



# ANNUAL ECONOMIC REPORT



# 2011

MINISTRY OF FINANCE





**Republic of Zambia**

# **2011**

# **ANNUAL ECONOMIC REPORT**

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## FOREWORD

The 2011 Annual Economic Report provides a detailed assessment of the performance of the Zambian economy in the year 2011. The report highlights key developments in the global economy as well as developments in the various sectors of the domestic economy.

In 2011, the Zambian economy continued with the favourable performance posted in the recent years. Although, lower than target, GDP growth at 6.6 percent was strong and above the average in the Sub Saharan region. The growth was broad based with the main drivers being agriculture, manufacturing, electricity, construction, transport and communications sectors. Inflation remained within single digits while the external sector performance was also strong with a surplus in the balance of payment (BoP) increasing to US\$283.8 million in 2011 from US\$83.3 million in 2010. In line with this development, gross international reserves increased to US\$2.166.9 million in 2011 from US\$1,896.5 million in 2010 representing 3.6 months of import cover.

The fiscal performance was also favourable with revenue and grants exceeding target. This strong fiscal performance allowed Government to continue with investments in the social sectors of education and health and the recruitment of teachers and health workers. The programme to rehabilitate existing infrastructure and construct new schools and health facilities continued during the year. These interventions contributed to the positive social outcome.

In the education sector, progress was recorded in the enrolment and completion rates at both primary school and secondary school levels. With regard to the teacher pupil ratios, however, there was improvement for some grades while more effort is required for others. In the health sector, the number of deaths attributed to the top ten diseases declined by 30.0 percent to 3,674. Similarly, the number of registered incidences of the top ten diseases reduced with the exception non-pneumonia respiratory infections and trauma related conditions. In spite of these achievements, a lot of work is still required to achieve the Millennium Development Goals relating to maternal and child health.

The developments in the global economy posed some risk to the domestic economy. Though positive, global growth was slower than in 2010, mainly as a result of the effects of sovereign debt crisis and financial sector fragility in the Euro zone. Emerging and developing economies performed better albeit slower than 2010.

In order to support growth and employment creation, the Government remains committed to implementing policies that will foster and sustain a stable social and economic environment in the 2012 and the medium term.

Fredson K. Yamba  
**SECRETARY TO THE TREASURY**



## EXECUTIVE SUMMARY

The 2011 Annual Economic Report presents in a concise manner information on economic performance during the year 2011. The report is divided into two general parts, namely Part I, which reviews developments in the global economy, and Part II which discusses social-economic developments in the domestic economy.

### Developments in the Global Economy

In 2011, global economic growth as measured by Real Gross Domestic Product (GDP) was lower than in 2010, growing by only 3.9 percent compared to 5.3 percent in 2010. The slowdown was as a result of, among others, lower growth recorded in sovereign solvency hit periphery euro zone economies and negative growth experienced in Japan on account of the after-effects of the earthquake and tsunami. Sub-Saharan Africa, however, showed more resilience to sluggish global output, slowing to only 5.1 percent growth compared to 5.3 percent 2010.

Inflation in advanced economies remained moderate at 2.7 percent as contrasted to 7.1 percent in emerging and developing economies where rising food prices exerted upward pressure. With regards to commodity prices, there was a reduction in the price of oil and non-oil commodities. World trade volumes increased by 5.8 percent, a slowdown of 7.1 percentage points from 2010.

### Developments in the Domestic Economy

Macroeconomic performance in 2011 continued to be favourable with robust growth, declining inflation and a stable foreign exchange rate. Crop production was impressive during the period under review with total area planted for all major crops increasing to over 2.4 million hectares. The over reliance on rain-fed irrigation by most small and medium scale agricultural households, however, continued to cause fluctuations in yield rates. The livestock subsector continued to grow as indicated by the increase in the number of livestock farmers and the general increase in the import and export of livestock products.

The performance of the mining sector in 2011 was positive despite a slight slowdown in production from some major mining companies. Total national copper production stood at 807,290 Mt of which production from major mining companies was 727,475 Mt, a decline by 5.4 percent from 767,008 Mt produced in 2010. Similarly, cobalt and gold production declined by 22.3 percent and 2.3 percent respectively. The decline in mining production was on account of inadequate supply of electricity and other operational challenges.

Growth in the manufacturing sector continued to be buoyant at 7.7 percent compared to 4.1 percent in 2010. The growth was largely driven by the food, beverages and tobacco, fabricated metal products, and chemicals, rubbers and plastics subsectors. Positive performance was also observed in the energy sector. National electricity generation increased by 5.6 percent to 11,858,460 Mwh from 11,232,567 Mwh in 2010 on account of improved efficiency following the up-rating and rehabilitation of some power plants. Positive trends were also observed in the petroleum subsector with the quantity of imported oil feed stocks remaining steady and domestic prices of petroleum products reducing by 6.0 percent in the last quarter of 2011.

In the transport and communications sector, growth was largely driven by the communications and roads subsectors, which grew by 16 percent and 9.3 percent, respectively. Of particular noting was the 47.0 percent increase in the number mobile telephone network users and the 50.8 percent increase in internet service subscribers. In tourism, improved marketing coupled with investments and infrastructure developments in the sector resulted in tourist visits to major national parks increasing by 36.8 percent to 79,866 from 58,383 in 2010.

## **Budget Performance**

The performance of the budget in 2011 was broadly satisfactory. Total revenues and grants amounting to K20,233.0 billion were above the programmed target by 16.6 percent mainly as a result of higher than programmed collections on income taxes and mining arrears. Domestic revenues amounted to K19,518.9 billion and were above target by 23.8 percent. This was largely due to increased collections on mineral royalty, VAT on imports and company income tax arising from improved tax compliance. Despite the good revenue performance, grants from Cooperating Partners continued to underperform and were below target by 55.0 percent.

Total expenditure in 2011, excluding amortisation, amounted to K22,385.4 billion and was above target by 11.2 percent. This was mainly explained by higher than programmed expenditures on expenses and liabilities categories. As a consequence, the overall budget deficit was K2,992.3 billion and was 8.2 percent above the programmed target of K2,765.4 billion. As a percentage of GDP, the budget deficit at 3.6 percent was 0.5 percentage point above the end year target of 3.1 percent.

## **Domestic Debt**

The domestic debt stock, of which Government securities accounted for 92.6 percent, increased by 23.3 percent to K14,175.0 billion in 2011 from K10,867.3 billion in 2010. The increase in total debt was as a result of budget deficit financing needs, monetary policy purposes and accumulation of arrears. Increased deficit financing was required to cater for the purchase of maize following the 2010/2011 bumper harvest.

## **Monetary and Financial Developments**

Annual overall inflation was 7.2 percent at end December 2011 compared to 7.9 percent at end December 2010, and was broadly in line with the 7.0 percent end-year target. Consistent with the decline in inflation, there was a reduction in commercial banks' lending rates. The Weighted Average Lending Base Rate (WALBR) and the Average Lending Rate (ALR) decreased to 16.6 percent and 23.6 percent as at end-December 2011 from 19.6 percent and 26.6 percent at end-December 2010, respectively.

In the foreign exchange market, the Kwacha depreciated against major currencies in 2011 compared to an appreciation in 2010. This was largely on account of uncertainties associated with the presidential and parliamentary elections and the negative sentiment towards emerging market assets emanating from the Euro zone debt crisis.

## Social Sectors

The performance of the education sector was favourable with net enrolments increasing at both primary and secondary school level. In addition, the sector continued expanding on account of an expansion in basic and high school infrastructure coupled with the increase in the number of training institutions. In 2011 there were a total of 8,729 schools that offered primary school education, while 3,583 and 644 schools offered junior and senior secondary school education, respectively. This signified an increase of 4.0 percent, 5.1 percent, and negative 4.2 percent compared to 2010. The decline in senior secondary school education was attributed to the fact that some private schools did not renew their registration or were deregistered for not meeting the minimum requirements.

In the health sector, the number of registered incidences of the top ten diseases reduced except for non-pneumonia respiratory infections and trauma related conditions. Deaths attributed to the top ten diseases were 3,674 in 2011, a decline of 30.0 percent from 5,226 in 2010. Although the incidence of malaria declined, the disease continued to be the leading cause of death and illness. With regard to maternal and child health, most maternal health and family planning indicators worsened.



# **Part I**

## **Developments in the Global Economy**





# 1. DEVELOPMENTS IN THE GLOBAL ECONOMY

World economic growth in 2011 slowed down compared to 2010. Real Gross Domestic Product (GDP) grew by 3.9 percent a slowdown of 1.4 percentage points from 5.3 percent growth in 2010. Despite this slowdown in the global economy, growth in the emerging and developing economies remained robust at above 6.0 percent (see Table 1).

Inflation was relatively low in advanced economies in 2011 but much higher in emerging economies and the developing world on account of pressure from rising food prices. With regards to commodity prices, there was a reduction in the price of oil and non-oil commodities. A significantly low growth rate was also recorded in world trade volumes which increased by 5.8 percent in 2011 compared to 12.9 percent in 2010.

**Table 1: World Economic Outturn, 2009-2011**

	2009	2010	2011
<b>World Output</b>	<b>(0.6)</b>	5.3	3.9
<b>Advanced Economies</b>	<b>(3.4)</b>	3.2	1.6
United States	(2.6)	3.0	1.7
Euro Area	(4.1)	1.9	1.4
Germany	(4.7)	3.6	3.1
France	(2.5)	1.4	1.7
Italy	(5.0)	1.8	0.4
Spain	(3.7)	(0.1)	0.7
<b>Japan</b>	<b>(6.3)</b>	<b>4.4</b>	<b>(0.7)</b>
<b>United Kingdom</b>	<b>(4.9)</b>	<b>2.1</b>	<b>0.7</b>
<b>Canada</b>	<b>(2.5)</b>	<b>3.2</b>	<b>2.5</b>
Other Advanced Economies	(1.2)	5.8	3.2
Newly Industrialized Asian Economies	(0.9)	8.5	4.0
<b>Emerging and Developing Economies</b>	<b>2.6</b>	7.5	6.2
Central and Eastern Europe	(3.6)	4.5	5.3
Commonwealth of Independent States	(6.5)	4.8	4.9
Russia	(7.9)	4.3	4.3
Excluding Russia	(3.2)	6.0	6.2
Developing Asia	7.0	9.7	7.8
China	9.2	10.4	9.2
India	5.7	10.6	7.2
ASEAN-5	1.7	7.0	4.5
Latin America and the Caribbean	(1.8)	6.2	4.5
Brazil	(0.6)	7.5	2.7
Mexico	(6.1)	5.5	4.0
Middle East and North Africa	1.8	4.9	3.5
Sub-Saharan Africa	2.8	5.3	5.1
South Africa	(1.7)	2.9	3.1
<b>Memorandum</b>			
<b>European Union</b>	(4.1)	2.0	1.6
<b>World Growth Based on Market Exchange Rates</b>	(2.1)	4.2	2.8
<b>World Trade Volume (goods and services)</b>	<b>(10.7)</b>	12.9	5.8
<b>Imports</b>			
Advanced Economies	(12.4)	11.5	4.3
Emerging and Developing Economies	(8.0)	15.3	8.8
<b>Exports</b>			
Advanced Economies	(11.9)	12.2	5.3
Emerging and Developing Economies	(7.5)	14.7	6.7
<b>Commodity Prices (U.S. dollars)</b>			
Oil <sup>1</sup>	(36.3)	27.9	31.6
Nonfuel (average based on world commodity export weights)	(18.7)	26.3	17.8
<b>Consumer Prices</b>			
Advanced Economies	0.1	1.5	2.7
Emerging and Developing Economies	5.2	6.1	7.1
<b>London Interbank Offered Rate (percent)</b>			
On U.S. Dollar Deposits	1.1	0.5	0.5
On Euro Deposits	1.2	0.8	1.4
On Japanese Yen Deposits	0.7	0.4	0.3

Source: IMF, World Economic Outlook, April 2012

<sup>1</sup> Simple average of prices of UK, Brent, Dubai, and Texas Intermediate crude oil. The average price of oil in US dollars a barrel was US\$110.00 in 2011.

## **1.1. Developments in Advanced Economies**

In advanced economies, output grew by 1.6 percent in 2011 compared to 3.2 percent in 2010, reflecting negative growth in Japan which was attributed to the devastating earthquake and tsunami. In the euro area, growth was relatively stable at 1.4 percent compared to 1.9 percent in 2010. This outturn was driven by positive growth in the larger economies of Germany and France. Lower growth, however, was recorded in the periphery euro zone economies that continued to face significant sovereign solvency risks.

In the United States, following a sluggish first half, growth accelerated in the second half of 2011, resulting in an overall GDP growth of 1.7 percent. As a result, private consumption became more resilient, as a steady recovery in jobs lifted income, improved risk sentiments and robust profits bolstered household stock-market wealth.

Inflation in advanced economies remained moderate although it edged upwards to 2.7 percent in 2011 compared to 1.6 percent in 2010. In the United States, inflation increased to 3.1 percent from 2.7 percent in 2010, while it was 2.7 percent in the euro area from 1.6 percent. Japan continued to be in deflation, although this narrowed to negative 0.3 percent in 2011 from negative 0.7 percent in 2010.

## **1.2. Developments in Emerging and Developing Economies**

Output in emerging and developing economies expanded by 6.2 percent in 2011 compared to 7.5 percent in 2010. This was on account of the slowdown of growth in developing Asia, Latin America and the Caribbean, the Middle East and North Africa, and Sub-Saharan Africa. The outturn in other regions such as the Commonwealth of Independent States and, Central and Eastern Europe was more favourable.

In developing Asia, China recorded growth of 9.2 percent in 2011, compared to 10.4 percent in 2010, as macroeconomic tightening took a stronger than anticipated effect. Growth in India was also lower at 7.2 percent compared to 10.6 percent in 2010. This was on account of domestic factors related to policy tightening.

The Sub-Saharan Africa region recorded solid performance in 2011, expanding by 5.1 percent. This occurred despite adverse supply shocks in eastern and western Africa and the civil unrest in Ivory Coast. In part, the region's insulation from financial spill-overs emanating from the euro area (except for South Africa), aided growth as did the diversification of the region's exports towards other emerging economies facilitated the growth.

Inflation in emerging and developing economies increased to 7.1 percent in 2011 from 6.1 percent in 2010. In terms of regional groups, inflation increased in all, except for Central and Eastern Europe where it remained unchanged at 5.3 percent. In terms of the major countries, inflation increased to 5.4 percent in 2011 from 3.3 percent in 2010 for China, while it declined to 8.6 percent from 12.0 percent in India.

### **1.3. Commodity Price Developments**

Prices for oil and non-oil commodities continued their upward trend in 2011, although this was subdued compared to 2010. International oil prices averaged US\$110.00 per barrel, down from US\$115 per barrel at the close of 2010. A reduction in production by OPEC, and geo-political risks centered round Iran, helped boost prices. Non-oil commodity prices increased by an average of 17.8 percent in 2011 compared to 26.3 percent in 2010. For the country's copper exports, the average realised price of copper increased by 15.1 percent to US\$8,002 in 2011.

### **1.4. The Impact of Global Developments on the Zambian Economy**

The impact of global developments on the Zambian economy was generally positive. The limited integration of the economy with the euro area mitigated negative growth spill-overs. With regard to commodity prices, the rise in non-oil commodity prices, primarily copper, induced an increase in metal export earnings. Conversely, with limited Government intervention, the rise in oil prices had the potential to induce an increase in domestic prices of petroleum products.



# **Part II**

## **Developments in the Domestic Economy**



## 2. REAL SECTOR DEVELOPMENTS

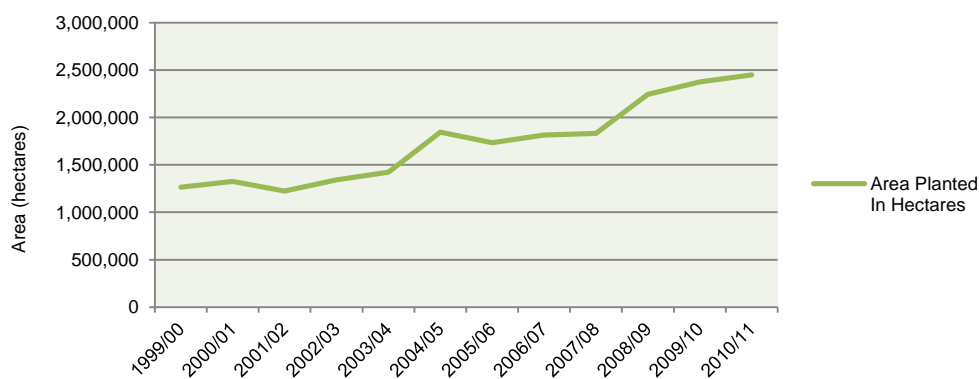
Zambia's economic performance in 2011 was favourable with a real GDP growth estimated to have grown by of 6.6 percent. In constant 1994 prices, real GDP increased to K4,596.2 billion in 2011 from K4,312.6 billion recorded in 2010. Aggregate positive growth of 2.0 percent, 8.2 percent and 7.6 percent was registered in the primary, secondary and tertiary sector categories, respectively<sup>2</sup>. While double digit growth of 13.3 percent was registered in agriculture, the performance of the primary sector category was moderated by lower production in the mining. The secondary sector category was driven by robust growth in construction, electricity and manufacturing sectors, which grew by 7.7 percent, 8.5 percent and 8.2 percent, respectively. Growth in the tertiary sector was on account of double digit growth in transport, storage and communications, and the health sector at 12.5 percent and 13.3 percent, respectively, as well as strong performance in the education sector (see Annex 2, 3, and 4).

### 2.1. Agriculture

#### 2.1.1. Crop Production

Generally, area planted continued to trend upwards. Total area planted for all major crops increased from less than 1.50 million hectares in the 1999/2000 season to 2.4 million hectares in 2009/2010 season and to over 2.5 million hectares in the 2010/2011 season (see Figure 1). However, yield rates continued to fluctuate significantly due to the over reliance on rain-fed agriculture by most small and medium scale agricultural households.

**Figure 1: Total Area Planted for Major Crops, 1999/2000-2010/2011**



Source: Ministry of Agriculture and Livestock

Total maize production in the 2010/2011 season increased by 8.0 percent to 3,020,380 Mt compared to 2,795,483 Mt in 2009/2010 season, the highest recorded in the country's history. This achievement was mainly explained by an increase in the area planted (see Table 2).

Total area planted to maize by small and medium scale agricultural households increased by 10.9 percent to 1,311,530 hectares from 1,182,547 hectares. The increase in area planted by small and

<sup>2</sup> Primary sector consist Agriculture, forestry & fisheries and mining & Quarry, Secondary sector has manufacturing, electricity water and construction and Tertiary includes wholesale and retail trade, restaurants, bars and hotels, transport, storages & communication, financial intermediaries and insurance, Real Estates and Services, Business and community, social and personal services

medium scale farmers was largely driven by favourable maize prices paid by the Food Reserve Agency in the previous season. Area planted to maize by large scale farmers, however, reduced by 26.0 percent to 44,324 hectares from 59,721 hectares in the 2009/2010 season. The decline was on account of a shift by the large scale sector away from maize to other crops in anticipation of challenges in maize marketing as well as anticipated favourable prices for alternative crops such as soya beans.

Large scale farmers achieved an average maize yield of 5.3 Mt per hectare in the 2010/2011 season compared to 5.1 Mt per hectare recorded in the 2009/2010 season. Small and medium scale farmers achieved an average yield rate of 2.1 Mt per hectare in the 2010/2011 season, compared to a yield rate of 2.10 Mt during the 2009/2010 season.

