

The Global Financial Crisis and Developing countries: Case of Zambia

The Global Financial Crisis Workshop

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Outline

- Introduction
- Economic performance (2000 – 2008)
- Transmission Mechanisms
- Potential Impact
- Policy response

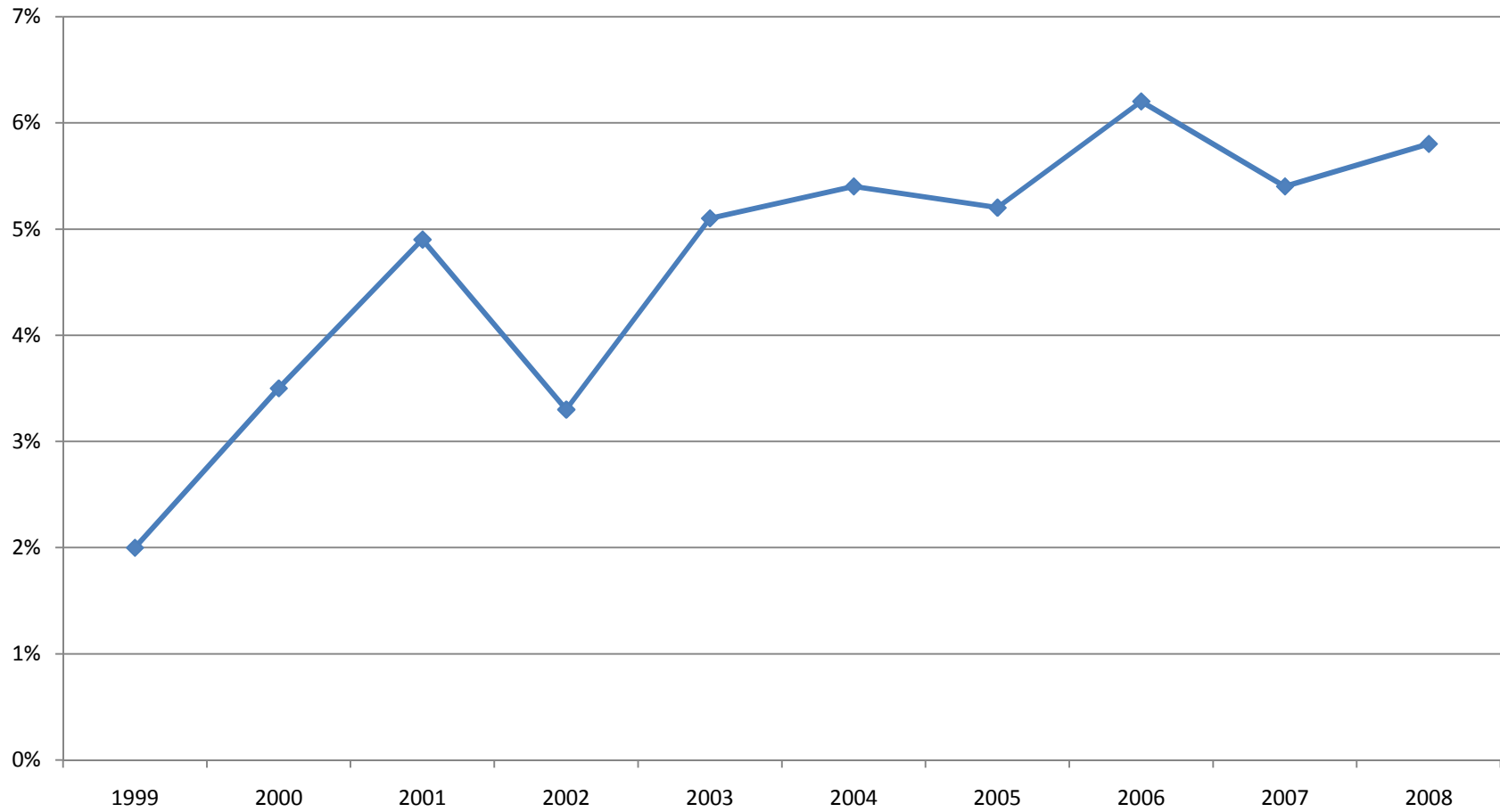
Introduction

- Positive economic growth over 2000 – 2008
- Chance to reduce poverty
- Global crisis threatens above scenario

