

The Inclusiveness of Africa's Recent High-Growth Episode: How Zambia Compares

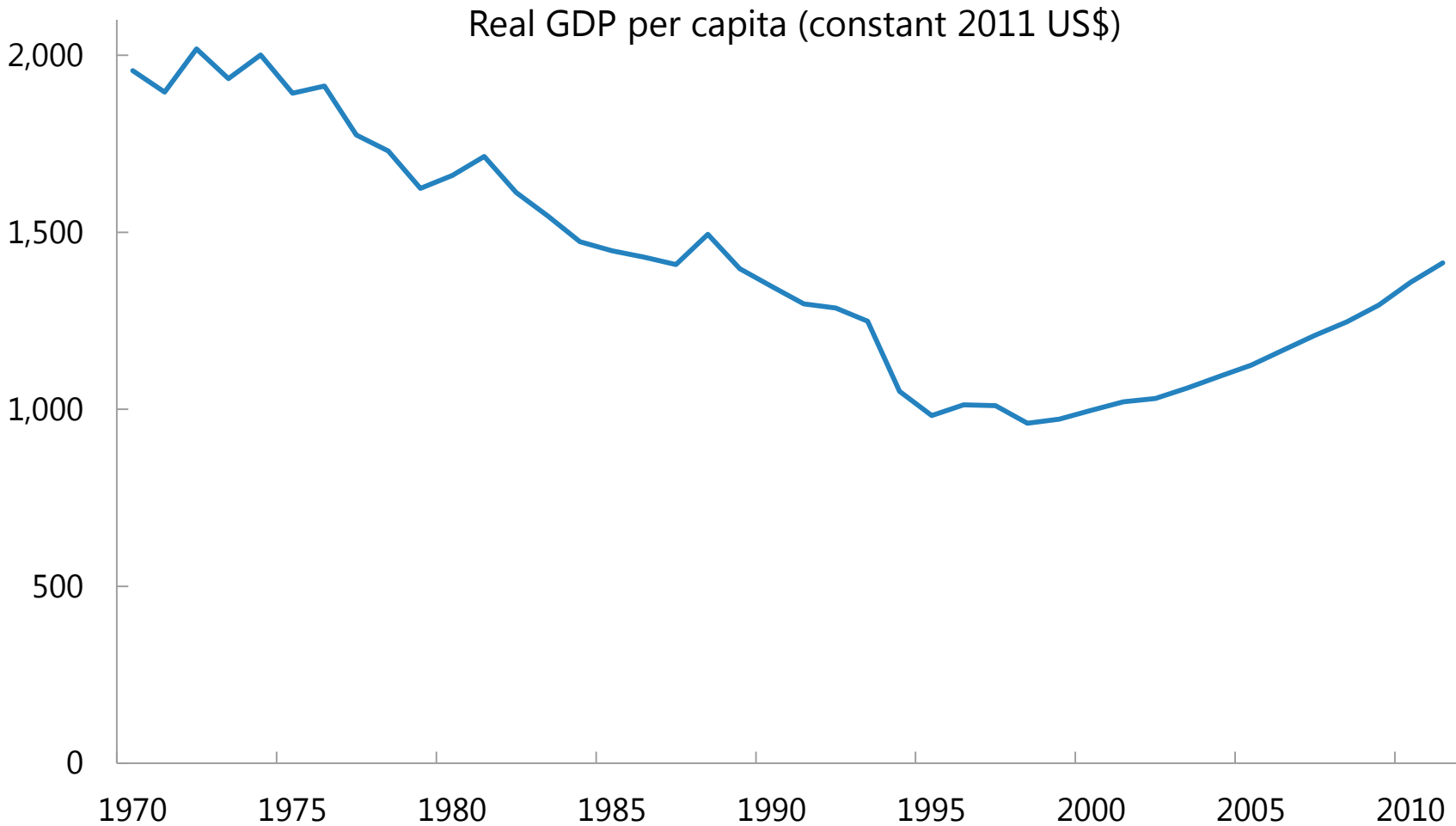
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International Monetary Fund

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Outline of Analysis

- Basic Facts
- Incidence of Growth
- Determinants of Household Consumption
- Evolution of Employment
- Asset Ownership and Access to Public Services
- Conclusions