**Table 2: Crop Production for Selected Crops, 2009/2010 vs 2010/2011**

Crop	Area Planted (Ha)			Expected Production (Mt)			Yield (Mt/Ha)		
	2009/2010	2010/2011	% Change	2009/2010	2010/2011	% Change	2009/2010	2010/2011	% Change
Barley	181	1,206	568	1,089	8,878	715	6.03	7.36	22.07
Cotton	85,073	131,857	55	72,482	121,908	68	0.85	0.92	8.52
Cowpeas	6,416	2,089	(67)	2,722	1,376	(49)	0.42	0.66	55.35
Groundnuts	268,803	224,121	(17)	164,602	139,388	(15)	0.61	0.62	1.56
Irish potatoes	1,425	1,806	27	22,940	27,563	20	16.10	15.27	(5.21)
Maize	1,242,268	1,355,764	9	2,795,483	3,020,380	8	2.25	2.23	(1.00)
Maize (for seed)	6,328	13,922	120	37,550	69,166	84	5.93	4.97	(16.28)
Millet	56,789	42,663	(25)	47,997	37,644	(22)	0.85	0.88	4.40
Mixed beans	85,177	71,544	(16)	65,265	47,070	(28)	0.77	0.66	(14.14)
Popcorn	5,597	3,275	(41)	7,846	4,408	(44)	1.40	1.35	(3.97)
Rice	35,841	33,995	(5)	51,656	49,410	(4)	1.44	1.45	0.85
Sorghum	34,251	26,854	(22)	27,732	18,458	(33)	0.81	0.69	(15.11)
Soya-beans	62,331	61,422	(1)	111,888	116,539	4	1.80	1.90	5.70
Sunflower	54,450	40,894	(25)	26,420	21,954	(17)	0.49	0.54	10.64
Sweet potatoes	70,755	45,335	(36)	252,867	146,614	(42)	3.57	3.23	(9.51)
Wheat	27,192	37,637	38	172,256	237,336	38	6.33	6.31	(0.46)

Source: Ministry of Agriculture and Livestock

The country also recorded a significant increase in the production of barley, primarily for the brewing industry. Barley production, which is relatively new in the country increased by 715 percent to 8,878 Mt in the 2010/2011 season from the 1,089 Mt in the 2009/2010 season. The total area planted to barley for the 2010/2011 season increased by 568 percent to 1,206 hectares from 181 hectares during the 2009/2010 season.

Other crops that performed well in terms of production included cotton, wheat and Irish potatoes, with increases of 68.2 percent, 37.8 percent and 20.2 percent, respectively. In contrast, sweet potatoes, sorghum and mixed beans experienced significant declines of 42.0 percent, 33 percent and 27.9 percent, respectively. The declines in production were on account of both reductions in the area planted as well as reductions in respective yield rates.

### 2.1.2. The National Food Balance Sheet

The National Food Balance Sheet for the 2011/2012 marketing season showed that sufficient maize for both human consumption and industrial use was produced. The significant opening stocks of maize amounting to 848,606 Mt and record harvest resulted in a surplus of 1,661,628 Mt. The National Food Balance Sheet also recorded a surplus in wheat production. Despite the significant increase in rice production, the country has continued to experience deficits which were met through commercial imports. The total surplus of maize equivalent amounted to 2,178,585 Mt (see Table 3).



**Table 3: National Food Balance Sheet, 2011/2012**

	Maize	Paddy rice	Wheat	Sorghum & Millet	Sweet and Irish potatoes	Cassava flour	Total (maize equivalent)
<b>Opening Stocks (1st May 2011)</b>	<b>848,606</b>	<b>4,641</b>	<b>71,851</b>	<b>5,203</b>	<b>-</b>	<b>-</b>	<b>928,974</b>
<b>Total production (2010/11)</b>	<b>3,020,380</b>	<b>49,410</b>	<b>237,336</b>	<b>56,102</b>	<b>174,177</b>	<b>1,132,156</b>	<b>4,462,380</b>
<b>Total availability</b>	<b>3,868,986</b>	<b>54,051</b>	<b>309,187</b>	<b>61,305</b>	<b>174,177</b>	<b>1,132,156</b>	<b>5,391,355</b>
Staple food requirements:							
Human consumption	1,396,341	64,164	209,153	58,500	165,468	598,707	2,329,651
Food Reserve Stocks (net)	240,000	-	-	-	-	-	240,000
Industrial requirements:							
Stock feed	175,000	-	-	-	-	-	175,000
Breweries	95,000	-	-	-	-	-	95,000
Grain retained for seed	50,000	-	-	-	-	-	50,000
Losses	151,019	2,471	11,867	2,805	8,709	56,608	223,119
Structural cross-border trade	100,000						100,000
<b>Total requirements</b>	<b>2,207,360</b>	<b>66,634</b>	<b>221,020</b>	<b>61,305</b>	<b>174,177</b>	<b>655,315</b>	<b>3,212,770</b>
Surplus/deficit (A-B)	1,661,626	(12,583)	88,167	-	-	476,842	2,178,585
Commercial imports/exports	(1,661,626)	12,583	(88,167)	-	-	-	-
Food aid import requirements	-	-	-	-	-	-	-

Source: Ministry of Agriculture and Livestock

### 2.1.3. Livestock Performance

The livestock sector continued to grow with the importation of parent stock increasing on account of a rise in the number of livestock farmers. All livestock products at single count registered increases in imports except for beef and dairy products. Similarly, export of livestock products increased (see Table 4).

**Table 4: Imports and Exports of Livestock Products, 2010 -2011**

Type	Unit	Imports			Exports		
		2010	2011	% Change	2010	2011	% Change
Beef	Kilograms	345,279,223	172,876,353	(49.9)	760,040	1,417,094	86.4
Dairy	Kilograms	169,975,742	127,324,250	(25.1)	130,641	2,713,617	1,977.2
Goats	Single Count	330	880	166.7	30,585	50,042	63.6
Pigs	Single Count	201,458	376,187	86.7	77,137	750,000	872.3
Poultry	Single Count	2,337,311	3,257,686	39.4	2,939,556	9,950,023	238.5
Sheep	Single Count	1,150	3,820	232.2	-	600	-
Wildlife	Single Count	36,578	37,860	3.5	746,626	1,915,324	156.5

Source: Ministry of Agriculture and Livestock

In line with an increase in production of livestock products, slaughtering of livestock increased with, the poultry sector showing the highest off take rate (see Table 5).

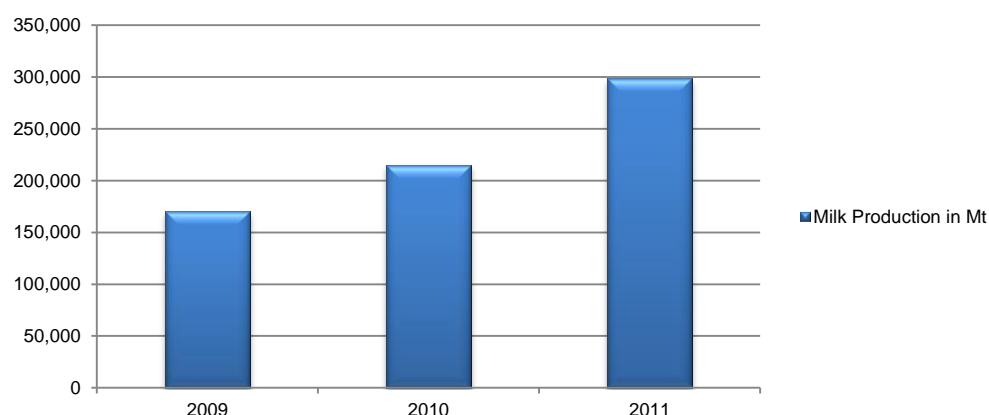
**Table 5: Livestock Estimates and Slaughters, 2010-2011**

Type	Estimates			Slaughters		
	2010	2011	% Change	2010	2011	% Change
Cattle	3,038,000	3,998,478	31.6	103,116	118,583	15.0
Goats	758,501	1,180,100	55.6	44,018	50,621	15.0
Pigs	711,701	1,308,192	83.8	34,900	40,135	15.0
Poultry	63,000,000	75,928,130	20.5	932,151	1,071,974	15.0
Sheep	466,508	566,508	21.4	3,428	3,942	15.0

Source: Ministry of Agriculture and Livestock

Milk production increased by 39.0 percent to 298,000 Mt in 2011 from 215,000 Mt in 2010 (see Figure 2). This was attributed to a steady increase in the number of dairy farmers. In addition, the opening up of milk collection centres as well as the distribution of cattle through the restocking exercise contributed to the increase in milk production.

**Figure 2: Milk Production Estimates, 2009-2011**



Source: Ministry of Agriculture and Livestock

#### **2.1.4. Fisheries Performance**

Aquaculture fish production in Small Water Bodies increased by 2.4 percent to 10,533 Mt in 2011 from 10,291 Mt in 2010.. Participation and expansion by commercial fish farmers (those using land-based ponds, recirculation systems and tanks) also increased. In terms of exports and imports of fish small quantities of Kapenta and clarius species amounting to 155 Mt were exported to Democratic Republic of Congo, Namibia and South Africa, while 16,077 Mt were imported from Zimbabwe, Mozambique, Malawi, Namibia, China Hong Kong, Korea Republic and Thailand; thereby creating a net import position of 15,922 Mt of fish (see Table 6).

**Table 6: Export and Import of Fish Production, 2008-2011**

Year	Exports in Mt			Imports in Mt		
	2009	2010	2011	2009	2010	2011
Exports (MT)	666	394	155	2,784	4,076	16,078
Value (Million ZMK)	4,746	3,091	5,280	26,588	28,450	156,749
Value (USD)	950,148	681,801	1,081,964	5,464,023	6,887,081	32,118,412

Source: Ministry of Agriculture and Livestock

#### **2.2. Mining**

The performance of the metal mining subsector in 2011 continued to be positive despite a slight slowdown in production from some major mining companies. Copper production from major mining companies declined by 5.4 percent to 727,475 Mt from 767,008 Mt produced in 2010 (see Table 7). The reduction was attributed to inadequate supply of electricity and other operational constraints. Production from smaller mines stood at 79,815 Mt resulting in a total national copper production of 807,290 Mt.

Similarly, cobalt and gold production declined by 22.3 percent and 2.3 percent respectively. The decline in cobalt production was attributed to the shutdown of the roast at Mopani Mine to pave way for re-alignment of concentrator expanded copper concentrate production, while the decline in gold production was due to low mineral content. Further, a slowdown in nickel production was recorded due to operational challenges which led to suspension of production in the last quarter of 2011 at Munali Nickel Mine.

**Table 7: Mineral Production from Major Mines, 2009-2011**

	2009	2010	2011	% Change
Cobalt (Mt)	1,462	2,127	1,652	(22.3)
Copper (Mt)	661,179	767,008	727,475	(5.2)
Gold (Kg)	2,889	1,985	1,940	(2.3)
Nickel (Mt)	-	2,818	2,684	(4.8)

Source: Ministry of Mines, Energy and Water Development

Other developments in the mining sector include the completion of the construction and commencement of stockpiling at Mulyashi copper mine by China Nonferrous Mining Corporation (CNMC). The mine is projected to produce up to 60,000 Mt per annum. In addition, Maamba Collieries under new management embarked on processing of the coal stockpile.

## 2.3. Manufacturing

Growth in the manufacturing sector based on the Index of Industrial Production, continued to be buoyant at 7.7 percent compared to 4.1 percent in 2010. The growth was largely driven by the food, beverages and tobacco, chemicals, rubbers, and plastics and fabricated metal products subsectors (see Table 8).

The food, beverages and tobacco subsector continued to perform well on account of favourable performance of the agriculture sector. Additionally, the fabricated metal products and chemicals, rubbers and plastics subsectors benefitted from increased economic activities particularly in the construction industry. Growth for the textile, clothing and leather, and the basic metal industries, however, continued to be negative on account of inadequate investment in both subsectors.

**Table 8: Index of Industrial Production, 2010-2011**

Period	Manufacturing Subsector							
	Food, Beverages & Tobacco	Textile, Clothing & Leather	Wood & Wood Products	Paper & Paper Products	Chemicals, Rubbers & Plastics	Non-metallic Mineral Products	Basic Metal Industries	Fabricated Metal Products
Weight	0.235	0.060	0.006	0.017	0.059	0.025	0.009	0.100
2010 Q1	6.6	(42.2)	13.1	21.2	(0.1)	10.3	(2.1)	14.1
2010 Q2	9.2	(21.9)	13.4	29.8	(0.3)	14.0	(0.2)	14.2
2010 Q3	4.0	(77.2)	9.7	24.4	1.8	11.6	1.8	16.2
2010 Q4	9.4	(91.0)	17.4	15.8	12.4	15.4	(9.3)	8.1
2010	7.4	(56.8)	13.4	22.7	2.8	13.0	(2.0)	12.8
2011 Q1	4.8	(46.6)	5.4	24.1	12.8	18.6	(1.6)	10.2
2011 Q2	9.7	(80.1)	5.4	7.4	0.5	22.8	(1.4)	26.4
2011 Q3	11.2	(0.7)	9.5	24.3	4.5	26.7	(1.3)	19.3
2011 Q4	10.0	(5.6)	4.8	21.1	8.6	47.4	1.5	11.6
2011	9.3	(54.7)	6.1	18.4	7.2	29.9	(0.9)	16.6

Source: Central Statistics Office

## 2.4. Energy

The performance of energy sector in 2011 continued to be favourable. The good performance was attributed to the sustained positive trends in the electricity and petroleum subsectors.

### 2.4.1. Electricity Generation and Consumption

National electricity generation in 2011 increased by 5.6 percent to 11,858,460 Mwh from 11,232,567 Mwh. All the three categories of electricity generation recorded a rise relative to 2010 (see Table 9). The increase in generation was attributed to improved efficiency following the completion of up-rating and rehabilitation of some power plants.

**Table 9: Electricity Generation, 2010-2011**

	2010	2011	% Change
<b>Diesel</b>	14,242	16,618	16.7
Major hydro	11,127,279	11,740,151	5.5
Mini hydro	93,705	101,690	8.4
<b>Total</b>	<b>11,232,567</b>	<b>11,858,460</b>	<b>5.6</b>

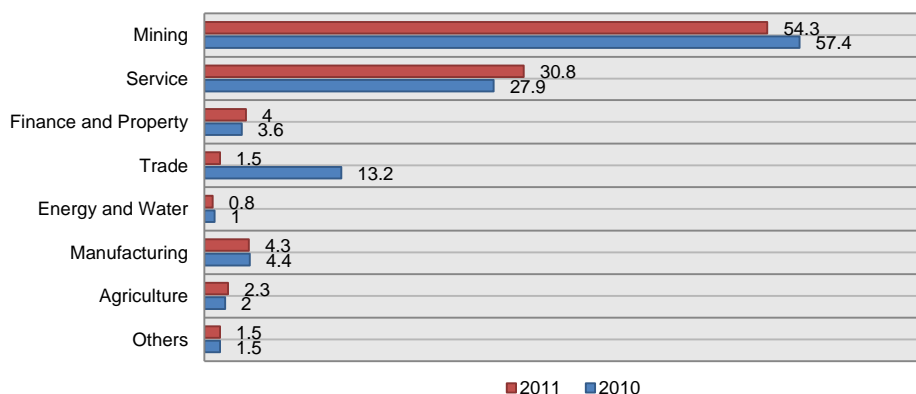
Source: Zesco Limited

Electricity consumption in 2011 increased by 9.0 percent to 9,427.3 Mwh from 8,646.7 Mwh recorded in 2010. As a share of total electricity consumed, the mining sector was the largest at 54.8 percent although lower than the share for 2010. A significant decline in percentage share of electricity consumed was observed in the trade sector at 1.5 percent compared with 13.2 percent in 2010 (see Table 10 and Figure 3).

**Table 10: Electricity Consumption by Sector (Mwh), 2010-2011**

	2010	2011	% Change
Agriculture	176.2	216.3	22.8
Construction	8.5	9.4	10.6
Energy and water	83.7	74.9	(10.5)
Finance and property	309.6	378.9	22.4
Manufacturing	383.8	409.3	6.6
Mining	4,966.9	5,122.8	3.1
Mining (quarries)	14.9	12.9	(13.4)
Others	128.2	138.9	8.3
Services	2,416.6	2,899.4	20.0
Trade	1,138.8	142.2	(87.5)
Transport	19.4	22.1	13.9
<b>Totals</b>	<b>8,646.7</b>	<b>9,427.3</b>	<b>9.0</b>

Source: Zesco Limited

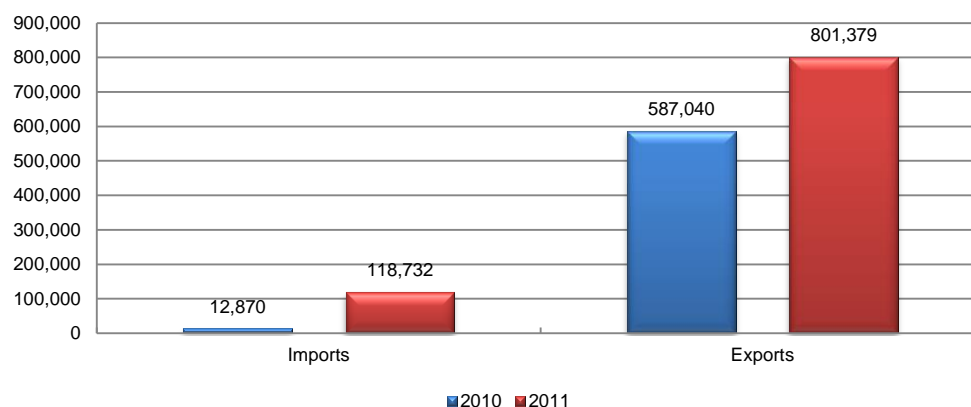
**Figure 3: Percentage Share of Electricity Consumption by Sector, 2010-2011**

Source: Zesco Limited

### 2.4.2. Exports and Imports of Electricity

Exports of electricity in 2011 increased by 38.0 percent to 801,379 Mwh from 578,040 Mwh exported in 2010. Imports increased significantly by over 500.0 percent to 119,732 Mwh from 12,870 Mwh recorded in 2010. The increase in imports was attributed to works undertaken in the last quarter to facilitate the replacement of corroded towers across the Kafue River and repair of leakages at the Kariba North Bank power station.

**Figure 4: Export and Imports of Electricity (Mwh), 2010-2011**



Source: Zesco Limited

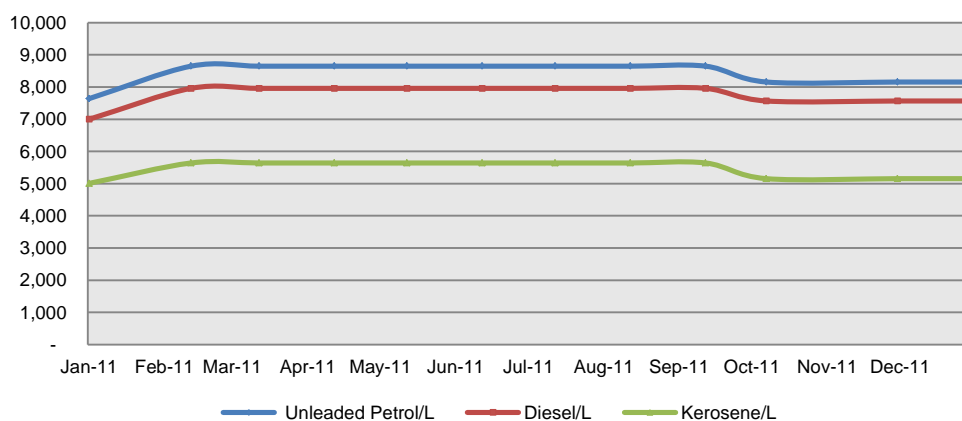
Other developments in the electricity subsector included the rolling out of the prepaid and continued installation of credit meters. By end of November, 2011 Zesco had a total of 462,356 customers out of which 363,661 were metered.