Economic Performance

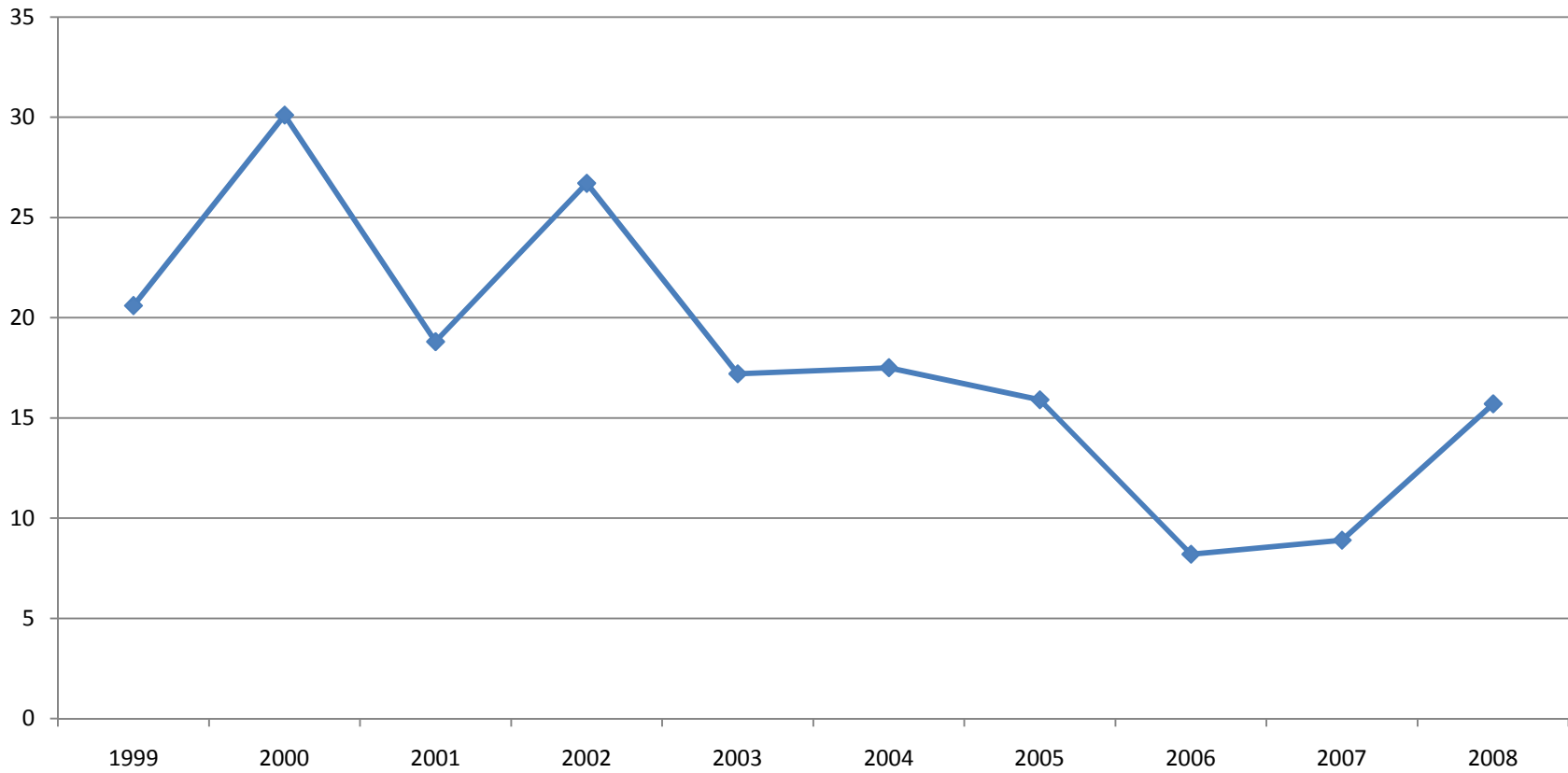
Year	2000	2002	2004	2005	2006	2007	2008
GDP Growth	3.5	3.3	5.4	5.2	6.2	5.4	5.8
GDP /capita (US\$)	315	350	490	655	917	917	
Inflation	30	26.7	17.5	15.9	8.2	8.9	16.6
Fiscal Bal (% GDP)	NA	-4.1	-2.9	-0.9	4.3	-2.1	-2.7
DS/GDP	17.3	18.7	17	23.2	25.4	23.3	
GDI/GDP	16	20.7	28.4	23.2	24.5	21.8	
CA /GDP		-15.3	-11.4	-9.1	1.1	-2.4	-9.1