Income is Growing Again After a Prolonged Decline



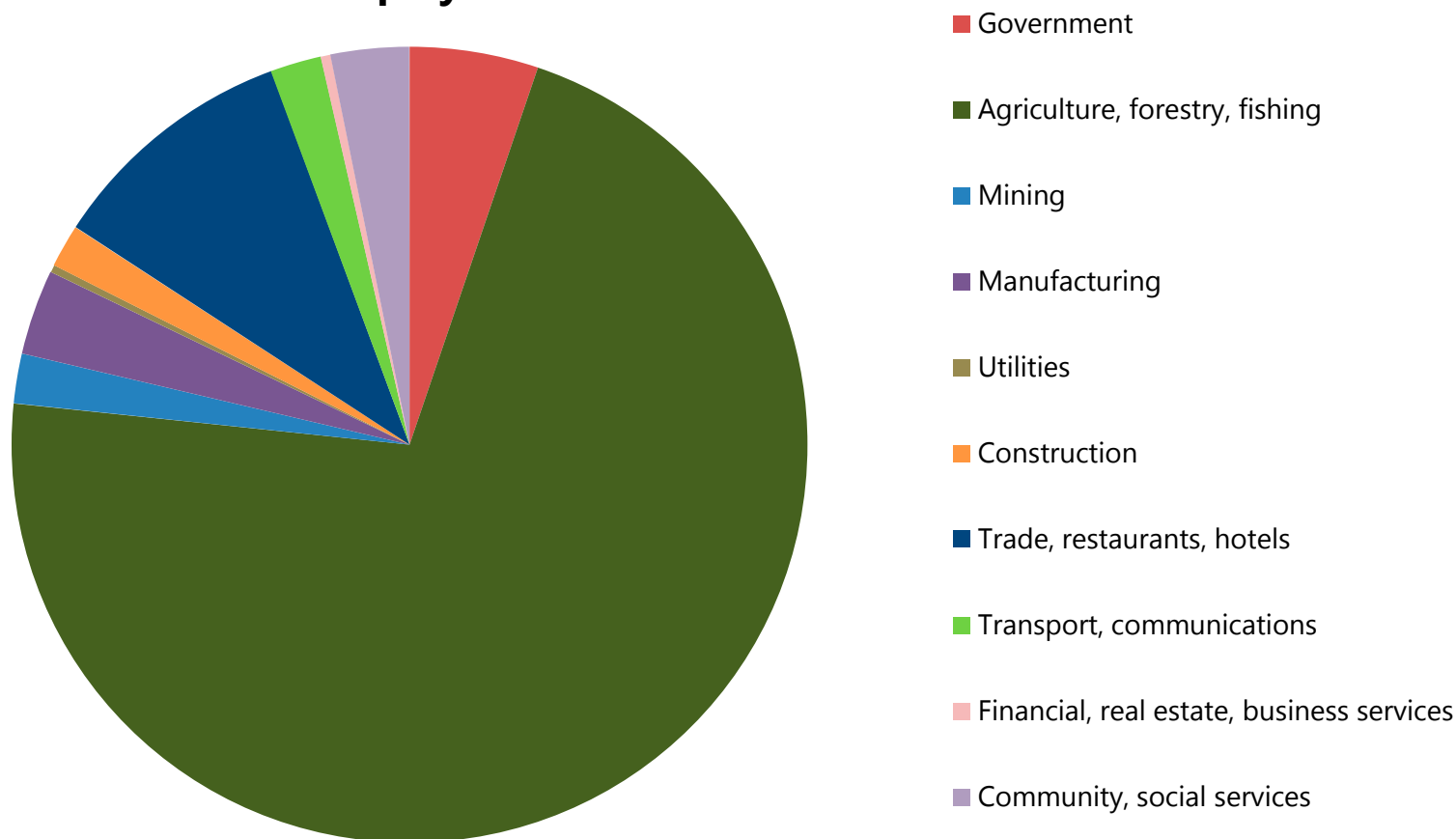
Source: IMF, World Economic Outlook.

Strong Growth but High Poverty Rates

	1998	2006	2009	2010
Incidence of poverty	72	63		61
Rural	83	80		78
Urban	49	30		28
Unemployment (% of labor force)		14.0		13.2
Rural		5.0		5.0
Urban		32.3		29.2
Growth:			2006-10	
GDP volume (average percent change)			6.4	
Excluding mining			6.1	
Agriculture, forestry, fishing			3.8	
GDP volume per capita			3.9	
Real GDP per capita (US\$, 2010 prices)	847	995	1031	1221

Agriculture the Dominant Source of Employment

Total employment

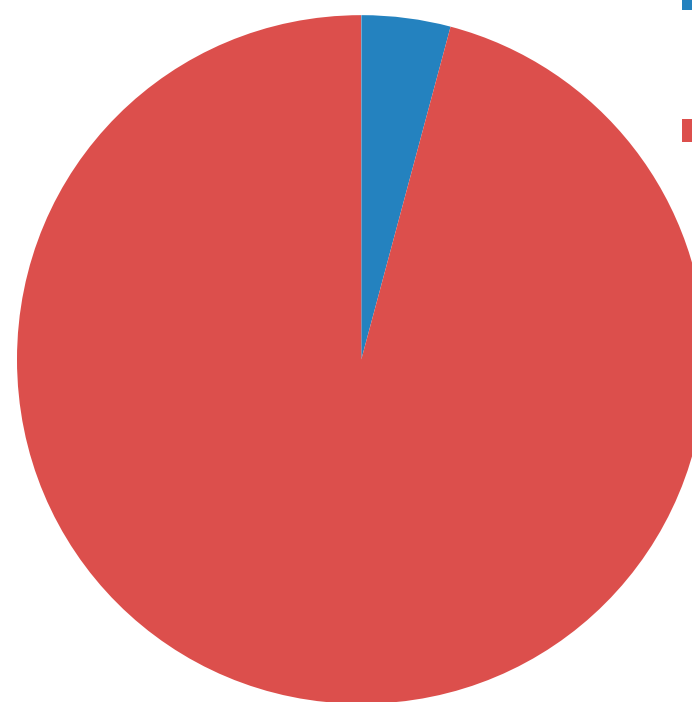
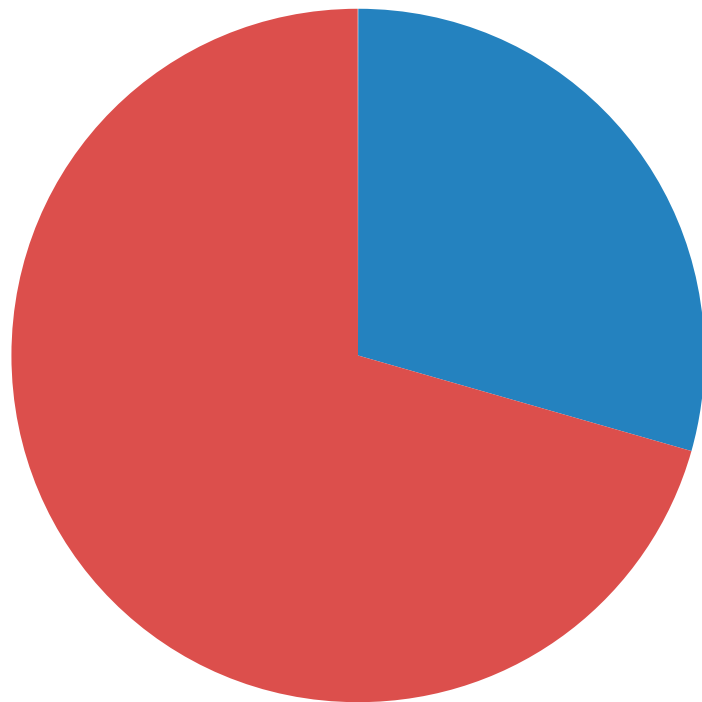


Source: Zambia Central Statistical Office.