### 2.4.3. Petroleum

Importation of fuel feed stock as at December 2011 was relatively higher at 599,135 Mt compared to 583,384 Mt imported by end December, 2010. Importation of feed stock was mainly influenced by crude oil prices on the international market and the exchange rate. A total of 669,505 litres of crude oil was processed relative to 625,140 litres in 2010.

Domestic pricing of petroleum products remained relatively stable (see Figure 5). Notwithstanding the continued rising international oil prices which averaged US\$110 per barrel, domestic prices were initially adjusted upwards by an average of 13.2 percent in the first quarter of 2011, but were later reduced by 6.0 percent in the last quarter.

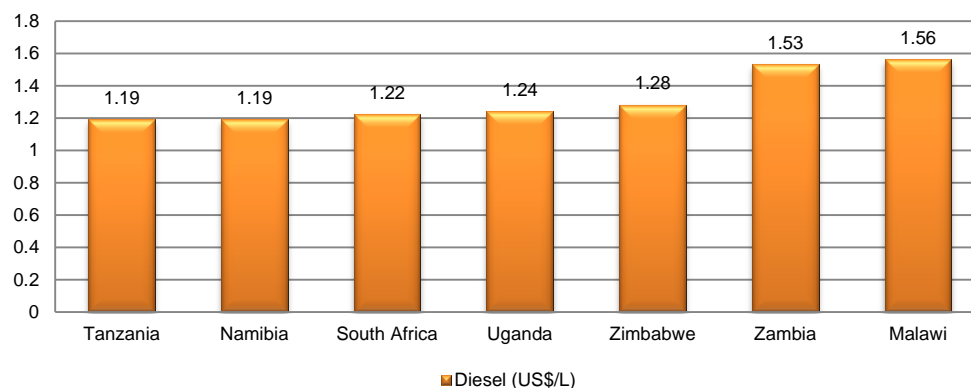
**Figure 5: Petroleum Domestic Price Trends, January 2011- December 2011**



Source: Energy Regulation Board

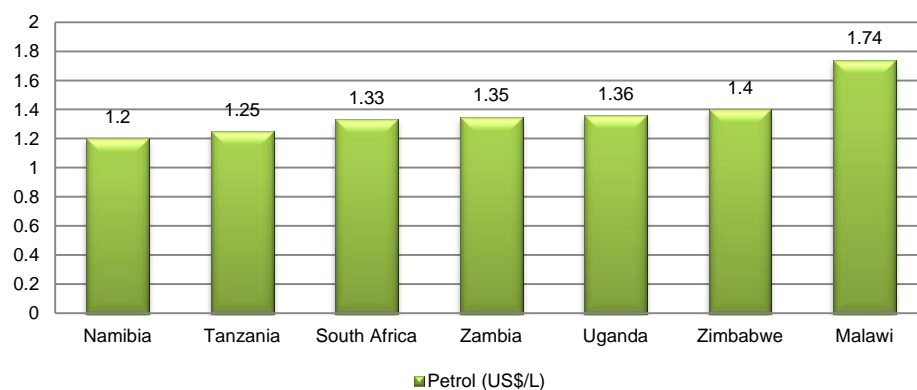
With respect to petroleum prices relative to regional peers, Zambia's prices remained high (see Figure 6, 7 and 8). Diesel, petrol and kerosene prices were above the regional average prices by at 0.21, 0.23 and 0.1 percentage points, respectively.

**Figure 6: Comparison of Regional Prices for Diesel as at 10 Oct 2011 (US\$/L)**



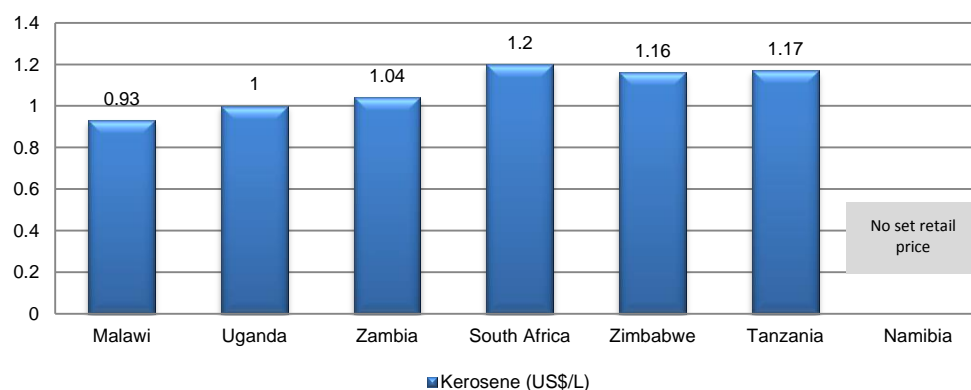
Source: Energy Regulation Board

**Figure 7: Comparison of Regional Prices for Petrol as at 10 Oct 2011 (US\$/L)**



Source: Energy Regulation Board

**Figure 8: Comparison of Regional Prices for Kerosene as at 10 Oct 2011 (US\$/L)**



Source: Energy Regulation Board

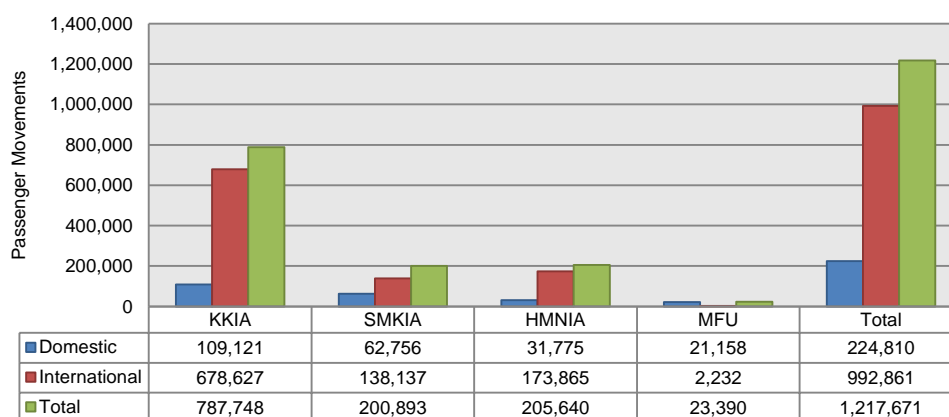
## 2.5. Transport and Communications

The transport and communications sector grew by 12.9 percent in 2011 compared to 14.9 percent in 2010. Growth was largely driven by the communications and roads subsectors, which grew by 16.0 percent and 9.3 percent in 2011 compared to 20.0 percent and 6.3 percent in 2010, respectively.

### 2.5.1. Air Transport

In 2011, passenger movements at the major airports increased by 12.0 percent to 1,217,671 passengers from 1,086,525 in 2010. Domestic and international passenger movements of 224,810 and 992,861, respectively, were recorded in 2011. These represented increases of 11.0 percent of domestic and 17.0 percent of international passenger movements over the previous year (see Figure 9). The good performance was explained by increased flights by operators.

**Figure 9: Passenger Movements at Major Airports, 2011**



Source: National Airports Corporation

Note: KK is Kenneth Kaunda, SM is Simon Kapwepwe, HM is Harry Mwaanga Nkumbula and MFU is Mfuwe international airports

Aircraft movements increased by 17.0 percent to 66,938 from 57,083 in 2010. This was attributed to increased frequencies by various operators and a rise in passenger demand. In terms of cargo transported, there was a 62.1 percent decline to 105,748 Mt of inbound and outbound cargo handled from 279,028 in 2010. The outturn was partly due to high freight costs.

### 2.5.2. Road Transport

In 2011, motor vehicles registered increased by 13.2 percent to 381,948 compared to 337,513 in 2010. Out of this, the light passenger vehicles were the highest registered at 236,830 (see Table 11).

**Table 11: Population of Motor Vehicles and Trailers, 2009-2011**

Motor Vehicle and Trailer Category	2009	2010	2011	% Change
Agriculture Tractors	1,291	1,620	1,768	9.1
Agriculture Trailers	184	169	245	45.0
Heavy Load Vehicle (GVM=or more than 3500 kg)	38,590	42,526	44,765	5.3
Heavy Passenger Vehicle	6,207	6,514	6,897	5.9
Light Load Vehicle (GVM 3500 kg or Less)	62,953	66,287	72,899	10.0
Light Passenger Vehicle	184,713	204,465	236,830	15.8
Motor Tricycle	92	135	245	81.5
Motorcycle (less than 3 wheels)	7,866	9,450	11,345	20.1
Trailers	5,345	6,345	6,954	9.6
<b>Total</b>	<b>307,241</b>	<b>337,513</b>	<b>381,948</b>	<b>13.2</b>

Source: National Airports Corporation

### 2.5.3. Railway Transport

In 2011, a total of 963,856 passengers were transported by rail representing an increase of 1.7 percent from the 2010 position. Cargo transported by rail amounted to 1.4 million Mt, representing a 4.5 percent increase over the 2010 outturn (see Table 12). The positive performance was explained by increased transportation of imported goods by rail and a rise in export haulage.

**Table 12: Passenger and Cargo Transported by Rail, 2009-2011**

Company	No. of Passengers				Cargo (Mt)			
	2009	2010	2011	% Change	2009	2010	2011	% Change
RSZ	223,347	190,200	177,097	(7.0)	690,685	752,953	829,900	10.3
TAZARA	794,983	757,987	786,759	3.7	459,009	552,505	533,964	(3.3)
<b>Total</b>	<b>1,018,330</b>	<b>948,187</b>	<b>963,856</b>	<b>1.7</b>	<b>1,149,694</b>	<b>1,305,458</b>	<b>1,363,864</b>	<b>4.5</b>

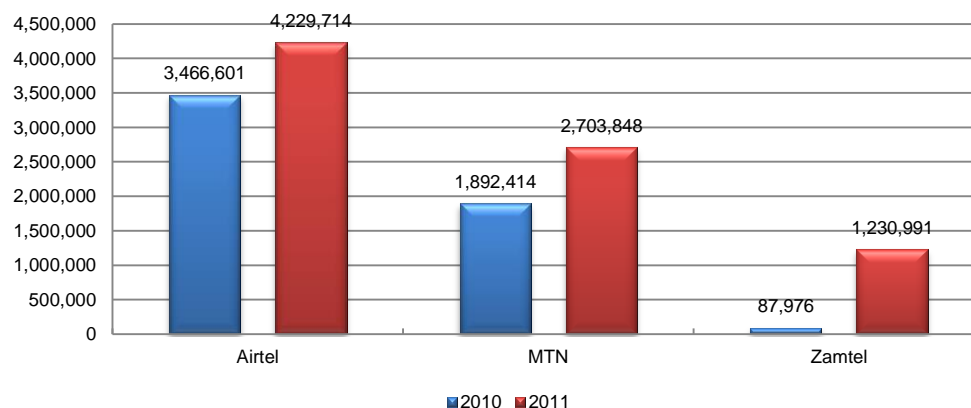
Source: Ministry of Transport, Works, Supply and Communication

Notwithstanding the above performance, the sector continued facing challenges of lack of recapitalization, old railway infrastructure resulting in slowing traffic, and outdated signalling and communication systems.

### 2.5.4. Mobile Network

The mobile network performance was impressive in 2011. The number of users grew by 47.0 percent in 2011 compared to 24.0 percent in 2010. The mobile subscriber base increased to 8.2 million in 2011 from 5.6 million in 2010. The growth in subscribers was registered by all operators with Zamtel increasing its subscriber base by over 1,000 percent (see Figure 10). The good performance in mobile networks resulted in an improvement in the mobile penetration rate to 62.6 percent in 2011 from 40.1 percent in 2010.

**Figure 10: Mobile Subscribers, 2010-2011**



Source: Ministry of Transport, Works, Supply and Communication

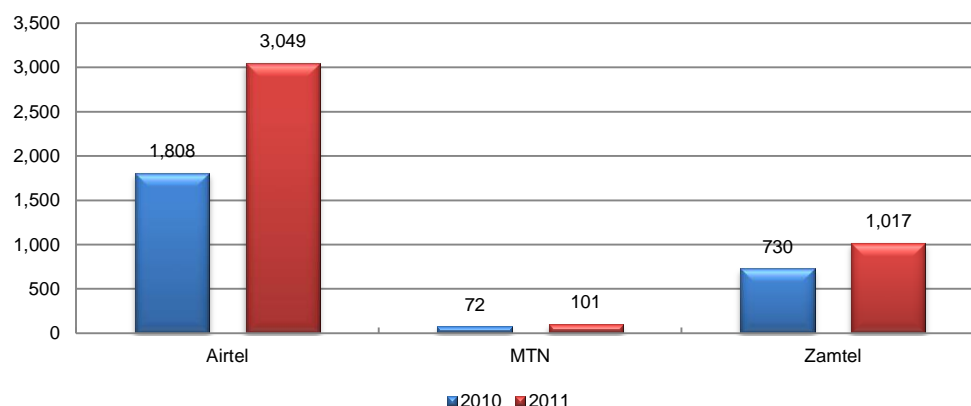
In terms of calling minutes, total outbound traffic increased by 59.6 percent to 4,166.2 million in 2011 from 2,611.0 million in 2010 (see Figure 11). With regards to Short Message Service (SMS), there was an increase of 83.0 percent to 1,120.3 million text messages from 612.0 million in 2010.

The good performance in the mobile network segment was largely attributed to the improved legislative environment including the issuance of Statutory Instrument No. 23, the Customs and Excise (Remission) (Electronic Communications) Regulations of 2011, and the waiving of customs



duty on the roll out of towers and associated mobile communications equipment. The legislative measures were undertaken to promote the expansion of ICT infrastructure and services to cover unserved, peri-urban and rural areas.

**Figure 11: Outgoing Traffic, 2010-2011 (Minutes in Millions)**



Source: Zambia Information Communication Technology Authority

With regard to the Fixed Line Network, there was a reduction of 27.6 percent to 85,727 subscribers in 2011 from 118,388 subscribers in 2010. The reduction in the number of subscribers, notwithstanding, the fixed line services recorded 8.2 million outgoing minutes in 2011. This was on account of improved credit control of existing postpaid fixed line subscribers.

### 2.5.5. Internet Service

The non-mobile operator traditional internet service provision market performed well in 2011. The subscriber base increased by 50.8 percent to 20,875 in 2011, from 10,267 in 2010. Further, the number of operational licensed internet providers increased to 14 in 2011 from 11 in 2010.

Internet penetration was boosted by increased provision of wireless Internet services by mobile operators. With the provision of internet through mobile phones, the number of users accessing internet increased to over one million. With regards to the use of dongos, there were a total of 28,992 subscribers. This was 38.9 percent above the subscriber base of traditional internet providers.

According to the 2011 Internet World Statistics, Zambia's internet penetration rate was 5.9 percent. As a proportion of mobile internet users in Africa, Zambia's internet users represented 0.7 percent (see Table 13).

**Table 13: Internet Mobile Penetration in Africa**

Africa	Population (2011 Est.)	Internet Users 30-June-11	Penetration (% Population)	Users (% Africa)
Algeria	34,994,937	4,700,000	13.40	4.00
Angola	13,338,541	607,400	4.60	0.50
Botswana	2,065,398	121,600	5.90	0.10
Congo, Dem. Rep.	71,712,867	696,520	1.00	0.60
Cote d'Ivoire	21,504,162	968,000	4.50	0.80
Ghana	24,791,073	1,297,000	5.20	1.10
Kenya	41,070,934	3,995,500	9.70	3.40
Lesotho	1,924,886	76,800	4.00	0.10
Liberia	3,786,764	20,000	0.50	0.00
Libya	6,597,960	353,900	5.40	0.30
Malawi	15,879,252	716,400	4.50	0.60

Africa	Population	Internet Users	Penetration	Users
Mali	14,159,904	250,000	1.80	0.20
Mauritius	1,303,717	290,000	22.20	0.20
Mozambique	22,948,858	613,600	2.70	0.50
Namibia	2,147,585	127,500	5.90	0.10
Niger	16,468,886	115,900	0.70	0.10
Nigeria	155,215,573	43,982,200	28.30	37.00
Rwanda	11,370,425	450,000	4.00	0.40
Sao Tome & Principe	179,506	26,700	14.90	0.00
Senegal	12,643,799	923,000	7.30	0.80
Seychelles	89,188	33,900	38.00	0.00
South Africa	49,004,031	6,800,000	13.90	5.70
Swaziland	1,370,424	90,000	6.60	0.10
Tanzania	42,746,620	676,000	1.60	0.60
Uganda	34,612,250	3,200,000	9.20	2.70
Zambia	13,881,336	816,700	5.90	0.70
Zimbabwe	12,084,304	1,422,000	11.80	1.20
<b>Total Africa</b>	<b>1,037,524,058</b>	<b>118,848,060</b>	<b>11.50</b>	<b>100.00</b>

Source: Internet World Statistics (IWS) May 2012

## 2.6. Tourism

Performance in the tourism sector was satisfactory in 2011. The outturn was on account of an increase in tourist arrivals due to improved tourism marketing and recovery in the global economy coupled with investments and infrastructure developments in the sector.

### 2.6.1. Tourist Arrivals

International Tourist arrivals in 2011 at the four major international airports<sup>3</sup> increased by 10.9 percent to 992,861 from 894,796 recorded in 2010. Mfuwe and Harry Mwaanga Nkumbula<sup>4</sup> recorded an increase of 19.4 percent and 4.8 percent, respectively. The tourists were mainly from Africa, Europe, North and South America and Asia. Domestic tourist arrivals at Mfuwe and Harry Mwaanga Nkumbula increased by 7.4 percent and 4.65 percent, respectively.

Tourist visits to major national parks<sup>5</sup> increased by 36.8 percent to 79,866 from 58,383 in 2010 (see Table 14). Among the four national parks, the highest number of visitors was recorded at South Luangwa National Park, with 33,712. Out of the total of 79,866 visitors to the national parks, 23,177 were Zambians.

**Table 14: International Tourist Arrivals at Major National Parks, 2009-2011**

National Park	2009	2010	2011	% Change
Kafue	3,099	4,519	7,352	62.7
Lower Zambezi	5,507	6,762	9,252	36.8
Mosi-o-Tunya	9,254	18,019	29,526	63.9
South Luangwa	21,891	28,186	33,712	19.6
<b>Total</b>	<b>39,751</b>	<b>58,383</b>	<b>79,842</b>	<b>36.8</b>

Source: Zambia Wildlife Authority

### 2.6.2. Revenue Generation

Revenue collection relating to consumptive and non-consumptive tourism from national parks increased by 24.7 percent to K41.5 billion in 2011 from K33.3 billion in 2010. As a share of total revenues, non-consumptive revenues which are mainly fees charged in the game parks accounted for 58.8 percent while consumptive revenues (mainly licenses and other fees) were 41.2 percent. The increase in revenue was explained by improved monitoring, especially of hunting activities.

<sup>3</sup> Arrival at major international airports (Kenneth Kaunda, Harry Mwaanga Nkumbula, Simon Kapwepwe and Mfuwe) have been used as proxy for tourist arrivals

<sup>4</sup> Considered as major tourist destinations

<sup>5</sup> The figures relate to visits to South Luangwa, Mosi-o-tunya, Lower Zambezi, Kafue Blue Lagoon and West Lunga National Parks

### 3. SOCIAL SECTORS

#### 3.1. Education and Skills Development

In 2011, the performance of the education sector was favourable with net enrolments increasing at both primary and secondary school level. The sector continued expanding on account of expansion in basic and high school infrastructure coupled with the increase in the number of training institutions.