Real GDP growth rate

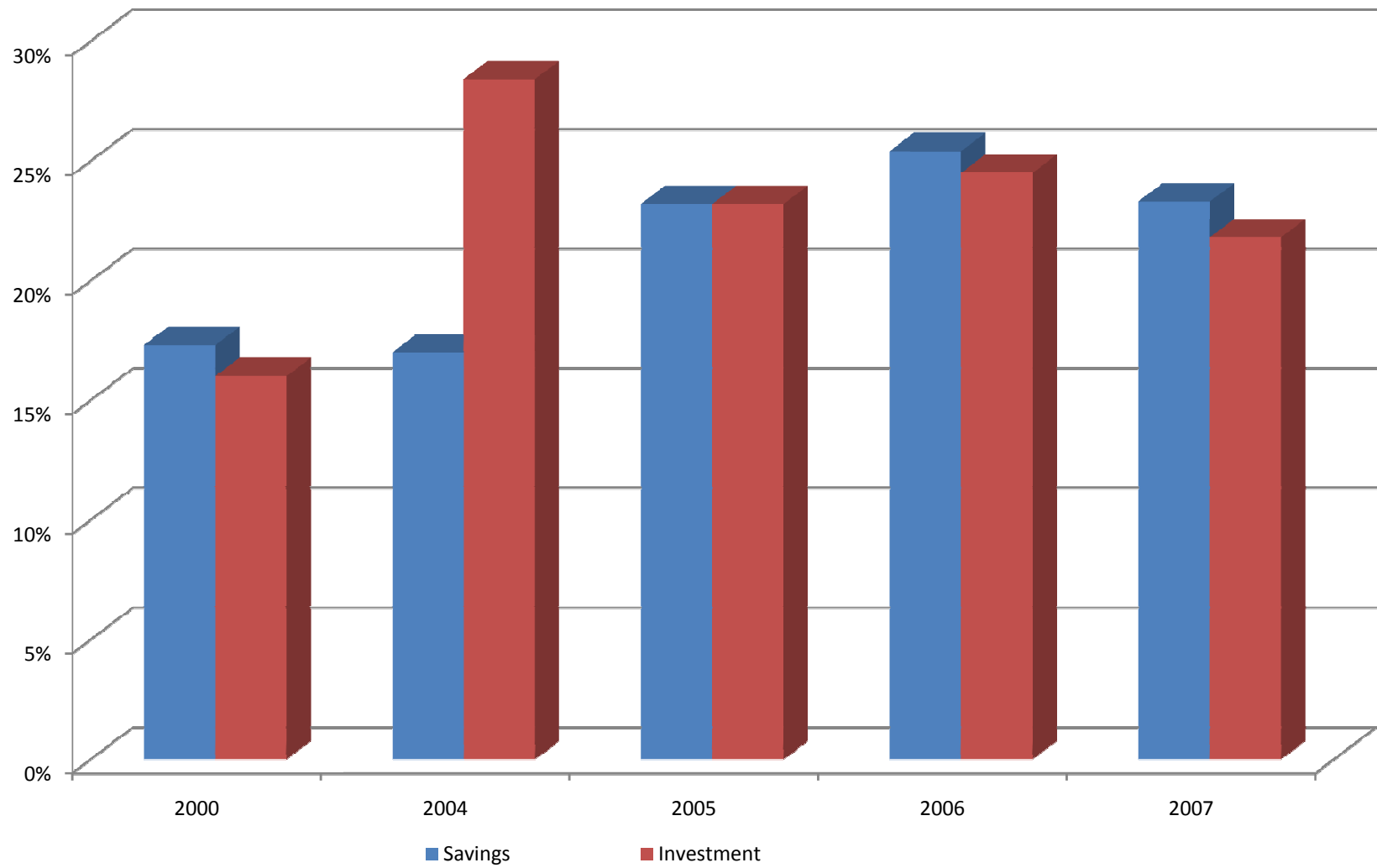


Trend in Inflation rate