Informal Employment Dominant

Urban

Rural



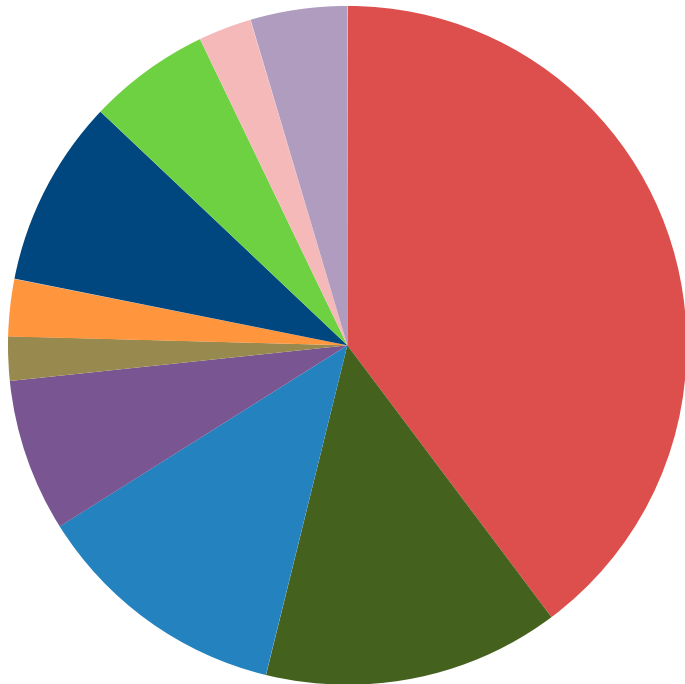
- Formal employment
- Informal employment

Source: Zambia Central Statistical Office. 2008 Labor Force Survey.

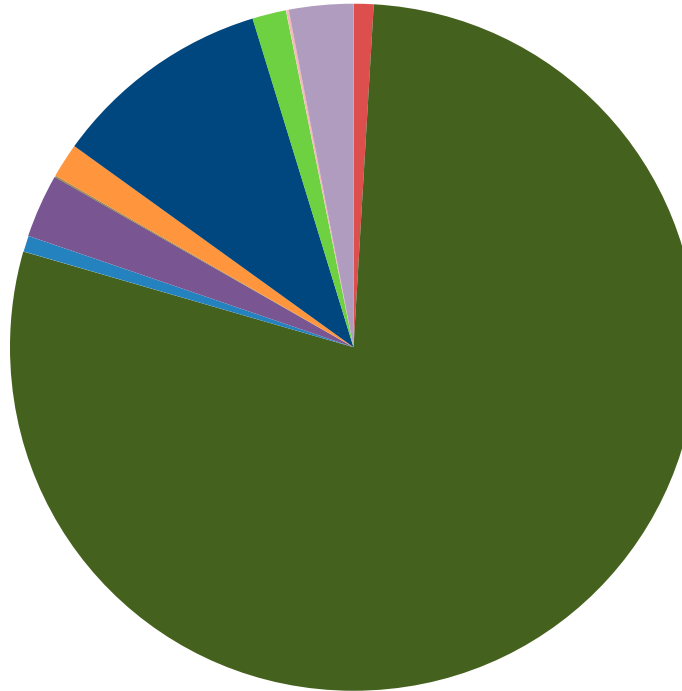
Formal Employment Concentrated in Government

Informal Employment Concentrated on Agriculture

Formal employment



Informal employment



- Government
- Agriculture, forestry, fishing
- Mining
- Manufacturing
- Utilities
- Construction
- Trade, restaurants, hotels
- Transport, communications
- Financial, real estate, business services
- Community, social services

Country Sample

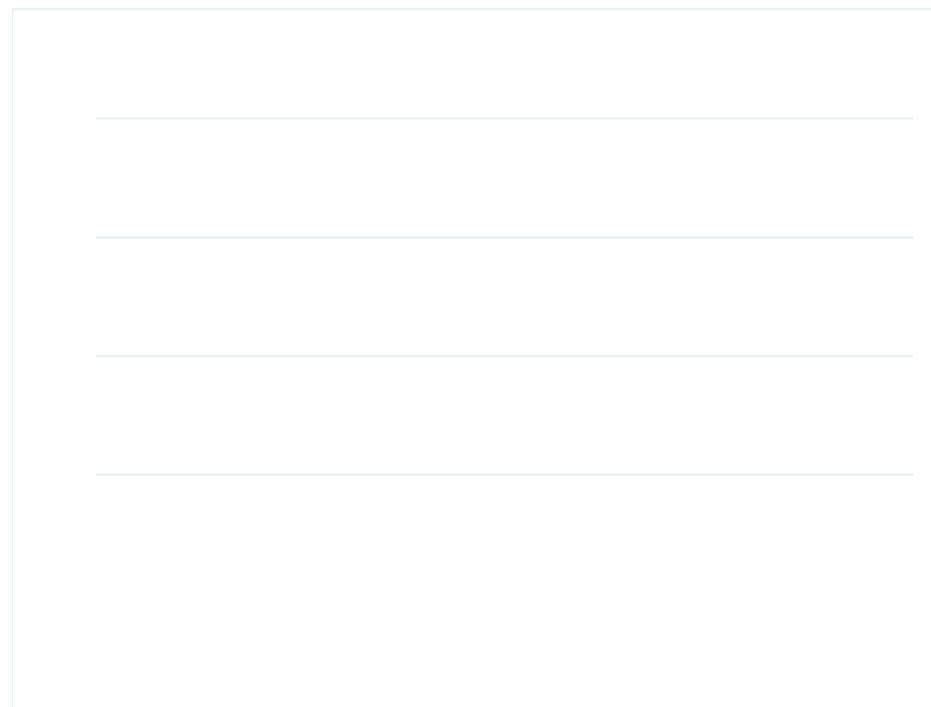
- Zambia surveys: 1998, 2004, 2006, and 2010
- Comparison sample:
 - Cameroon, 2001-2007
 - Ghana, 1998-2005
 - Mozambique, 2002/03-2008/09
 - Tanzania, 2001-2007
 - Uganda, 2002/03-2009/10

