



ZAMBIA: CAPITAL FLOWS AND MACROECONOMIC POLICY

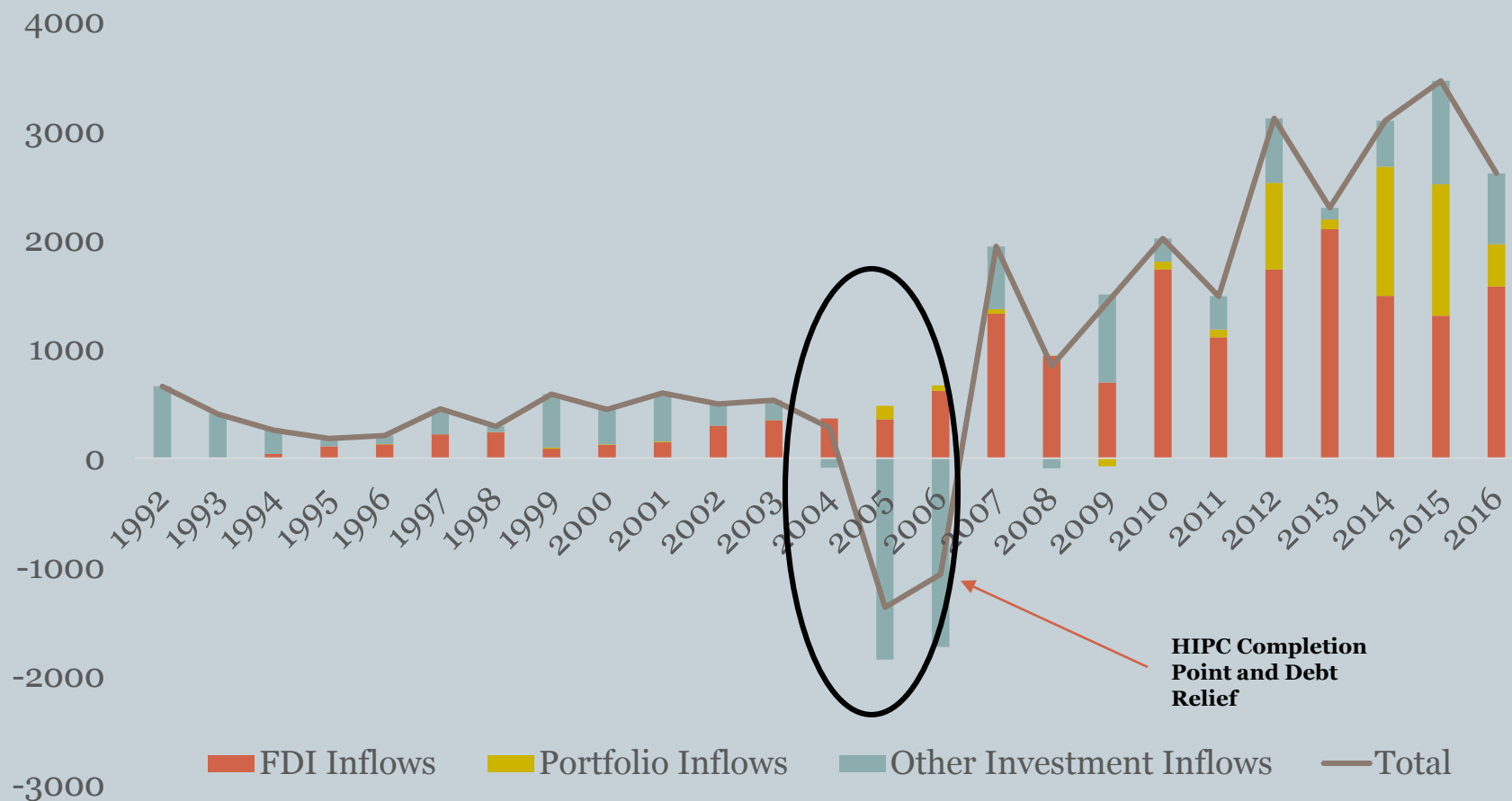


**PRESENTATION BY DENNY H. KALYALYA
GOVERNOR, BANK OF ZAMBIA
MANAGING CAPITAL FLOWS: CHALLENGES FOR
DEVELOPING ECONOMIES
LIVINGSTONE, ZAMBIA
MAY 5, 2017**