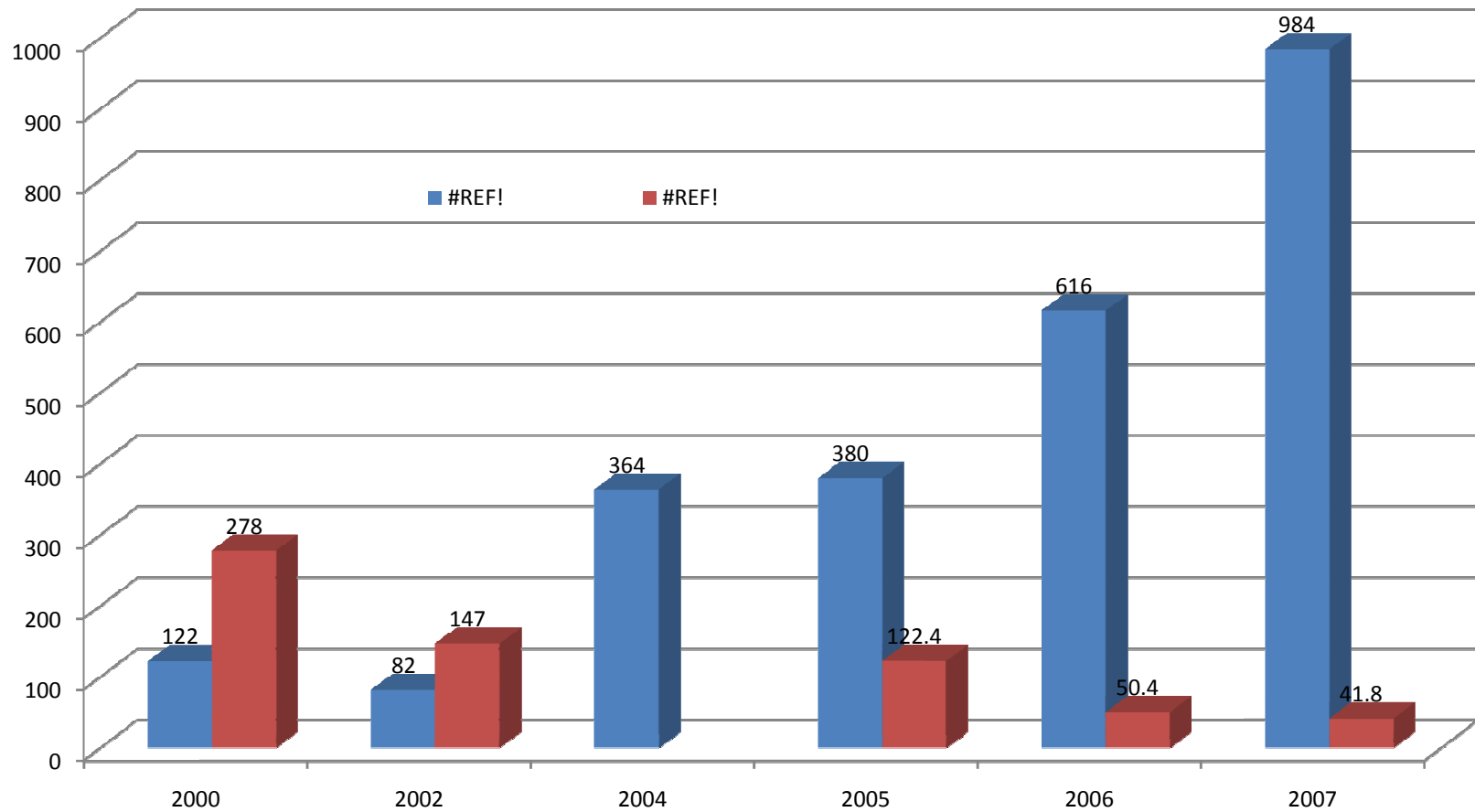
Inflation rate, %



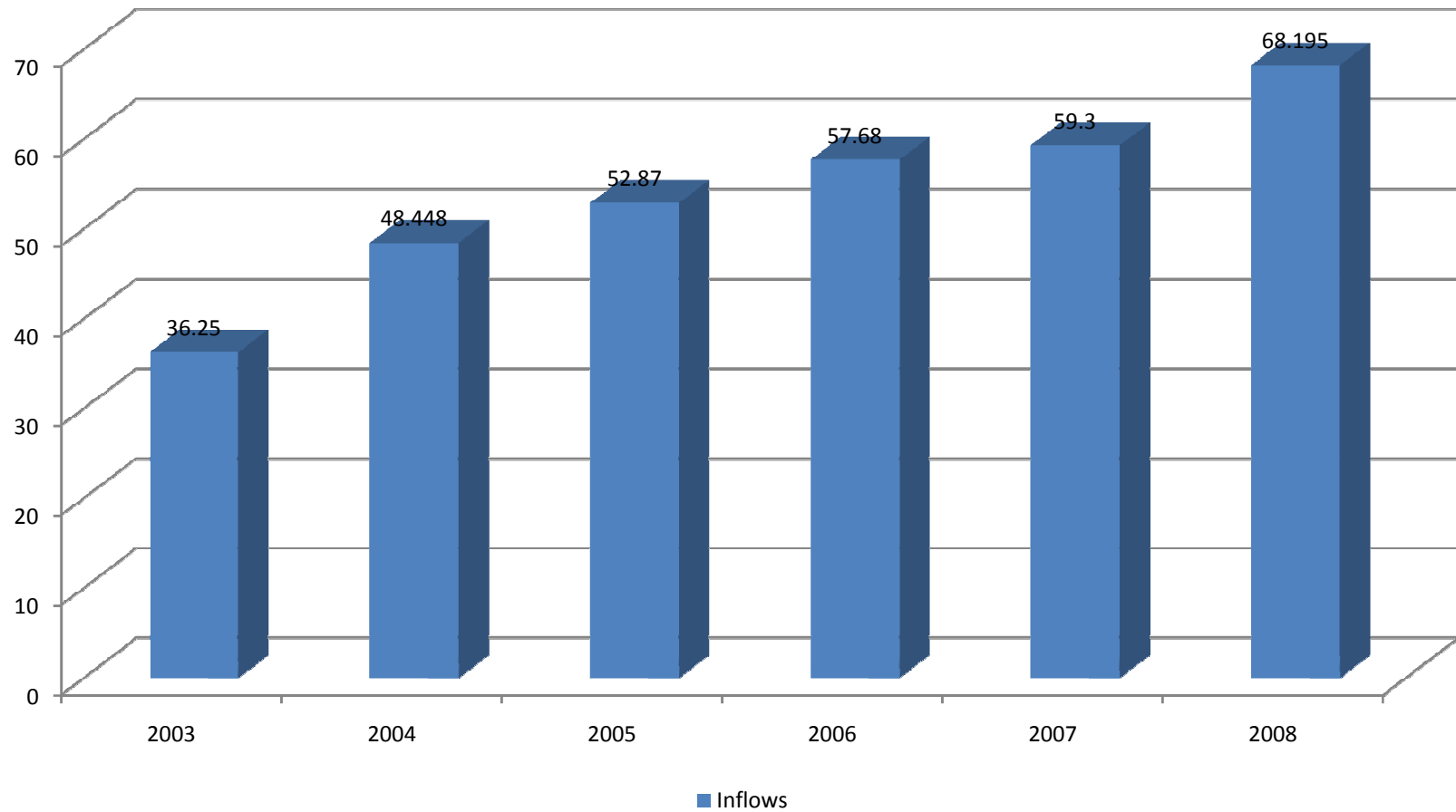
Trends in savings and Investment