How is inclusive growth defined?

- Absolute measure: Did the poorest quartile experience positive real per capita consumption growth?
- Relative measure: Did consumption increase more rapidly among the lowest quartile than the highest quartile?

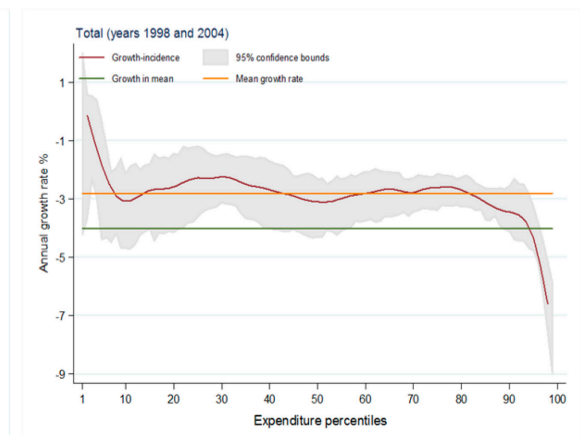
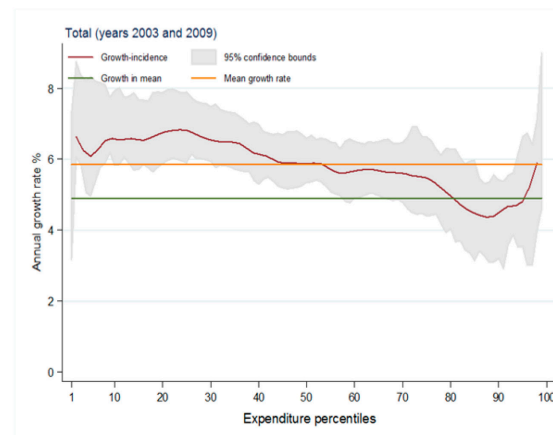
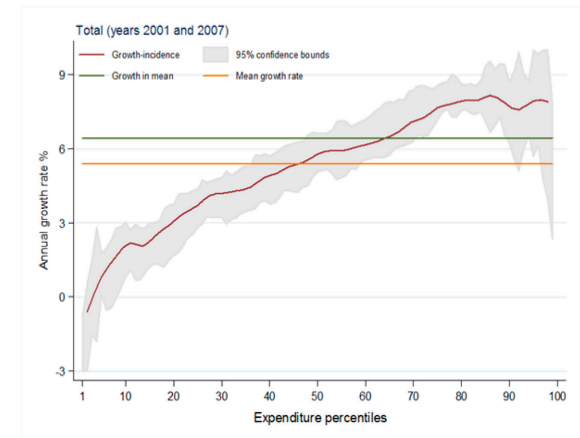
Growth Incidence Curves For Zambia

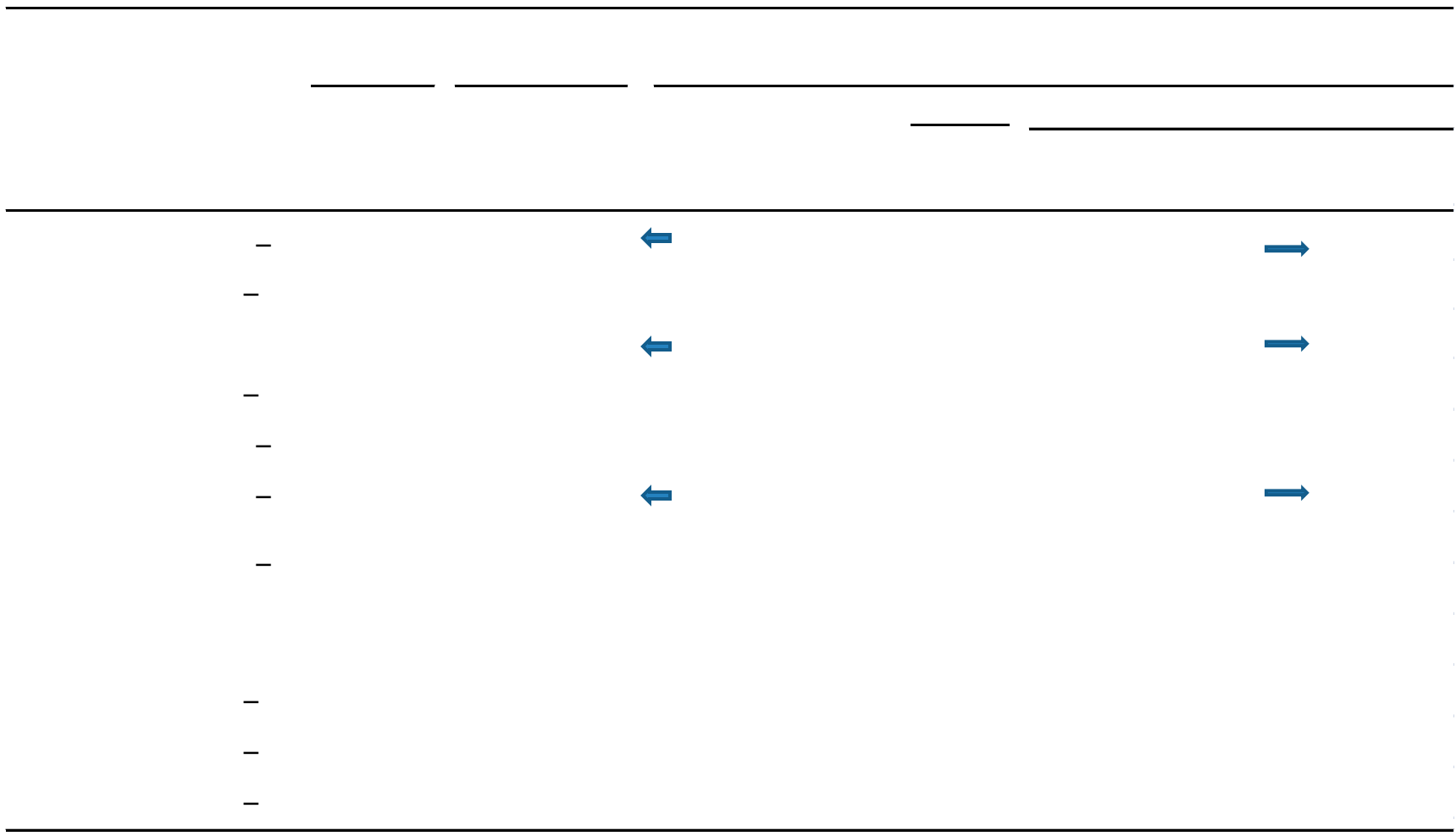
- ▶ In contrast to the earlier period, consumption growth per capita was strong across the board between 2006-10, but tilted toward the poorest segment