The Nature of Capital Flows in Zambia

...Strong increase in capital flows from 2004, largely driven by FDI and long term portfolio flows following HIPC Initiative and MDRI

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Source: Bank of Zambia

The Nature of Capital Flows in Zambia

FDI flows have been dominant, particularly in the mining and quarrying, manufacturing and wholesale and retail sectors

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FDI Inflows by Sector, 2010-2015

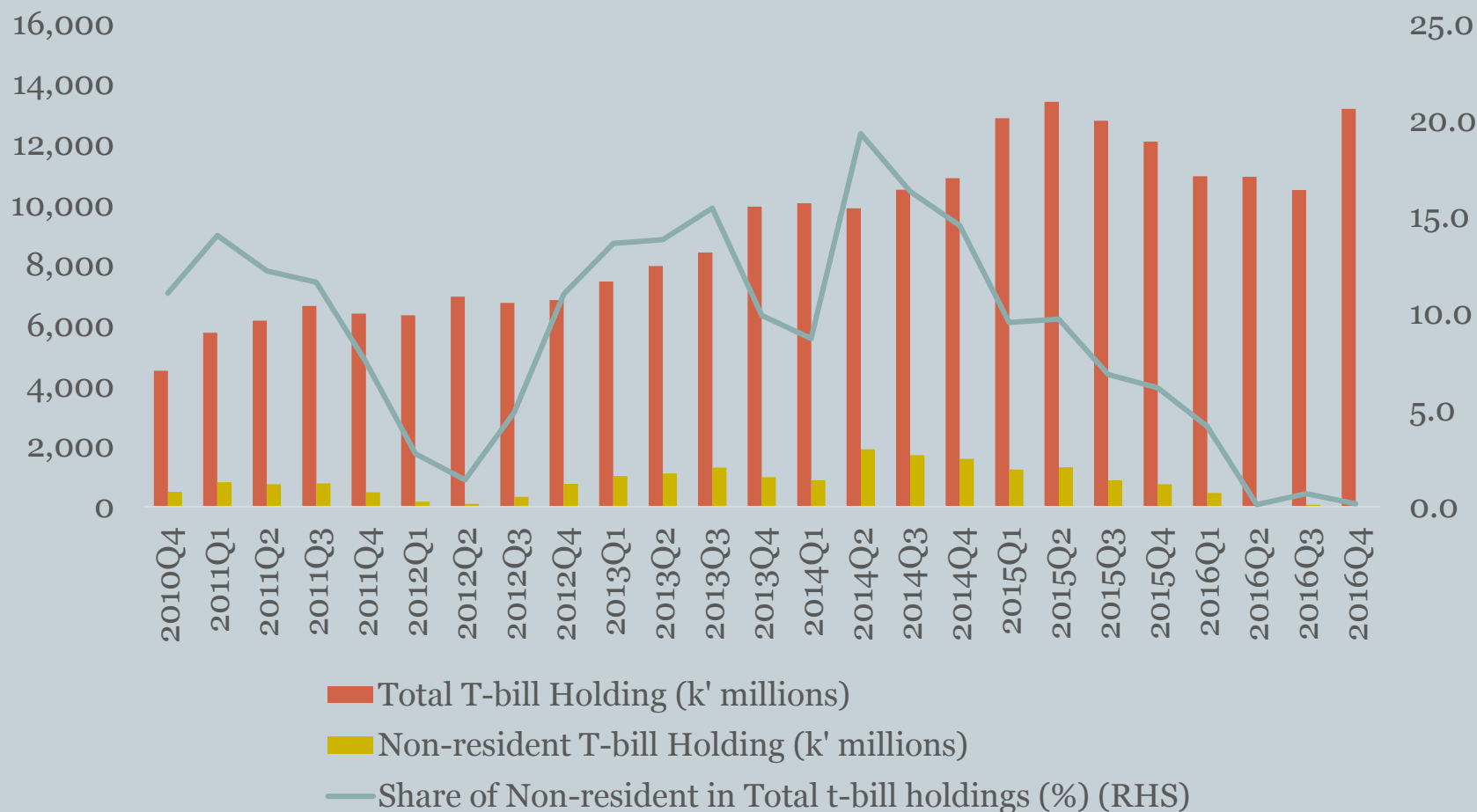


Source: Bank of Zambia

The Nature of Capital Flows in Zambia

Short term portfolio flows in Government securities have been volatile, with non-resident investors extinguishing their holdings in 2016 given perceptions of short term macroeconomic risks .

