:							
United Kingdom	80.6 (23.7)	97.1 (24.3)	94.9 (23.6)	74.7 (21.5)	99.5 (19.6)	118.3 (19.6)	57.9 (...)
Italy	11.4 (3.3)	20.4 (5.1)	21.9 (5.4)	16.3 (4.7)	23.6 (4.7)	23.9 (4.0)	11.1 (...)
France	8.2 (2.4)	10.6 (2.7)	7.4 (1.8)	6.2 (1.8)	8.3 (1.6)	10.3 (1.7)	3.7 (...)
West Germany	16.5 (4.8)	17.6 (4.4)	21.5 (5.3)	22.6 (6.5)	40.9 (8.1)	43.9 (7.3)	14.4 (...)
United States	32.9 (9.7)	43.4 (10.9)	35.0 (8.7)	31.3 (9.0)	39.6 (7.8)	74.5 (12.4)	24.6 (...)
Sweden	5.2 (1.5)	6.3 (1.6)	6.8 (1.7)	11.3 (3.3)	15.1 (3.0)	19.6 (3.3)	6.8 (...)
South Africa	59.1 (17.3)	60.9 (15.3)	59.3 (14.7)	41.1 (11.8)	38.7 (7.6)	40.4 (6.7)	16.4 (...)
Japan	21.8 (6.4)	26.8 (6.7)	38.8 (9.6)	31.2 (9.0)	48.6 (9.6)	53.6 (8.9)	13.8 (...)
People's Republic of China	2.2 (0.6)	4.1 (1.0)	9.8 (2.4)	9.6 (2.8)	24.1 (4.8)	17.1 (2.8)	6.5 (...)
Iran	8.1 (2.4)	10.8 (2.7)	12.6 (3.1)	17.6 (5.1)	48.8 (9.6)	43.9 (7.3)	... (...)
Other	<u>87.0 (25.5)</u>	<u>90.3 (22.6)</u>	<u>83.8 (20.8)</u>	<u>72.4 (20.9)</u>	<u>96.1 (19.0)</u>	<u>126.5 (21.0)</u>	<u>... (...)</u>
Total	340.7 (100.0)	399.3 (100.0)	402.5 (100.0)	346.9 (100.0)	506.6 (100.0)	602.9 (100.0)	... (...)

Sources: Central Statistical Office, Annual Statement of External Trade; IMF, Direction of Trade, 1969-75^{1/} January to June

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