##### 3.1.1. General Education

In 2011, a total of 8,729 schools offered primary school education (Grades 1-7) signifying an increase of 4.0 percent compared to 8,392 reported in 2010. In addition, a total of 3,583 schools offered junior secondary education in 2011 compared to 3,409 in 2010. With regard to senior secondary school education (Grades 10-12) the number of schools declined by 4.2 percent to 644 from 672 in 2010 (see Table 15). This decline was attributed to private schools that did not either renew their registration or were deregistered for not meeting the minimum requirements.

**Table 15: Number of Schools, 2010-2011**

Level of Education	2010	2011	% Change
Primary	8,392	8,729	4.0
Junior Secondary	3,409	3,583	5.1
Senior Secondary	672	644	(4.2)
<b>Total</b>	<b>12,473</b>	<b>12,656</b>	<b>1.5</b>

Source: Ministry of Education, Science, Vocational Training and Early Education

##### *Enrolments*

The number of pupils enrolled in primary school increased by 3.4 percent to 3,045,277 from 2,943,975 in 2010 (see Table 16). The Net Enrolment Rate (NER) which represents the percent of eligible population enrolled was at 93.7 percent for primary school education.

Enrolments at junior secondary school level (Grade 8-9) increased by 13.9 percent to 465,011 from 408,390 learners in 2010, and represented a NER of 18.0 percent. Enrolments at senior secondary school level (Grades 10-12) increased by 7.2 percent to 283,931 learners from 264,795 in 2010, and had an NER of 29.0 percent.

**Table 16: Enrolments for Primary, Junior and Secondary education, 2010-2011**

Level of Education	2010	2011	% Change
Primary	2,943,975	3,045,277	3.4
Junior Secondary	408,390	465,011	13.9
Senior Secondary	264,795	283,931	7.2
<b>Total</b>	<b>3,617,160</b>	<b>3,794,219</b>	<b>5.0</b>

Source: Ministry of Education, Science, Vocational Training and Early Education

##### *Gender Parity*

The Gender Parity Index (GPI) at primary school level stood at 1.003 indicating that for every 1,000 boys enrolled at primary school level in 2011, there were 1003 girls enrolled. This implies that the country has attained gender equality at this level. Similarly, GPI at junior secondary level increased to 0.89 from 0.88 in 2010. At senior secondary level, GPI dropped to 0.81 from 0.87 in 2010 due to more males than females progressing to senior secondary school level (see Table 17).

**Table 17: Enrolments and Gender Parity, 2009-2011**

	Primary School			Junior Secondary School			Senior Secondary School		
Gender	2009	2010	2011	2009	2010	2011	2009	2010	2011
Female	1,384,748	1,432,983	1,519,609	178,121	191,694	219,673	112,890	123,180	127,422
Male	1,476,453	1,488,634	1,525,668	202,449	216,696	245,338	130,129	141,615	156,509
<b>Total</b>	<b>2,861,201</b>	<b>2,943,975</b>	<b>3,045,277</b>	<b>380,570</b>	<b>408,390</b>	<b>465,011</b>	<b>243,019</b>	<b>264,795</b>	<b>283,931</b>
GPI	0.94	0.96	1.00	0.87	0.88	0.89	0.86	0.87	0.81

Source: Ministry of Education, Science, Vocational Training and Early Education

### Completion Rates

The completion rate for primary school level increased to 95.0 percent from 91.0 percent in 2010. The increase was attributed to the free basic education policy, continuing government efforts to raising awareness of the importance of education and the expansion of post primary school education facilities. Similarly, the completion rate for junior secondary school level increased marginally to 53.0 percent from 52.7 percent in 2010.

The completion rate at senior secondary school level increased to 32.0 percent from 22.0 percent in 2010. However, these rates continued to be unsatisfactory and were largely explained by high dropout rates caused by early marriages, pregnancies, children being orphaned and financial constraints (see Table 18).

**Table 18: Completion Rates, 2009-2011**

Education Level	2009	2010	2011
Primary	90.0	91.0	95.0
Junior Secondary	49.0	52.7	53.0
Senior Secondary	19.8	22.0	32.0

Source: Ministry of Education, Science, Vocational Training and Early Education

### Pupil-Teacher Ratio

Despite an increase in the teacher population by 3.0 percent to 79,734, Pupil-Teacher Ratios (PTRs) showed mixed results in 2011. The PTRs for Grades 1-4 worsened to 64 pupils per teacher in 2011 from 57 in 2010. Similarly, PTRs at junior secondary level, worsened to 37 pupil per teacher from 28 in 2010. The worsening at both Grades 1-4 and junior secondary was as a result of growth in enrolments outstripping the rate of recruitment and deployment of new teachers. PTRs, however, for Grades 5-7 and Grade 10-12 improved in 2011 (see Table 19).

**Table 19: Pupil-Teacher Ratio, 2009-2011**

Education Level	2009	2010	2011
	Actual	Actual	Actual
Grade 1-4	67.3	57	64
Grade 5-7	32.4	52	37
Grade 8-9	33.9	28	37
Grade 10-12	24.9	25	22

Source: Ministry of Education, Science, Vocational Training and Early Education

### Bursary Support

The number of Grades 1 to 9 pupils that received bursary support increased marginally to 106,298 from 101,106 in 2010, while support for high school learners increased to 20,932 from 18,367 in 2010. This upturn was due to an increased budgetary allocation to the bursary programme.

### 3.1.2. Technical Education, Vocational and Entrepreneurship Training

In 2011, there were 308 registered TEVET institutions compared to 304 in 2010. Private institutions continued to constitute the largest share while those under trust ownership were lowest (see Table 20).

**Table 20: Number of Registered Training Institutions by Ownership, 2008-2011**

	Number of Registered Training Institutions		
	2009	2010	2011
Church	60	61	66
Community/NGO	29	27	25
In-Company	10	58	80
Private	112	124	107
Public/Government	58	58	80
Trust	16	16	16
<b>Total</b>	<b>285</b>	<b>304</b>	<b>308</b>

Source: TEVETA

In line with the increased number of institutions, student enrolment increased by 5.6 percent to 32,911 from 31,173 in 2010. The business studies programme constituted the largest share of enrolments (see Table 21).

**Table 21: Student Enrolment in TEVET by Programme and Gender, 2009-2011**

Programme	2009		2010		2011	
	Male	Female	Male	Female	Male	Female
Advanced Certificate/Technician Programmes	4,000	567	354	55	414	80
Aviation	95	7	110	10	135	12
Business Studies	6,300	5,918	6,930	6,509	7,338	6,990
Craft Programmes	6,702	900	6,903	950	7,148	992
Diploma/Technologist Programmes	460	17	483	18	490	20
Hotel and Tourism	1,120	2,542	1,176	2,669	1,234	2,802
Media and Applied Arts	1,010	1,990	1,061	2,089	1,113	2,194
Paramedical	160	180	168	189	176	199
Secretarial Studies	3	1,428	0	1,499	0	1,574
<b>Total</b>	<b>19,850</b>	<b>13,549</b>	<b>17,185</b>	<b>13,988</b>	<b>18,048</b>	<b>14,683</b>
Percentage	59	41	55	45	55	45

Source: TEVETA

### 3.1.3. Tertiary Education

#### Teacher Education

During the period under review, there were twenty five (25) colleges of education out of which 16 were public and 9 were private with a total of 11,984 students enrolled. Nkrumah had the highest number of students enrolled, followed by Malcom Moffat, while the Theological College for Central Africa had the least number of students (see Table 22).

**Table 22: College of Education Student Enrolments, 2011**

College	Basic Education			Secondary Education			Special Education			Total All Students		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Charles Lwanga	98	101	199	-	-	-	-	-	-	98	101	199
Chipata	301	223	524	-	-	-	1	2	3	302	225	527
COSETCO	-	-	0	195	155	350	-	-	-	195	155	350
David Livingstone	-	-	-	298	248	546	-	-	-	298	248	546
Foundation for Cross-Cultural	10	8	18	-	-	-	-	-	-	10	8	18
George Benson Christian	-	-	0	150	104	254	-	-	-	150	104	254
Jubeva	44	58	102	-	-	-	-	-	-	44	58	102
Kasama	307	156	463	-	-	-	-	-	-	307	156	463
Kitwe	287	289	576	-	-	-	-	-	-	287	289	576
Lyambai	7	9	16	-	-	-	-	-	-	7	9	16
Malcom Moffat	424	514	938	-	-	-	-	-	-	424	514	938
Mansa	217	208	425	-	-	-	-	-	-	217	208	425
Mongu	151	132	283	-	-	-	-	-	-	151	132	283

College	Basic Education			Secondary Education			Special Education			Total All Students		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Monze College of Education	93	130	223	-	-	-	-	-	-	93	130	223
Mosi-O-Tunya	3	9	12	-	-	-	-	-	-	3	9	12
Mufulira	344	326	670	-	-	-	-	-	-	344	326	670
Musi-O-Tunya College	6	3	9	298	248	546	-	-	-	304	251	555
NISTICOL	-	-	0	58	36	94	-	-	-	58	36	94
Nkrumah	-	-	0	2,545	2,398	4,943	-	-	-	2,545	2,398	4,943
Northern College	32	27	59	-	-	-	-	-	-	32	27	59
Solwezi	163	144	307	-	-	-	-	-	-	163	144	307
The African Institute of Sathaya Sai Education	-	-	-	-	-	-	12	7	19	12	7	19
Theological College of Central Africa	-	-	-	4	6	10	-	-	-	4	6	10
Zambia College of Distance Education	49	25	74	144	67	211	-	-	-	193	92	285
ZAMISE	43	67	110	-	-	-	-	-	-	43	67	110
<b>Total</b>	<b>2,579</b>	<b>2,429</b>	<b>5,008</b>	<b>3,692</b>	<b>3,262</b>	<b>6,954</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>6,284</b>	<b>5,700</b>	<b>11,984</b>

Source: Ministry of Education, Science, Vocational Training and Early Education

### University Education

The total number of registered universities increased to 19 from 17 in 2010, out of which 3 were public universities. The student enrolments in public universities increased by 9.8 percent to 19,235 from 17,526 in 2010. In terms of gender disaggregation, 34.0 percent of the total enrolments were female (see Table 23).

**Table 23: Public Universities Enrolments by Gender, 2009-2011**

University	2009			2010			2011		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Copperbelt University	1,079	4,934	6,013	1,437	4,430	5,867	1,523	6,260	7,783
Mulungushi University	116	384	500	116	384	500	515	519	1,034
University of Zambia	4,271	6,243	10,514	4,917	6,242	11,159	4,588	5,828	10,418
<b>Total</b>	<b>5,466</b>	<b>11,561</b>	<b>17,027</b>	<b>6,470</b>	<b>11,056</b>	<b>17,526</b>	<b>6,626</b>	<b>12,607</b>	<b>19,235</b>

Source: Ministry of Education, Science, Vocational Training and Early Education

## 3.2. Health

Both incidence rates and deaths attributable to the top ten diseases reduced in 2011<sup>6</sup> except for respiratory infection (non-pneumonia) and trauma related conditions. Total deaths attributed to the top ten diseases were 3,674, a decline of 30.0 percent from 5,226 in 2010. Malaria continued to be the leading cause of death and illness. With regard to maternal and family health, most maternal health and family planning indicators worsened.

### 3.2.1. Disease Burden

#### Malaria

Although the incidence of malaria declined from 107.5 per 1,000 population in 2010 to 99.8 per 1,000 population in 2011, the disease remained the leading cause of morbidity and mortality. The disease accounted for 2,254 inpatient deaths in 2011 compared to 3,444 deaths in 2010 (see Table 30). Furthermore, total diagnosis attributable to malaria reduced from 1,402,318 cases in 2010 to 1,302,014 cases in 2011. This outturn was largely attributed to increased advocacy, improved preventive methods at community and district levels, distribution of Insecticide Treated Nets (ITNs) and improved diagnosis and case management.

<sup>6</sup> Data on incidence rates is analyzed based on the first half of the year

## Respiratory Infections

Respiratory infections (both pneumonia and non-pneumonia) were the second leading cause of death and illness, causing 1,034 inpatient deaths in 2011. Pneumonia caused 696 deaths while the remaining 338 was due to non-pneumonia infections. In terms of incidence rate, non-pneumonia infections were at 73.09 per 1,000 population while pneumonia infections were at 8.4 per 1,000 population. This was a reduction from 76.9 for non-pneumonia and 8.7 per 1,000 population for pneumonia in 2010 (see Table 24).

**Table 24: Top Ten Diseases Based on 2nd Quarter Data, 2010-2011**

Diagnosis	2010			2011		
	Incidence	Total Diagnosis	Total Deaths	Incidence	Total Diagnosis	Total Deaths
Dental Carries	5.4	70,599	0	5.06	66,003	1
Diarrhoea Non-Bloody	19.3	252,254	476	17.33	226,109	128
Digestive System Non-Infectious	7.9	103,158	305	7.96	103,872	116
Eye Diseases Infectious	7.3	95,715	23	6.42	83,776	2
Malaria	107.5	1,402,318	3,444	99.80	1,302,014	2,254
Muscular Skeletal and Connective Tissue Non Trauma	11.6	151,449	33	12.34	161,040	30
Respiratory Infection Non-Pneumonia	76.9	1,002,898	146	73.09	953,524	338
Respiratory Infection Pneumonia	8.7	113,545	737	8.44	110,056	696
Skin Diseases Non-Infectious	5.1	66,711	0	4.81	62,760	0
Trauma Other Injuries wounds	8.7	113,314	62	9.01	117,570	109
<b>Total</b>	<b>258.4</b>	<b>3,371,961</b>	<b>5,226</b>	<b>244.3</b>	<b>3,186,724</b>	<b>3,674</b>

Source: Ministry of Health

## HIV/AIDS

The number of patients on Anti-Retroviral Therapy (ART) increased by 11.0 percent from 309,072 in 2010 to 344,407 in 2011<sup>7</sup>, as at second quarter. The Prevention of Mother to Child Transmission (PMTCT) programme has greatly contributed towards the reduction in the prevalence of HIV among newly born infants and children in Zambia.

### 3.2.2. Maternal and Child Health

According to the latest available Zambia Demographic Health Survey (ZDHS)<sup>8</sup>, the maternal mortality rate (MMR) was 591 per 100,000 births. Although there have been recorded reductions in the MMR rate in Zambia, it still remains very high when compared to other countries. The challenges include acute shortages of skilled staff, few health facilities especially in rural areas, weak referral and communication systems, and high malaria and anaemia cases.

Maternal and child health indicators deteriorated in 2011 compared to 2010. While antenatal care visits remained unchanged at an average of 2.6 visits per pregnancy, antenatal coverage in 2011 was 72.0 percent, a reduction from 85.0 percent in 2010. The percentage of institutional deliveries also declined to 37 percent from 44 percent in 2010 (see Table 25).

In terms of other maternal health and family planning indicators, the percentage of fully immunized children reduced to 80.0 percent from 94.0 percent in 2010, while supervised deliveries reduced to 46.0 percent from 57.0 percent in 2010. Further, the number of births attended to by trained traditional birth attendants reduced to 9.0 percent in 2011 from 13.0 percent in 2010.

<sup>7</sup> As at second quarter

<sup>8</sup> Latest ZDHS survey was conducted in 2007 and is updated every 4 years.



**Table 25: Maternal and Child Health Indicators, 2010-2011**

Indicator	2010 (%)	2011* (%)
Average Antenatal Visits	2.6	2.6
First Antenatal Coverage	85	72
First Postnatal Attendance	72	63
Fully Immunised Children	94	80
Institutional deliveries	44	37
Supervised Deliveries	57	46
Trained traditional birth attendants (TBAs)	13	9

Source: Ministry of Health

\*Preliminary

### 3.2.3. Drugs and Medical Supplies

The availability of essential drugs for health centres increased to 80.0 percent in 2011 from 69.0 percent in 2010. For referral hospitals, essential drugs availability remained unchanged at 79.0 percent. In addition, a total of 22,000 Rural Health Centre (RHC) kits were procured compared to 20,700 kits in 2010.

### 3.2.4. Nutrition

According to the latest Demographic Health Survey, under-nutrition, under-weight and wasting levels were at 47.0 percent, 20.1 percent and 5.0 percent, respectively. In addition, Vitamin A deficiency prevalence rates stood at 65.7 percent for children and 21.5 percent among women, while 50.0 percent of the women attending antenatal were anaemic.

### 3.2.5. Human Resources

In 2011, Government recruited a total of 1,700 frontline medical personnel. Despite the recruitment, the human resource situation remained below the recommended levels with a shortfall of 24,124 health workers against the approved establishment of 56,621 (see Table 26). The shortfall was more pronounced for clinical officers, nurses, doctors, midwives and biomedical sciences.

**Table 26: Trends in Human Resource Situation**

Category	Approved Establishment Dec 2011	Head Count Dec 2011	Gap (Approved vs. Head Count)
Administrative	13,846	13,602	244
Biomedical Sciences	1,960	713	1,247
Clinical officers	4,600	1,509	3,091
Dentistry	833	278	555
Doctors	2,891	1,076	1,815
Environmental Health	1,840	1,367	473
Midwives	5,900	2,753	3,147
Nurses	16,732	7,996	8,736
Nutrition	309	170	139
Pharmacy	997	777	220
Physiotherapy	400	297	103
Radiography	448	276	172
Other Health workers	5,865	1,683	4,182
<b>Total</b>	<b>56,621</b>	<b>32,497</b>	<b>24,124</b>

Source: Ministry of Health

An analysis of the number of public sector doctors, medical licentiates, clinical officers, nurses, and midwives (clinical HWs) against a population of 1,000 people in 2011 was 1.16 per 1,000 population compared to the World Health Organisation (WHO) recommended 2.5 per 1,000 population. This was a deterioration from 1.3 per 1000 population in 2010. The worst hit were dentistry, biomedical science, pharmacy and doctors categories (see Table 27).



**Table 27: Zambia Clinical Workers Per 1,000 Population**

		2011
	CHW,s1	Per 1,000 population
Biomedical Science	713	0.05
Clinical Officer	1,509	0.12
Dentistry	278	0.02
Doctor	1,076	0.08
Midwives	2,753	0.21
Nurses	7,996	0.61
Pharmacy	777	0.06
<b>Total</b>	<b>11,708</b>	<b>1.16</b>

Source: Ministry of Health  
Population 2 = 13,046,504

### 3.2.6. Infrastructure Development

A notable achievement in 2011 was the completion of Lusaka General Hospital whose construction commenced in 2009. The hospital is expected to provide second level referral services to Lusaka Province. Government in addition continued with its programme of improving health infrastructure across the various levels of care. The programme mainly focused on improvement of first level referral facilities through construction of District Hospitals; improvement of staff accommodation through the construction of houses at all levels of care; and improvement on the condition of existing facilities through rehabilitation. Further, programmes to increase access to health services and extension services were enhanced through the construction of health posts and upgrading of health centres.



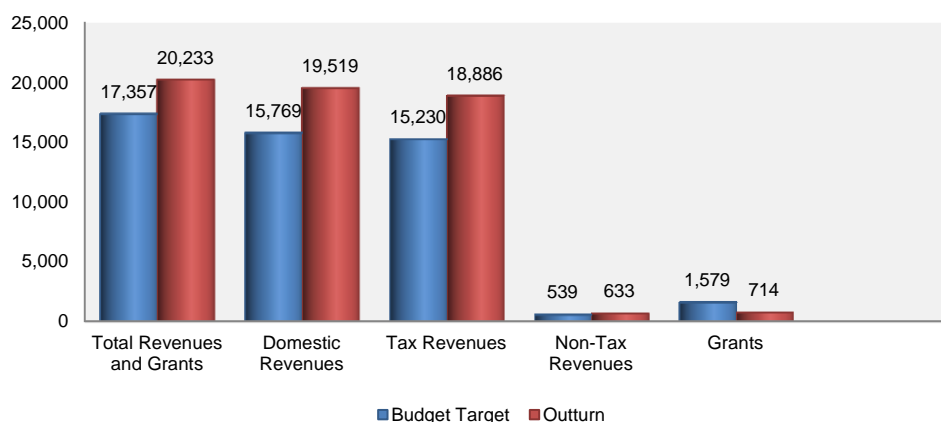
## 4. BUDGET PERFORMANCE

The performance of the budget in 2011, was satisfactory with total revenues and grants amounting to K20,233.0 billion and was above the programmed target by 16.6 percent. Expenditures amounted to K22,385.4 billion representing 24.0 percent of GDP and were above target by 11.2 percent. This resulted in an overall budget deficit of K2,992.3 billion which was 8.2 percent above the programmed target of K2,765.4 billion. As a percentage of GDP, the budget deficit at 3.6 percent was 0.4 percentage point above the end year target of 3.1 percent.