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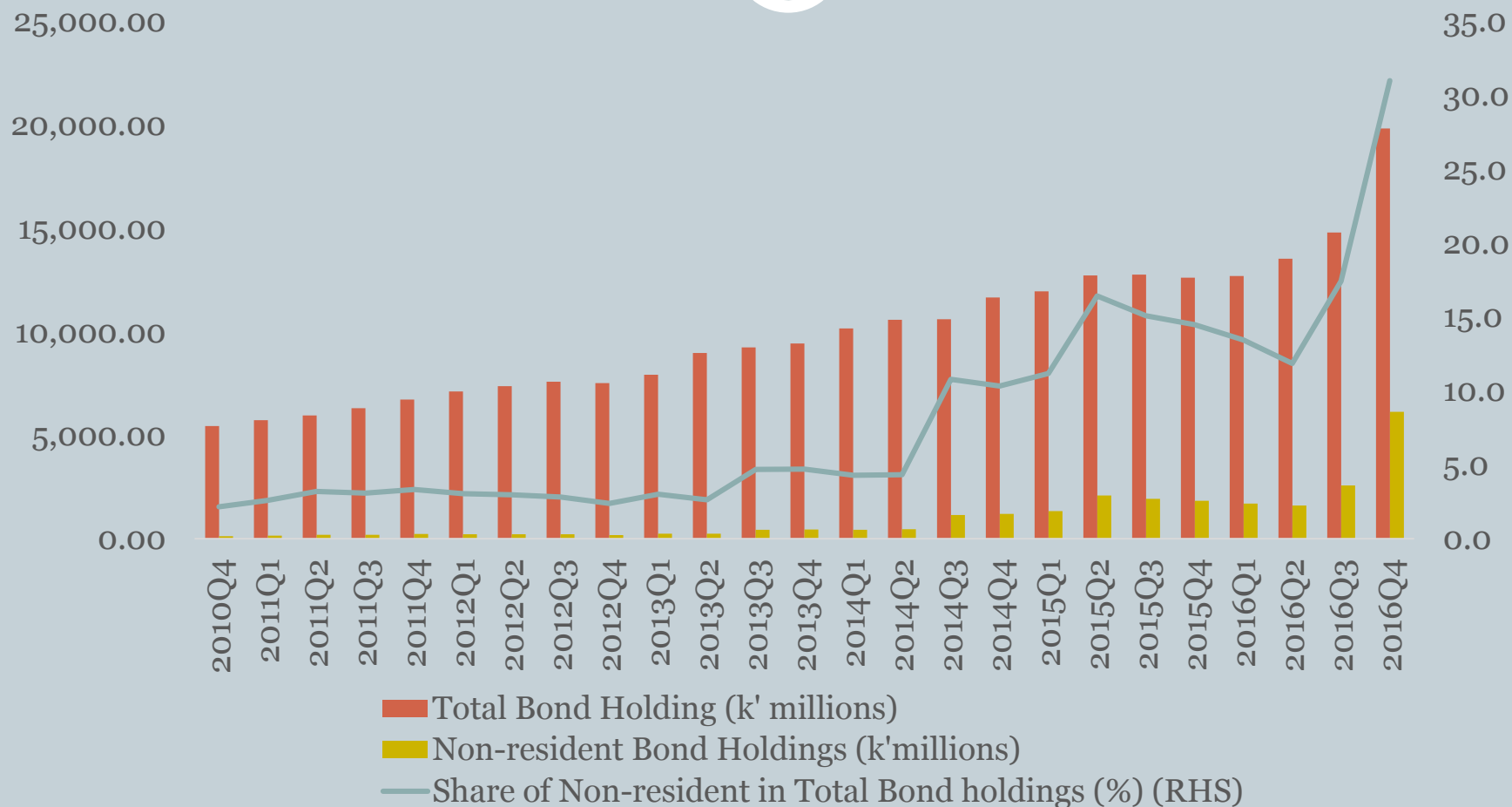


Source: Bank of Zambia

The Nature of Capital Flows in Zambia

Longer term portfolio flows in Government bonds have been less volatile, rising through 2016 and reflecting confidence in longer term economic prospects.

