

Business in Zambia
FIELD AFRICA



Zambia Market Overview

Zambia is a landlocked southern African country of 10 million people, with good mineral resources, extensive arable land, and normally adequate rainfall. The country's GDP in 2003 was \$4.1 billion. A 1998 Zambian Central Statistics Office (CSO) survey indicated that 72.9% of Zambians live below the poverty line. Zambia's level of urbanization, 46%, is one of the highest in sub-Saharan Africa. While reliable unemployment data are not available, it is likely that well under half of the workforce has formal employment. Agriculture accounted for 14.9% of GDP in 2003 and over 80% of employment (formal and informal), while copper and cobalt exports accounted for 77% of export earnings.

Zambia began an economic reform program in 1991 and has made significant progress in liberalizing the domestic economy, opening to foreign trade, and privatizing state-owned enterprises. The vast majority of Zambia's 330 state-owned companies had been privatized by April 2000, including the copper mining conglomerate Zambia Consolidated Copper Mines (ZCCM). In 2003 the Government of Zambia cancelled plans to privatize some additional state-owned enterprises, including the national electricity utility, ZESCO.

Market Challenges

After years of high inflation and exchange rate instability, the Zambian government has recently made progress toward establishing a solid macroeconomic foundation. After 20 years of 20%-plus inflation rates, inflation fell to 17.5% in 2004, largely as a result of tighter control over government borrowing. The exchange rate between the Zambian kwacha and the dollar remained stable; the average exchange rate for 2003 was 4,733.8 Kwacha per US dollar, and for 2004 it fell slightly to 4,646.15 Kwacha per US dollar. The government's inflation target for 2005 is 15%. This is a realistic goal, but the government will need to sustain fiscal discipline in order to reach it.

Other challenges to doing business in Zambia include a small domestic market, sometimes complex permitting requirements without adequate transparency, and pervasive corruption. The government is seeking to address administrative barriers through its Private Sector Development Plan and has launched a wide-ranging campaign against corruption.

Market Opportunities

There is no discrimination against foreign investors, and no overt restrictions on repatriation of capital or profits, although the Government has announced that it is exploring mechanisms to partially restrict the repatriation of profits. A number of instances of government interference in the private sector, a weak court system, and inadequate law enforcement tarnish in practice Zambia's liberal investment framework.

Market Entry Strategy

There is a moderate presence of U.S. companies in the Zambian market. Bilateral trade, however, is limited by high transportation costs, the relatively small Zambian market, and low incomes. Zambia is a member of the World Trade Organization (WTO), the Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC).



Contact Details

If you would like to further discuss your research requirements, please contact our fieldwork director on:

- tel: (+27) (0)31 277 2050
- fax: (+27) (0)31 202 1982
- email: info@fieldafrica.com