### 4.1. Revenue Performance

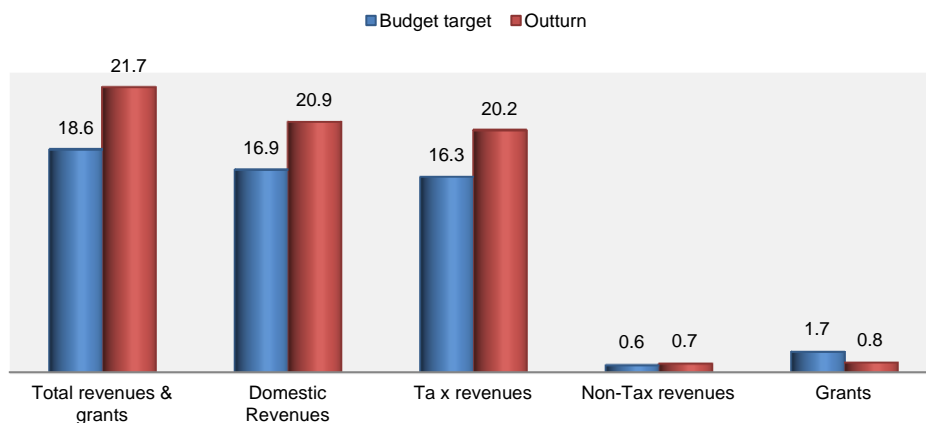
Total Revenues and Grants were above the target of K17,356.7 billion by 16.6 percent. As a proportion of GDP, total revenues and grants at 21.7 percent in 2011 were above budget target by 3.1 percentage points. This was mainly attributed to higher than programmed collections on income taxes and mining arrears. Grant receipts from Cooperating Partners, however, amounted to K714 billion and were below the target of K1,587.7 billion by 55.0 percent (see Figures 12 and 13).

**Figure 12: Budget and Outturn Revenues**



Source: Ministry of Finance

**Figure 13: Revenue as percentage of GDP**

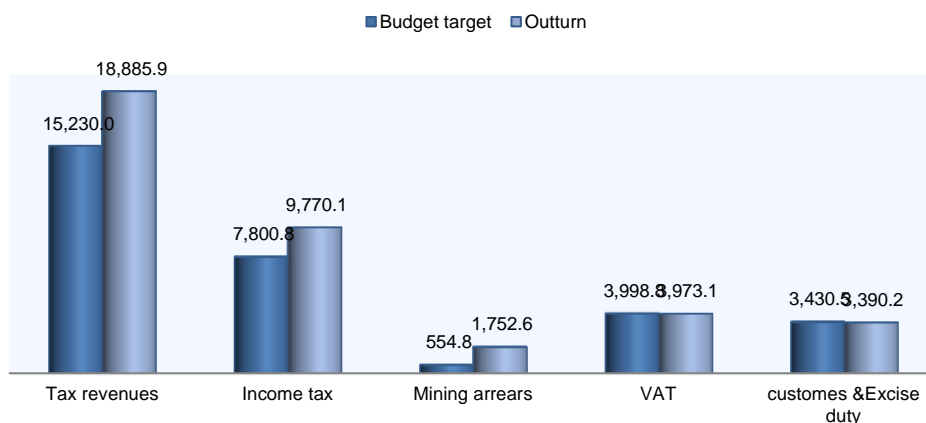


Source: Ministry of Finance

### 4.1.1. Domestic Revenues

Domestic revenues amounted K19,518.9 billion and was above target by 23.8 percent. This was a result of increased collections on mineral royalty, VAT on imports and company income tax arising from improved tax compliance (see Figure 14).

**Figure 14: Tax Revenue - Budget /Outturn, K'Billion**



Source: Ministry of Finance

### 4.1.2. Tax Revenue

Tax revenues amounted to K18,885.9 billion and were 24.0 percent above the target of K15,230.1 billion. This was largely attributed to higher collections from income taxes especially mining tax arrears, company tax, PAYE, mineral royalty, import VAT and customs duty (see Table 28).

Total income tax collections, excluding mining tax arrears, at K9,770.1 billion were 25.2 percent above the target of K7,800.8 billion. Company tax was above the target by 63.0 percent, while PAYE and mineral royalty were above target by 21.9 percent and 114.5 percent, respectively. The favourable performance of company tax and PAYE was attributed to increased payments from the mining sector and increased compliance activities. The increase in mineral royalty collections was due to favourable commodity prices on the world market and increased copper and cobalt production.

VAT collections at K3,973.0 billion were below target by 0.6 percent on account of low compliance. Although the total VAT collections were below target, import VAT at K4,012.7 billion was above the target by 26.6 percent.

In terms of customs and excise duties, collections of K3,390.2 billion were below target by 1.2 percent. This was due to tariff reductions under various trade protocols, concessions granted under the Zambia Development Agency Act and compliance challenges in collection of excise duty.

### 4.1.3. Non-Tax Revenue

Total non-tax revenue collections amounted to K633.1 billion and were above target by 17.5 percent. The favourable performance was attributed to higher collections on user fees and charges, and fertilizer recoveries which were above target by 1.1 percent and 21.0 percent, respectively.

### 4.1.4. Grants

Total Grant receipts in 2011 amounted to K714.1 billion and were below the projection of K1,587.7 billion, due to unfulfilled project support pledges by some Cooperating Partners. Of the disbursed amount, General Budget Support accounted for K602.3 billion and was above the target of K586.6 billion by 2.7 percent. Sector Budget Support amounted to K65.1 billion, while project support was K46,587 billion.

**Table 28: Revenue Performance, 2011**

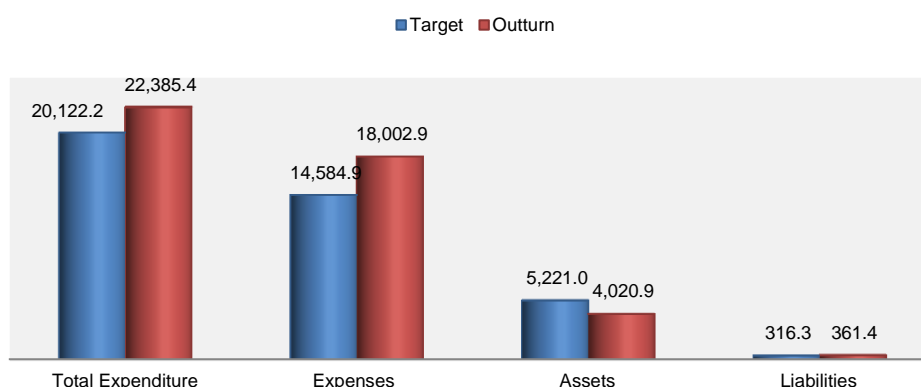
	2011 Budget (K' Billions)	Preliminary (K' Billion)	Variance (K' Billion)	% Variance
<b>I. Revenue and Grants</b>	<b>17,356.8</b>	<b>20,233.0</b>	<b>2,876.2</b>	<b>16.6</b>
<b>II. Revenue and Direct Budget Support</b>	<b>16,355.7</b>	<b>20,121.3</b>	<b>3,765.6</b>	<b>23.0</b>
<b>III Domestic Revenue</b>	<b>15,769.1</b>	<b>19,518.9</b>	<b>3,749.9</b>	<b>23.8</b>
<b>Tax Revenues</b>	<b>15,230.1</b>	<b>18,885.9</b>	<b>3,655.8</b>	<b>24.0</b>
<b>a. Income Taxes</b>	<b>7,800.8</b>	<b>9,770.1</b>	<b>1,969.2</b>	<b>25.2</b>
Company Income Tax	2,235.9	3,643.6	1,407.6	63.0
o/w Mining	7.8	2,473.8	970.7	64.6
Non-Mining	2.2	1,169.8	437.0	59.6
Pay As You Earn	1503.2	4,522.4	811.8	21.9
Other Income Taxes	732.8	736.0	(158.7)	(17.7)
Mineral Royalty Tax	3710.6	868.0	463.3	114.5
<b>b. Mining Arrears</b>	<b>894.7</b>	<b>1,752.7</b>	<b>1,197.8</b>	<b>215.9</b>
<b>c. Value Added Tax</b>	<b>404.7</b>	<b>3,973.0</b>	<b>(25.8)</b>	<b>(0.6)</b>
Domestic	554.8	(39.6)	(868.2)	(104.8)
Import	3998.8	4,012.7	842.4	26.6
<b>d. Customs and Excise duty</b>	<b>828.5</b>	<b>3,390.2</b>	<b>(40.3)</b>	<b>(1.2)</b>
Customs duty	3170.3	1,725.4	51.0	3.0
Excise duty	3430.5	1,664.7	(91.3)	(5.2)
<b>Non Tax Revenue</b>	<b>1674.5</b>	<b>633.1</b>	<b>94.1</b>	<b>17.5</b>
o/w Fertilizer Recoveries	1756.0	-	(126.9)	(100.0)
<b>IV. Grants</b>	<b>1,587.7</b>	<b>714.1</b>	<b>(0.9)</b>	<b>(55.0)</b>
Direct Budget Support	586,551	602.3	15.8	2.7
Sector Budget Support	-	65.1	65.1	
Project Support	1,001.1	46.6	(954.6)	(95.3)
o/w SWAPS	220.5	-	(220.5)	(100.0)

Source: Ministry of Finance

## 4.2. Expenditure Performance

Total expenditure in 2011, excluding amortisation, amounted to K22,385.4 billion and was 11.2 percent above target (see Figure 15). This was explained by higher than programmed expenditures on expenses and liabilities categories.

**Figure 15: Expenditure by Broad Category - Budget/Outturn**



Source: Ministry of Finance

#### **4.2.1. Expenditure by Economic Classification**

##### *Expenses (Current Expenditure)*

Current expenditure releases in 2011 amounted to K18,003.0 billion and were above the target of K14,584.9 billion by 23.4 percent. Of the total releases, 41.1 percent was for personal emoluments, 22.8 percent for use of goods and services and 14.3 percent for grants and other payments. The balance of 21.9 percent went towards payments for interest, social benefits, liabilities and other expenses (see Figure 16 and Table 29).

##### *Personal Emoluments*

Total releases for personal emoluments at K7,391.7 billion were marginally below target by 0.2 percent. This was utilized on payments such as basic personal emoluments, housing allowance and constitutional posts.

##### *Public Service Retrenchment Programme (PSRP)*

Releases towards the Public Service Retrenchment Programme were K10.0 billion, and was 33.3 percent below the target of K15.0 billion.

##### *Use of Goods and Services*

Total releases towards the use of goods and services amounted to K4,099.9 billion and were 22.6 percent above the target of K3,343.0 billion. No releases were made towards foreign financed expenditures. However, domestically financed expenditures at K4,099.9 billion were 40.7 percent higher than the target of K2,914.2 billion. This was largely attributed to the higher than programmed expenditures on the ordinary use of goods and services, tripartite elections and state functions.

### *Interest on Domestic Debt*

Interest payments on Government Securities at K1,170.7 billion were below target by 13.4 percent. This was largely on account of the general downward trend in interest payments on government securities, particularly in the second quarter of 2011.

### *External Debt Interest and Amortisation*

External debt interest payments amounted to K69.1 billion and were 13.1 percent below the target. Payments on amortization amounted to K99.4 billion and were below the target by 76.1 percent.

### *Grants and other payments*

Expenditure on Grants and Other Payments amounted to K2,569.5 billion and was 44.3 percent above the target. This was due to higher than programmed releases towards the Farmer Input Support Programme (FISP) and ordinary grants. Expenditure on FISP amounted to K895.4 billion and was above target by 84.6 percent. However, expenditure on fuel loss costs was within the programmed amount.

The releases to Zambia Revenue Authority (ZRA) were at K266.6 billion as programmed while the K91.9 billion released to the road agencies was 1.0 percent lower than the target. Further, releases towards the procurement and distribution of agricultural input packs were on target amounting to K15.0 billion.

### *Social Benefits*

Releases towards social benefits amounted to K961.6 billion and were 119.5 percent above the target. This outturn was largely due to releases towards the Pension Fund which was 113.4 percent higher than the programmed amount of K358.6 billion.

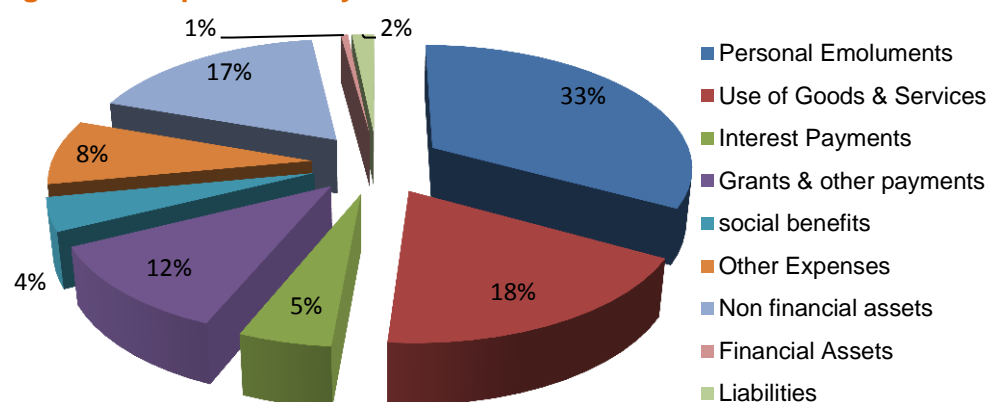
### *Other Expenses*

Releases towards other expenses amounted to K1,887.8 billion and were 436.0 percent above target. This outturn was due to higher releases towards the Food Reserve Agency at K1,674.0 billion compared to the programmed amount of K150 billion. Releases towards financial restructuring amounted to K195.0 billion and was 20.2 percent above the target.

### *Liabilities*

Releases towards dismantling of Government liabilities amounted to K361.4 billion and were 14.3 percent above the target. Of the released amount, K69.7 billion went towards suppliers of goods and services and was below the target by 17.8 percent. The balance of K291.8 billion was paid towards other Government liabilities and was above target by 26.0 percent.

**Figure 16: Expenditure by Economic Classification**



Source: Ministry of Finance

**Table 29: Central Government Operations**

	2011 Budget (K'Billion)	Releases (K'Billion)	Variance (K'Billion)	% Variance
<b>I. Total Expenditure</b>	<b>20,122.2</b>	<b>22,385.4</b>	<b>2,263.1</b>	<b>11.2</b>
<b>II. Domestically Financed</b>	<b>17,359.1</b>	<b>22,273.6</b>	<b>4,914.5</b>	<b>28.3</b>
<b>Expenses</b>	<b>14,584.9</b>	<b>18,002.9</b>	<b>3,418.1</b>	<b>23.4</b>
<b>Personal Emoluments</b>	<b>7,405.2</b>	<b>7,391.7</b>	<b>(13.5)</b>	<b>(0.2)</b>
o/w Basic PEs	6,806.8	6,891.6	84,803	1.2
Other Emoluments	527.3	433.9	(93.4)	(17.7)
o/w Overseas Allowance	260.0	272.9	12.9	5.0
Other Allowances	267.3	-	(267.3)	(100.0)
Constitutional Posts	71.1	66.2	(4.9)	(6.8)
<b>Public Service Retrenchment Programme (PRSP)</b>	<b>15.0</b>	<b>10.0</b>	<b>(5,000)</b>	<b>(33.3)</b>
<b>Use of Goods and Services</b>	<b>3,343.0</b>	<b>4,099.9</b>	<b>756.8</b>	<b>22.6</b>
Foreign Financed	428.8	-	(428.8)	(100.0)
Domestically Financed	2,914.2	4,099.9	1,185.6	40.7
Ordinary	2,441.2	3,251.4	810.2	33.2
State Functions	60.0	124.4	64.4	107.4
National Constitution Conference	-	2.9	2.9	-
By-Elections	4.0	10.7	6.7	168.7
National Census of Population and Housing	-	-	-	-
Voter Registration /Tripartite Elections	239.4	520.7	281.2	117.5
o/w Delimitation	-	14.5	14.5	-
Compensation and Awards	169.6	189.6	20.0	11.8
Other	69	-	(69)	(0)
Former Civil Servants Litigation Cases	101	-	(101)	(0)
<b>Interest Payments</b>	<b>1,250</b>	<b>1,082</b>	<b>(168)</b>	<b>(0)</b>
Domestic Debt	1,171	1,013	(157)	(0)
External Debt	79	69	(10)	(0)
<b>Grants and Other Payments</b>	<b>1,781</b>	<b>2,570</b>	<b>788</b>	<b>0</b>
Foreign Financed	65	53	(13)	(0)
o/w SWAPS (Health and Education)	323	-	(323)	(0)
Ordinary Grants	649	1,072	423	0
Ordinary Grants (Excluding Road Funding)	816	-	(816)	(0)
o/w Road Fund Agencies	93	92	(1)	(0)
Zambia Revenue Authority	267	267	(0)	-
o/w Grant	252	252	(0)	-
Modernisation	15	15	-	-
Farmer Input Support Programme	485	895	410	0
Food Security Pack	15	15	-	-
Fuel Loss Costs	300	268	(32)	(0)
<b>Social Benefits</b>	<b>438</b>	<b>962</b>	<b>524</b>	<b>0</b>
Pension Fund	359	765	407	0
o/w Grant	209	209	-	-
Financing Gap	150	557	407	0
Other	-	-	-	-
Other Social Benefits	79	197	117	0
o/w MPs Gratuity	64	60	(4)	(0)
Gratuity - Constitutional Posts	10	-	(10)	(0)
<b>Other Expenses</b>	<b>352</b>	<b>1,888</b>	<b>1,536</b>	<b>0</b>
Financial Restructuring	162	195	33	0
Contingency	40	19	(21)	(0)
Food Reserve Agency	150	1,674	1,524	1
<b>III. Assets</b>	<b>5,221</b>	<b>4,021</b>	<b>(1,200)</b>	<b>(0)</b>



	2011 Budget (K'Billion)	Releases (K'Billion)	Variance (K'Billion)	% Variance
Non-Financial Assets	5,081	3,902	(1,179)	(0)
Rural Electrification Programme	150	150	-	-
o/w Rural Electrification Levy	48	-	(48)	(0)
Farm Blocks	-	-	-	-
GRZ Road Fund	1,521	2,176	656	0
o/w Fuel Levy +Road User Charges	309	606	297	0
Fuel Levy	-	-	-	-
Road User Charges	202	-	(202)	(0)
GRZ Road Contribution	943	1,571	628	0
Ordinary	1,142	1,517	375	0
o/w Water and Sanitation	119	194	75	0
Foreign Financed	2,269	59	(2,210)	(0)
o/w Road Sector Budget Support	-	-	-	-
<b>Financial Assets</b>	140	119	(21)	(0)
Other	64	65	1	0
Constitutional Posts	-	-	-	-
o/w Constitutional Posts	-	-	-	-
Empowerment Funds	76	54	(22)	(0)
Foreign Financed	-	-	-	-
<b>IV. Liabilities</b>	316	361	45	0
Suppliers of Goods & Services	85	70	(15)	(0)
Other Liabilities	232	292	60	0
Changes in Balance	-	(840)	(840)	-
<b>V. Fiscal Balance Surplus / Deficit (I - V) Plus Change in Balances</b>	(2,765)	(2,992)	(227)	0
Fiscal Balance Surplus (+)/ Deficit (-) on Cash Basis (I-V)	(2,765)	(2,152)	613	(0)
Domestic Fiscal Balance	(1,003)	(2,152)	(1,149)	0
<b>VI. Financing</b>	2,765	2,992	227	0
<b>Domestic</b>	1,220	1,858	638	0
Banking and Non-banking	1,220	1,858	638	0
<b>Foreign</b>	1,546	1,134	(411)	(0)
o/w Programme	199	1,234	1,035	1
Project	1,762	-	(1,762)	(0)
Amortisation	(415)	(99)	316	(0)

Source: Ministry of Finance

#### 4.2.2. Assets (Capital Expenditures)

##### Non-financial Assets

With regard to the acquisition of non-financial assets, K3,902.2 billion was released and this was below target by 23.2 percent. This outturn was largely on account of the lower than programmed foreign-financed non-financial assets, which was 97.4 percent below the target.