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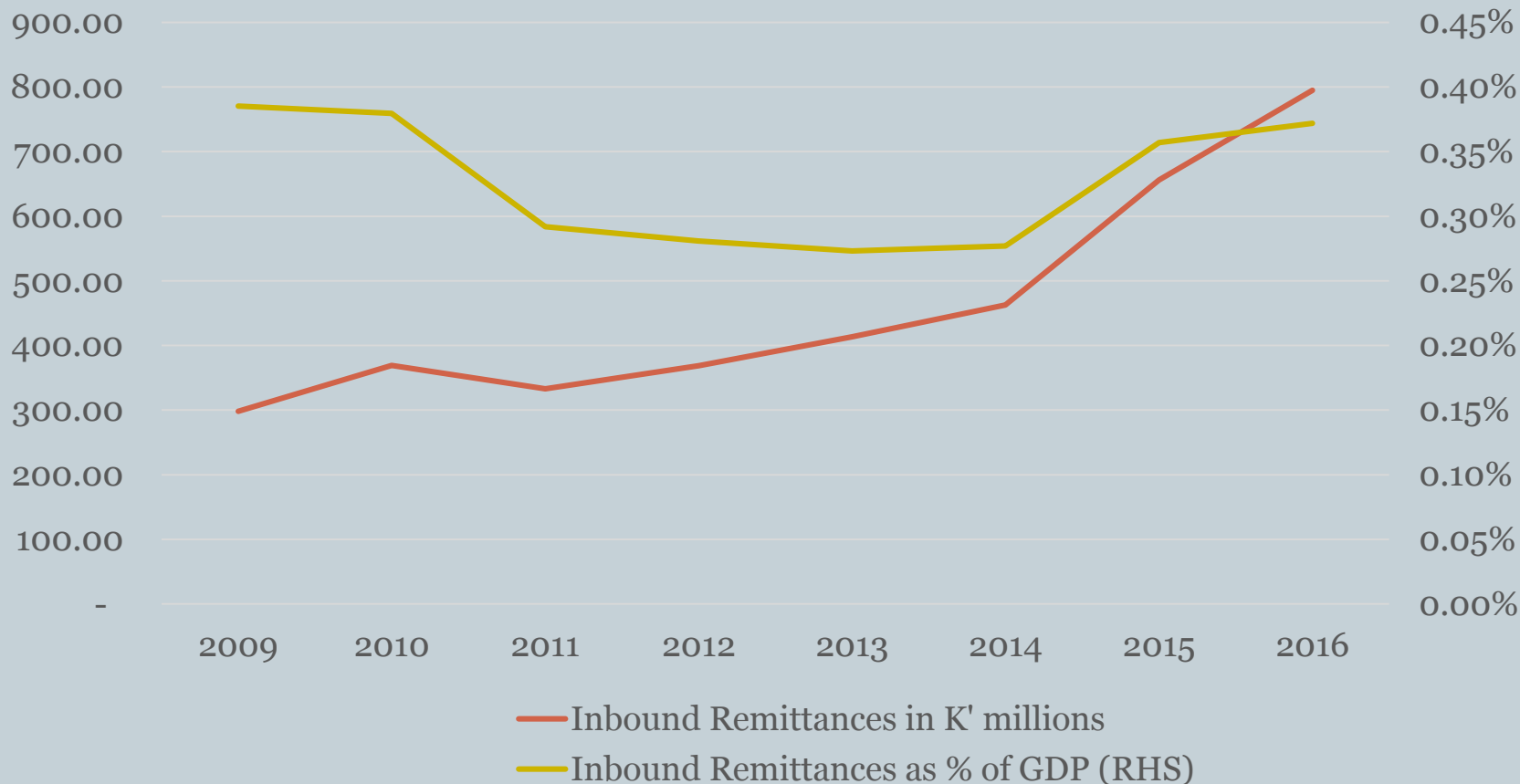