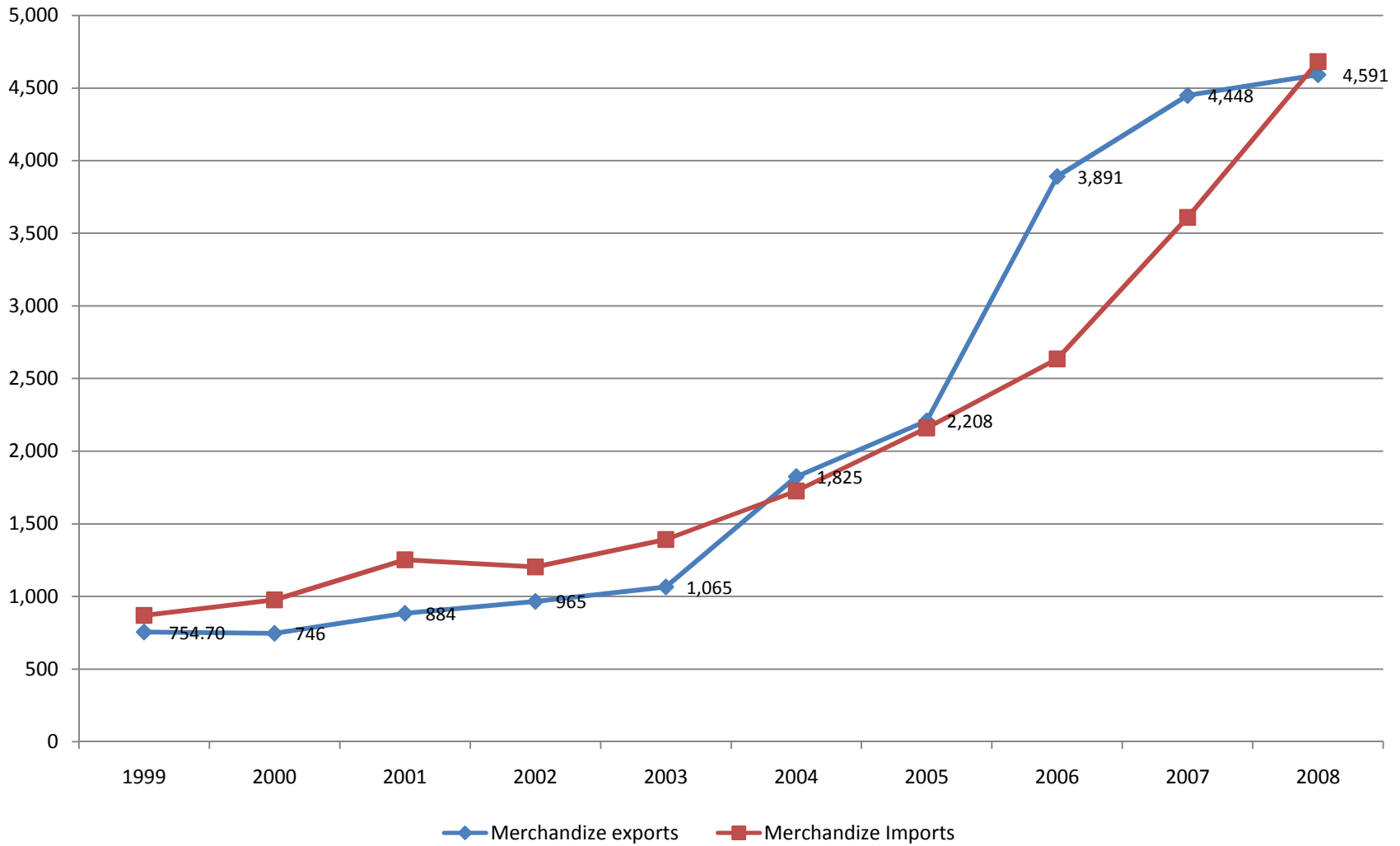
Private Capital Flows



Remittances Inflows (US\$M)