Releases towards domestically financed non-financial assets stood at K3,843.1 billion, and were above the target by 37 percent. Of the total releases, K2,176.4 billion, K193.9 billion and K150.0 billion were for GRZ Roads, Water and Sanitation and the Rural Electrification programmes, respectively.

##### Financial Assets

Releases towards acquisition of financial assets amounted to K118.7 billion and were 15.0 percent below the target. Of the total releases, K53.6 billion went towards the Empowerment Fund which was 29.5 percent lower than the programmed amount of K76 billion.

#### 4.2.3. Budget Deficit

The overall budget deficit in 2011 amounted to K2,992.3 billion against the target of K2,765.2 billion. This represented 3.6 percent of GDP and was above the projected target of 3.1 percent. The deficit was financed through domestic and external borrowing of K1,858.1 billion and K1,134.2 billion, respectively.



## 5. DOMESTIC DEBT

The domestic debt stock increased by 23.3 percent to K14,175.0 billion in 2011 from K10,867.3 billion in 2010. Out of the total domestic debt stock, Government securities accounted for the largest share at 92.6 percent and increased by 27.6 percent to K13,122.4 billion from K9,961.0 billion in 2010. Similarly, Domestic arrears increased by 55.3 percent. Pension arrears and Awards and Compensation, however, declined by 20.8 percent and 27.7 percent, respectively (see Table 30).

The increase in total domestic debt was as a result of budget deficit financing needs, monetary policy and accumulation of arrears. Increased deficit financing was required to cater for the purchase of maize following the 2010/2011 bumper harvest.

**Table 30: Domestic Debt Position, 2009-2011**

Debt Category	Dec-09 (K'Billion)	Dec-10 (K'Billion)	Dec-11 (K'Billion)	% Change
<b>Treasury bills</b>				
91 days	270.5	286.1	178.1	(60.6)
182 Days	464.9	498.0	506.3	1.6
273 Days	558.7	734.4	1,101.0	33.3
364 Days	3,130.2	3,003.0	4,613.0	34.9
<b>Sub Total</b>	<b>4,424.3</b>	<b>4,521.5</b>	<b>6,398.4</b>	<b>29.3</b>
<b>Bonds</b>				
2 Years	625.9	659.3	977.3	32.5
3 Years	923.7	980.7	1,280.9	23.4
4 Years	84.4	0.0	0.0	(100.0)
5 Years	1,922.78	2,102.0	2,662.9	21.1
7 Years	141.2	224.6	272.9	17.7
10 Years	152.8	213.4	255.9	16.5
15 Years	106.1	138.6	153.4	9.6
Mega 10 Years	1,121.0	1,121.0	1,120.9	(0.0)
<b>Sub Total</b>	<b>5,077.8</b>	<b>5,439.4</b>	<b>6,723.9</b>	<b>19.1</b>
<b>Total Securities</b>	<b>9,502.1</b>	<b>9,961.0</b>	<b>13,122.4</b>	<b>27.6</b>
Domestic Arrears				
Various Creditors	219.5	232.8	521.0	
<b>Sub Total</b>	<b>219.5</b>	<b>232.8</b>	<b>521.0</b>	<b>55.3</b>
Public Service Pension Fund	66.2	94.4	78.1	(20.8)
Awards and Compensation	553.2	579.2	453.5	(27.7)
<b>Grand Total</b>	<b>10,341.0</b>	<b>10,867.3</b>	<b>14,175.0</b>	<b>23.3</b>

Source: Ministry of Finance and Bank of Zambia

\*2010 figures revised after 2012 Debt Sustainability Analysis (DSA)



## 6. MONETARY AND FINANCIAL DEVELOPMENTS

Monetary policy in 2011 focused on attaining end-year inflation target of 7.0 percent. Consistent with this, broad money was projected to rise by 9.3 percent at end-December 2011. This objective was to be achieved through Open Market Operations, auctioning of Government securities complemented by prudent fiscal policy.

### 6.1. Monetary Developments

#### 6.1.1. Broad Money

Broad money (M3<sup>9</sup>) growth slowed down to 22.5 percent from 30.5 percent in 2010, but was 13.2 percentage points above the end-year growth target of 9.3 percent. In absolute terms, this translated to K22,564.08 billion from K18,427.17 billion in 2010. This outturn was due to the decline in growth of both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) by 39.3 percent and 11.9 percent, respectively (see Table 31).

**Table 31: Developments in Broad Money, 2009-2011**

Description	2009	2010	2011	Contributions to change in M3 (2011)
Broad Money (M3)	8.3	30.5	22.5	
of which				
Net Foreign Assets	(9.8)	40.1	39.3	15.1
Net Domestic Assets	21.9	25.1	11.9	7.3
Domestic Credit	15.2	22.5	19.4	15.6
Net Claims on Gov't.	73.6	45	5	1.6
Public Enterprises	147.7	(34.8)	70.8	0.9
Private Enterprises	(10.8)	11.7	30.8	9.1
Households	1.9	18.4	24.3	4
NBFIs	171	3.1	4.8	0.1

Source: Bank of Zambia

NFA growth decreased by 0.8 percentage points to 39.3 percent in 2011 compared to 40.1 percent in 2010, contributing 15.1 percentage points to M3 growth. The decrease in NFA was attributed to a marginal increase in gross international reserves. Similarly, NDA growth declined by 13.2 percentage points to 11.9 percent in 2011 compared to 25.1 percent in 2010 and contributed 7.3 percentage points to M3 growth. The decrease in NDA was largely attributed to a significant reduction on net claims to Government to 5 percent from 45 percent in 2010.

#### *Domestic Credit*

Domestic credit rose by 19.4 percent in 2011 compared to 22.5 percent in 2010. This outturn was largely due to lending to private enterprises which increased by 30.8 percent from 11.7 percent in 2010. In absolute terms, domestic credit increased to K17,745.2 billion from K14,865.3 billion in 2010 (see Table 32). Excluding foreign currency denominated credit, which edged up by 44.8 percent, annual domestic credit growth slowed down to 12.6 percent from 22.3 percent registered in 2010.

The share of credit to Government declined to 34.4 percent compared with 39.4 percent in 2010. Similarly, the share of credit to non-bank financial institutions declined to 2.1 percent from 2.4 percent. However, the share of credit to private enterprises, households and public enterprises, all

<sup>9</sup> Includes foreign currency deposits

increased to 40.1 percent, 21.1 percent and 2.3 percent, from 36.6 percent, 20.2 percent and 1.6 percent, respectively.

**Table 32: Developments in Domestic Credit, 2009-2011**

Description	2009				2010				2011			
	K' bn	Change	% Cont*	Share	K'bn	Change	% Cont*	Share	K'bn	Change	% Cont*	Share
<b>Domestic Credit</b>	<b>12,137.6</b>	<b>15.2</b>	<b>15.2</b>	<b>100.0</b>	<b>14,915.1</b>	<b>22.9</b>	<b>22.9</b>	<b>100.0</b>	<b>17,956.2</b>	<b>20.8</b>	<b>20.8</b>	<b>100</b>
Government	4,013.4	73.6	16.2	33.1	5,870.3	46.3	15.3	39.4	6,324.5	8.7	2.7	35.2
Households	2,540.7	1.9	0.5	20.9	3,009.2	18.4	3.9	20.2	3,740.1	24.3	4.0	17.5
Private Enterprises	4,867.8	(10.8)	(5.6)	40.1	5,436.4	11.7	4.7	36.4	7,108.8	30.8	9.1	39.6
Public Enterprises	365.5	147.8	2.1	3.0	238.1	(34.8)	(1.0)	1.6	406.78	70.8	0.9	2.3
Non-bank Fin. Inst.	350.2	171.1	2.1	2.9	361.0	3.1	0.1	2.4	378.2	4.8	0.1	2.1

Source: Bank of Zambia

\* Contribution

Total loans and advances issued by commercial banks increased by 30.3 percent compared to an increase of 13.8 percent recorded in 2010. The increase in credit was more pronounced in Financial Services, Mining and Quarrying, Transport Storage and Communications, Restaurants and Hotels, and Personal loans categories. However, credit to the Real Estate, Community, Social and Personal Services, and Construction sectors declined (see Table 33).

**Table 33: Sectoral Shares in Total Loans and Advances, 2009-2011**

Sectors	2009		2010		2011	
	(K'Billion)	% share	(K'Billion)	% share	(K'Billion)	% share
Agriculture	1,565.1	19.3	1,565.1	19.3	2,124.4	30.8
Community, Social And Personal Services	280.5	3.5	280.5	3.5	256.9	(24.6)
Construction	259.1	3.2	259.1	3.2	504.0	-5.8
Electricity, Gas, Water & Energy	137.8	1.7	137.8	1.7	196.8	30.0
Financial Services	422.0	5.2	422.0	5.2	603.5	147.7
Manufacturing	994.2	12.3	994.2	12.3	1,461.6	24.7
Mining & Quarrying	338.2	4.2	338.2	4.2	509.7	73.7
Others	171.7	2.1	171.7	2.1	376.1	77.4
Personal Loans	1,789.7	22.1	1,789.7	22.1	3,526.1	42.6
Real Estate	678.7	8.4	678.7	8.4	297.8	(48.2)
Restaurants & Hotels	122.7	1.5	122.7	1.5	253.5	45.2
Transport, Storage And Communications	508.7	6.3	508.7	6.3	650.6	50.0
Wholesale And Retail Trade	829.9	10.2	829.9	10.2	1,248.3	25.5

Source: Bank of Zambia

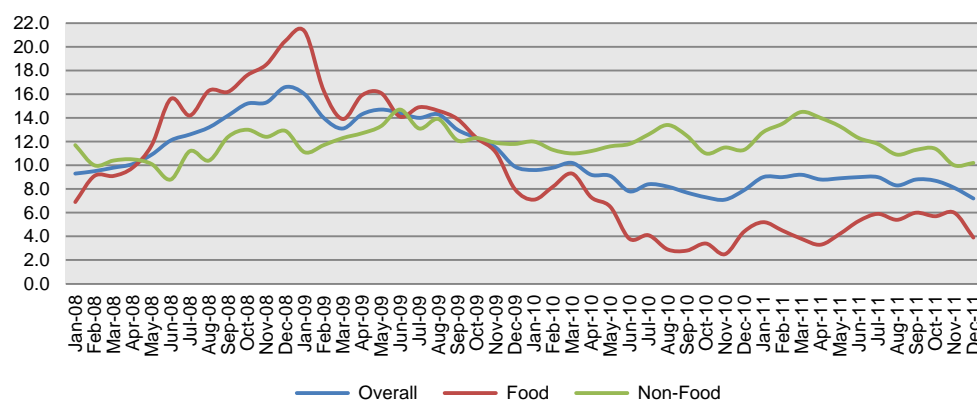
## 6.2. Inflation Developments

Annual overall inflation was 7.2 percent at end December 2011 compared to 7.9 percent at end December 2010, and was broadly in line with the 7.0 percent end-year target (see Figure 17). This outturn was attributed to the reduction in both annual non-food and food inflation.

The non-food inflation rate rose to 14.5 percent in March 2011 from 11.3 percent in December 2010, and then declined progressively to 10.2 percent in December 2011. This outturn was attributed to the relative stability of the Kwacha against major foreign currencies for the most part of the year coupled with the reductions in the prices of petroleum products during the fourth quarter of 2011.

Annual food inflation slowed to 3.8 percent in December 2011 from 4.4 percent in December 2010. This reduction was due to improved seasonal supply of various food stuffs complimented by a bumper harvest of maize estimated at 3.0 million Mt in the 2010/2011 agricultural season.

**Figure 17: Inflation Rate, 2008-2011**



Source: Central Statistical Office

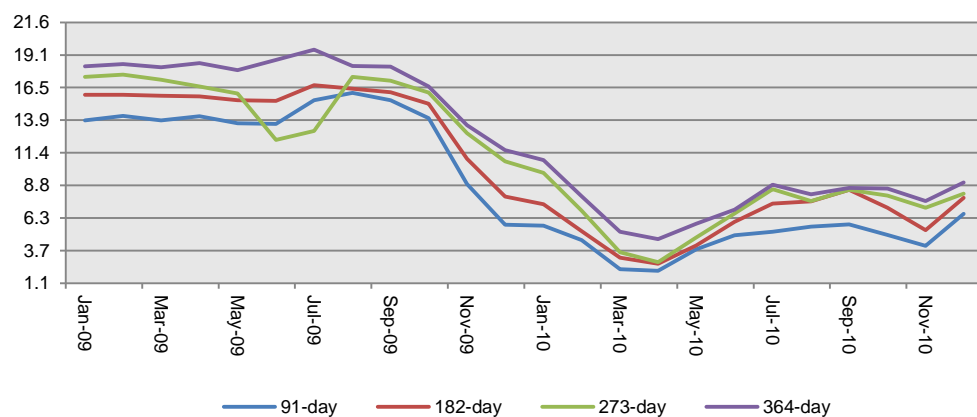
## 6.3. Interest Rates Developments

### 6.3.1. Government Securities Yield Rates

Yield rates on all Government securities trended upwards due to declining demand, particularly in the latter half of 2011. The weighted average composite yield rate for Treasury bills rose to 11.7 percent in 2011 from 8.2 percent recorded in 2010. Similarly, the composite average yield rate of Government securities rose to 15.0 percent from 11.3 percent.

Yield rates on the 91- and 182-day securities rose to averages of 9.8 percent and 7.1 percent in December 2011 from 7.8 percent and 6.6 percent during the corresponding period in 2010. Yield rates for the long-dated tenors of 273- and 364-day also edged upwards to 11.4 percent and 13.4 percent from 8.2 percent and 9.0 percent, respectively (see Figure 18).

**Figure 18: Treasury Bills Yield Rates (Percent Per Annum), 2009-2011**

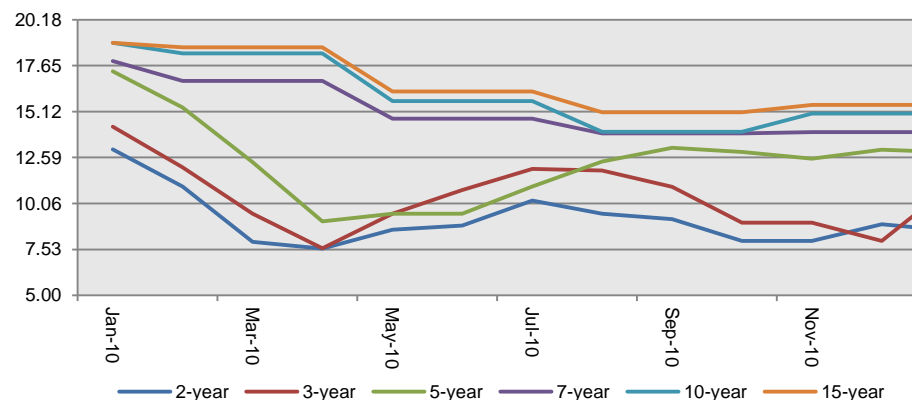


Source: Bank of Zambia

Developments in yield rates on Government bonds were consistent with the movement in the Treasury bills. The 2- and 3-year bond rates rose to 14.7 percent and 15.2 percent at end-2011 from 8.9 percent and 8.0 percent in 2010. Similarly, the yield rates on the 5- and 7-year bonds gained 241 and 205 basis points to 15.4 percent and 15.0 percent, respectively.

Yield rates for longer tenors, 10- and 15-year bonds, marginally rose to 15.9 percent and 16.2 percent at end-2011 from 15.0 percent and 15.5 percent at end 2010, respectively (see Figure 19).

**Figure 19: Government Bond Yield Rates (Percent Per Annum), 2009 -2011**

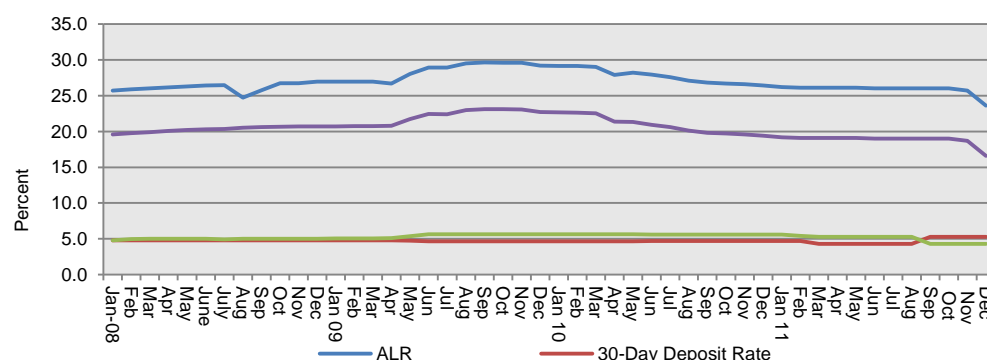


Source: Bank of Zambia

### 6.3.2. Commercial Banks Interest Rates

The Weighted Average Lending Base Rate (WALBR) and the Average Lending Rate (ALR) decreased to 16.6 percent and 23.6 percent as at end-December 2011 from 19.6 percent and 26.6 percent at end-December 2010, respectively. Similarly, the Average Savings Rate (ASR) for amounts above K100,000 and the 30-day deposit rate for amounts exceeding K20 million declined marginally to 4.3 percent and 5.3 percent from 4.7 percent and 5.6 percent, respectively (see Figure 20).

**Figure 20: Lending and Savings Rates, January 2008-December 2011**



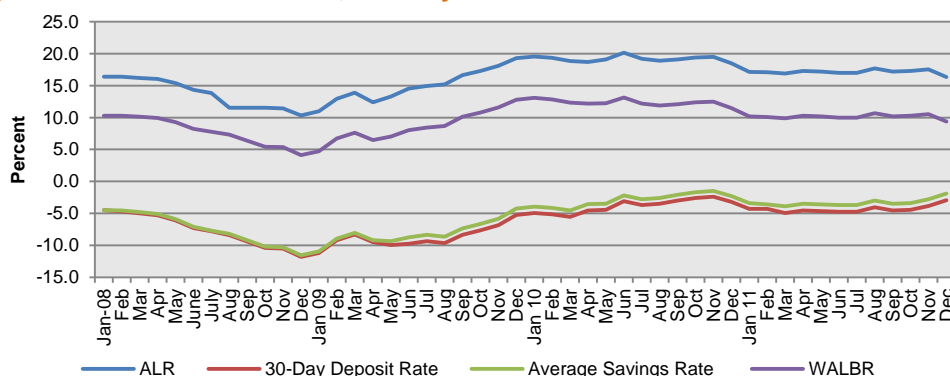
Source: Bank of Zambia



### 6.3.3. Real Interest Rates

Developments in real interest rates were mixed. The real WALBR and the real ALR edged downwards to 9.4 percent and 16.4 percent at end-December 2011 from 11.7 percent and 18.7 percent at end December 2010, respectively. However, the real ASR for amounts above K100,000.00 and real 30-day deposit rate for amounts above K20 million increased to negative 2.9 percent and negative 1.9 percent from negative 3.2 percent and negative 2.3 percent, respectively (see Figure 21).