Source: Bank of Zambia

The Nature of Capital Flows in Zambia

Inward remittances rose between 2011 and 2016 but declined as a percent of GDP between 2009 and 2016. But they remain small (0.4% of GDP in 2016)

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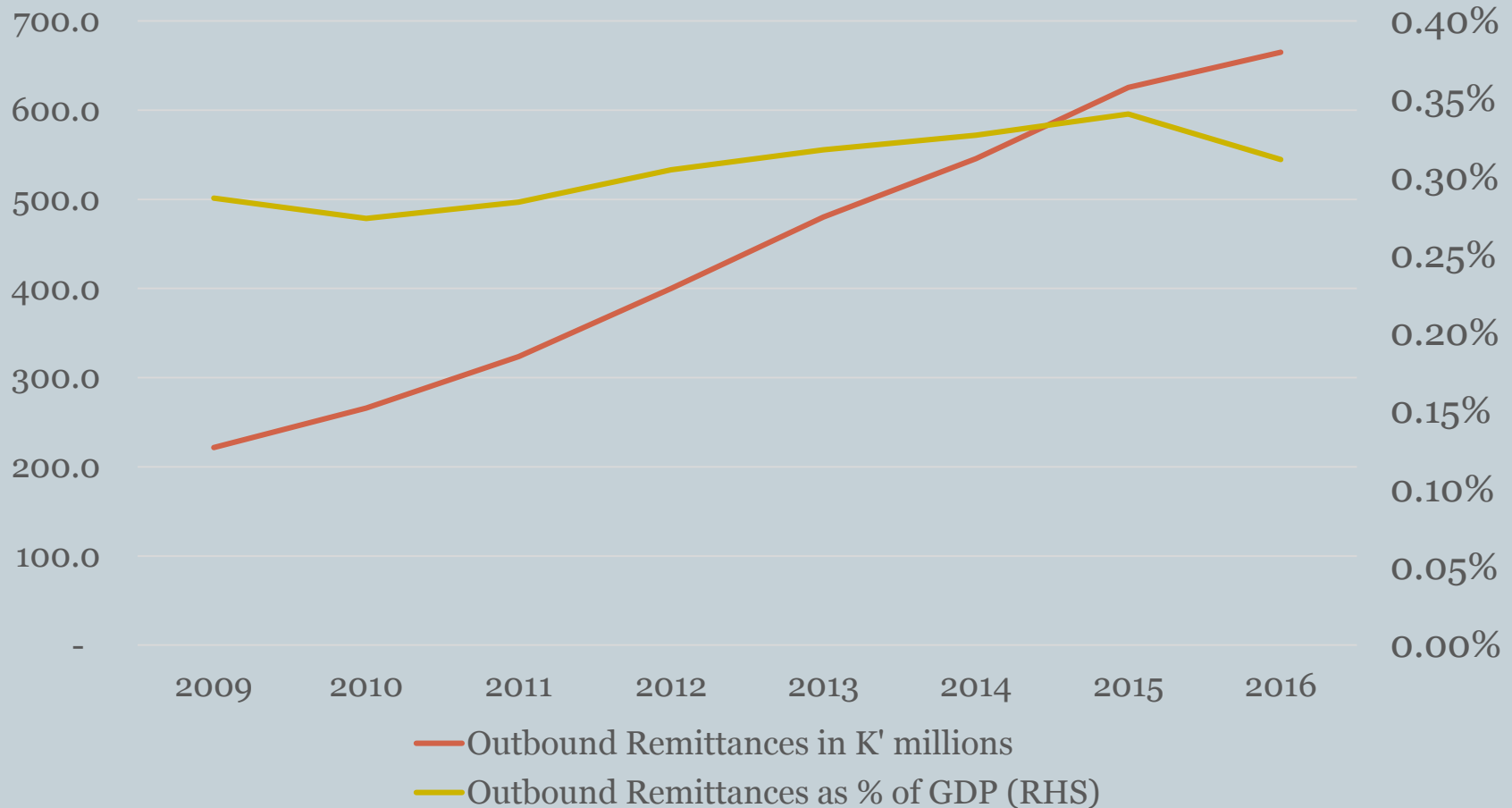