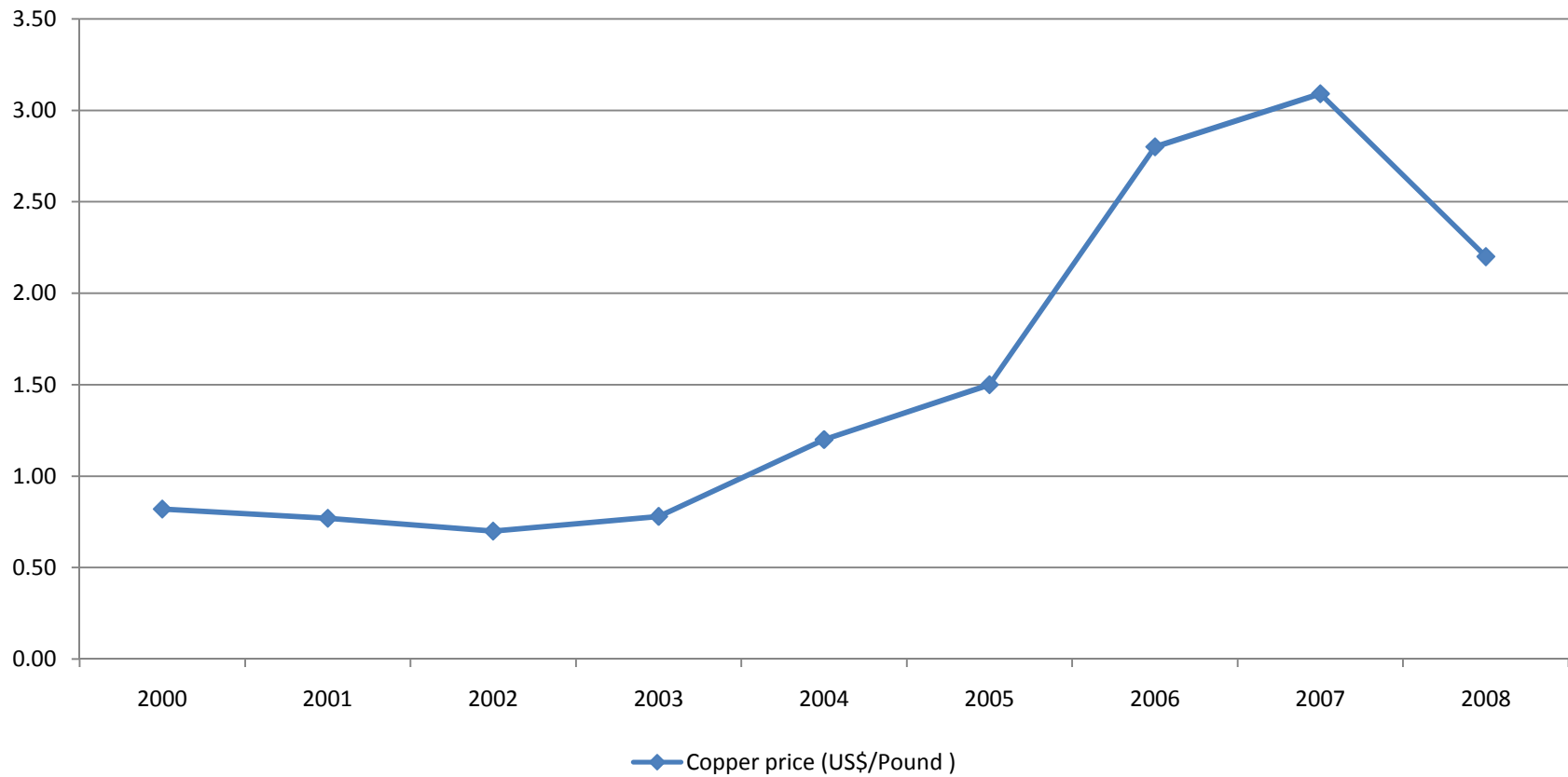


Trade Indicators