Growth Incidence Curves

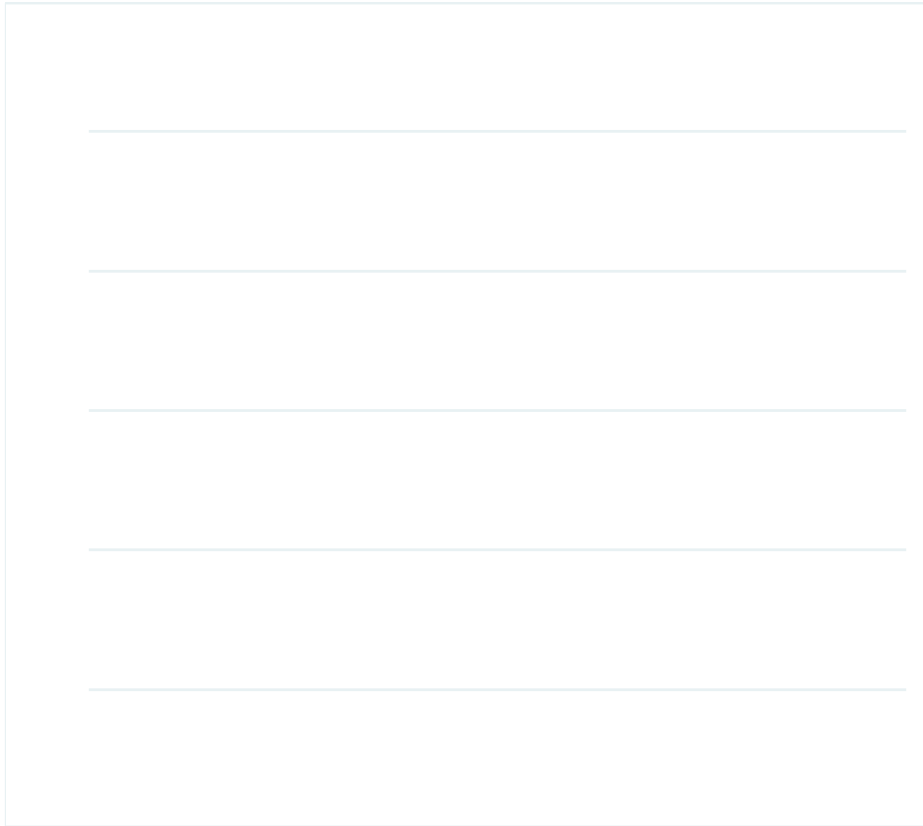
- ▶ Zambia's recent experience is similar to Cameroon and Uganda, with consumption tilted toward the poorest





Growth Incidence Curves For Zambia

- ▶ Consumption Growth very weak in rural areas but much stronger in urban areas; partly explaining the slight poverty improvement



Determinants of Household Consumption

- A few variables explain between 60 and 70 percent of household consumption
- Household size is the most important factor with each new member raising consumption but at a declining rate; age and education are also associated with higher consumption
- Large urban-rural differences have provided the incentive for a continued migration from rural to urban areas
- Government workers are the highest paid while agricultural workers earn the least, but their consumption is converging, especially in Zambia



