

## Denny H Kalyalya: Speech - 2022 Foreign Private Investment and Investor Perception Survey Dissemination workshop

Speech by Dr Denny H Kalyalya, Governor of the Bank of Zambia, at the 2022 Foreign Private Investment and Investor Perception Survey Dissemination workshop, Lusaka, 21 December 2022.

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- Permanent Secretaries;
- Your Excellencies, Ambassadors, High Commissioners and Representatives of Development Partners;
- The Chief Executive Officer, Zambia Development Agency;
- Deputy Governor – Administration, BoZ;
- The Interim Statistician General, Zambia Statistics Agency;
- Captains of Industry;
- Distinguished invited Guests;
- Members of the Media;
- Ladies and Gentlemen.

It is my honour to welcome you all to this year's dissemination workshop of the survey results of *Foreign Private Investment and Investor Perception in Zambia*. On its continued quest to improve on data collection and better accommodate the needs of the respondents, the Bank, as last year, administered the Survey electronically and made follow-ups through telephone calls. Going forward, it is our intention to enhance the electronic survey system by using an online (web) based system where data will be collected through a combination of Computer Aided Web Interviewing (CAWI) and Computer Assisted Personal Interviewing (CAPI) systems.

The 2021 Survey was, as in the previous years, conducted by the Balance of Payments Statistical Committee, comprising the Zambia Statistics Agency, Zambia Development Agency, Bank of Zambia, and other Member Institutions. The survey period covered 10 weeks to accommodate respondents who faced challenges due to the use of the new mode of data collection. The Balance of Payments Statistical Committee is greatly indebted to the respondents who participated in the Survey and truly appreciates your cooperation. I also wish to thank all our staff from the participating institutions for successfully conducting the 2022 Survey, especially that this was the first after the Covid-19 pandemic.

**Ladies and gentlemen**, this year's survey response rate was about 61.0 percent, an improvement from the 54.0 percent recorded in 2021. Nonetheless, it is still lower than the 80.0 percent consistently recorded before the advent of COVID-19. The lower response rate can be attributed to the transition to the newly adopted virtual way of collecting data as well as lingering COVID-19 effects on most enterprises.

**Esteemed invited guests**, I must mention that the data we collect is extremely important as it generates information that enables us to understand developments in the external sector that have implications on the formulation of sound monetary, fiscal, trade, and investment policies. Further, the various policy interventions aimed at

improving the ease of doing business in Zambia, specifically debt and reserves management, investment promotion, and overall economic planning rely on good quality data. Thankfully, the Survey enables us to collect some of this data. The Survey also makes it possible for Zambia to provide good quality economic data to fulfil her commitments to the international community, consistent with international standards.

The 2022 Survey summarises the magnitude, type, sources, and direction of the private sector foreign capital for the year 2021 and the first half of 2022, as well as investor perceptions on the investment climate in Zambia.

Let me now turn to the highlights of the survey findings, which is the subject of our discussion today.

**Distinguished ladies and gentlemen**, in 2021, global foreign direct investment (FDI) flows recovered strongly to pre-pandemic levels, rising by 64.0 percent to about US\$1.6 trillion. However, Africa accounted for a small proportion, US\$83.0 billion or 5.2 percent, of total global FDI flows in 2021. Stimulus packages in major economies, growth in international project finance, on account of loose financing conditions as well as mergers and acquisitions were the key drivers behind the rebound in FDI flows. Recent experience shows that FDI flows were affected by the adverse effects of the COVID-19 pandemic. It is also noted that adverse investor sentiments from the fall-out of the Russia-Ukraine conflict may weigh on FDI flows in the near-term.

**Ladies and gentlemen**, coming to Zambia, in 2021, the stock of private sector foreign liabilities increased by about 5 percent to US\$21.4 billion. This was due to significant valuation changes to the FDI stock, mostly held by enterprises in the mining sector. FDI continued to account for the largest share of the stock of private sector foreign liabilities at just over 80 percent.

**Esteemed invited guests**, in terms of flows, net foreign liability outflows increased to US\$345.8 million in 2021 from US\$45.4 million in 2020. This is attributed to loan repayments, mainly among enterprises in the mining sector as well as debt repayments to non-affiliated enterprises in the ICT and electricity sectors.

Turning to FDI, liability outflows amounted to US\$122.1 million in 2021. This is in sharp contrast to the net inflow of US\$245.2 million recorded in 2020. Higher debt repayments by the mining sector, more than offset the rise in retained earnings recorded in the mining, deposit-taking corporations, manufacturing as well as information and communication sectors. This accounted for net FDI liability outflows in 2021 and Canada remained the major source of FDI liabilities.

**Ladies and gentlemen**, the stock of private sector foreign liabilities, however, declined by 11.7 percent to US\$18.9 billion during the first half of 2022 due to losses in the mining sector.

**Distinguished Ladies and gentlemen**, another major finding from the Survey is that the stock of private sector foreign assets increased by about 17 percent to US\$4.0 billion in 2021, largely reflecting an increase in trade receivables. Asset flows hardly increased, to US\$721.7 million in 2021 from the US\$721.4 million in 2020, due to trade receivables to some companies in the mining sector from non-related parties and loan

repayments to entities in the sector from related parties. FDI asset flows fell by US\$254.3 million in 2021 from the net acquisition of US\$64.0 million registered in 2020, as a result of loan repayments by affiliates to entities in the mining sector. The United Kingdom dominated FDI asset withdrawals while Canada held most of the asset stock.

In closing, I wish to thank you all for attending this workshop and hope that you will use the occasion to explore the survey findings and recommend appropriate measures to contribute to the enhancement of the business environment.

It is now my singular honour and privilege to officially open the workshop and wish you all fruitful deliberations.

I thank you for your kind attention. Merry Christmas and a Prosperous 2023 to you and your loved ones.

God bless you.