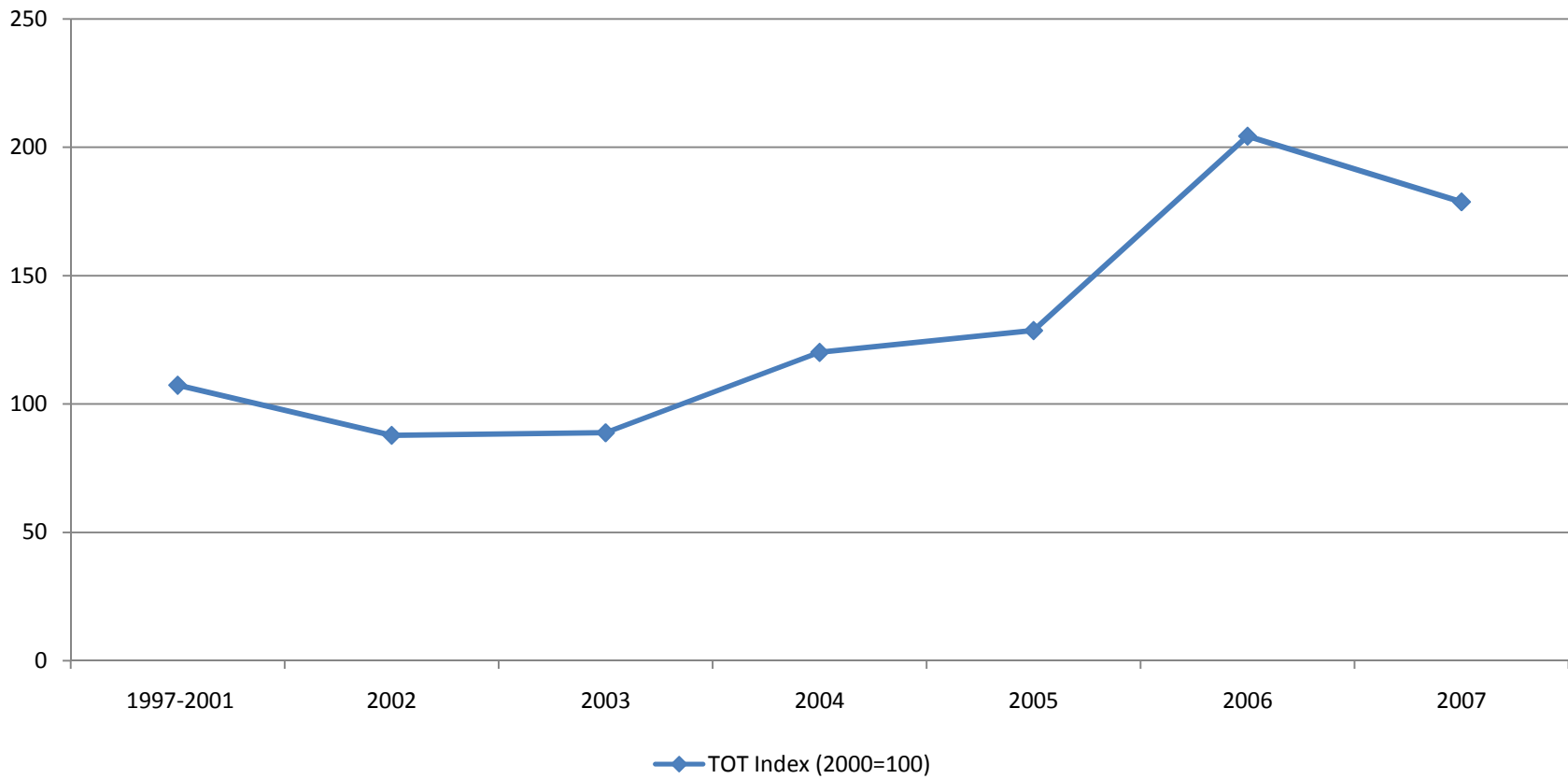
Trade Indicators

Copper price (US\$/Pound)