**Figure 21: Real Interest Rates, January 2008-December 2011**



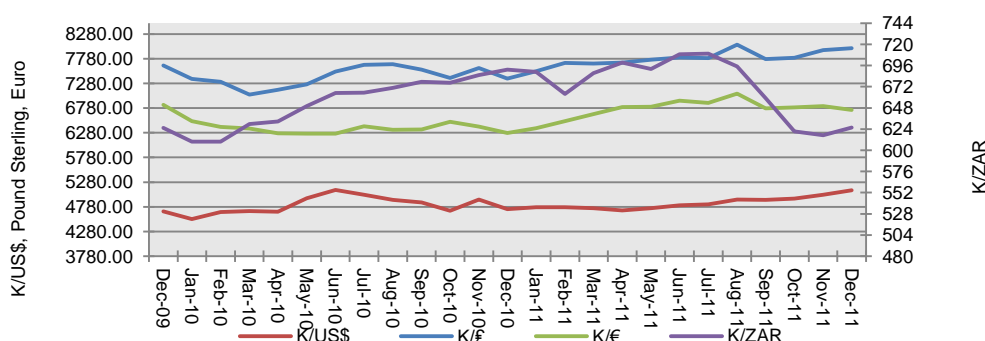
Source: Bank of Zambia

### 6.4. Foreign Exchange Market Developments

In the foreign exchange market, the Kwacha depreciated against major currencies in 2011, compared to an appreciation in 2010. This was largely on account of uncertainties associated with the national elections and the negative sentiment towards emerging market assets emanating from the euro zone debt crisis.

The Kwacha depreciated by 9.5 percent against the US dollar to an average of K4,861.24/US\$ from K4,440.98/US\$ in 2010. With regard to the Euro and the Pound Sterling, the Kwacha depreciated by 6.3 percent and 5.2 percent to averages of K6,762.64/€ and K7,794.09/£ from K6,363.23/€ and K7,408.83/£, respectively. Similarly, the Kwacha depreciated by 2.6 percent against the South African Rand to an average of K672.18/ZAR from K655.19/ZAR in 2010 (see Figure 22).

**Figure 22: Kwacha Exchange Rate Levels against Major Foreign Currencies, December 2009-December 2011**



Source: Bank of Zambia

Supply and demand for foreign exchange decreased. Supply to the market, denoted by commercial banks' purchases of foreign exchange from various sectors, decreased to US\$4,105.3 million from US\$4,436.1 million in 2010. Similarly, the demand for foreign exchange, as reflected by commercial banks' sales to various sectors, was US\$3,161.3 million in 2011 compared with US\$4,172.0 million in 2010. In this regard, commercial banks recorded net purchases of US\$943.9 million compared with net purchases of US\$264.1 million recorded in 2010.

## **6.5. Financial Sector Developments**

### **6.5.1. Banking Sector**

The banking sector's capitalisation levels remained high with eighteen out of the nineteen banks in operation meeting the minimum nominal capital requirements. Primary regulatory capital increased by 19.6 percent to K2,475.4 billion at end-December 2011 while total regulatory capital increased by 18.5 percent to K2,830.5 billion. The growth in regulatory capital was largely on account of increase in share premium account, paid-up share capital, and retained earnings.

Total risk-weighted assets increased by 36.2 percent to K14,758.7 billion on account of a shift in the assets' risk profile towards assets of high - credit risk. The primary regulatory capital to total risk-weighted assets declined to 16.8 percent from 19.9 percent in 2010 while the total regulatory capital to total risk-weighted assets reduced to 19.2 percent in 2011 from 22.1 percent in 2010.

Total assets of the banking sector increased by 20.5 percent to K27,764.7 billion from K23,038 billion in 2010. This was due to a rise in investments in securities, balances with financial institutions abroad and net loans and advances.

Asset quality improved with the gross Non-Performing Loans (NPL) ratio decreasing to 10.4 percent from 14.8 percent at end December 2010. This was on account of a fall in the gross NPL ratio by 8.5 percent to K1,243.0 billion from K1,358.5 billion in 2010 coupled with a 30.7 percent increase in gross loans which closed at K11,979.1 billion compared to K9,164.2 billion. The net NPL ratio decreased to 2.6 percent from 3.3 percent as at end-December 2010.

Earnings performance for the banking sector improved with profit-before-tax rising to K942.1 billion from K520.7 billion in 2010. This was due to higher non-interest income and a reduction in the charge for loan loss expenses. Further, the banking sector's overall earnings performance as measured by the return on assets and return on equity increased to 3.7 percent and 25.5 percent from 2.3 percent and 11.6 percent in 2010, respectively.

### 6.5.2. Non-Bank Financial Institutions Sector

The overall financial condition and performance of the Non-Bank Financial Institutions (NBFIs) was fair. The total number of NBFIs licensed increased to 102 from 91 in 2010 (see Table 34).

**Table 34: Non-Bank Financial Institutions Licensed by the Bank of Zambia as at 31st December 2011**

Type of Institution	Number of Institutions		
	2009	2010	2011
Building societies	3	3	3
Bureaux de change	44	50	55
Credit reference bureaux	1	1	1
Development finance institutions	1	1	1
Leasing finance institutions*	10	11	9
Microfinance institutions**	25	24	32
Savings and credit institutions	1	1	1
<b>Total</b>	<b>87</b>	<b>11</b>	<b>9</b>

Source: Bank of Zambia

\*One leasing company, Commercial Capital Corporation Limited, was still under compulsory liquidation effective 28th September 2010 and another one, ALS Capital had the license revoked on 26th May 2011.

\*\*Three microfinance institutions, namely Capital Solutions Limited, Madison Premier Finance Company Limited and Executive Financial Services Limited had their licenses revoked in 2011.

### 6.5.3. Leasing and Finance Companies Subsector

The overall performance of the leasing and finance companies subsector was rated fair<sup>10</sup> compared to the marginal rating in 2010. As at end-December 2011, the regulatory capital increased to K43.5 billion from K21.2 billion as at end-December 2010, and was above the aggregate subsector minimum capital requirement of K25.9 billion. The increase was largely attributed to profit after tax amounting to K9.5 billion and additional paid-up capital amounting to K8.3 billion.

Asset quality was satisfactory with total assets increasing by 44 percent to K250.9 billion at end December 2011 from K174.2 billion at end December 2010. This was mainly on account of a rise in net loans and leases which increased to K195.2 billion in 2011 from K96.0 billion in 2010. Non-performing loans decreased by 68.0 percent to K20.2 billion from K63.0 billion in 2010.

The earnings performance improved with profit-before-tax of K12.0 billion compared to a loss before tax of K7.4 billion recorded in 2010. This improvement was largely attributed to an increase in interest income to K57.8 billion and a reduction in the provision for loan losses of K3.2 billion in 2011 compared with K30.7 billion in 2010, respectively.

The liquidity position was rated marginal with the overall position as measured by the ratio of liquid assets to total deposits and a short-term liability averaging 12.6 percent compared to 14 percent in 2010. This was below the acceptable ratio of 15 percent. The decrease in the liquidity ratio was on account of a drop in balances with financial institutions at two leasing companies.

### 6.5.4. Building Society Subsector

The performance of the building society subsector was rated satisfactory as it maintained adequate capital reserves relative to its risk profile. This was despite a reduction in the aggregate regulatory capital. As at end-December 2011, the subsector's aggregate regulatory capital marginally decreased

<sup>10</sup> Ratings are in five categories; Strong (rated 1), Satisfactory (2), Fair (3), Marginal (4) and Unsatisfactory (5).

by 3.3 percent to K62.9 billion from K64.5 billion at end-December 2010. Nonetheless, all building societies met their statutory minimum regulatory capital requirements.

The asset quality of the building society was satisfactory. This was on account of a reduction in the proportion of net non-performing loans to total assets which declined to 1.8 percent in 2011 from 3.7 percent in 2010. Total assets increased by 4.6 percent to K364 billion as at end December, 2011 from K347.9 billion as at December, 2010 due to increases in net mortgage advances and fixed assets.

The earnings of the subsector were rated satisfactory with the profit-before-tax increasing by 32.0 percent to K16.7 billion from K4.0 billion in 2010. This was largely due to an increase in interest income, noninterest income and a decrease in provision for loan losses.

The average liquidity was satisfactory with the ratio of liquid assets to total deposits and short-term liabilities at 27.3 percent compared to 32.0 percent in 2010. The liquidity position was, therefore, marginally above the prudential minimum ratio of 25.0 percent for building societies.

#### *Microfinance Institutions*

The overall financial condition and performance of the Microfinance Institutions (MFIs) subsector was satisfactory. The subsector was adequately capitalised and had satisfactory asset quality and earnings performance. The aggregate capital increased by 35.9 percent to K362.2 billion at end-December 2011 from K266.5 billion at end-December 2010. The increase was mainly due to the after-tax-profit of K61.8 billion.

Total assets of the sub-sector rose by 44.4 percent to K809.2 billion in 2011 from K560.3 billion in 2010. The increase in the total asset base was largely due to an increase in the micro finance loan book to K578.9 billion from K367 billion in 2010. Earning assets<sup>11</sup> amounted to K614.1 billion representing 75.9 percent of total assets up from K390.9 billion in 2010.

#### *Bureaux de Change*

The bureau de change subsector was adequately capitalised as at end December 2011. All 54 bureaux de change met their minimum paid-up capital requirement of K40 million. Their aggregate capital and reserves increased by 7.7 percent to K36.8 billion in 2011 from K34.2 billion at end 2010. The volume of purchases increased by 15.4 percent to K3,000.9 billion from K2,600 billion while sales of foreign currency rose by 13.2 percent to K2,968.9 billion from K2,623 billion in 2010.

### **6.5.5. Financial Sector Development Plan**

In 2011, Government continued to implement reforms under the second phase of the Financial Sector Development Plan (FSDP) with focus on enhancing market infrastructure, increasing competition and access to finance.

Among the major activities undertaken were; the continued modernisation and harmonisation of the financial sector laws, development of a national strategy for financial education and review of 'know your customer' (KYC) requirements to enhance access to financial services. Further, facilitation of

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<sup>11</sup> These are performing loans

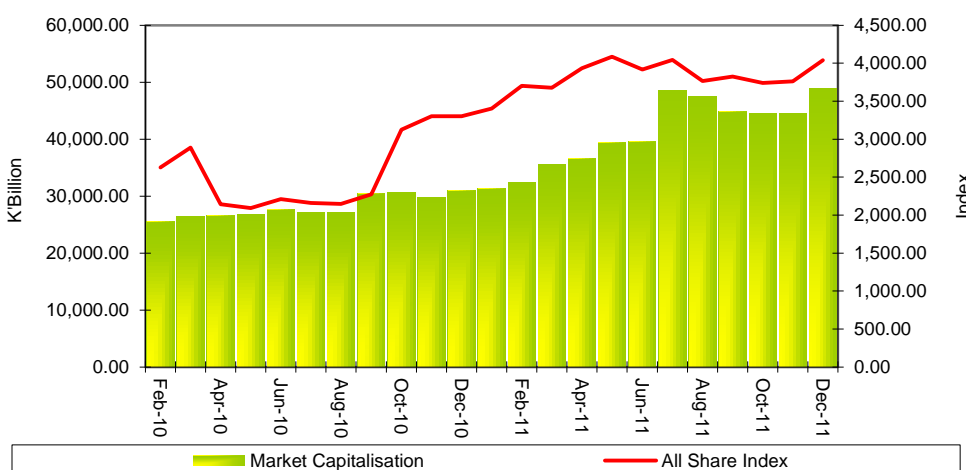
new bank branches and agencies in unbanked areas, and enhancing corporate governance frameworks in financial institutions were undertaken.

## 6.6. Capital Markets Developments

### Stock Market

In 2011, trading activity at the Lusaka Stock Exchange (LuSE) increased, reflecting continued investor confidence in the economy. Market capitalisation rose by 58.3 percent to a record high of K48,929.2 billion at end-2011 from K30,911.6 billion at end-2010. Most company shares registered significant capital gains placing the LuSE All-Share index 22.3 percent higher at 4,040.4 by end-December 2011 (see Figure 23). This was despite reduced participation of non-resident investors in the local bourse, as reflected in the decline of net capital inflows to US\$13.5 million from US\$100.5 million in 2010.

**Figure 23: Indicators for LuSE Activity, February 2010- December 2011**



Source: Lusaka Stock Exchange and Bank of Zambia

### Secondary Bond Market

Secondary trading of Government bonds registered robust growth in 2011 as the market continued to deepen. Bonds worth K744.4 billion (at face value) were traded in at the LuSE, up from K567.1 billion in 2010. Similarly, the number of trades improved to 143 from 89 in the previous year.



## 7. EXTERNAL SECTOR DEVELOPMENTS

### 7.1. Balance of Payments

The overall Balance of Payments (BoP) surplus rose to US\$243.8 million from US\$83.3 million in 2010 (see Table 35). In line with this development, gross international reserves increased to US\$270.4 million from US\$138.1 million recorded in 2010. The rise was driven by an increase in capital and financial account balance which more than compensated for the decline in the current account balance.

**Table 35: Balance of Payments, 2009-2011**

	2009 (US\$ Million)	2010 (US\$ Million)	2011* (US\$ Million)
<b>Current Account</b>	<b>538.4</b>	<b>1,143.6</b>	<b>236.1</b>
Balance on goods	905.7	2,703.7	2,228.3
<b>Exports, f.o.b</b>	<b>4,242.8</b>	<b>7,261.7</b>	<b>8,535.0</b>
Metal sector	3,343.1	6,071.7	6,926.9
Copper	3,179.3	5,767.9	6,660.2
Cobalt	163.9	303.8	266.7
Non-traditional	899.7	1,190.0	1,608.1
<b>Imports, f.o.b</b>	<b>(3,413.4)</b>	<b>(4,709.9)</b>	<b>(6,454.2)</b>
Metal sector	(866.0)	(1,029.3)	(1,567.3)
Non-metal sector	(2,547.4)	(3,680.6)	(4,887.0)
Fertilizer	(197.8)	(215.3)	(330.0)
Petroleum	(535.8)	(618.1)	(530.5)
Maize	-	-	-
Others	(1,813.9)	(2,847.2)	(4,026.5)
<b>Goods Procured in ports by carriers</b>	<b>39.6</b>	<b>42.0</b>	<b>44.5</b>
<b>Nonmonetary Gold</b>	<b>36.6</b>	<b>109.9</b>	<b>103.0</b>
<b>Services (Net)</b>	<b>(464.5)</b>	<b>(628.8)</b>	<b>(807.7)</b>
Services Receipts	240.9	310.9	375.2
Services Payments	(705.4)	(939.7)	(1,182.9)
<i>Balance on goods and services</i>	<i>441.2</i>	<i>2,074.9</i>	<i>1,420.6</i>
<b>Income (Net)</b>	<b>(418.7)</b>	<b>(1,363.0)</b>	<b>(1,562.6)</b>
Income Receipts	5.5	8.4	11.1
Income Payments	(424.2)	(1,371.4)	(1,573.7)
<i>Of which: Income on Equity Payments</i>	<i>(265.4)</i>	<i>(1,302.7)</i>	<i>(1,499.8)</i>
<i>Interest payments</i>	<i>(131.2)</i>	<i>(39.8)</i>	<i>(44.8)</i>
<i>General government</i>	<i>(12.7)</i>	<i>(9.3)</i>	<i>(13.9)</i>
<i>Private sector</i>	<i>(118.4)</i>	<i>(30.5)</i>	<i>(30.9)</i>
<b>Current Transfers (Net)</b>	<b>516.0</b>	<b>431.8</b>	<b>378.0</b>
Private	211.6	194.4	231.8
Official	304.3	237.4	146.2
<i>Commodity, SWAP &amp; Global Fund</i>	<i>105.9</i>	<i>89.1</i>	<i>11.9</i>
<i>Budget Grants</i>	<i>198.4</i>	<i>148.3</i>	<i>134.3</i>
<b>Capital and Financial Account</b>	<b>64.8</b>	<b>(926.7)</b>	<b>(310.9)</b>
<b>Capital Account</b>	<b>237.3</b>	<b>149.7</b>	<b>119.0</b>
Capital Transfers	237.3	149.7	119.0
General Government	237.3	149.7	119.0
Project Assistance grants	237.3	149.7	119.0
<b>Financial Account</b>	<b>(172.5)</b>	<b>(1,076.4)</b>	<b>(429.9)</b>
Direct Investment	425.2	633.9	831.5
Abroad	(269.6)	(1,095.4)	(1,150.2)
In reporting economy	694.8	1,729.3	1,981.7
Portfolio Investment	(74.9)	73.6	57.3
Liabilities	(74.9)	73.6	57.3
Financial Derivatives	219.6	225.7	124.2
Assets	127.6	(76.7)	(34.7)
Liabilities	92.0	302.4	158.8
Other Investment	(742.4)	(2,009.6)	(1,442.9)
Assets	(1,579.3)	(3,500.6)	(1,109.6)
Increase in NFA – banks	(63.2)	(172.9)	-
Other Short term Assets	(1,516.1)	(3,327.7)	(1,109.6)
Liabilities	836.8	1,491.0	(333.3)
Government	76.7	121.9	371.1
Disbursement of Loans	76.7	161.0	397.3
<i>Project</i>	<i>86.6</i>	<i>91.8</i>	<i>367.3</i>
<i>Budget</i>	<i>32.8</i>	<i>69.2</i>	<i>30.0</i>
Amortization of loans	(42.8)	(39.1)	(26.2)
Monetary Authorities	627.3		
Private Foreign Borrowing (net)	132.9	1,369.1	(704.4)

	2009 (US\$ Million)	2010 (US\$ Million)	2011* (US\$ Million)
<i>Metal sector</i>	135.9	1,372.10	(708.9)
<i>Non - Metal sector</i>	(3.0)	(3.0)	4.50
Errors and Omissions	(63.2)	(133.6)	318.7
<b>Overall balance</b>	<b>540.1</b>	<b>83.3</b>	<b>243.8</b>
<b>Financing of Overall balance</b>	<b>(540.1)</b>	<b>(83.3)</b>	<b>(243.8)</b>
Change: NIR of Bank of Zambia	(540.1)	(83.3)	(243.8)
Reserve Assets	(782.4)	(138.1)	(270.4)
Of which: Gross Official Reserves[incr(-)] 1/	(782.4)	(138.1)	(270.4)
BoZ Liabilities	0.0	0.0	0.0
Use of Fund Credit and Loans (Net)	242.3	54.8	26.6
Disbursements	242.3	55.6	29.2
Repayments	0.0	(0.8)	(2.6)
Financing gap	0.0	0.0	0.0
<b>MEMORANDUM ITEMS:</b>			
Current account, including grants (in percent of GDP)	4.2	7.1	1.2
Excluding grants	1.8	5.6	0.5
Copper export volume (thousands of metric tons)	674.1	829.7	832.2
Copper export price (U.S. dollars per ton)	4,716.36	6,951.33	8,002.98
Cobalt export price (U.S. dollars per ton)	27,925.85	35,160.39	32,693.17
Gross international reserves (in millions of U.S. dollars)	1,758.4	1,896.5	2,166.9
In months of imports	5.1	4.0	3.4
Exports of goods and services (BXG+BXS)	4,559.9	7,724.5	9,057.7
Imports of goods and services (BMG+BMS)	(4,118.8)	(5,649.6)	(7,637.1)
Balance of goods and services (BX+BM)	441.2	2,074.9	1,420.6
\$ Nominal GDP (\$ millions)	12,805.0	16,192.0	19,088.0

Source: Bank of Zambia

\*Preliminary

## 7.2. Current Account

The current account surplus at US\$236.1 million was 79.4 percent lower than US\$1,143.6 million recorded in 2010. This was mainly explained by a decline in the merchandise trade surplus, the widening of the services deficit, and lower inflows in form of current transfers.