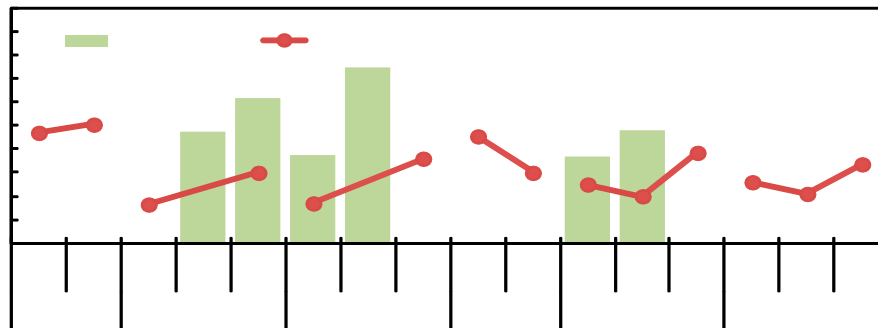
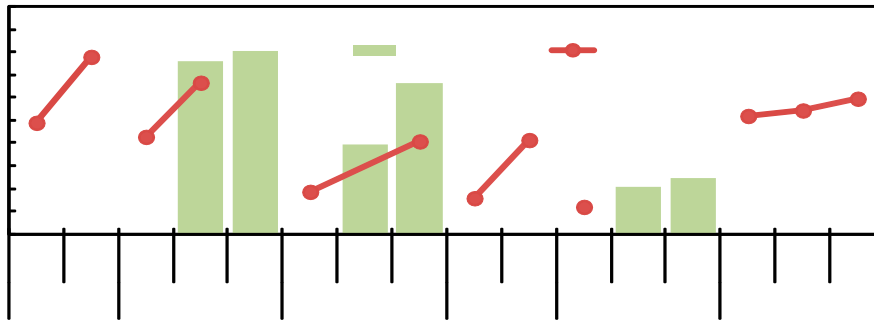
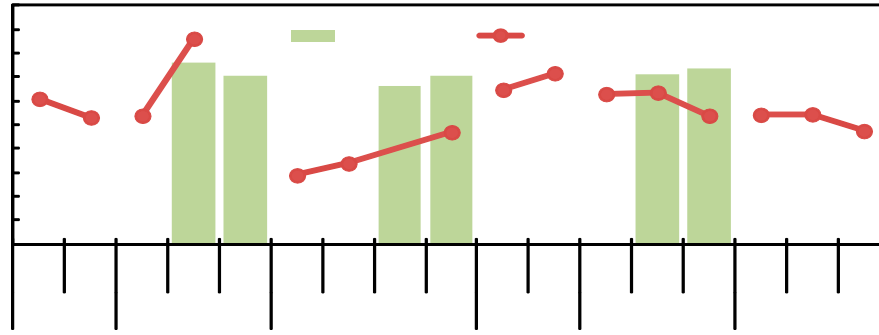
Evolution of Employment

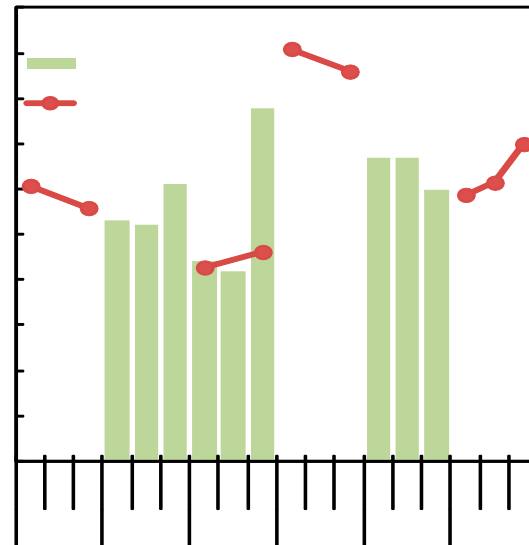
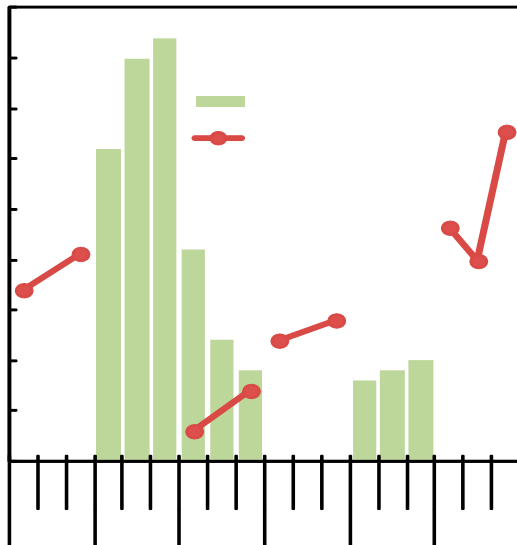
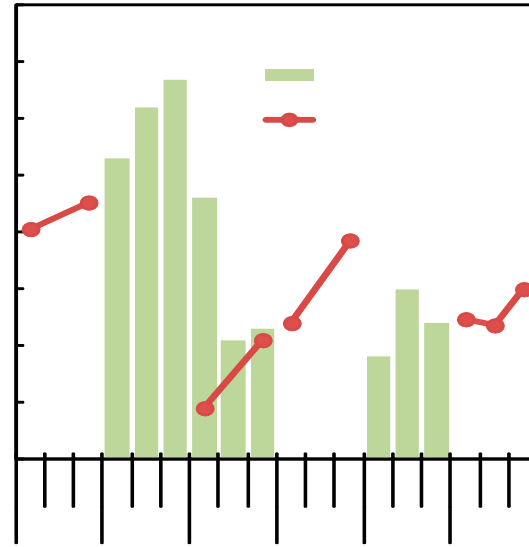
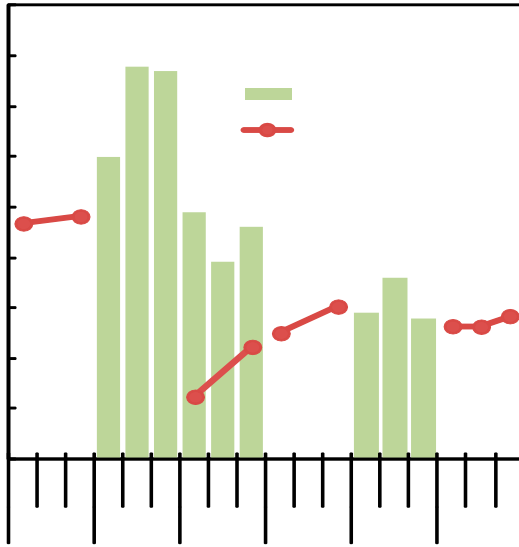
- Significant employment growth based on our definition of all income generating activities
- Agricultural employment growth was strong in a few countries, including Zambia, but did not translate into consumption gains in Zambia, possibly because of weak productivity growth
- Formal sector employment growth weak and lags far behind comparable LICs in Asia