Source: Bank of Zambia

The Nature of Capital Flows in Zambia

Outward remittances have also risen between 2009 and 2016, but remain relatively flat as a percentage of GDP (0.3% of GDP in 2016)

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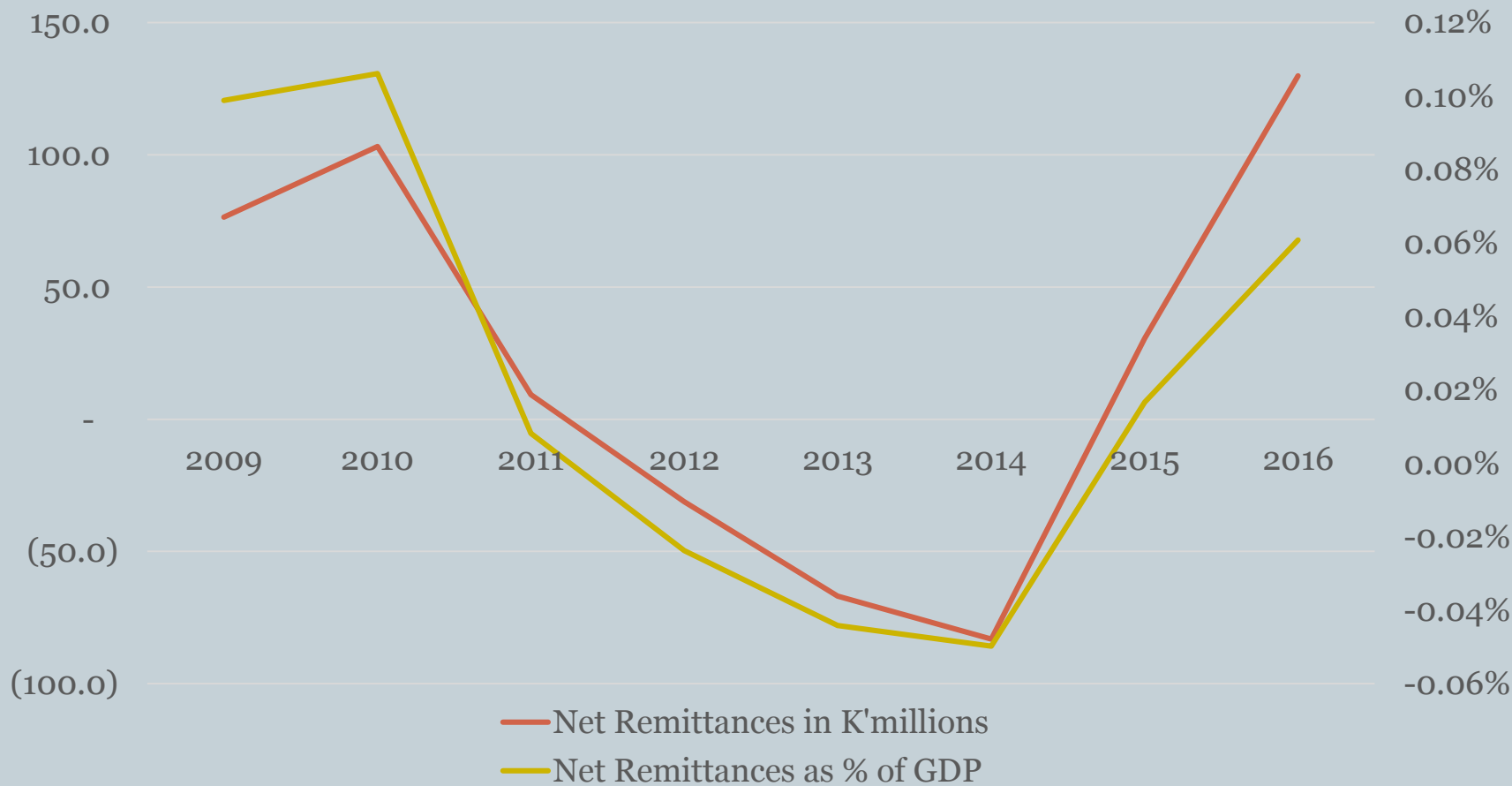


Source: Bank of Zambia

The Nature of Capital Flows in Zambia

Net remittances are small. They fell sharply between 2010 and 2014 (with net outflows from 2011 to 2014), before recovering thereafter.