The merchandise trade surplus at US\$2,228.3 million was 17.6 per cent lower than US\$2,703.7 million recorded in 2010, driven by a higher increase in merchandise imports relative to merchandise exports. Merchandise imports grew by 37.0 percent to US\$6,454.2 million in 2011 from US\$4,709.9 million recorded in 2010. This was largely driven by an increase in import bills associated with commodity groups, such as, electrical machinery and equipment, fertilizer, motor vehicles and industrial boilers and equipment. The surge in imports was largely attributed to increased economic activity due to higher foreign direct investment inflows coupled with higher expenditures on infrastructure development.

Merchandise export earnings grew by 17.5 percent to US\$8,535.0 million from US\$7,261.7 million in 2010, driven largely by a rise in both copper and non-traditional exports. Copper export earnings grew by 15.5 percent to US\$6,660.2 million from US\$5,767.9 million recorded in 2010, due to a rise in realised prices coupled with a marginal increase in copper export volumes. The average realised price of copper, at US\$8,002.98 per Mt, was 15.1 percent higher than US\$6,951.33 per Mt recorded in 2010. Copper export volumes, increased to 832,251.6 Mt in 2011 from 829,749.7 Mt recorded in 2010. Buoyant global demand for base metals supported the rise in copper prices on the international market.

Cobalt export earnings, however, declined by 12.2 percent to US\$266.7 million from US\$303.8 million in 2010, due to a decline in both export volumes and realised prices. Cobalt export volumes, at 7,830.66 Mt, were 9.4 percent lower than 8,640.91 Mt recorded in 2010. Similarly, the realised price of cobalt fell by 7.0 percent to US\$32,693.17 per Mt from US\$35,160.39 per Mt in 2010.



Non-traditional export earnings (NTEs) grew by 35.1 percent to US\$1,608.1 million from US\$1,190.0 million in 2010. Increased export volumes of cane sugar, cotton lint, gasoil/petroleum products, maize seed, cement and lime, and nickel coupled with favourable exchange rate developments and higher international commodity prices explained this outturn (see Table 36).

**Table 36: Major Non-Traditional Exports (C.I.F.), 2009-2011**

Product	2009 (US\$'Million)	2010 (US\$'Million)	2011* (US\$'Million)	% Change
Burley Tobacco	89.6	117.5	100.6	(14.4)
Cane Sugar	98.1	148.1	165.0	11.3
Copper Wire	110.4	170.2	169.7	(0.3)
Cotton Lint	45.7	49.4	118.2	139.1
Electrical Cables	38.2	41.7	41.7	0.0
Electricity	10.5	23.3	16.9	(27.5)
Fresh flowers	22.7	22.0	20.8	(5.8)
Fresh Fruit & Vegetables	22	11.2	9.2	(17.1)
Gas Oil	30.7	27.6	36.8	33.2
Gemstone	38.9	49.8	35.8	(28.2)

Source: Bank of Zambia

\*Preliminary

### 7.3. Capital and Financial Account

The capital and financial account deficit substantially narrowed to US\$310.9 million in 2011 from US\$926.7 million recorded in 2010. This performance was on account of a notable decline in the financial account deficit following a reduction in accumulation of assets held abroad by the private sector and a rise in foreign direct investment inflows.

### 7.4. External Debt Position

External debt stock increased by 10.76 percent to US\$1.96 billion from US\$1.77 billion in 2010. Multilateral loans continued to represent the largest proportion and increased by 4.9 percent to US\$1,256.77 million from US\$1,198.41 million in 2010 (see Table 38). Similarly, Suppliers credit significantly increased on account of tied loans for various infrastructure projects. However, bilateral loans declined on account of, among others, successful debt-for-development swap agreements.

**Table 37: External Debt Stock, 2009-2011**

Creditor	2009 (US\$'Million)	2010 (US\$'Million)	2011 (US\$'Million)	% Change
<b>Multilateral</b>	<b>1,114.36</b>	<b>1,198.41</b>	<b>1,256.77</b>	<b>4.9</b>
ADB/ADF	170.79	222.24	215.25	(3.2)
World Bank (IDA)	406.64	430.36	484.37	12.6
IMF	344.78	366.18	392.57	7.2
Others	192.15	179.63	164.58	(8.38)
<b>Bilateral</b>	<b>293.21</b>	<b>298.57</b>	<b>250.68</b>	<b>(16.0)</b>
Paris Club	219.08	224.56	180.03	(19.8)
Non-Paris Club	74.13	74.01	70.65	(4.5)
<b>Suppliers Credit</b>	<b>136.95</b>	<b>269.18</b>	<b>448.69</b>	<b>66.7</b>
<b>Total Govt. External Debt</b>	<b>1,544.52</b>	<b>1,766.16</b>	<b>1,956.14</b>	<b>10.8</b>
Total External Public Debt as % of GDP	11.14	10.93	10.18	-

Source: Ministry of Finance

## 7.5. External Debt Service

External debt service declined by 11.4 percent to US\$34.14 million from US\$38.52 million in 2010. Out of the total debt service principal payments amounted to US\$20.45 million while interest payments were US\$13.69 million (see Table 38).

**Table 38: Public External Debt Service, 2009 - 2011**

Category	2009	2010	2011	% Change
Interest	11.48	8.72	13.69	57.0
Principal	42.17	29.79	20.45	(31.4)
<b>Total</b>	<b>53.65</b>	<b>38.52</b>	<b>34.14</b>	<b>(11.4)</b>
External Debt Service as % of Total Budget	1.54	1.11	0.85	(23.4)

Source: Ministry of Finance

## 7.6. Loans contracted in 2011

In 2011, Government contracted concessional loans amounting to US\$504.8 million which were used to finance developmental projects for roads; irrigation and poverty reduction (see Table 39).

**Table 39: Loans Contracted by Government in 2011**

Name of the Loan	Lending Institution	Amount (US\$ Million)
Irrigation Development and Support Project	IDA (World Bank)	116.6
Mongu-Tapo Section of Mongu-Kalabo Road	China Exim Bank	244.0
Multinational-Nacala Road Corridor Project-Phase II	AfDB	104.1
Second Poverty Reduction Support Development Policy	IDA (World Bank)	30.1
Water Supply to Six Towns Project (Phase II)	BADEA	10.0
<b>Total</b>		<b>504.8</b>

Source: Ministry of Finance

# **Part III**

## **Annexes**



## ANNEX 1

**Table 40: Selected Macroeconomic Indicators, 2008-2011**

	2008	2009	2010	2011 Target	2011 Outturn
Real GDP (%)	5.7	6.4	7.6	9.3	22.5
Money Supply	21.8	8.3	30.8		
Inflation (end year)	16.6	9.9	7.9	7.0	7.2
Lending Interest Rates	29.9	29.2	26.4		
Domestic Borrowing (% of GDP)	1.5	2.6	-		
Overall Budget Deficit (% of GDP)	(3.2)	(2.6)	(3.3)		
Current Account Deficit (% of GDP, excluding grants)	(9.3)	(6.0)	-		
Gross International Reserves (Months of import cover)	2.1	5.1	3.5		

Source: Ministry of Finance

## ANNEX 2

**Table 41: Percentage Change in GDP by Kind of Economic Activity (Constant 1994 Prices), 2008-2011**

Kind of Economic Activity	2008	2009	2010	2011*
<b>Agriculture, Forestry and Fishing</b>	<b>2.6</b>	<b>7.2</b>	<b>6.6</b>	<b>7.7</b>
Agriculture	1.9	12.4	13.6	13.3
Forestry	3.7	3.7	3.7	3.7
Fishing	1.8	1.8	(7.0)	(2.0)
<b>Mining and Quarrying</b>	<b>2.5</b>	<b>20.3</b>	<b>15.2</b>	<b>(5.2)</b>
Metal Mining	2.5	19.7	16.0	(5.3)
Other mining and quarrying	(3.5)	99.6	(48.7)	7.4
<b>PRIMARY SECTOR</b>	<b>2.5</b>	<b>12.4</b>	<b>10.2</b>	<b>2.0</b>
<b>Manufacturing</b>	<b>1.8</b>	<b>2.2</b>	<b>4.1</b>	<b>7.7</b>
Food, Beverages and Tobacco	3.0	4.9	6.2	9.0
Textile, and leather industries	(23.6)	(20.0)	(39.2)	(58.1)
Wood and wood products	12.1	2.6	12.3	6.5
Paper and Paper products	29.3	6.2	21.1	17.5
Chemicals, rubber and plastic products	5.2	(0.3)	0.3	6.8
Non-metallic mineral products	5.0	11.7	12.1	23.1
Basic metal products	23.0	(4.8)	(0.2)	(1.4)
Fabricated metal products	(2.5)	(3.4)	12.9	18.9
<b>Electricity, Gas and Water</b>	<b>(1.2)</b>	<b>6.8</b>	<b>7.4</b>	<b>8.2</b>
<b>Construction</b>	<b>8.7</b>	<b>9.5</b>	<b>8.1</b>	<b>8.5</b>
<b>SECONDARY SECTOR</b>	<b>4.7</b>	<b>6.2</b>	<b>6.4</b>	<b>8.2</b>
<b>Wholesale and Retail Trade</b>	<b>2.7</b>	<b>2.3</b>	<b>4.3</b>	<b>7.2</b>
Restaurants, Bars and Hotels	5.0	(13.4)	9.6	7.8
<b>Transport, Storage and Communications</b>	<b>15.8</b>	<b>7.6</b>	<b>14.9</b>	<b>12.9</b>
Rail Transport	(20.2)	(23.8)	13.1	(17.8)
Road Transport	13.2	13.3	6.3	9.3
Air Transport	13.7	(23.4)	19.1	12.8
Communications	21.1	19.4	20.0	16.0
Financial Institutions and Insurance	8.7	5.2	6.0	4.9
Real Estate and Business services	3.0	2.8	3.0	2.9
Community, Social and Personal Services	11.7	8.6	5.3	8.4
<b>Public Administration &amp; Defence</b>	<b>2.2</b>	<b>0.4</b>	<b>(3.1)</b>	<b>10.6</b>
Education	19.6	15.2	11.8	7.5
Health	18.3	7.7	7.2	13.3
Recreation, Religious, Culture	26.7	17.7	5.0	2.8
Personal Services	3.5	3.5	3.5	3.5
<b>TERTIARY SECTOR</b>	<b>7.2</b>	<b>3.9</b>	<b>6.6</b>	<b>7.6</b>
Less: FISIM	2.5	3.3	2.3	2.3
<b>TOTAL GROSS VALUE ADDED</b>	<b>5.7</b>	<b>6.4</b>	<b>7.6</b>	<b>6.6</b>
Taxes less subsidies on Products	5.7	6.4	7.6	6.6
<b>TOTAL G.D.P. AT MARKET PRICES</b>	<b>5.7</b>	<b>6.4</b>	<b>7.6</b>	<b>6.6</b>

Source: Central Statistical Office

\*Preliminary

## ANNEX 3

**Table 42: GDP by Kind of Economic Activity (Constant 1994 Prices), 2008-2011**

Kind of Economic Activity	2008 (K'Billion)	2009 (K'Billion)	2010 (K'Billion)	2011* (K'Billion)
<b>Agriculture, Forestry and Fishing</b>	<b>472.0</b>	<b>506.1</b>	<b>539.5</b>	<b>580.8</b>
Agriculture	210.5	236.6	268.8	304.5
Forestry	180.0	186.7	193.6	200.8
Fishing	81.4	82.8	77.0	75.5
<b>Mining and Quarrying</b>	<b>308.7</b>	<b>371.3</b>	<b>427.7</b>	<b>405.5</b>
Metal Mining	306.3	366.6	425.3	403.0
Other mining and quarrying	2.3	4.7	2.4	2.6
<b>PRIMARY SECTOR</b>	<b>780.6</b>	<b>877.4</b>	<b>967.2</b>	<b>986.3</b>
<b>Manufacturing</b>	<b>371.7</b>	<b>380.1</b>	<b>395.6</b>	<b>426.3</b>
Food, Beverages and Tobacco	248.4	260.7	276.8	305.1
Textile, and leather industries	29.7	23.7	14.4	4.3
Wood and wood products	30.8	31.6	35.5	38.1
Paper and Paper products	12.8	13.6	16.5	19.6
Chemicals, Rubber and Plastic products	33.9	33.8	33.9	37.0
Non-metallic mineral products	7.0	7.8	8.8	10.9
Basic metal products	1.7	1.6	1.6	1.5
Fabricated metal products	7.5	7.3	8.2	9.8
<b>Electricity, Gas and Water</b>	<b>89.3</b>	<b>95.4</b>	<b>102.4</b>	<b>110.8</b>
<b>Construction</b>	<b>428.5</b>	<b>469.4</b>	<b>507.7</b>	<b>550.7</b>
<b>SECONDARY SECTOR</b>	<b>889.6</b>	<b>944.9</b>	<b>1,005.7</b>	<b>1,087.8</b>
<b>Wholesale and Retail trade</b>	<b>618.5</b>	<b>632.9</b>	<b>659.9</b>	<b>707.4</b>
<b>Restaurants, Bars and Hotels</b>	<b>106.8</b>	<b>92.5</b>	<b>101.3</b>	<b>109.9</b>
<b>Transport, Storage and Communications</b>	<b>344.2</b>	<b>370.4</b>	<b>425.5</b>	<b>480.4</b>
Rail Transport	5.9	4.5	5.1	4.2
Road Transport	116.2	131.7	140.0	153.1
Air Transport	72.2	55.2	65.8	74.2
Communications	149.9	178.9	214.6	248.9
Financial Intermediaries and Insurance	276.6	290.9	308.3	323.3
Real Estate and Business services	314.7	323.6	333.2	342.8
Community, Social and Personal Services	322.9	350.7	369.4	400.3
<b>Public Admin. &amp; Defence</b>	<b>125.0</b>	<b>125.6</b>	<b>121.7</b>	<b>134.7</b>
Education	141.4	163.0	182.2	195.9
Health	18.5	20.0	21.4	24.2
Recreation, Religious, Culture	21.3	25.1	26.4	27.1
Personal Services	16.5	17.1	17.7	18.3
<b>TERTIARY SECTOR</b>	<b>1,983.7</b>	<b>2,061.0</b>	<b>2,197.7</b>	<b>2,363.9</b>
Less: FISIM	(148.8)	(153.7)	(157.2)	(160.8)
<b>TOTAL GROSS VALUE ADDED</b>	<b>3,505.1</b>	<b>3,729.6</b>	<b>4,013.4</b>	<b>4,277.3</b>
Taxes less subsidies on Products	261.4	278.1	299.2	318.9
<b>TOTAL G.D.P. AT CONSTANT PRICES</b>	<b>3,766.5</b>	<b>4,007.7</b>	<b>4,312.6</b>	<b>4,596.2</b>

Source: Central Statistical Office

\*Preliminary

## ANNEX 4

**Table 43. GDP by Kind of Activity (Current Prices), 2008-2011**

Kind of Economic Activity	2008 (K' Billion)	2009 (K' Billion)	2010 (K' Billion)	2011* (K' Billion)
<b>Agriculture, Forestry and Fishing</b>	<b>10,863.8</b>	<b>13,461.4</b>	<b>15,642.3</b>	<b>18,072.4</b>
Agriculture	1,826.4	2,344.3	2,801.4	3,329.4
Forestry	8,531.6	10,528.8	12,265.5	14,151.6
Fishing	505.8	588.2	575.3	591.5
<b>Mining and Quarrying</b>	<b>1,998.9</b>	<b>1,682.1</b>	<b>2,837.8</b>	<b>3,346.3</b>
Metal Mining	1,989.8	1,669.3	2,828.1	3,333.4
Other Mining and Quarrying	9.2	12.9	9.6	12.8
<b>PRIMARY SECTOR</b>	<b>12,862.7</b>	<b>15,143.5</b>	<b>18,480.0</b>	<b>21,418.7</b>
<b>Manufacturing</b>	<b>5,149.6</b>	<b>6,016.9</b>	<b>6,779.0</b>	<b>7,769.1</b>
Food, Beverages and Tobacco	3,218.4	3,859.0	4,309.4	4,982.6
Textile, and Leather Industries	506.7	445.2	301.9	98.7
Wood and Wood Products	509.2	621.6	784.2	937.7
Paper and Paper products	337.3	426.4	580.1	768.2
Chemicals, rubber and plastic products	432.6	519.1	598.9	700.5
Non-metallic mineral products	70.8	95.1	122.7	162.8
Basic metal products	9.4	6.2	9.1	11.0
Fabricated metal products	65.2	44.2	72.9	107.7
Electricity, Gas and Water	1,512.4	1,779.8	2,201.8	2,910.4
<b>Construction</b>	<b>8,811.4</b>	<b>11,819.5</b>	<b>15,711.6</b>	<b>20,737.3</b>
<b>SECONDARY SECTOR</b>	<b>15,473.4</b>	<b>19,616.2</b>	<b>24,692.4</b>	<b>31,416.8</b>
<b>Wholesale and Retail trade</b>	<b>8,539.1</b>	<b>9,908.2</b>	<b>11,209.5</b>	<b>13,056.3</b>
<b>Restaurants, Bars and Hotels</b>	<b>1,610.8</b>	<b>1,545.2</b>	<b>1,829.5</b>	<b>2,141.2</b>
<b>Transport, Storage and Communications</b>	<b>2,248.9</b>	<b>2,355.2</b>	<b>3,076.5</b>	<b>3,553.0</b>
Rail Transport	79.0	66.2	105.9	96.6
Road Transport	891.8	1,052.6	1,242.6	1,467.9
Air Transport	573.4	453.6	611.0	737.8
Communications	704.8	782.7	1,117.0	1,250.6
Financial Intermediaries and Insurance	4,373.6	5,534.6	6,745.1	7,568.8
Real Estate and Business services	3,138.4	3,671.6	4,306.3	5,326.3
<b>Community, Social and Personal Services</b>	<b>5,465.5</b>	<b>6,649.0</b>	<b>8,148.8</b>	<b>9,695.3</b>
Public Administration and Defence	1,446.1	1,647.3	1,732.7	2,082.4
Education	3,092.8	3,890.8	4,694.2	5,542.0
Health	576.9	690.9	1,246.2	1,522.9
Recreation, Religious, Culture	114.7	147.4	167.1	188.6
Personal services	235.0	272.7	308.5	359.3
<b>TERTIARY SECTOR</b>	<b>25,376.4</b>	<b>29,663.9</b>	<b>35,315.7</b>	<b>41,340.9</b>
Less: FISIM	(2,513.4)	(2,922.4)	(3,876.3)	(4,349.6)
<b>TOTAL GROSS VALUE ADDED</b>	<b>51,199.1</b>	<b>61,501.2</b>	<b>74,611.8</b>	<b>89,826.7</b>
Taxes less subsidies on Products	3,640.4	3,114.3	3,067.6	3,527.5
<b>TOTAL G.D.P. AT MARKET PRICES</b>	<b>54,839.4</b>	<b>64,615.6</b>	<b>77,679.4</b>	<b>93,354.2</b>
<b>TOTAL G.D.P. AT MARKET PRICES (US\$ Million)</b>	<b>14,638.9</b>	<b>12,805.8</b>	<b>16,078.0</b>	<b>18,072.4</b>

Source: Central Statistical Office

\*Preliminary