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Asset Ownership and Access to Resources

- Ownership of consumer durables
 - Increased considerably over the past decade
 - Ghana and Cameroon have shown the fastest improvement
 - Supports welfare improvement based on consumption growth
- Zambia:
 - 1998-2004: no change
 - 2004-2010: Strong increase
- All countries have shown improvements in access to public resources
 - For Zambia, negligible improvements over the 1998-04 period
 - Access to services (especially piped water, proper sewage and access to a health clinic) has surged since then.

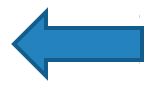




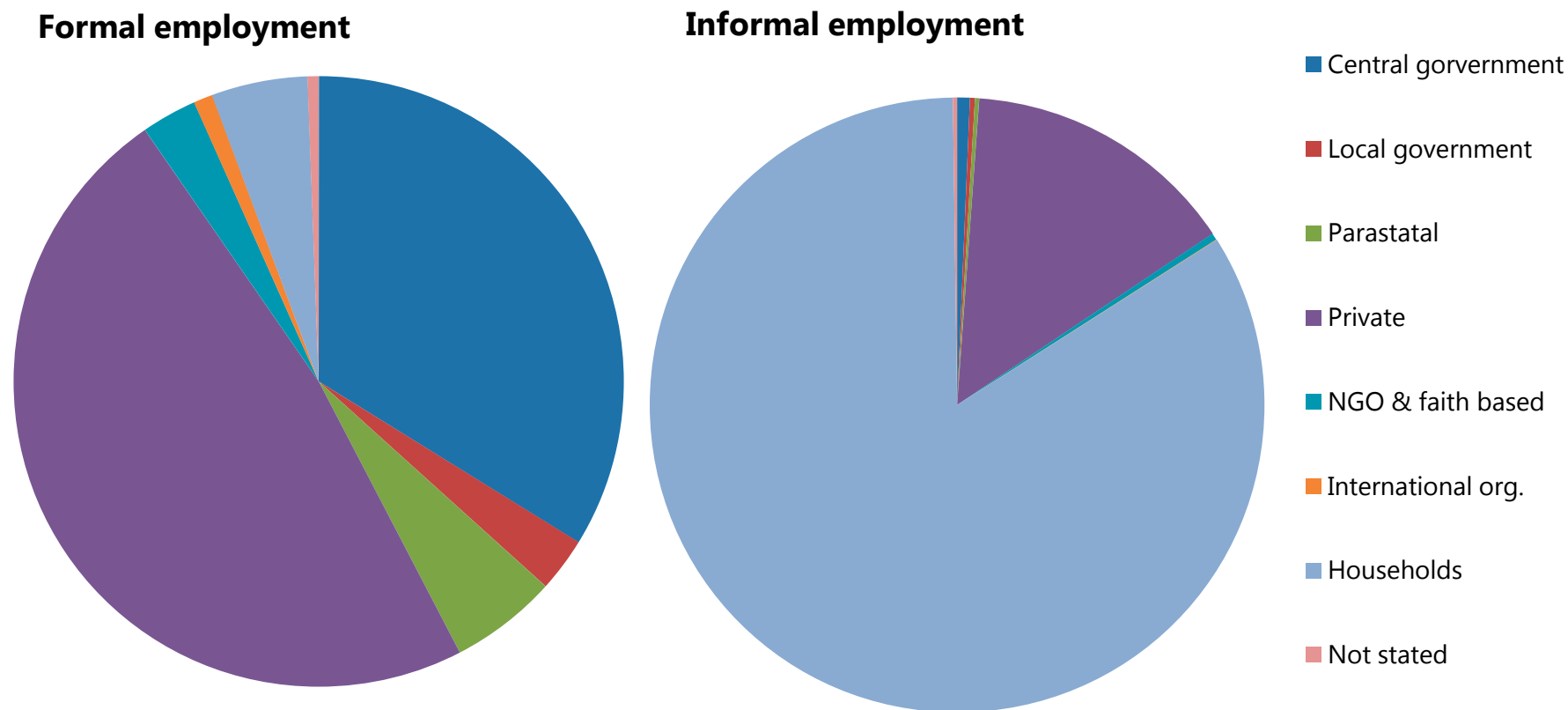
Conclusions

- **Zambia has made significant improvement since 2004** in terms of per capita consumption growth, employment growth and access to services
- **But has failed to make durable inroads into the very high poverty rate.**
- This **reflects poor economic performance in rural areas** with no change in real consumption growth per capita for the poorest half of the distribution
- Given strong linkages between agricultural growth and poverty reduction, **policies to improve agricultural output and productivity will accelerate poverty reduction.**