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Source: Bank of Zambia

Recent Macroeconomic Developments

GDP growth has declined since 2010, falling below 4% after 2014

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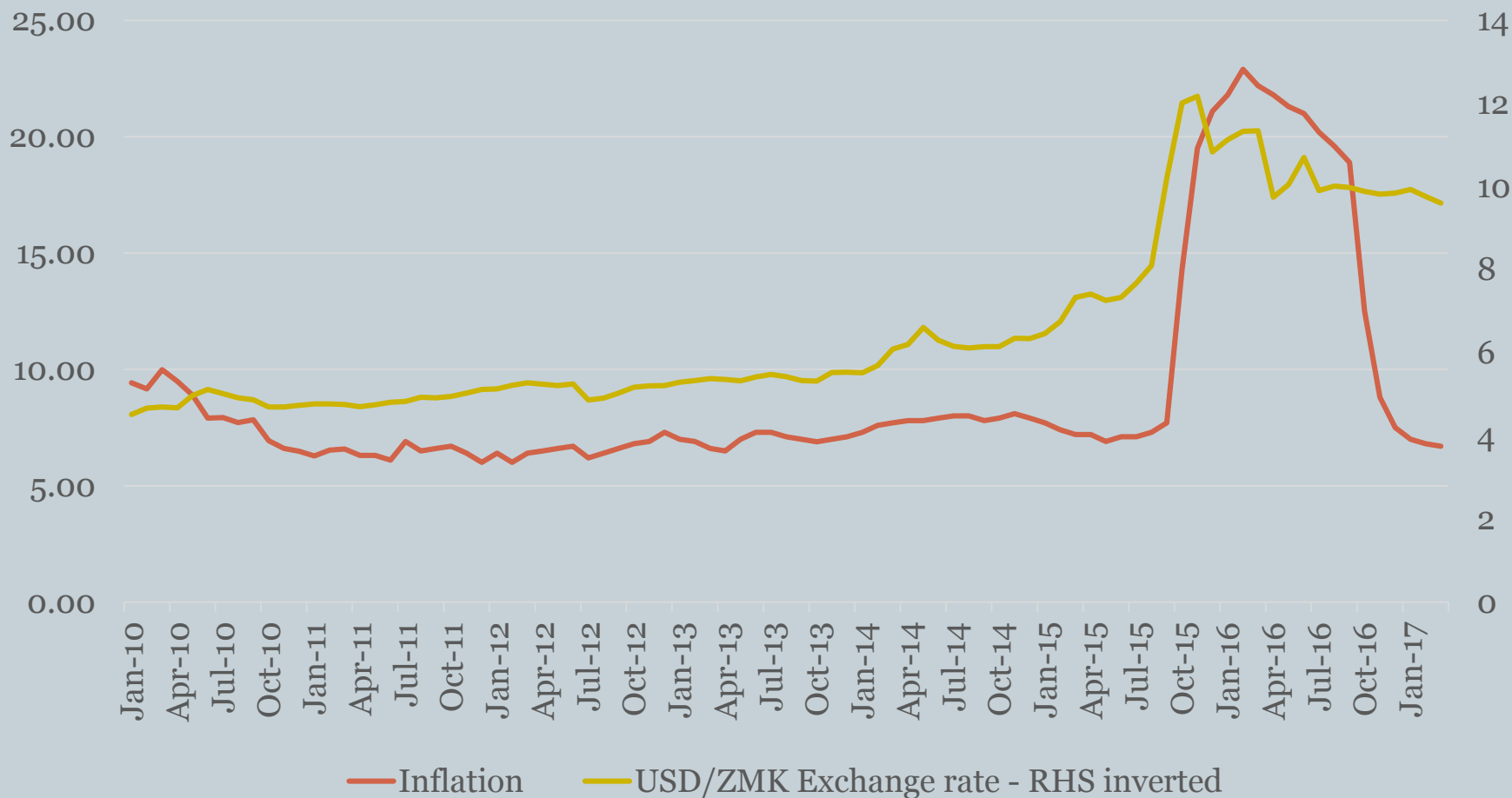


Source: Bank of Zambia

Recent Macroeconomic Developments

Inflation accelerate in 2015, but has returned to single digits following an aggressive tightening in monetary policy.

