

Denny H Kalyalya: Foreign private investment and investor perceptions in Zambia

Keynote speech by Dr Denny H Kalyalya, Governor of the Bank of Zambia, at the Foreign Private Investment and Investor Perception Survey Dissemination Workshop, Lusaka, 11 December 2024.

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Permanent Secretaries;

Your Excellencies, Ambassadors, High Commissioners and Representatives of Development Partners.

The Director General – Zambia Development Agency.

The Acting Statistician General – Zambia Statistics Agency;

Captains of Industry;

Distinguished Guests;

Members of the Media; and

Ladies and Gentlemen.

I am greatly honoured to welcome you all to the 2024 dissemination workshop of the survey results for the Foreign Private Investment and Investor Perceptions in Zambia.

This is the seventeenth phase of our survey and the fifteenth consecutive annual survey since 2010. Furthermore, this is the second hybrid survey, which combines an electronic web-based system of administering questionnaires with in-person visits to respondents. The hybrid format aims to enhance data collection processes and more effectively meet the needs of our respondents.

I am pleased to note that the hybrid format has produced positive results as reflected in the increase in the response rate to 80.3 percent from 60.0 percent last year. This is a commendable achievement and marks the highest response rate since 2019.

On behalf of the Balance of Payments Statistical Committee (BoPSC), I would like to express my sincere gratitude to the respondents for their continued participation in this survey and thank all our staff from the participating institutions for successfully conducting it.

Ladies and gentlemen, the data we collect is vital for understanding external sector developments, which influence monetary, fiscal, trade, and investment policies. This survey provides high-quality data essential for improving the business environment in Zambia, managing external debt and reserves, promoting investment, and effective economic planning. In addition, it enables us to meet our international commitments on data in line with global standards.

The 2024 survey results, which are being released today, summarise the scale, types, sources, and trends of private sector foreign capital flows for 2023 and the first half of 2024. In addition, the results provide insights into investor perceptions regarding the investment climate in Zambia.

Let me now highlight some of the key findings of the survey.

Ladies and gentlemen, private sector foreign liabilities rebounded in 2023, resulting in a net inflow of US\$658.1 million, a stark contrast to the US\$190.9 million net outflow in 2022. This improvement was mainly driven by a significant increase in foreign direct investment (FDI), which reached a net inflow of US\$641.1 million compared to a net outflow of US\$65.1 million the previous year. The rise in FDI was largely due to inter-company debt-particularly payables, trade credits, and advances-in sectors such as manufacturing, wholesale and retail trade, and mining. Furthermore, retained earnings from higher profitability in deposit-taking corporations, real estate, and mining sectors played a crucial role in this recovery.

The significant increase in FDI flows resulted in a 24.3 percent rise in the stock of foreign liabilities to US\$20.6 billion. The mining sector was the main contributor, while the deposit-taking corporations, wholesale and retail trade, manufacturing, and real estate sectors also saw substantial inflows.

Invited Guests, in the first half of 2024, FDI inflows reached US\$580.5 million, primarily driven by increased inter-company debt in the mining sector. This growth reflects improved investor confidence in the domestic economy. In the medium to long-term, the rise in FDI is expected to boost exports, strengthen foreign exchange reserves, and stabilize the exchange rate, positively affecting price stability.

Despite the increase in FDI flows, the stock of private sector foreign liabilities fell by 8.6 percent to US\$16.6 billion in the first half of 2024 compared to the same period in 2023, mainly due to higher loan repayments by mining and quarrying companies. FDI made up 77.0 percent of the total stock of private sector foreign liabilities.

Ladies and gentlemen, the survey reveals that private sector foreign assets grew by 5.9 percent to US\$2.7 billion in 2023, indicating increased investments by Zambian companies abroad. This rise was mainly due to high outstanding trade receivables. FDI flows rebounded to US\$153.0 million, particularly in the mining sector. Most of these assets are held in Switzerland.

Invited Guests, the survey results show that companies with foreign ownership are performing well, indicating positive changes in the business environment that suggest potential economic growth in the future. This positive trend comes even as the economy continues to face significant challenges, such as electricity load management, rising electricity tariffs, the depreciation of the Kwacha against the U.S. dollar, the effects of drought on electricity generation and food supply, elevated inflation, and a projected decrease in GDP growth for 2024.

Despite these challenges, we remain optimistic about the medium- to long-term inclusive economic growth led by the private sector. To enhance macroeconomic

stability, the Bank will continue to implement prudent monetary policies and explore liquidity management and foreign exchange reforms. We believe these measures, along with sound fiscal and investment policies, will support a stable environment for businesses to thrive.

In conclusion, I wish to thank you all for attending this workshop. I hope you will use this occasion to explore the survey findings and recommend appropriate measures to enhance the business environment.

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

Thank you all for your kind attention.

I wish you and your loved ones a Merry Christmas and a prosperous 2025.

God bless you.