Thank You



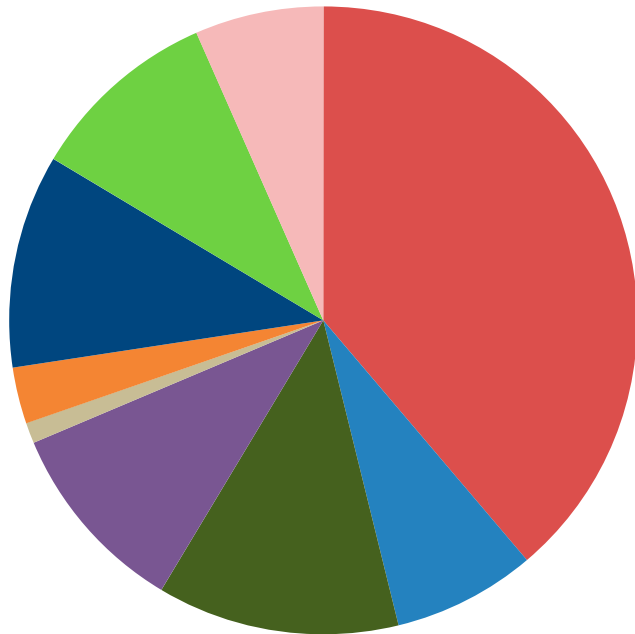
Government and parastatal large share of formal employment



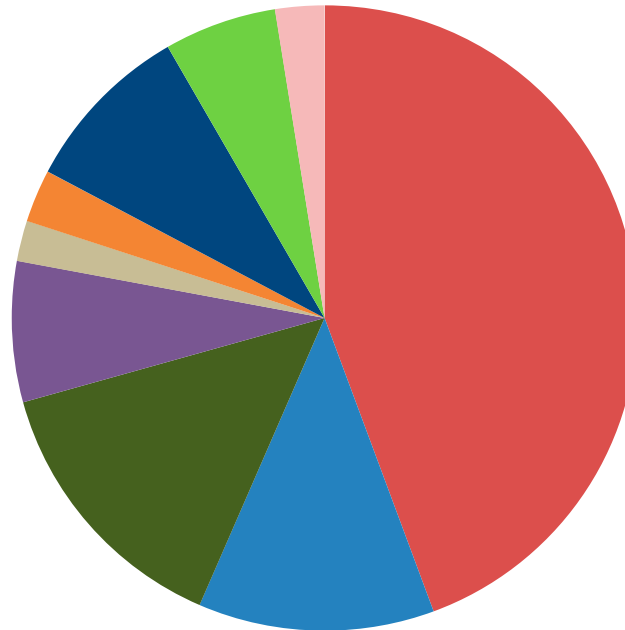
Source: Zambia Central Statistical Office. 2008 Labor Force Survey.

Mining and Government Increasing Share of Formal Employment

2000



2008

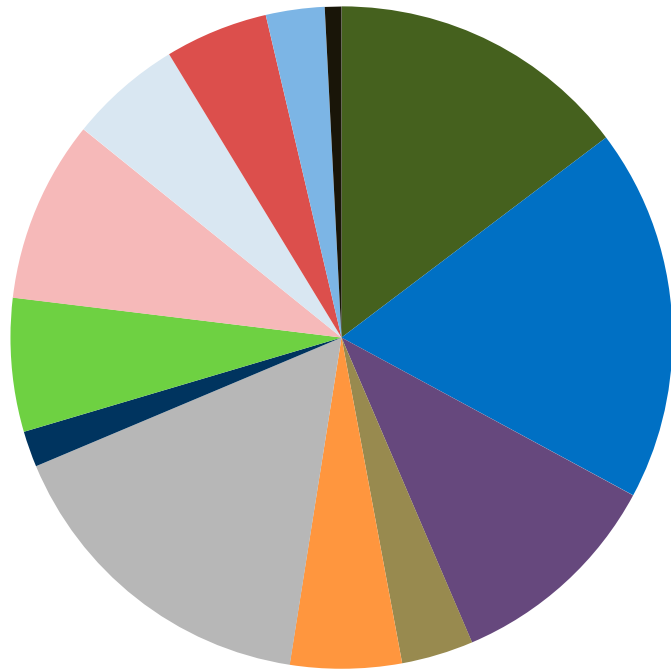


- Government and other community & social services
- Mining
- Agriculture, forestry, fishing
- Manufacturing
- Utilities
- Construction
- Trade, restaurants, hotels
- Transport, Communications
- Financial, real estate, business services

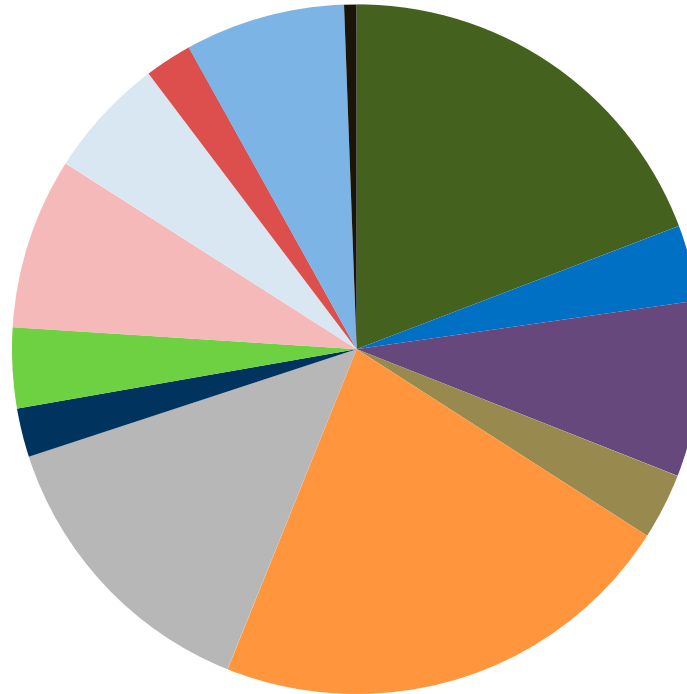
Sources: ILO and Zambia CSO (2008 Labor Force Survey).

Zambia: Distribution of GDP

1994



2011



- Agriculture, Forestry, Fishing
- Mining
- Manufacturing
- Utilities
- Construction
- Trade
- Restaurants, Hotels
- Transport, Communications
- Financial services
- Real estate, Business services
- Public Admin. & Defence
- Education, Health
- Other services