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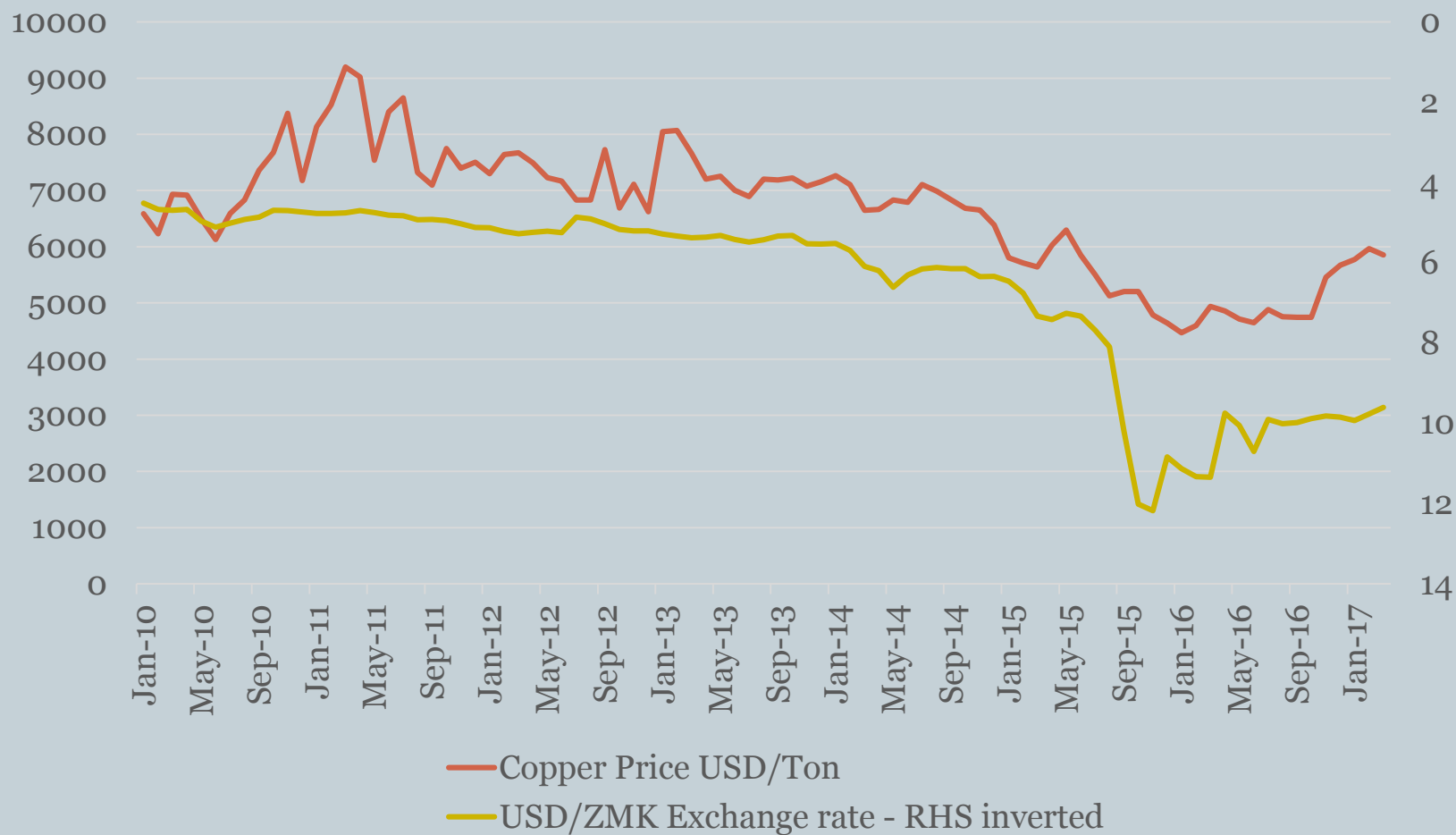


Source: Bank of Zambia

Recent Macroeconomic Developments

Copper prices and the mining sector in general continue to impact the exchange rate.

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Source: Bank of Zambia