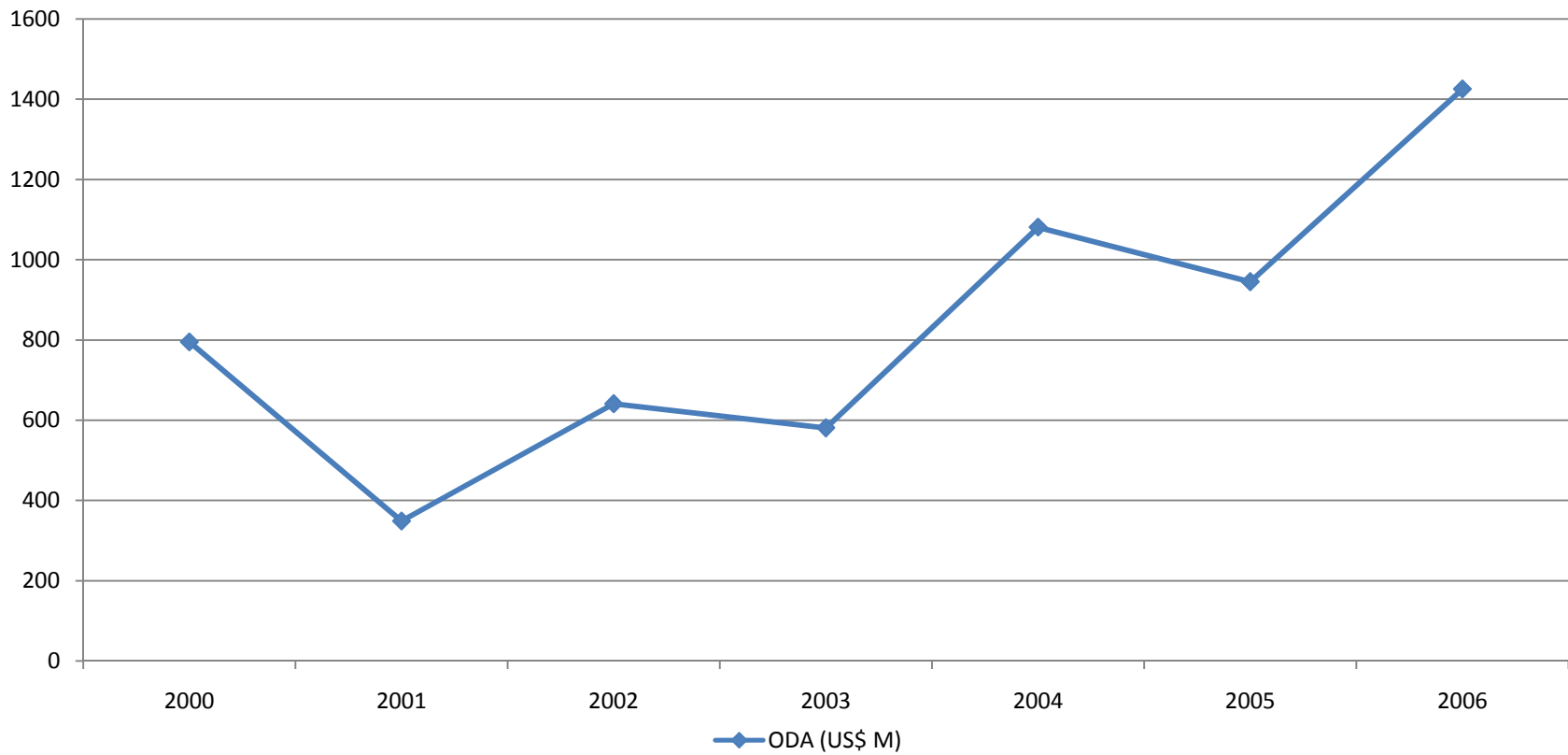
Terms of trade

TOT Index (2000=100)



ODI Indicators

ODA (US\$ M)



Impact

- Slowed economic growth projected at 5% (2009)
- ✓ Overall output
- Employment loss: (Out of 32, 611 workers in the mines)
- ✓ Chambishi metals closed - 1, 111 – Workers
- ✓ Luanshya mine Ceased - 1, 716 worker
- ✓ KCM - 800, Mopani - 577 workers
- ✓ Bwana Mkubwa mine- 345 workers
- ✓ Lumwana – Laying off workers
- ✓ Milyanshi copper project – put on hold

Cont'd

- ✓ 15% of mine workers already lost jobs
- ✓ Exploration Projects affected- because these mainly depend on bank loans for financing
- ✓ Contract labour to the mining industry - repair maintenance, mine development services
- ✓ Reduced expatriate labour on mines
- ✓ Reduced Foreign exchange – depreciation and instability of the exchange rate
- ✓ Supporting industries e.g., electricity, transport, water etc.
 - Inflation
 - Stock market- index reduced by 29% in 2008
 - Reduced government revenue -

Policy response

1. Prudent Fiscal policies
2. Economic diversification – emphasis on infrastructure development
3. Tight monetary policy – lower inflation
4. Negotiation with mines –e-,g., suspension of windfall tax,
5. Strengthen social protection